GUARDIAN LIFE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2013

(Expressed in Jamaican dollars unless otherwise indicated)

Guardian Life Limited
Index
31 December 2013

Guardian Group
Guardian Life Limited

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 2013 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 fulfil 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 20, 2014
Name of Appointed Actuary	Signature of Appointed Actuary	Date

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Guardian Life Limited

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 2013 and the consolidated and company statements of income, 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 Jamaica 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.

Auditors' 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 AUDITORS' REPORT (CONTINUED)

To the Shareholders of Guardian Life Limited (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 2013, 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

16 April 2014

Guardian Life Limited

Consolidated Statement of Financial Position

As at 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
Assets				
Property and equipment	5	1,791,750	1,549,533	1,532,814
Investment properties	6	670,376	648,194	482,596
Intangible assets	7	28,430	28,159	38,813
Investment in associated company	9	-	-	165,248
Asset held for sale	9	160,976	127,338	-
Financial assets	10	41,396,071	39,674,126	35,355,140
Loans and receivables	11	2,338,172	1,644,948	1,257,992
Reinsurance assets	12	155,456	192,267	158,762
Taxation recoverable		1,988,091	1,773,659	1,905,283
Cash and cash equivalents	13	5,622,503	4,299,562	3,948,837
Total assets		54,151,825	49,937,786	44,845,485
Equity and liabilities				
Share capital	14	126,525	126,525	126,525
Stock option reserve	15	119,129	113,734	102,669
Reserves	16	1,304,076	1,146,616	1,341,615
Retained earnings		6,766,638	5,591,160	4,457,909
Equity attributable to owners of the parent		8,316,368	6,978,035	6,028,718
Liabilities				
Insurance contracts	17	21,986,381	20,670,933	18,195,773
Investment contracts	18	21,377,262	19,777,038	18,504,525
Other policy liabilities	19	1,047,537	1,025,571	994,631
Deferred tax liabilities	20	364,686	399,398	342,052
Provision for taxation		318,068	136,679	141,793
Other liabilities	21	741,523	950,132	637,993
Total liabilities		45,835,457	42,959,751	38,816,767
Total equity and liabilities		54,151,825	49,937,786	44,845,485

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

Approved for issue by the Board of Directors on 20 February 2014 and signed on its behalf by:

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

Guardian Life Limited

Consolidated Income Statement

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000
Insurance activities			
Insurance premium income	22(a)	8,868,724	8,882,611
Insurance premium ceded to reinsurers	22(b)	(288,415)	(279,601)
Net premium income		8,580,309	8,603,010
Reinsurance commission income		18,639	21,274
Net underwriting revenue		8,598,948	8,624,284
Policy acquisition expenses	23	(1,285,759)	(1,156,398)
Net insurance benefits and claims	24	(4,857,175)	(4,537,546)
Increase in reserves for future policy benefits	12,17	(1,303,995)	(2,420,322)
Underwriting expenses		(7,446,929)	(8,114,266)
Net result from insurance activities		1,152,019	510,018
Investing activities			
Net investment income	25	3,886,881	3,687,423
Net realized (losses)/gains on financial assets	26(a)	(586,329)	67,635
Net fair value losses on financial assets and investment properties	26(b)	(95,771)	(479,439)
Fee income	27	395,928	374,461
Other income	28	574,437	323,149
Investment contract benefits	18	(902,671)	(926,165)
Net income from investing activities		3,272,475	3,047,064
Net income from all activities		4,424,494	3,557,082
Operating expenses	29	(2,147,394)	(2,100,039)
Operating profit		2,277,100	1,457,043
Share of loss of associated company		-	(4,437)
Profit before taxation		2,277,100	1,452,606
Taxation	30	(258,272)	(225,623)
Profit attributable to equity holders of the parent		2,018,828	1,226,983

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

Guardian Life Limited

Consolidated Statement of Other Comprehensive Income

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
Profit for the year		2,018,828	1,226,983
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		42,962	21,955
Derecognition of losses on available-for-sale securities		-	34,418
Net other comprehensive income that may be reclassified subsequently to profit or loss		42,962	56,373
Items that will not be reclassified subsequently to profit or loss:			
Gains on property revaluation	5	211,830	18,215
Deferred tax charge on revaluation gains	30(c)	(31,842)	(2,732)
Net other comprehensive income that will not be reclassified subsequently to profit or loss		179,988	15,483
Other comprehensive income for the year, net of tax		222,950	71,856
Total comprehensive income for the year, net of tax		2,241,778	1,298,839
Total comprehensive income attributable to:			
- Equity holders of the parent		2,241,778	1,298,839

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

Guardian Life Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	The Group Attributable to Equity Holders of the Parent				
	Share Capital	Stock Option Reserve (Note 15)	Reserves (Note 16)	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	126,525	113,734	1,146,616	5,591,160	6,978,035
Profit for the year	-	-	-	2,018,828	2,018,828
Other comprehensive income	-	-	222,950	-	222,950
Total comprehensive income	-	-	222,950	2,018,828	2,241,778
Transfer (from)/to retained earnings	-	-	(65,490)	65,490	-
Share option scheme - value of services provided	-	5,395	-	-	5,395
Dividends (Note 31)	-	-	-	(908,840)	(908,840)
Balance at 31 December 2013	126,525	119,129	1,304,076	6,766,638	8,316,368

	The Group Attributable to Equity Holders of the Parent				
	Share Capital	Stock Option Reserve (Note 15)	Reserves (Note 16)	Restated Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	126,525	102,669	1,341,615	4,457,909	6,028,718
Profit for the year	-	-	-	1,226,983	1,226,983
Other comprehensive income	-	-	71,856	-	71,856
Total comprehensive income	-	-	71,856	1,226,983	1,298,839
Transfer (from)/to retained earnings	-	-	(266,855)	266,855	-
Share option scheme - value of services provided	-	11,065	-	-	11,065
Dividends (Note 31)	-	-	-	(360,587)	(360,587)
Balance at 31 December 2012	126,525	113,734	1,146,616	5,591,160	6,978,035

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

Guardian Life Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000
Cash flows from operating activities			
Profit before taxation		2,277,100	1,452,606
Investment income		(3,886,881)	(3,687,423)
Adjustment for non-cash items	32	278,561	326,669
Interest received		3,928,928	3,293,738
Dividends received		111,430	177,164
Operating profit before changes in operating assets/liabilities		2,709,138	1,562,754
Net increase in insurance contracts		1,315,448	2,475,160
Net decrease/(increase) in reinsurance assets		36,811	(33,505)
Net increase in investment contracts		1,600,224	1,272,513
Net increase in loans and receivables		(684,007)	(381,554)
Net (increase)/decrease in other operating assets/liabilities		(221,716)	369,370
Cash provided by operating activities		4,755,898	5,264,738
Net taxation paid		(322,295)	(29,387)
Net cash provided by operating activities		4,433,603	5,235,351
Cash flows from investing activities			
Purchase of financial assets		(2,640,899)	(7,176,382)
Proceeds from sale of financial assets		449,036	2,878,607
Purchase of investment properties		(100)	(96,588)
Purchase of property and equipment		(130,129)	(112,304)
Proceeds on sale of property and equipment		4,587	1,582
Purchase of intangible assets		(14,617)	(4,305)
Net cash used in investing activities		(2,332,122)	(4,509,390)
Cash flows from financing activity			
Dividends paid to equity holders of the parent		(908,840)	(360,587)
Net cash used in financing activity		(908,840)	(360,587)
Net increase in cash and cash equivalents		1,192,641	365,374
Effective of exchange rates changes on cash and cash equivalents		130,300	(14,649)
Cash and cash equivalents at beginning of year		4,299,562	3,948,837
Cash and cash equivalents at end of year	13	5,622,503	4,299,562

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

Guardian Life Limited

Statement of Financial Position

As at 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
Assets				
Property and equipment	5	1,791,750	1,549,533	1,532,814
Investment properties	6	670,376	648,194	482,596
Intangible assets	7	28,430	28,159	38,813
Investment in subsidiary	8	20	20	20
Investment in associated company	9	-	-	86,556
Asset held for sale	9	99,962	89,505	-
Financial assets	10	41,396,071	39,674,126	35,355,140
Loans and receivables	11	2,346,354	1,647,134	1,262,909
Reinsurance assets	12	155,456	192,267	158,762
Taxation recoverable		1,988,091	1,773,659	1,905,283
Cash and cash equivalents	13	5,614,500	4,293,029	3,940,681
Total assets		54,091,010	49,895,626	44,763,574
Equity and liabilities				
Share capital	14	126,525	126,525	126,525
Stock option reserve	15	119,129	113,734	102,669
Reserves	16	1,064,925	930,645	1,137,309
Retained earnings		6,944,957	5,769,296	4,624,950
Equity attributable to owners of the parent		8,255,536	6,940,200	5,991,453
Liabilities				
Insurance contracts	17	21,986,381	20,670,933	18,195,773
Investment contracts	18	21,377,262	19,777,038	18,504,525
Other policy liabilities	19	1,047,537	1,025,571	994,631
Deferred tax liabilities	20	364,686	399,398	342,052
Provision for taxation		318,068	136,679	141,793
Other liabilities	21	741,540	945,807	593,347
Total liabilities		45,835,474	42,955,426	38,772,121
Total equity and liabilities		54,091,010	49,895,626	44,763,574

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

Approved for issue by the Board of Directors on 20 February 2014 and signed on its behalf by:

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

Guardian Life Limited

Income Statement

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000
Insurance activities			
Insurance premium income	22(a)	8,868,724	8,882,611
Insurance premium ceded to reinsurers	22(b)	(288,415)	(279,601)
Net premium income		8,580,309	8,603,010
Reinsurance commission income		18,639	21,274
Net underwriting revenue		8,598,948	8,624,284
Policy acquisition expenses	23	(1,285,759)	(1,156,398)
Net insurance benefits and claims	24	(4,857,175)	(4,537,546)
Increase in reserves for future policy benefits	12,17	(1,303,995)	(2,420,322)
Underwriting expenses		(7,446,929)	(8,114,266)
Net result from insurance activities		1,152,019	510,018
Investing activities			
Net investment income	25	3,886,881	3,687,423
Net realized (losses)/gains on financial assets	26(a)	(586,329)	67,635
Net fair value losses on financial assets and investment properties	26(b)	(95,771)	(479,439)
Fee income	27	395,928	374,461
Other income	28	574,437	281,719
Investment contract benefits	18	(902,671)	(926,165)
Net income from investing activities		3,272,475	3,005,634
Net income from all activities		4,424,494	3,515,652
Operating expenses	29	(2,147,211)	(2,051,951)
Profit before taxation		2,277,283	1,463,701
Taxation	30	(258,272)	(225,623)
Profit attributable to equity holders of the parent		2,019,011	1,238,078

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

Guardian Life Limited

Statement of Other Comprehensive Income

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
Profit for the year		2,019,011	1,238,078
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		19,782	10,290
Derecognition of losses on available-for-sale securities		-	34,418
Net other comprehensive income that may be reclassified subsequently to profit or loss		19,782	44,708
Items that will not be reclassified subsequently to profit or loss:			
Gains on property revaluation	5	211,830	18,215
Deferred tax charge on revaluation gains	30(c)	(31,842)	(2,732)
Net other comprehensive income that will not be reclassified subsequently to profit or loss		179,988	15,483
Other comprehensive income for the year, net of tax		199,770	60,191
Total comprehensive income for the year, net of tax		2,218,781	1,298,269
Total comprehensive income attributable to:			
- Equity holders of the parent		2,218,781	1,298,269

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

Guardian Life Limited

Statement of Changes in Equity

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

The Company

Attributable to Equity Holders of the Parent

	Share Capital	Stock Option Reserve (Note 16)	Reserves (Note 17)	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	126,525	113,734	930,645	5,769,296	6,940,200
Profit for the year	-	-	-	2,019,011	2,019,011
Other comprehensive income	-	-	199,770	-	199,770
Total comprehensive income	-	-	199,770	2,019,011	2,218,781
Transfer (from)/to retained earnings	-	-	(65,490)	65,490	-
Share option scheme - value of services provided	-	5,395	-	-	5,395
Dividends (Note 31)	-	-	-	(908,840)	(908,840)
Balance at 31 December 2013	126,525	119,129	1,064,925	6,944,457	8,255,536

The Company

Attributable to Equity Holders of the Parent

	Share Capital	Stock Option Reserve (Note 16)	Reserves (Note 17)	Restated Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	126,525	102,669	1,137,309	4,624,950	5,991,453
Profit for the year	-	-	-	1,238,078	1,238,078
Other comprehensive income	-	-	60,191	-	60,191
Total comprehensive income	-	-	60,191	1,238,078	1,298,269
Transfer (from)/to retained earnings	-	-	(266,855)	266,855	-
Share option scheme - value of services provided	-	11,065	-	-	11,065
Dividends (Note 31)	-	-	-	(360,587)	(360,587)
Balance at 31 December 2012	126,525	113,734	930,645	5,769,296	6,940,200

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

Guardian Life Limited

Statement of Cash Flows

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2013 $'000	Restated 2012 $'000
Cash flows from operating activities			
Profit before taxation		2,277,283	1,463,701
Investment income		(3,886,881)	(3,687,423)
Adjustment for non-cash items	32	278,561	315,574
Interest received		3,928,928	3,293,738
Dividends received		111,430	177,164
Operating profit before changes in operating assets/liabilities		2,709,321	1,562,754
Net increase in insurance liabilities		1,315,448	2,475,160
Net increase in investment contracts		1,600,224	1,272,513
Net decrease/(increase) in reinsurance assets		36,811	(33,505)
Net increase in loans and receivables		(690,002)	(378,822)
Net (increase)/ decrease in other operating assets/liabilities		(217,374)	368,261
Cash provided by operating activities		4,754,428	5,266,361
Net taxation paid		(322,295)	(29,387)
Net cash provided by operating activities		4,432,133	5,236,974
Cash flows from investing activities			
Purchase of financial assets		(2,640,899)	(7,176,382)
Proceeds from sale of financial assets		449,036	2,878,607
Purchase of investment properties		(100)	(96,588)
Purchase of property and equipment		(130,129)	(112,304)
Proceeds on sale of property and equipment		4,587	1,582
Purchase of intangible assets		(14,617)	(4,305)
Net cash used in investing activities		(2,332,122)	(4,509,390)
Cash flows from financing activity			
Dividends paid to equity holders of the parent		(908,840)	(360,587)
Net cash used in financing activity		(908,840)	(360,587)
Net increase in cash and cash equivalents		1,191,171	366,997
Effect of exchange rate changes on cash and cash equivalents		130,300	(14,649)
Cash and cash equivalents at beginning of year		4,293,029	3,940,681
Cash and cash equivalents at end of year	13	5,614,500	4,293,029

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

Guardian Life Limited

Notes to the Financial Statements
31 December 2013
(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 operates a branch in Belize and services a small, closed Barbados portfolio.

The company is a wholly-owned subsidiary of Guardian Insurance Limited, which in turn is a wholly-owned subsidiary of Guardian Holdings Limited, 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 Activities**	**Percentage Ownership**	
		2013	**2012**
Guardian Life Properties Limited	Property Management	100	100
Associated Company (Asset Held for Sale)	**Principal Activity**	**Percentage Ownership**	
		2013	**2012**
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

(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, land and buildings 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 judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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 income 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 income statement.

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.

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 investments 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 income statement reflects the share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associated company is shown on the face of the income statement. This is profit attributable to the equity holders of the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring its accounting policies in line with the Group.

After application of the equity method, 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 income statement.

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.

2 Summary of Significant Accounting Policies (continued)

(b) Consolidation (continued)

(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 must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(c) New standards and amendments/revisions to published standards and interpretations effective in 2013

The following amendments to published standards are mandatory for the Group’s accounting periods beginning on or after 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping requirement for items presented in other comprehensive income. Items that will be reclassified ('recycled') to the statement of income in the future (e.g. exchange differences on translating foreign operations) will be presented separately from items that will not be reclassified (e.g. gain recognised on revaluation of land and buildings). The amendment only affects disclosures of the Group and as such did not have any impact on the Group's financial position or performance.

IAS 1 Presentation of Financial Statements - Clarification of requirements for comparative information (as part of the Annual Improvements to IFRSs 2009 - 2011 cycle)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

IFRS 7 Financial Instruments Disclosures: Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related arrangements (e.g. collateral agreements). The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments only affect disclosures of the Group and as such did not have any impact on the Group's financial position or performance.

2 Summary of Significant Accounting Policies (continued)

(c) New standards and amendments/revisions to published standards and interpretations effective in 2013 (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity) rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has all of the following:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect the amount of the investor’s returns.

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor.
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control).
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control.
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.
- Consolidation is required until such time as control ceases, even if control is temporary.

IFRS 10 did not have any impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity.
- Significant judgements used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture), if applicable.
- Summarised financial information for each individually material joint venture and associate.
- Nature of the risks associated with an entity’s interests in unconsolidated structured entities, and changes to those risks.

IFRS 12 only affect disclosures of the Group and as such did not have any impact on the Group's financial position or performance. These disclosures are provided in Note 9.

2 Summary of Significant Accounting Policies (continued)

(c) New standards and amendments/revisions to published standards and interpretations effective in 2013 (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer to liability in an orderly transaction between market participants at the measurement date" (i.e. an exit price). IFRS 13 provides clarification on a number of areas, including the following:

► Concepts of 'highest and best use' and 'valuation premise' are relevant only for non-financial assets.
► Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements.
► A description of how to measure fair value when a market becomes less active.

IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the notes to consolidated financial statements. Fair value hierarchy is provided in Note 10.

(d) New standards and amendments/revisions to published standards and interpretations effective in 2013 but not applicable to the Group

The following new and revised IFRSs that have been issued do not apply to the activities of the Group:

► IFRS 1 Government Loans - Amendments to IFRS 1
► IFRS 11 Joint Arrangements, IAS 28 Investments and Associates and Joint
► IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
► Annual Improvements to IFRSs 2009 - 2011 cycle
► IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 and borrowing costs
► IAS 16 Property Plant and Equipment - Classification of servicing equipment
► IAS 32 Financial Instruments, Presentation - Tax effect of distributions to holders of equity instruments
► IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

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

The company has not early adopted any new or revised IFRSs and IFRICs that have been issued but are not yet effective. The following have been issued but are either not relevant to or not likely to have a material impact on the company's operations:

► IFRS 9 Financial Instruments - Classification and Measurement - In July 2013 the IASB tentatively decided to defer the mandatory effective date of IFRS 9 (1 January 2015) until the issue date of the completed version of IFRS 9 is known.
► IFRS 10, IFRS 12 and IAS 27 Investment Entities - Amendments - Effective 1 January 2014
► IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 - Effective 1 January 2014
► IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 - Effective 1 January 2014

2 Summary of Significant Accounting Policies (continued)

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

- ► IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 - Effective 1 January 2014
- ► IFRIC 21 Levies - Effective 1 January 2014

(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. 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 income statement.

Foreign operations
Income statements of foreign operations and Group companies with functional currencies other than Jamaican dollars are translated into Jamaican dollars at average exchange rates for the year and 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 comprehensive income. When a foreign operation is sold, the cumulative translation differences are recognised in the income statement as part of the gain or loss on sale.

(g) Property and equipment

Land and buildings 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 the 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	14-25% 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.

2 Summary of Significant Accounting Policies (continued)

(g) Property and equipment (continued)

Repair and maintenance expenditure is charged to the income statement. 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 income statement. 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 income statement 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 is 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, held to maturity and available-for-sale. 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 income statement

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any other category. Included in this category are debt securities which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognised in other comprehensive income in the available-for-sale reserve (equity).

For a financial asset to be reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate.

2 Summary of Significant Accounting Policies (continued)

(k) Financial assets (continued)

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 income statement 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.

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 or available-for-sale. 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 value 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 when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- the Group has transferred its rights to receive cash flows from the asset and either:

  (i) has transferred substantially all the risk and rewards of the asset, or
  (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2 Summary of Significant Accounting Policies (continued)

(k) Financial assets (continued)

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.

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 income statement.

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 income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For available for sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available for sale investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

When there is evidence of impairment of available for sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

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2 Summary of Significant Accounting Policies (continued)

(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 by 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.

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.

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2 Summary of Significant Accounting Policies (continued)

(l) Fair value measurement (continued)

(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 recognised 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.

(n) Special investment reserve

The special investment reserve is a regulatory reserve established to manage the extent to which unrealized gains recognised in the income statement 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%

2 Summary of Significant Accounting Policies (continued)

(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.

(ii) Recognition and measurement

Insurance and investment contracts are classified into three 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.

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2 Summary of Significant Accounting Policies (continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

1) Short-term insurance contracts (continued)

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 income statement 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.

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 income statement.

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.

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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)

Unit-linked insurance contracts (continued)
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 income statement. The entire liability for the interest sensitive policies is recorded in policyholders' liability.

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 income statement 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.

2 Summary of Significant Accounting Policies (continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

4) Investment contracts (continued)

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 income statement.

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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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 income statement 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) Policyholders' benefits

Policyholders' benefits include maturities, surrenders, payment of living benefits and settlement of health, disability and death claims. Maturities and payment of living benefits are accounted for when due. Health, death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified. Death claims are recorded in the income statement net of reinsurance recoveries.

2 Summary of Significant Accounting Policies (continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

8) 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.

9) 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.

10) 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.

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

The Group gathers 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 eorganization; and
(iv) Deterioration of the rating of the reinsurer.

2 Summary of Significant Accounting Policies (continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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 income statement.

(p) Taxation

The Group provides for current tax expense according to the tax laws of each jurisdiction in which it operates. Taxation is accounted for under the taxes payable method whereby income taxes are provided on taxable profit rather than on accounting profit.

Taxation on Jamaican life assurance business is charged on investment income less expenses allowable in earning that income, at the rate of 15%, and on taxable premium income at 3%. Tax for the Belize branch operations is calculated at a rate of 1.75% of all receipts whether received in Belize or elsewhere and for the Barbados branch is calculated at a rate of 5% of gross investment income. Taxation on other operations within the Group is at the rate of 25% based on profit adjusted for taxation purposes.

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 income statement 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.

2 Summary of Significant Accounting Policies (continued)

(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 recognised as follows:

Premium income
Premiums, including those in respect of single premium life contracts, are recognised as earned when due and are stated net of reinsurance premiums in the income statement.

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
Rental income is recognised in the income statement on an accruals basis.

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 income statement at the time of recovery.

(t) Employee benefits

(i) Annual leave
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(ii) 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%.

Guardian Life Limited

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2 Summary of Significant Accounting Policies (continued)

(t) Employee benefits (continued)

(iii) 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.

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 income statement, 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.

(iv) 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) Restatement of comparative financial information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year and also restated due to the adoption of interpretations.

(i) Reclassification of reinsurance assets
Reinsurance assets of $192,267,000 is now being included in total assets and the insurance contract liabilities is shown gross, in conformity with IFRS 4, Insurance Contracts. In prior years, the reinsurance asset figure was netted against the gross insurance contract liability.

(ii) Integration of the segregated funds' assets and liabilities on a line by line basis throughout the financial statements of the Group
The segregated funds' assets are not legally separated from the general operations of Guardian Life Limited and therefore do not meet the definition of a segregated fund as defined by Regulation 2 of the Insurance Regulations 2001. In prior years, these unit linked funds were disclosed as segregated funds being fully segregated from the company's accounting records, although not separate legal entities. The income and expenses of the segregated fund were excluded from the company's income statements

The segregated funds' assets, their related earnings and liabilities are now fully integrated with the assets and liabilities of the company on a line by line basis. The total earnings of the unit-linked fund assets, including changes in the market values of the assets, which accrue to the policyholders is recorded on a line by line basis in the income statement but is also shown as an expense under investment contract benefits. The policyholders share all rewards and risks of the performance of the unit linked funds.

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2 Summary of Significant Accounting Policies (continued)

(u) Restatement of comparative financial information (continued)

Impact of change in accounting policy on the consolidated statement of financial position

The effect of the change is shown in the following tables:

	The Group 2012			The Group 2011		
	As previously stated	Effect of restatement	Restated 2012	As previously stated	Effect of restatement	Restated 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Property and equipment	1,549,533	-	1,549,533	1,532,814	-	1,532,814
Investment properties	604,066	44,128	648,194	439,468	43,128	482,596
Intangible assets	28,159	-	28,159	38,813	-	38,813
Investment in associated company	-	-	-	165,248	-	165,248
Asset held for sale	127,338	-	127,338	-	-	-
Financial assets	34,311,675	5,362,451	39,674,126	29,542,637	5,812,503	35,355,140
Loans and receivables	1,349,506	295,442	1,644,948	1,208,126	49,866	1,257,992
Reinsurance assets	-	192,267	192,267	-	158,762	158,762
Segregated funds' assets	6,824,046	(6,824,046)	-	6,823,794	(6,823,794)	-
Taxation recoverable	1,302,641	471,018	1,773,659	1,398,228	507,055	1,905,283
Cash and cash equivalents	3,648,555	651,007	4,299,562	3,537,595	411,242	3,948,837
Total Assets	49,745,519	192,267	49,937,786	44,686,723	158,762	44,845,485
Equity and liabilities						
Share capital	126,525	-	126,525	126,525	-	126,525
Stock option reserve	113,734	-	113,734	102,669	-	102,669
Reserves	1,146,616	-	1,146,616	1,341,615	-	1,341,615
Retained earnings	5,591,160	-	5,591,160	4,457,909	-	4,457,909
Equity attributable to owners of the parent	6,978,035	-	6,978,035	6,028,718	-	6,028,718
Liabilities						
Insurance contracts	20,478,666	192,267	20,670,933	18,037,011	158,762	18,195,773
Investment contracts	13,108,780	6,668,258	19,777,038	11,921,579	6,582,946	18,504,525
Other policy liabilities	1,014,371	11,200	1,025,571	983,417	11,214	994,631
Segregated funds' liabilities	6,824,046	(6,824,046)	-	6,823,794	(6,823,794)	-
Deferred tax liabilities	329,703	69,695	399,398	257,218	84,834	342,052
Provision for taxation	82,967	53,712	136,679	23,182	118,611	141,793
Other liabilities	928,951	21,181	950,132	611,804	26,189	637,993
Total liabilities	42,767,484	192,267	42,959,751	38,658,005	158,762	38,816,767
Total equity and liabilities	49,745,519	192,267	49,937,786	44,686,723	158,762	44,845,485

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2 Summary of Significant Accounting Policies (continued)

(u) Restatement of comparative financial information (continued)

Impact of change in accounting policy on the statement of financial position

	The Company 2012			The Company 2011		
	As previously stated	Effect of restatement	Restated 2012	As previously stated	Effect of restatement	Restated 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Property and equipment	1,549,533	-	1,549,533	1,532,814	-	1,532,814
Investment properties	604,066	44,128	648,194	439,468	43,128	482,596
Intangible assets	28,159	-	28,159	38,813	-	38,813
Investment in subsidiary	20	-	20	20	-	20
Investment in associated company	-	-	-	86,556	-	86,556
Asset held for sale	89,505	-	89,505	-	-	-
Financial assets	34,311,675	5,362,451	39,674,126	29,542,637	5,812,503	35,355,140
Loans and receivables	1,351,692	295,442	1,647,134	1,213,043	49,866	1,262,909
Reinsurance assets	-	192,267	192,267	-	158,762	158,762
Segregated funds' assets	6,824,046	(6,824,046)	-	6,823,794	(6,823,794)	-
Taxation recoverable	1,302,641	471,018	1,773,659	1,398,228	507,055	1,905,283
Cash and cash equivalents	3,642,022	651,007	4,293,029	3,529,439	411,242	3,940,681
Total Assets	49,703,359	192,267	49,895,626	44,604,812	158,762	44,763,574
Equity and liabilities						
Share capital	126,525	-	126,525	126,525	-	126,525
Stock option reserve	113,734	-	113,734	102,669	-	102,669
Reserves	930,645	-	930,645	1,137,309	-	1,137,309
Retained earnings	5,769,296	-	5,769,296	4,624,950	-	4,624,950
Equity attributable to owners of the parent	6,940,200	-	6,940,200	5,991,453	-	5,991,453
Liabilities						
Insurance contracts	20,478,666	192,267	20,670,933	18,037,011	158,762	18,195,773
Investment contracts	13,108,780	6,668,258	19,777,038	11,921,579	6,582,946	18,504,525
Other policy liabilities	1,014,371	11,200	1,025,571	983,417	11,214	994,631
Segregated funds' liabilities	6,824,046	(6,824,046)	-	6,823,794	(6,823,794)	-
Deferred tax liabilities	329,703	69,695	399,398	257,218	84,834	342,052
Provision for taxation	82,968	53,712	136,679	23,182	118,611	141,793
Other liabilities	924,625	21,181	945,807	567,158	26,189	593,347
Total liabilities	42,763,159	192,267	42,955,426	38,613,359	158,762	38,772,121
Total equity and liabilities	49,703,359	192,267	49,895,626	44,604,812	158,762	44,763,574

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2 Summary of Significant Accounting Policies (continued)

(u) Restatement of comparative financial information (continued)

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

	The Group 2012			The Company 2012		
	As previously stated	Effect of restatement	Restated 2012	As previously stated	Effect of restatement	Restated 2012
	$'000	$'000	$'000	$'000	$'000	$'000
Insurance activities						
Insurance premium income	8,882,611	-	8,882,611	8,882,611	-	8,882,611
Insurance premium ceded to reinsurers	(279,601)	-	(279,601)	(279,601)	-	(279,601)
Net premium income	8,603,010	-	8,603,010	8,603,010	-	8,603,010
Reinsurance commission income	21,274	-	21,274	21,274	-	21,274
Net underwriting revenue	8,624,284	-	8,624,284	8,624,284	-	8,624,284
Policy acquisition expenses	(1,156,398)	-	(1,156,398)	(1,156,398)	-	(1,156,398)
Net insurance benefits and claims	(4,537,546)	-	(4,537,546)	(4,537,546)	-	(4,537,546)
Increase in reserves for future policy benefits	(2,420,322)	-	(2,420,322)	(2,420,322)	-	(2,420,322)
Underwriting expenses	(8,114,266)	-	(8,114,266)	(8,114,266)	-	(8,114,266)
Net result from insurance activities	510,018	-	510,018	510,018	-	510,018
Investing activities						
Net investment income	3,322,409	365,014	3,687,423	3,322,409	365,014	3,687,423
Net realized gains on financial assets	2,146	65,489	67,635	2,146	65,489	67,635
Net fair value losses on financial assets and investment properties	(172,116)	(307,323)	(479,439)	(172,116)	(307,323)	(479,439)
Fee income	374,461	-	374,461	374,461	-	374,461
Other income	311,706	11,443	323,149	270,276	11,443	281,719
Investment contract benefits	(791,542)	(134,623)	(926,165)	(791,542)	(134,623)	(926,165)
Net income from investing activities	3,047,064	-	3,047,064	3,005,634	-	3,005,634
Net income from all activities	3,557,082	-	3,557,082	3,515,652	-	3,515,652
Operating expenses	(2,100,039)	-	(2,100,039)	(2,051,951)	-	(2,051,951)
Operating profit	1,457,043	-	1,457,043	1,463,701	-	1,463,701
Share of loss of associated company	(4,437)	-	(4,437)	-	-	-
Profit before taxation	1,452,606	-	1,452,606	1,463,701	-	1,463,701
Taxation	(225,623)	-	(225,623)	(225,623)	-	(225,623)
Profit attributable to equity holders of the parent	1,226,983	-	1,226,983	1,238,078	-	1,238,078

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.

The average estimated rate of investment return is 5.19% for the next fifteen years and 5% beyond (2012– 5.84% for the next ten years and 5% beyond). Should the average future investment returns decrease/increase by 2% (2012: 3%) from management's estimates, the value of the assets available to meet the insurance liability would increase/decrease by $5,155,927,000/ $3,441,479,000 (2012: $11,125,305,000/$5,565,215,000).

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final 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
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
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
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 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 2013				
Opening net book amount	1,223,597	275,008	50,928	1,549,533
Exchange rate adjustments	4,459	391	-	4,850
Revaluation surplus	211,830	-	-	211,830
Additions	42,677	87,452	-	130,129
Disposals and adjustments	-	(138)	(5,310)	(5,448)
Depreciation charge	(18,396)	(64,214)	(16,534)	(99,144)
Closing net book amount	1,464,167	298,499	29,084	1,791,750
At 31 December 2013				
Cost or valuation	1,473,695	1,013,721	75,338	2,562,754
Accumulated depreciation	(9,529)	(715,222)	(46,253)	(771,004)
Closing net book amount	1,464,166	298,499	29,085	1,791,750
At 31 December 2012				
Opening net book amount	1,214,852	260,842	57,120	1,532,814
Exchange rate adjustments	2,112	235	-	2,347
Revaluation surplus	18,215	-	-	18,215
Additions	7,947	92,800	11,557	112,304
Disposals and adjustments	-	(88)	(722)	(810)
Depreciation charge	(19,529)	(78,781)	(17,027)	(115,337)
Closing net book amount	1,223,597	275,008	50,928	1,549,533
At 31 December 2012				
Cost or valuation	1,266,486	926,828	91,254	2,284,568
Accumulated depreciation	(42,889)	(651,820)	(40,326)	(735,035)
Closing net book amount	1,223,597	275,008	50,928	1,549,533

At 31 December 2013, all properties 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.

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;

	2013	2012
	$'000	$'000
Cost	770,538	727,861
Accumulated depreciation	(133,871)	(118,460)
Net book amount	636,667	609,401

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6 Investment Properties

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

	2013 $'000	Restated 2012 $'000
At 1 January	648,194	482,596
Additions	100	96,588
Fair value gains (Note 26)	22,082	69,010
At 31 December	670,376	648,194
Rental income	28,361	34,508
Direct operating expenses incurred in respect of investment property that generated rental income during the year	4,715	5,804

At 31 December 2013, investment properties were professionally valued, at open market value, by Allison Pitter & Company. The surplus arising on the property revaluation has been credited to the income statement.

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% (2012: 7.5% to 13.5%) as deemed most appropriate by the valuator.

Included in investment properties are properties purchased for a unit linked fund valued at $45,128,000 (2012: $44,128,000). Income earned from the property totaled $4,901,000 (2012:$4,423,000) and direct operating expenses totaled $1,990,000 (2012:$1,126,000).

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	
	2013	**2012**
	$'000	**$'000**
At 1 January	28,159	38,813
Exchange rate adjustments	3	3
Additions	14,617	4,305
Amortization	(14,349)	(14,962)
At 31 December	28,430	28,159
At 31 December		
Cost	241,997	227,377
Accumulated amortization	(213,567)	(199,218)
Net book value	28,430	28,159

8 Investment in Subsidiary

	The Company	
	2013	**2012**
	$'000	**$'000**
Guardian Life Properties Limited 20,000 ordinary shares at cost	20	20

9 Investment in Associated Company/Asset held for Sale

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Investment in associate	124,389	124,389	86,556	86,556
Exchange rate adjustments	23,181	-	-	-
Loans to associate	13,406	2,949	13,406	2,949
Balance at 31 December	160,976	127,338	99,962	89,505

9 Investment in Associated Company/Asset held for Sale (continued)

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.

The asset held for sale has been measured by management at the lower of its carrying amount and fair value less cost to sell.

At 31 December 2013, the investment in ORBL remained classified as held for sale. The initial date of 17 February 2014 which was allowed for the completion of the sale was further extended.

10 Financial Assets

	The Group and the Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated	Restated
	2013	2013	2012	2012
	$'000	$'000	$'000	$'000
Total financial assets	41,396,071	41,761,497	39,674,126	36,081,335
Financial assets at fair value through profit or loss	21,369,189	21,369,189	19,013,965	19,013,965
Held to maturity financial assets	19,341,505	19,706,931	19,952,541	21,722,201
Originating loans	685,377	685,377	707,620	707,620
Total financial assets	41,396,071	41,761,497	39,674,126	41,443,786

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10 Financial Assets (continued)

	Carrying Value	
		Restated
	2013	2012
	$'000	$'000
Financial assets at fair value through profit or loss		
Equity securities:		
- Listed	2,249,126	2,233,473
	2,249,126	2,233,473
Debt securities:		
- Government securities	17,143,826	15,319,420
- Debentures and corporate bonds	1,631,552	1,135,388
	18,775,378	16,454,808
Other	91,631	73,932
	91,631	73,932
	21,116,135	18,762,213
Interest receivable	253,054	251,752
	21,369,189	19,013,965

	The Group and the Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated	Restated
	2013	2013	2012	2012
	$'000	$'000	$'000	$'000
Held-to-maturity financial assets				
Debt securities:				
- Government securities	19,082,402	19,447,828	19,148,662	20,918,322
Interest receivable	259,103	259,103	803,879	803,879
	19,341,505	19,706,931	19,952,541	21,722,201

	Carrying Value	
	2013	2012
	$'000	$'000
Originating loans		
Government securities	435,143	485,768
Interest receivable	250,234	221,852
	685,377	707,620

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10 Financial Assets (continued)

Included in financial assets are the following securities:

(a) Government of Jamaica Benchmark Investment Notes with a face value of $100 million, of which $90 million (2012 - $90 million) which 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 $J5.3 million or BBD$100,000 (2012 – BBD$100,000) which has been pledged with the Financial Services Commission of Barbados.
(c) Government of Belize securities with a face value of J$429 million or BZ$8.1 million (2012 - J$428 million or BZ$9.2 million), which have been pledged with the Supervisor of Insurance of Belize.

The table below illustrates the movements in financial assets:

	Financial Assets at Fair Value Through Profit or Loss	Held to Maturity	Originating Loans	Total
	$'000	$'000	$'000	$'000
At 1 January 2013	18,762,213	19,148,662	485,768	38,396,643
Exchange differences	459,257	123,028	56,466	638,751
Additions	12,179,251	18,268,845	-	30,448,096
Disposals/maturities	(9,982,790)	(18,024,978)	(107,091)	(28,114,859)
Realized gains/(losses)	(153,701)	(433,155)		(586,856)
Fair value net losses	(148,095)	-	-	(148,095)
At 31 December 2013	21,116,135	19,082,402	435,143	40,633,680

	Financial Assets at Fair Value through Profit and Loss	Held to Maturity	Originating Loans	Restated Total
	$'000	$'000	$'000	$'000
At 1 January 2012	16,507,110	17,131,570	554,412	34,193,092
Exchange differences	204,226	58,392	33,167	295,785
Additions	3,079,535	2,294,179	-	5,373,714
Disposals/maturities	(582,283)	(335,479)	(101,811)	(1,019,573)
Realized gains/(losses)	65,489	-	-	65,489
Fair value net losses	(511,864)	-	-	(511,864)
At 31 December 2012	18,762,213	19,148,662	485,768	38,396,643

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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:

	Level 1	Level 2	Level 3	Total Fair value
	$'000	$'000	$'000	$'000
At 31 December 2013				
Assets measured at fair value:				
Land and buildings	-	-	1,464,167	1,464,167
Investment properties	-	-	670,376	670,376
Financial assets at fair value through profit or loss:				
Equity securities	2,249,126	-	-	2,249,126
Debt securities	1,369,439	17,405,939	-	18,775,378
Other financial assets	47,903	43,728	-	91,631
	3,666,468	17,449,667	2,134,543	23,250,679

	Level 1	Level 2	Level 3	Restated Total Fair value
	$'000	$'000	$'000	$'000
At 31 December 2012				
Assets measured at fair value:				
Land and buildings	-	-	1,223,597	1,223,597
Investment properties	-	-	648,194	648,194
Financial assets at fair value through profit or loss:				
Equity securities	2,233,473	-	-	2,233,473
Debt securities	1,224,795	15,230,013	-	16,454,808
Other financial assets	41,165	32,767	-	73,932
	3,499,433	15,262,780	1,871,791	20,634,004

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

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11 Loans and Receivables

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2013	2013	2012	2012
	$'000	$'000	$'000	$'000
Loans and receivables	2,338,172	2,338,172	1,644,948	1,644,948

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2013	2013	2012	2012
	$'000	$'000	$'000	$'000
Loans and receivables	2,346,354	2,346,354	1,647,134	1,647,134

	The Group		The Company	
	Carrying Value/Fair Value	Carrying Value/Fair Value	Carrying Value/Fair Value	Carrying Value/Fair Value
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial instruments				
Deposits > 90 days	865,092	250,710	865,092	250,710
Interest receivable	23,268	14,050	23,268	14,050
	888,360	264,760	888,360	264,760
Insurance receivables				
Premiums receivable	432,719	394,424	432,719	394,424
Due from reinsurers	163,202	130,287	163,202	130,287
Policy loans	256,962	273,052	256,962	273,052
Commissions paid in advance	158,078	116,626	158,078	116,626
Agents advances	14,140	14,681	14,140	14,681
	1,025,101	929,070	1,025,101	929,070
Other receivables				
Other loans and receivables	422,915	445,582	422,916	439,071
Due from fellow subsidiaries	1,796	5,536	1,796	5,536
Due from subsidiary	-	-	8,181	8,697
	424,711	451,118	432,893	453,304
	2,338,172	1,644,948	2,346,354	1,647,134

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12 Reinsurance Assets

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

	2013 $'000	2012 $'000
Long term insurance contracts:		
With fixed and guaranteed terms and without DPF	155,456	192,267
Balance 1 January	192,267	158,762
(Increase)/decrease in reserves for future policy benefits	(36,811)	33,505
Balance 31 December	155,456	192,267

13 Cash and Cash Equivalents

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents	5,622,503	4,299,562	5,614,500	4,293,029
Cash at bank and in hand	1,115,435	934,195	1,107,432	927,662
Short term deposits (90 days or less)	3,857,710	2,714,360	3,857,710	2,714,360
Cash and cash equivalents – unit linked funds	649,358	651,007	649,358	651,007
Net cash and cash equivalents	5,622,503	4,299,562	5,614,500	4,293,029

Included in short term deposits are:

a) J$13 million or BZ$238,994 (2012 - J$11 million or BZ$238,580) held by the Belize Supervisor of Insurance.

b) J$5.3 million or BBD$100,000 (2012 - J$4.6 million or BBD$100,000) held by 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 $3,865,292,000 (2012 - $2,565,234,000) regarded as cash equivalents for the purposes of the statement of cash flows.

14 Share Capital

	2013 $'000	2012 $'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

15 Stock Option Reserve

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

	2013 $'000	2012 $'000
Balance at 1 January	113,734	102,669
Executive share option plan:		
- value of services provided	5,395	11,065
Balance at 31 December	119,129	113,734

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:

	2013 Average Exercise Price TTD	2013 Options 000s	2012 Average Exercise Price TTD	2012 Options 000s
At beginning of year	$23.74	1,749	$25.58	1,325
Granted	-	-	$18.00	424
Exercised	-	-	-	-
Lapsed	-	-	-	-
At end of year	$23.74	1,749	$23.74	1,749

15 Stock Option Reserve (continued)

Performance Share Option Plan (continued)

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 Company 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	
	Exercise	000s	000s
Expiry date	Price	2013	2012
	TTD		
14 Sep 2015	$21.40	108	108
31 Mar 2016	$33.17	194	194
3 Apr 2017	$43.33	144	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
		1,749	1,749

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16 Reserves

	The Group			
	Special Investment Reserve	**Property Revaluation Reserve**	**Translation Reserve**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2013	337,861	584,990	223,765	1,146,616
Other comprehensive income	-	179,988	42,962	222,950
Transfer to retained earnings	(65,490)	-	-	(65,490)
At 31 December 2013	272,371	764,978	266,727	1,304,076
At 1 January 2012	424,895	569,507	347,213	1,341,615
Other comprehensive income	34,418	15,483	21,955	71,856
Transfer to retained earnings	(121,452)	-	(145,403)	(266,855)
At 31 December 2012	337,861	584,990	223,765	1,146,616

	The Company			
	Special Investment Reserve	**Property Revaluation Reserve**	**Translation Reserve**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2013	337,861	584,990	7,794	930,645
Other comprehensive income	-	179,988	19,782	199,770
Transfer to retained earnings	(65,490)	-	-	(65,490)
At 31 December 2013	272,371	764,978	27,576	1,064,925
At 1 January 2012	424,895	569,507	142,907	1,137,309
Other comprehensive income	34,418	15,483	10,290	60,191
Transfer to retained earnings	(121,452)	-	(145,403)	(266,855)
At 31 December 2012	337,861	584,990	7,794	930,645

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 recognised in equity under the heading of property revaluation reserve. However, the increase is recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in other comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement.

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 recognised 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 recognised 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.

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17 Insurance Contracts

(a) Composition is as follows:

	The Group and The Company	
	2013 $'000	**Restated 2012 $'000**
By line of business –		
Ordinary life	9,241,525	9,260,345
Annuities	12,581,729	11,269,114
Group life, health and personal accident	163,127	141,474
	21,986,381	20,670,933
By insurance contract type –		
Long term insurance contracts:		
With fixed and guaranteed terms and without DPF	20,970,292	19,680,684
With fixed and guaranteed terms and with DPF	852,962	848,775
	21,823,254	20,529,459
Short term insurance contracts:	163,127	141,474
	21,986,381	20,670,933

By line of business -

	Ordinary Life	**Annuities**	**Group Life Health & Personal Accident**	**Total**
	2013 $'000	**2013 $'000**	**2013 $'000**	**2013 $'000**
At 1 January	9,260,345	11,269,114	141,474	20,670,933
Increase in reserves for future policy benefits	(54,407)	1,299,938	21,653	1,267,184
Exchange rate adjustment	35,587	12,677	-	48,264
At 31 December	9,241,525	12,581,729	163,127	21,986,381

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17 Insurance Contracts (continued)

(a) Composition is as follows:

	Ordinary Life	Annuities	Group Life Health & Personal Accident	Restated Total
	2012 $'000	2012 $'000	2012 $'000	2012 $'000
At 1 January	8,504,019	9,570,688	121,066	18,195,773
Increase in reserves for future policy benefits	740,925	1,692,494	20,408	2,453,827
Exchange rate adjustment	15,401	5,932	-	21,333
At 31 December	9,260,345	11,269,114	141,474	20,670,933

By insurance contract type -

	With Fixed and Guaranteed Terms and without DPF	With Fixed and Guaranteed Terms and with DPF	Short Term Insurance Contracts	Total
	2013 $'000	2013 $'000	2013 $'000	2013 $'000
At 1 January	19,680,684	848,775	141,474	20,670,933
Refinements and corrections	(3,717)	-	-	(3,717)
Change in mortality	42,288	(2,040)	-	40,248
Change in lapse rates	89,501	(8)	-	89,493
Change in interest rates	(688,520)	25,232	-	(663,288)
Change in expenses	66,325	473	-	66,798
Changes due to the issuance of new policies	246,287	(303)	21,653	267,637
Foreign currency translation	67,971	-	-	67,971
Normal increase due to the passage of time	1,469,473	(19,167)	-	1,450,306
At 31 December	20,970,292	852,962	163,127	21,986,381

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17 Insurance Contracts (continued)

Movement in insurance contract liabilities

By insurance contract type –

		With Fixed and Guaranteed Terms and with DPF	Short Term Insurance Contracts	Restated Total
	2012	**2012**	**2012**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	17,181,650	893,056	121,066	18,195,772
Refinements and corrections	51,837	(4)	-	51,833
Change in lapse rates	262,655	38	-	262,693
Change in interest rates	280,998	(11,271)	-	269,727
Change in expenses	31,223	575	-	31,798
Changes due to the issuance of new policies	218,948	537	20,408	239,893
Foreign currency translation	28,232	-	-	28,232
Normal increase due to the passage of time	1,625,141	(34,156)	-	1,590,985
At 31 December	19,680,684	848,775	141,474	20,670,933

18 Investment Contracts

	The Group and The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated	Restated
	2013	**2013**	**2012**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Deposits administration funds	14,532,043	14,532,043	13,108,780	13,108,780
Unit linked funds	6,845,219	6,845,219	6,628,258	6,628,258
Investment contracts	21,377,262	21,377,262	19,777,038	19,777,038

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

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18 Investment Contracts (continued)

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 thereafter. At the end of the year, there were 176 (2012 - 177) 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	2013 $'000	Deposit Admin $'000	Unit Linked Funds $'000	Restated 2012 $'000
The movements in the liabilities arising from investment contracts are summarized below:						
At beginning of year	13,108,780	6,668,258	19,777,038	11,921,579	6,582,946	18,504,525
Deposits received	1,634,479	1,245,296	2,879,775	1,296,676	1,166,330	2,463,006
Fees	(42,466)	-	(42,466)	(42,427)	-	(42,427)
Withdrawals	(1,169,212)	(1,258,972)	(2,428,184)	(983,274)	(1,217,618)	(2,200,892)
Investment contract benefits	712,034	190,637	902,671	789,565	136,600	926,165
Net exchange differences	288,428	-	288,428	126,661	-	126,661
At end of year	14,532,043	6,845,219	21,377,262	13,108,780	6,668,258	19,777,038

Included in the deposit administration funds are:

(a) $983 million (2012 - $903 million) in respect of the company's pension scheme; and

(b) $105 million (2012 - $128 million) in respect of the pension scheme of fellow subsidiaries.

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19 Other Policy Liabilities

	2013 $'000	Restated 2012 $'000
Claims payable	778,361	759,697
Claims payable – unit linked funds	11,185	11,200
Deposits on premiums and premiums received in advance	246,170	244,324
Dividends on deposit	11,821	10,350
	1,047,537	1,025,571

20 Deferred Taxation

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

	2013 $'000	Restated 2012 $'000
Deferred tax liabilities		
- Crystallizing after more than 12 months	364,686	399,398

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

	2013 $'000	Restated 2012 $'000
At 1 January	399,398	342,052
Exchange rate adjustments	(501)	27
(Credit)/charge for the year [Note 30(a)]	(30,980)	69,726
Tax charge related to unit linked contracts	(35,073)	(15,139)
Tax charged to equity in respect of revaluation of properties [Note 30(c)]	31,842	2,732
At 31 December	364,686	399,398

21 Other Liabilities

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Due to related parties	9,353	4,584	9,353	4,584
Amount due to reinsurers	24,143	8,184	24,143	8,184
Sundry payables	708,027	937,364	708,044	933,039
	741,523	950,132	741,540	945,807

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

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22 Net Premium Income

(a) Insurance premium income

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
By line of business –		
Ordinary life - first year	660,320	597,756
Ordinary life – renewal	3,470,347	3,202,279
Annuities	849,659	1,423,934
Group life	591,338	533,522
Health	3,297,060	3,125,120
	8,868,724	8,882,611
By insurance type -		
Long-term insurance contracts with fixed and guaranteed terms	4,980,326	5,223,969
Short-term insurance contracts	3,888,398	3,658,642
	8,868,724	8,882,611

(b) Insurance premium ceded to reinsurers

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
By line of business –		
Ordinary life	169,337	159,447
Group life	67,580	65,842
Health	51,498	54,312
	288,415	279,601
By insurance type -		
Long-term reinsurance contracts	169,337	159,447
Short-term reinsurance contracts:	119,078	120,154
	288,415	279,601

23 Policy Acquisition Expenses

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
Commissions	974,521	892,549
Other expenses for the acquisition of insurance and investment contracts	311,238	263,849
	1,285,759	1,156,398

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24 Net Insurance Benefits and Claims

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
By insurance benefit type –		
Death claims	757,260	500,720
Maturities	97,367	82,881
Surrendered policies and bonus additions	530,900	514,136
Annuities	758,058	812,143
Health	2,617,564	2,530,767
Disability	19,219	16,139
Living benefits	76,807	80,760
	4,857,175	4,537,546

	The Group and The Company					
	2013			**Restated 2012**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Insurance benefits						
Long-term insurance contracts with fixed and guaranteed terms and without DPF:						
- death, maturity and surrender benefits	1,974,688	(49,372)	1,925,316	1,842,549	(73,047)	1,769,502
Long-term insurance contracts with fixed and guaranteed terms and with DPF:						
- death, maturity and surrender benefits	42,961	-	42,961	41,892	-	41,892
Short term insurance contracts	2,973,775	(84,877)	2,888,898	2,754,096	(27,944)	2,726,152
Total net insurance benefits and claims	4,991,424	(134,249)	4,857,175	4,638,537	(100,991)	4,537,546

25 Investment Income

	2013 $'000	Restated 2012 $'000
Fair value through profit or loss assets - interest income	1,157,676	911,513
Fair value through profit or loss assets - dividend income	55,542	71,250
Held-to-maturity assets - interest income	2,110,628	2,157,508
Loans and receivables - interest income	79,090	89,421
Cash and cash equivalents - interest income	208,032	136,875
	3,610,968	3,366,567
Less: Investment expenses	(71,400)	(46,135)
	3,539,568	3,320,432
Unit linked funds		
Fair value through profit or loss assets - interest income	449,601	430,040
Fair value through profit or loss assets - dividend income	55,837	100,240
Cash and cash equivalents - interest income	37,282	29,713
	542,720	559,993
Less: Investment expenses	(195,407)	(193,002)
	347,313	366,991
	3,886,881	3,687,423

26 Gains/(Losses) on Financial Assets and Investment Properties

(a) Net realized (losses)/gains on financial assets

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Equity securities	527	(968)	527	(968)
Fixed income securities	(403,249)	3,114	(403,249)	3,114
Fixed income securities – unit linked	(183,607)	65,489	(183,607)	65,489
	(586,329)	67,635	(586,329)	67,635

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

	The Group and The Company	
	2013 $'000	Restated 2012 $'000
Equity securities	(80,550)	(138,732)
Fixed income securities	(26,837)	(101,394)
Fair value gains on investment properties (Note 6)	21,082	68,010
Fair value gains on unit linked investments	(9,466)	(307,323)
	(95,771)	(479,439)

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27 Fee Income

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
Policy administration and asset management services:		
- Investment contracts without a discretionary participation feature	319,088	306,516
Surrender charges – insurance contracts	51,120	52,268
Service charges	19,720	13,677
Other	6,000	2,000
	395,928	374,461

28 Other Income

	The Group		The Company	
		Restated		**Restated**
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Rental income	28,361	34,509	28,361	34,509
Foreign exchange gains	490,942	230,575	490,942	230,575
Foreign exchange gains – unit linked funds	31,485	7,020	31,485	7,020
Other income	23,649	51,045	23,649	9,615
	574,437	323,149	574,437	281,719

29 Operating Expenses

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Staff cost (see below)	1,168,337	1,119,894	1,168,337	1,119,894
Depreciation and amortization	113,493	130,299	113,493	130,299
Auditors' remuneration	21,836	18,171	21,836	18,171
Directors' fees	7,984	7,395	7,984	7,395
Premium tax (Note 30)	177,215	163,734	177,215	163,734
Other expenses	658,529	660,546	658,346	612,458
	2,147,394	2,100,039	2,147,211	2,051,951

29 Operating Expenses (continued)

	The Group and The Company	
	2013 $'000	2012 $'000
Staff cost includes:		
Wages, salaries and bonuses	953,395	923,092
Health and medical	25,320	24,022
Staff training	10,530	13,811
National insurance	72,360	78,888
Share option scheme – value of services provided	20,940	13,014
Pension costs	30,939	29,932
Termination benefits	11,319	132
Other	43,534	37,003
	1,168,337	1,119,894

30 Taxation

(a) Taxes computed as follows:

	The Group and The Company	
	2013 $'000	2012 $'000
Investment income tax at 15%	289,252	155,897
Deferred tax (credit)/expense (Note 20)	(30,980)	69,726
	258,272	225,623
Premium tax at 3%	177,215	163,734

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

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

(iii) The premium tax charge, included in operating expenses, includes tax on deposits relating to the unit linked funds totaling $1,245,296,000 (2012- $1,166,000,000). The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage (Note 29).

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30 Taxation (continued)

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

	2013 $'000	2012 $'000
Net income from investing activities	3,286,114	3,098,353
Tax calculated at 15%	492,917	464,753
Income not subject to tax	(300,685)	(267,240)
Deductible expenses	(425,018)	(405,446)
Investment tax suffered on health premiums	488,289	463,266
Tax on unit linked funds	(2,046)	(7,693)
Net effect of other charges and allowances	4,815	(22,017)
Tax charge for the year	258,272	225,623

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

	The Group and The Company					
	2013			2012		
	Before tax amount $'000	Tax (expense) benefit $'000	Net of tax amount $'000	Before tax amount $'000	Tax (expense) benefit $'000	Net of tax amount $'000
Gains on property revaluation	211,830	(31,842)	179,988	18,215	(2,732)	15,483
Total	211,830	(31,842)	179,988	18,215	(2,732)	15,483

31 Dividends

	2013 $'000	2012 $'000
Dividends declared and paid during the year:		
Final interim dividend for 2012 - $3.07 per share	388,400	-
First interim dividend for 2013 - $1.61 per share (2012 - $1.42 per share)	203,700	179,292
Second interim dividend for 2013 - $2.50 per share (2012 - $1.44 per share)	316,740	181,295
	908,840	360,587

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32 Adjustment for Non-Cash Items in Operating Profit

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	$'000	$'000	$'000	$'000
Depreciation (Note 5)	99,144	115,337	99,144	115,337
Amortization of intangible assets (Note 7)	14,349	14,962	14,349	14,962
Share of profit of associated company	-	4,437	-	-
Impairment loss for associated company	-	48,088	-	-
Inter-company write-off	-	(41,430)	-	-
Share option scheme – value of services provided	5,395	11,065	5,395	11,065
Net fair value losses on financial and other assets	107,387	240,126	107,387	240,126
Net realized (gains)/losses on financial and other assets	586,329	(67,635)	586,329	(67,635)
Change in fair value of investment properties	(21,082)	(68,010)	(21,082)	(68,010)
Change in fair value of unit linked investments	9,466	307,323	9,466	307,323
Unrealized foreign exchange gains	(490,942)	(230,575)	(490,942)	(230,575)
Unrealized foreign exchange gains – unit linked	(31,485)	(7,019)	(31,485)	(7,019)
	278,561	326,669	278,561	315,574

33 Related Party Disclosures

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Technical fees & computer lease rentals paid to fellow subsidiary	(61,093)	(52,238)	(61,093)	(52,238)
Approved deposit administration fund of fellow subsidiary -				
Contributions	25,983	7,037	25,983	7,037
Refunds	23,017	2,358	23,017	2,358
Interest charged	5,353	6,117	5,353	6,117

Key management compensation	2013 $'000	2012 $'000
Salaries and other short-term benefits	188,583	176,151
Stock option expenses	20,940	13,014
Post-employment benefits	4,777	4,449
	214,300	193,614

34 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.

(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.

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 $7,000,000 on any single life insured. The Group reinsures the excess of the insured benefit over $7,000,000 for standard risks (from a medical point of view) under an

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34 Management of Insurance and Financial Risk (continued)

a. Insurance risk (continued)

Long-term insurance contracts

i) Frequency and severity of claims (continued)

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.)

	2013			
	Total Benefits Insured			
Benefits assured per life	Before reinsurance		After reinsurance	
$'000	**$'000**	**%**	**$'000**	**%**
1,000 - 5,000	189,227,520	85.0%	188,056,732	90.0%
5,001 - 10,000	19,559,326	9.0%	15,954,245	8.0%
10,001 - 15,000	4,382,043	2.0%	2,155,707	1.0%
15,001 - 20,000	2,745,565	1.0%	946,553	0.0%
20,001 and over	6,321,647	3.0%	1,096,415	1.0%
Total	222,236,101	100%	208,209,652	100%

	2012			
	Total Benefits Insured			
Benefits assured per life	Before reinsurance		After reinsurance	
$'000	**$'000**	**%**	**$'000**	**%**
1,000 - 5,000	174,514,012	87.0%	173,276,532	92.0%
5,001 - 10,000	15,080,348	8.0%	11,589,603	6.0%
10,001 - 15,000	3,489,662	2.0%	1,672,636	1.0%
15,001 - 20,000	2,378,116	1.0%	797,706	1.0%
20,001 and over	4,634,820	2.0%	761,520	0.0%
Total	200,096,958	100.0%	188,097,997	100.0%

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34 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	2013		2012	
$'000	**$'000**	**%**	**$'000**	**%**
0 - 200,000	1,259,143	35.0%	695,833	30.0%
200,001 - 300,000	447,154	12.0%	261,177	11.0%
300,001 - 400,000	319,982	9.0%	195,024	8.0%
400,001 - 500,000	211,023	6.0%	151,978	7.0%
More than 500,000	1,357,062	38.0%	1,036,748	44.0%
Total	3,594,364	100.0%	2,340,760	100.0%

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.

34 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 claims (continued)

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 increased the insurance liability by $174,000,000 (2012 – decreased by $547,000,000).

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.

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34 Management of Insurance and Financial Risk (continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(iii) Process used in deriving assumptions (continued)

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.

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) 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.

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.

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34 Management of Insurance and Financial Risk (continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(iv) Sensitivity analysis (continued)

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

Variable	Change in Variable 2013	Change in Liability 2013 $'000	Change in Variable 2012	Change in Liability 2012 $'000
Worsening of mortality	10.00%	1,216,799	10.00%	1,048,949
Lowering of investment returns	-2.00%	5,104,485	-2.00%	6,370,346
Worsening of base renewal expense level	5.00%	518,950	5.00%	423,553
Worsening of expense inflation rate	1.00%	1,437,485	1.00%	1,264,695

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

Variable	Change in Variable 2013	Change in Liability 2013 $'000	Change in Variable 2012	Change in Liability 2012 $'000
Worsening of mortality	10.00%	2,646	10.00%	2,551
Lowering of investment returns	-2.00%	51,442	-2.00%	54,389
Worsening of basis renewal expense level	5.00%	9,856	5.00%	9,543
Worsening of expense inflation	1.00%	13,992	1.00%	14,052

Sensitivity analysis for financial risks is presented in Note 34b, together with the assets backing the associated liabilities of the contracts.

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34 Management of Insurance and Financial Risk (continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(v) 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)				
2013	2,304,122	3,523,567	(3,441,479)	(2,222,034)
2012	917,436	1,324,435	(1,430,934)	(1,023,936)

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.

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34 Management of Insurance and Financial Risk (continued)

a. Insurance risk (continued)

Short-duration life insurance contracts (continued)

(i) Frequency and severity of claims (continued)

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.

	2013		2012	
	Mortality Risk $'000	Risk %	Mortality Risk $'000	Risk %
Industry Sector				
Employees of varying industries	243,819	99	235,784	99
Debtors of banks, trust companies, finance companies, credit unions etc.	2,573	1	2,578	1
Members of unions, associations etc.	329	-	123	-
Total	246,721	100	238,485	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.

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.

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34 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 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	
		2013	2012
Variable	**%**	**$'000**	**$'000**
Worsening of mortality	10	5,853	5,127

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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34 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:

	2013							
	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	Corporate $'000	Total $'000
Assets								
Plant and equipment	-	-	-	-	-	-	1,791,750	1,791,750
Investment properties	-	170,592	-	454,656	45,128	-	-	670,376
Intangible assets	-	-	-	-	-	28,430	-	28,430
Financial assets	19,625,634	574,470	-	12,199,192	5,701,330	-	3,295,445	41,396,071
Reinsurance assets	155,456	-	-	-	-	-	-	155,456
Loans and receivables	273,953	57,899	86	579,081	36,372	1,169,716	221,065	2,338,172
Taxation recoverable	27,326	-	-	487,951	486,962	957,161	28,691	1,988,091
Cash and cash equivalents	887,925	50,000	163,041	811,163	649,358	242,576	2,818,440	5,622,503
Assets held for sale	-	-	-	-	-	-	160,976	160,976
Total	20,970,294	852,961	163,127	14,532,043	6,919,150	2,397,883	8,316,367	54,151,825

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

	Restated 2012							
	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	Corporate $'000	Total $'000
Assets								
Plant and equipment	-	-	-	-	-	-	1,549,533	1,549,533
Investment properties	-	169,755	-	434,311	44,128	-	-	648,194
Intangible assets	-	-	-	-	-	28,159	-	28,159
Financial assets	18,624,451	621,330	-	11,351,401	5,362,451	-	3,714,493	39,674,126
Loans and receivables	236,193	42,439	31	-	295,442	848,964	221,879	1,644,948
Reinsurance assets	192,267	-	-	-	-	-	-	192,267
Taxation recoverable	27,326	-	-	487,951	471,018	758,673	28,691	1,773,659
Cash and cash equivalents	600,447	15,251	141,443	835,117	651,007	720,196	1,336,101	4,299,562
Assets held for sale	-	-	-	-	-	-	127,338	127,338
Total	19,680,684	848,775	141,474	13,108,780	6,824,046	2,355,992	6,978,035	49,937,786

34 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 derecognising 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 $14B (2012 – $14B) 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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34 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)

	2013					
	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						
Financial assets	19,625,634	83,335	8,735,397	43,397,436	167,264	52,383,432
Loans and receivables	273,953	66,955	-	-	214,314	281,269
Reinsurance assets	155,456	1,299	521	12,109	141,527	155,456
Taxation recoverable	27,326	-	-	27,326	-	27,326
Cash and cash equivalents	887,925	950,479	-	-	-	950,479
Total	20,970,294	1,102,068	8,735,918	43,436,871	523,105	53,797,962
	Expected Cash Flows					
Liabilities						
Long-term insurance contracts with fixed and guaranteed terms	20,970,294	175,298	70,219	1,633,476	19,091,302	20,970,295
Net Liquidity Gap		926,770	8,665,699	41,803,395	(18,568,197)	32,827,667
Cumulative Liquidity Gap		926,770	9,592,469	51,395,864	32,827,667	-

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34 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)

	2012 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						
Financial assets	18,624,451	478,891	9,717,341	31,287,512	166,437	41,650,181
Loans and receivables	236,193	5,210	-	-	230,984	236,194
Reinsurance assets	192,267	1,411	266	16,332	174,258	192,267
Taxation recoverable	27,326	-	-	27,326	-	27,326
Cash and cash equivalents	600,447	617,774	-	-	-	617,774
Total	19,680,684	1,103,286	9,717,607	31,331,170	571,679	42,723,742
	Expected Cash Flows					
Liabilities						
Long-term insurance contracts with fixed and guaranteed terms	19,680,684	144,391	(36,397)	1,735,390	17,837,300	19,680,684
Net Liquidity Gap		958,895	9,754,004	29,595,780	(17,265,621)	23,043,058
Cumulative Liquidity Gap		958,895	10,712,899	40,308,679	23,043,058	-

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.

34 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 (2012 – 300) basis points in interest yields would result in a loss for the period of $55,174,000 (2012 – $10,325,000). A similar decrease in interest yields would result in a profit for the period of $55,174,000 (2012 – $10,325,000).

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 $16,006,000 (2012 – $16,019,000). A similar decrease in the key stock markets indices would result in a loss for the period of $16,006,000 (2012 – $16,019,000).

(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.

34 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 recognises 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 $852,962,000 (2012 – $848,775,000). These assets are included in the table below to match expected undiscounted cash flows from the guaranteed components of insurance and investment contract liabilities. Similarly to the approach used for the fixed and guaranteed portfolio, 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 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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34 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)

	2013 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	170,592	-	-	-	-	170,592	170,592
Financial assets	574,470	-	-	475,347	-	187,652	662,999
Loans and receivables	57,899	-	15,613	-	-	42,648	58,261
Cash and cash equivalents	50,000	-	52,531	-	-	-	52,531
Total	852,961	-	68,144	475,347	-	400,892	944,383
	Expected Cash Flows						
Liabilities							
Long-term insurance fixed contracts with and guaranteed terms and without DPF	852,961	-	1,352	188,664	35,116	627,830	852,962
Net Liquidity Gap			66,792	286,683	(35,116)	(226,938)	91,421
Cumulative Liquidity Gap			66,792	353,475	318,359	91,421	

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34 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)

	2012						
		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	169,755	-	-	-	-	169,755	169,755
Financial assets	621,330	-	-	368,157	678,061	186,730	1,232,948
Loans and receivables	42,439	-	-	-	-	42,439	42,439
Cash and cash equivalents	15,251	-	16,606	-	-	-	16,606
Total	848,775	-	16,606	368,157	678,061	398,924	1,461,748
	Expected Cash Flows						
Liabilities							
Long-term insurance contracts with fixed and guaranteed terms and without DPF	848,775	-	1,350	188,267	34,916	624,242	848,775
Net Liquidity Gap		-	15,256	179,890	643,145	(225,318)	612,973
Cumulative Liquidity Gap		-	15,256	195,146	838,291	612,973	-

34 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 $18,765,000 (2012 – $18,673,000). A similar decrease in the key stock markets indices would result in a loss for the period of $18,765,000 (2012 –$18,673,000).

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34 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:

	2013 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							
Loans and receivables	86	-	86	-	-	-	86
Cash and cash equivalents	163,041	-	177,285	-	-	-	177,285
Total	163,127	-	177,371	-	-	-	177,371
	Expected Cash Flows						
Liabilities							
Short-term insurance contracts	163,127	-	163,127	-	-	-	163,127
Net Liquidity Gap		-	14,244	-	-	-	14,244
Cumulative Liquidity Gap		-	14,244	14,244	14,244	14,244	-

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(iii) Short term insurance contracts (continued)

	2012						
	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							
Loans and receivables	31	-	31	-	-	-	31
Cash and cash equivalents	141,443	-	148,763	-	-	-	148,763
Total	141,474	-	148,794	-	-	-	148,794
	Expected Cash Flows						
Liabilities							
Short-term insurance contracts	141,474	-	141,474	-	-	-	141,474
Net Liquidity Gap		-	7,320	-	-	-	7,320
Cumulative Liquidity Gap		-	7,320	7,320	7,320	7,320	-

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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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(iv) Unit linked contracts

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.

	2013 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						
Investment properties	45,128	-	-	-	-	45,128	45,128
Financial assets	5,701,330	-	69,167	1,747,642	5,009,601	1,048,801	7,875,211
Loans and receivables	36,372	-	36,372	-	-	-	36,372
Taxation recoverable	486,962	-	-	486,962	-	-	486,962
Cash and cash equivalents	649,358	74,848	609,143	-	-	-	683,991
Total	6,919,150	74,848	714,682	2,234,604	5,009,601	1,093,929	9,127,664
	Expected Cash Flows						
Liabilities							
Estimated cash flows	6,919,150	-	142,408	201,972	1,201,559	5,373,211	6,919,150
Net Liquidity Gap		74,848	572,274	2,032,632	3,808,042	(4,279,282)	2,208,514
Cumulative Liquidity Gap		74,848	647,122	2,679,754	6,487,796	2,208,514	-

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(iv) Unit linked contracts (continued)

	2012 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				
Investment properties	44,128	-	-	-	-	44,128	44,128
Financial assets	5,362,451	-	105,783	2,798,785	2,751,501	985,696	6,641,765
Loans and receivables	295,442	-	2,585	36,156	-	258,575	297,316
Taxation recoverable	471,018	-	-	471,018	-	-	471,018
Cash and cash equivalents	651,007	86,097	546,013	-	-	-	632,110
Total	6,824,046	86,097	654,381	3,305,959	2,751,501	1,288,399	8,086,337
			Expected Cash Flows				
Liabilities							
Estimated cash flows	6,824,046	-	101,152	179,409	1,238,494	5,304,991	6,824,046
Net Liquidity Gap		86,097	553,229	3,126,550	1,513,007	(4,016,592)	1,262,291
Cumulative Liquidity Gap		86,097	639,326	3,765,876	5,278,883	1,262,291	-

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 $23,856,000 per annum (2012 – $25,221,000).

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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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(iv) Unit linked contracts (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 (2012 – 300) basis points in interest yields would result in a loss for the period of $221,301,000 (2012 – $208,700,000). A similar decrease in interest yields would result in a profit for the period of $221,301,000 (2012 – $208,700,000).

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 $104,336,000 (2012 – $98,051,000). A similar decrease in the key stock markets indices would result in a loss for the period of $104,336,000 (2012 – $98,051,000).

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34 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:

	2013 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	454,656	-	-	-	-	454,656	454,656
Financial assets	12,199,192	-	250,260	6,273,388	10,540,111	395,978	17,459,737
Loans and receivables	579,081	-	592,601	-	-	-	592,601
Taxation recoverable	487,951	-	-	487,951	-	-	487,951
Cash and cash equivalents	811,163	661,098	164,334	-	-	-	825,432
Total	14,532,043	661,098	1,007,195	6,761,339	10,540,111	850,634	19,820,377
	Expected Cash Flows						
Liabilities							
Long-term insurance contracts with fixed and guaranteed terms and without DPF	14,532,043	-	218,395	-	-	14,313,648	14,532,043
Net Liquidity Gap		661,098	788,800	6,761,339	10,540,111	(13,463,014)	5,288,334
Cumulative Liquidity Gap		661,098	1,449,898	8,211,237	18,751,348	5,288,334	-

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(v) Approved deposit administration funds (continued)

	2012 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	434,311	-	-	-	-	434,311	434,311
Financial assets	11,351,401	-	1,413,206	6,905,174	6,389,577	428,201	15,136,158
Taxation recoverable	487,951	-	-	487,951	-	-	487,951
Cash and cash equivalents	835,117	-	875,767	-	-	-	875,767
Total	13,108,780	-	2,288,973	7,393,125	6,389,577	862,512	16,934,187
	Expected Cash Flows						
Liabilities							
Long-term insurance contracts with fixed and guaranteed terms and without DPF	13,108,780	-	370,198	-	-	12,738,582	13,108,780
Net Liquidity Gap		-	1,918,775	7,393,125	6,389,577	(11,876,070)	3,825,407
Cumulative Liquidity Gap		-	1,918,775	9,311,900	15,701,477	3,825,407	-

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.

34 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 (2012 - 300) basis points in interest yields would result in a loss for the period of $7,808,000 (2012 – $17,051,000). A similar decrease in interest yields would result in a profit for the period of $7,808,000 (2012 – $17,051,000).

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 $32,031,000 (2012 – $42,820,000). A similar decrease in the key stock markets indices would result in a loss for the period of $32,031,000 (2012 – $42,820,000).

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(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:

	2013 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							
Intangible assets	28,430	-	-	-	-	28,430	28,430
Loans and receivable	1,169,716	-	1,169,716	-	-	-	1,169,716
Taxation recoverable	957,161	-	-	957,161	-	-	957,161
Cash and cash equivalents	242,576	242,576	-	-	-	-	242,576
Total	2,397,883	242,576	1,169,716	957,161	-	28,430	2,397,883
	Expected Cash Flows						
Liabilities							
Other	2,397,883	-	2,397,883	-	-	-	2,397,883
Net Liquidity Gap		242,576	(1,228,167)	957,161	-	28,430	-
Cumulative Liquidity Gap		242,576	(985,591)	(28,430)	(28,430)	-	-

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vi) Other liabilities (continued)

	2012 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							
Intangible assets	28,159	-	-	-	-	28,159	28,159
Loans and receivable	848,964	-	848,964	-	-	-	848,964
Taxation recoverable	758,673	-	-	758,673	-	-	758,673
Cash and cash equivalents	720,196	720,196	-	-	-	-	720,196
Total	2,355,992	720,196	848,964	758,673	-	28,159	2,355,992
	Expected Cash Flows						
Liabilities							
Other	2,355,992	-	2,355,992	-	-	-	2,355,992
Net Liquidity Gap		720,196	(1,507,028)	758,673	-	28,159	-
Cumulative Liquidity Gap		720,196	(786,832)	(28,159)	(28,159)	-	-

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.

34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vii) Credit risk

Credit risk is the risk that one party to a financial instrument or financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss.

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.

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.
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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

Below is an analysis of assets bearing credit risk.

	Neither past due nor Impaired	Past due but not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at 31 December 2013				
Financial assets	39,141,500	-	-	39,141,500
Loans and receivables including insurance receivables	2,338,172	-	-	2,338,172
Reinsurance assets	155,456	-	-	155,456
Cash and cash equivalents	5,622,503	-	-	5,622,503
	47,257,631	-	-	47,257,631

	Neither past due nor Impaired	Past due but not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at 31 December 2012				
Financial assets	37,330,266	-	110,387	37,440,653
Loans and receivables including insurance receivables	1,644,948	-	-	1,644,948
Reinsurance assets	192,267	-	-	192,267
Cash and cash equivalents	4,299,562	-	-	4,299,562
	43,467,043	-	110,387	43,577,430

During the month of August 2012 the Government of Belize (GOB) signaled its inability to meet its interest obligation and urged bondholders to support its request for a new structure on its 2029 US$ bond. This announcement created a significant drop in the price of the security held resulting in the impairment charge of $69 million during the year.

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34 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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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

	The Group						
	2013						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	39,055,313	2,340,758	41,396,071
Loans and receivables including insurance receivables	-	-	-	-	553,819	1,784,353	2,338,172
Reinsurance assets	-	-	-	-	-	155,456	155,456
Cash and cash equivalents	-	-	-	-	-	5,622,503	5,622,503
	-	-	-	-	39,609,132	9,903,070	49,512,202

	The Company						
	2013						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	39,055,313	2,340,758	41,396,071
Loans and receivables including insurance receivables	-	-	-	-	553,819	1,792,535	2,346,354
Reinsurance assets	-	-	-	-	-	155,456	155,456
Cash and cash equivalents	-	-	-	-	-	5,614,500	5,614,500
	-	-	-	-	39,609,132	9,903,249	49,512,381

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

	The Group						
	2012						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	37,440,653	2,233,473	39,674,126
Loans and receivables including insurance receivables	-	-	-	-	-	1,644,948	1,644,948
Reinsurance assets	-	-	-	-	-	192,267	192,267
Cash and cash equivalents	-	-	-	-	-	4,299,562	4,299,562
	-	-	-	-	37,440,653	8,370,250	45,810,903

	The Company						
	2012						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	37,440,653	2,233,473	39,674,126
Loans and receivables including insurance receivables	-	-	-	-	-	1,647,134	1,647,134
Reinsurance assets	-	-	-	-	-	192,267	192,267
Cash and cash equivalents	-	-	-	-	-	4,293,029	4,293,029
	-	-	-	-	37,440,653	8,365,903	45,806,556

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34 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					
	2013					
	Financial Institutions	Public sector Other Govt	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	641,337	39,044,708	-	-	1,710,026	41,396,071
Loans and receivables including insurance receivables	334,541	553,819	689,681	335,420	424,711	2,338,172
Reinsurance assets	-	-	-	155,456	-	155,456
Cash and cash equivalents	5,622,503	-	-	-	-	5,622,503
	6,598,381	39,598,527	689,681	490,876	2,134,737	49,512,202

	The Company					
	2013					
	Financial Institutions	Public sector Other Govt	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	641,337	3,9044,708	-	-	1,710,026	41,396,071
Loans and receivables including insurance receivables	334,541	553,819	689,681	335,420	432,893	2,346,354
Reinsurance assets	-	-	-	155,456	-	155,456
Cash and cash equivalents	5,614,500	-	-	-	-	5,614,500
	6,590,378	39,598,527	689,681	490,876	2,142,919	49,512,381

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

Concentrations of risks of financial assets with credit risk exposure (continued)

	The Group					
	2012					
	Financial Institutions	Public Sector Other Govt	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	706,266	37,101,287	-	-	1,866,573	39,674,126
Loans and receivables including insurance receivables	264,760	-	667,476	261,594	451,118	1,644,948
Reinsurance assets	-	-	-	192,267	-	192,267
Cash and cash equivalents	4,299,562	-	-	-	-	4,299,562
	5,270,588	37,101,287	667,476	453,861	2,317,691	45,810,903

	The Company					
	2012					
	Financial Institutions	Public Sector Other Govt	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	706,266	37,101,287	-	-	1,866,573	39,674,126
Loans and receivables including insurance receivables	264,760	-	667,476	261,594	453,304	1,647,134
Reinsurance assets	-	-	-	192,267	-	192,267
Cash and cash equivalents	4,293,029	-	-	-	-	4,293,029
	5,264,055	37,101,287	667,476	453,861	2,319,877	45,806,556

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

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 4.3% (2012: 2.1%) devaluation in the Jamaican dollar relative to the United States dollar at the statement of financial position date is as follows:

	2013		2012	
	Effect on profit and loss	Effect on equity	Effect on profit and loss	Effect on equity
	$'000	$'000	$'000	$'000
Financial assets	92,435	-	40,180	-
Cash and cash equivalents	38,078	-	8,291	-

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

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

	2013						
	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	1,750,236	-	-	-	41,514	-	1,791,750
Investment properties	670,376	-	-	-	-	-	670,376
Intangible assets	28,430	-	-	-	-	-	28,430
Financial assets	35,927,410	2,432,171	34,969	2,575,874	161,895	263,752	41,396,071
Loans and receivables	2,141,124	-	2,555	1,033	193,460	-	2,338,172
Reinsurance asset	155,456	-	-	-	-	-	155,456
Taxation recoverable	1,811,835	169,191	1,477	5,588	-	-	1,988,091
Cash and cash equivalents	4,042,263	1,067,494	57,185	292,506	163,055	-	5.622.503
Asset held for sale	-	160,976	-	-	-	-	160,976
Total Assets	46,527,130	3,829,832	96,186	2,875,001	559,924	263,752	54,151,825
Liabilities							
Insurance contracts	21,558,826	-	9,683	7,748	410,124	-	21,986,381
Investment contracts	18,862,034	-	-	2,423,144	92,084	-	21,377,262
Other policy liabilities	995,097	917	7,973	9	43,541	-	1,047,537
Deferred tax liability	363,928	-	-	-	758	-	364,686
Provision for taxation	318,027	-	-	41	-	-	318,068
Other liabilities	731,671	-	-	2,926	6,926	-	741,523
Total liabilities	42,829,583	917	17,656	2,433,868	553,433	-	45,835,457
Net position	3,697,547	3,828,915	78,530	441,133	6,491	263,752	8,316,368

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2012						
	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	1,515,750	-	-	-	33,783	-	1,549,533
Investment properties	648,194	-	-	-	-	-	648,194
Intangible assets	28,159	-	-	-	-	-	28,159
Financial assets	34,977,799	2,134,276	24,983	2,117,248	189,832	229,988	39,674,126
Loans and receivables	1,494,451	263	1,962	1,206	147,066	-	1,644,948
Reinsurance assets	192,267	-	-	-	-	-	192,267
Taxation recoverable	1,621,083	151,489	1,087	-	-	-	1,773,659
Cash and cash equivalents	3,101,609	1,024,594	64,117	23,935	82,327	2,980	4,299,562
Asset held for sale	-	127,338	-	-	-	-	127,338
Total Assets	43,579,312	3,437,960	92,149	2,142,389	453,008	232,968	49,937,786
Liabilities							
Insurance contracts	20,360,604	-	8,201	6,249	295,879	-	20,670,933
Investment contracts	17,890,995	-	-	1,816,802	69,241	-	19,777,038
Other policy liabilities	977,123	801	6,788	8	40,851	-	1,025,571
Deferred tax liability	398,910	-	-	-	488	-	399,398
Provision for taxation	136,643	-	-	36	-	-	136,679
Other liabilities	940,915	-	-	6,825	2,392	-	950,132
Total liabilities	40,705,190	801	14,989	1,829,920	408,851	-	42,959,751
Net position	2,874,122	3,437,159	77,160	312,469	44,157	232,968	6,978,035

Guardian Life Limited
Notes to the Financial Statements
31 December 2013
(Expressed in Jamaican dollars unless otherwise indicated)

34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2013						
	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	1,750,236	-	-	-	41,514	-	1,791,750
Investment properties	670,376	-	-	-	-	-	670,376
Intangible assets	28,430	-	-	-	-	-	28,430
Investment in subsidiary	20	-	-	-	-	-	20
Financial assets	35,927,410	2,432,171	34,969	2,575,874	161,895	263,752	41,396,071
Loans and receivables	2,149,306	-	2,555	1,033	193,460	-	2,346,354
Reinsurance asset	155,456						155,456
Taxation recoverable	1,811,835	169,191	1,477	5,588	-	-	1,988,091
Cash and cash equivalents	4,034,260	1,067,494	57,185	292,506	163,055	-	5,614,500
Asset held for sale	-	99,962	-	-	-	-	99,962
Total Assets	46,527,329	3,768,818	96,186	2,875,001	559,924	263,752	54,091,010
Liabilities							
Insurance contracts	21,558,826	-	9,683	7,748	410,124	-	21,986,381
Investment contracts	18,862,034	-	-	2,423,144	92,084	-	21,377,262
Other policy liabilities	995,097	917	7,973	9	43,541	-	1,047,537
Deferred tax liability	363,928	-	-	-	758	-	364,686
Provision for taxation	318,027	-	-	41	-	-	318,068
Other liabilities	731,688	-	-	2,926	6,926	-	741,540
Total liabilities	42,829,600	917	17,656	2,433,868	553,433	-	45,835,474
Net position	3,697,729	3,767,901	78,530	441,133	6,491	263,752	8,255,536

Guardian Life Limited

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34 Management of Insurance and Financial Risk (continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2012						
	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	1,515,750	-	-	-	33,783	-	1,549,533
Investment properties	648,194	-	-	-	-	-	648,194
Intangible assets	28,159	-	-	-	-	-	28,159
Investment in subsidiary	20	-	-	-	-	-	20
Financial assets	34,977,799	2,134,276	24,983	2,117,248	189,832	229,988	39,674,126
Loans and receivables	1,496,637	263	1,962	1,206	147,066	-	1,647,134
Reinsurance assets	192,267	-	-	-	-	-	192,267
Taxation recoverable	1,621,083	151,489	1,087	-	-	-	1,773,659
Cash and cash equivalents	3,095,076	1,024,594	64,117	23,935	82,327	2,980	4,293,029
Asset held for sale	-	89,505	-	-	-	-	89,505
Total Assets	43,574,985	3,400,127	92,149	2,142,389	453,008	232,968	49,895,626
Liabilities							
Insurance contracts	20,360,604	-	8,201	6,249	295,879	-	20,670,933
Investment contracts	17,890,995	-	-	1,816,802	69,241	-	19,777,038
Other policy liabilities	977,123	801	6,788	8	40,851	-	1,025,571
Deferred tax liability	398,910	-	-	-	488	-	399,398
Provision for taxation	136,643	-	-	36	-	-	136,679
Other liabilities	936,590	-	-	6,825	2,392	-	945,807
Total liabilities	40,700,865	801	14,989	1,829,920	408,851	-	42,955,426
Net position	2,874,120	3,399,326	77,160	312,469	44,157	232,968	6,940,200

(Expressed in Jamaican dollars unless otherwise indicated)

34 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 has branch operations in Belize. 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 2013 and 2012 with the minimum ratio required by the Insurance Regulations, 2001:

2013		2012	
MCCSR Ratio	Minimum Ratio Required	MCCSR Ratio	Minimum Ratio Required
190%	150%	187%	150%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

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34 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:

	2013		2012	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Investment Securities -				
Held-to-maturity	19,341,505	19,706,931	19,952,541	21,722,201
Policyholders' loans	256,962	256,962	273,052	273,052

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34 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 notes:

	Level 1	Level 2	Level 3	Total Fair Value
	$’000	$’000	$’000	$’000
At 31 December 2013				
Held-to-maturity	-	-	19,706,931	19,706,931
Policyholders' loans	-	-	256,962	256,962
	-	-	19,963,893	19,963,893

	Level 1	Level 2	Level 3	Total Fair Value
	$’000	$’000	$’000	$’000
At 31 December 2012				
Held-to-maturity	-	-	21,722,201	21,722,201
Policyholders' loans	-	-	273,052	273,052
	-	-	21,995,253	21,995,253

35 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.

36 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 2013, contributions made totaled $95,536,000 (2012: $107,833,000).

37 National and Private Debt Exchanges

On 12 February and 12 March 2013, the Government of Jamaica (GOJ) invited the Company to participate in the National Debt Exchange (NDX) and a Private Debt Exchange (PDX). These exchanges were aimed at reducing the GOJ debt-servicing costs and were a pre-condition of the finalization of an agreement with the International Monetary Fund for an Extended Fund facility and to obtain access to funding from other multi-lateral lending agencies. It involved a par for par exchange of GOJ domestic debt instruments ("Old Notes") for new, longer-dated debt instruments (collectively referred to as the "New Notes"), with lower coupon interest rates. Participation in the NDX was voluntary. The Board of Directors of Guardian Life Limited accepted the offers to participate in the NDX and the PDX. The company exchanged “Old Notes” with a carrying value of $27.6B for “New Notes’ with a fair value of $27.2B. Interest accrued on the “Old Notes” up to and excluding 22 February 2013 was paid in cash, net of applicable withholding taxes.

The difference between the carrying value of the “Old Notes” and the fair value of the “New Notes” recognised in the income statement was $433M. The NDX also positively impacted actuarial reserves and this was taken into consideration in calculating the actuarial reserves for the 2013 results.

38 Subsequent Event

On 20 February 2014, the Board of Directors approved the payment of a final dividend for 2013 of $3.35 per share.