JN LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2014

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on the financial statements

We have audited the financial statements of JN Life Insurance Company Limited ("the company"), set out on pages 3 to 36, which comprise the statement of financial position as at December 31, 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

March 6, 2015

JN LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2014

	Notes	2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	6	11,285	8,903
Accounts receivable	7	10,088	19,227
Income tax recoverable		-	5,281
Investments	8	292,923	214,537
Securities purchased under resale agreements	9	30,069	-
Property, plant and equipment	10	10,958	4,779
Total assets		355,323	252,727
Equity and liabilities			
Equity			
Share capital	11	1	1
Capital reserve	12	152,740	152,740
Investment revaluation reserve	13	145	952
Retained earnings		154,324	48,878
Total equity		307,210	202,571
Liabilities			
Accounts payable	14	28,020	10,856
Income tax payable		1,643	-
Due to parent society	15	2,022	3,245
Policyholders' liabilities	16	15,635	35,552
Deferred tax liability	17	793	503
Total liabilities		48,113	50,156
Total equity and liabilities		355,323	252,727

The financial statements on pages 3 to 36 were approved by the Board of Directors on March 6, 2015 and signed on its behalf by:

Director
Earl Jarrett

Director
Peter Morris

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2014

	Notes	2014 $'000	2013 $'000
Income			
Gross premium income		293,716	51,056
Insurance premium ceded to reinsurers		(43,528)	(8,873)
Net premium income		250,188	42,183
Other income		10	15
		250,198	42,198
Policyholders' benefits and expenses			
Insurance benefits incurred		(100,236)	(23,688)
Less reinsurance		25,353	2,578
Net insurance benefits incurred		(74,883)	(21,110)
Decrease/(increase) in actuarial reserves	16	5,441	(11,864)
Administrative expenses		(76,404)	(12,496)
Other operating expenses	20(e)	(8,811)	(1,531)
		(154,657)	(47,001)
Profit/(loss) before finance income and taxation	18	95,541	(4,803)
Finance income			
Interest income			
-Available-for-sale financial assets		11,055	10,921
-Loans and receivables		10,508	2,716
-Staff loans		113	-
Foreign exchange gains		809	1,289
		22,485	14,926
		118,026	10,123
Loss arising from National Debt Exchange	25	-	(4,836)
Profit before taxation		118,026	5,287
Taxation	20(a)	(2,861)	(1,514)
Profit for the year		115,165	3,773
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments, being total other comprehensive (loss)/income	20(d)	(807)	2,519
Total comprehensive income for the year		114,358	6,292

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Equity
Year ended December 31, 2014

	Share capital $'000 (note 11)	Capital reserve $'000 (note 12)	Investment revaluation reserve $'000 (note 13)	Retained earnings $'000	Total $'000
Assets					
Balances at December 31, 2012	1	152,740	(1,567)	45,105	196,279
Total comprehensive income:					
Profit for the year	-	-	-	3,773	3,773
Other comprehensive income:					
Change in fair value of available-for-sale investments, being total other comprehensive income for the year	-	-	2,519	-	2,519
Total comprehensive income	-	-	2,519	3,773	6,292
Balances at December 31, 2013	1	152,740	952	48,878	202,571
Total comprehensive income:					
Profit for the year	-	-	-	115,165	115,165
Other comprehensive loss:					
Change in fair value of available-for-sale investments, being total other comprehensive loss for the year	-	-	(807)	-	(807)
Total comprehensive (loss)/income	-	-	(807)	115,165	114,358
Transactions with owner					
Dividends (note 26)	-	-	-	(9,719)	(9,719)
Balances at December 31, 2014	$ 1	152,740	145	154,324	307,210

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2014

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		115,165	3,773
Adjustments to reconcile profit for the year to net cash provided operating activities:			
Interest income		(21,676)	(13,637)
(Decrease)/increase in actuarial reserves		(5,441)	11,864
Depreciation	10	2,205	81
Property, plant and equipment written off		53	-
Deferred tax	20(a)	290	(194)
Premium tax		8,811	1,531
Tax expense	20(a)	2,571	1,708
		101,978	5,126
Change in operating assets and liabilities:			
Income tax recoverable		(4,458)	(3,831)
Accounts receivable		12,242	(16,891)
Policyholders' liabilities		(14,476)	23,688
Accounts payable		17,164	10,233
Due to parent society		(1,223)	3,245
		111,227	21,570
Interest received		18,573	15,942
Net cash provided by operating activities		129,800	37,512
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	10	(8,437)	(4,860)
Resale agreements		(30,069)	-
Investments		(79,193)	(64,760)
Net cash used by investing activities		(117,699)	(69,620)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid to parent society, being net cash flows used by financing activity	26	(9,719)	-
Net increase in cash and cash equivalents		2,382	(32,108)
Cash and cash equivalents at the beginning of the year		8,903	41,011
Cash and cash equivalents at end of the year		11,285	8,903

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

1. The company

The company is incorporated in Jamaica and is a wholly-owned subsidiary of The Jamaica National Building Society, which is also incorporated in Jamaica, under the Building Societies Act. The company is domiciled in Jamaica, its registered office is located at 2-4 Constant Spring Road, Kingston 10 and has its principal place of business at 26 Trafalgar Road, Kingston 10.

In 2011, the company obtained a licence from the Financial Services Commission (FSC) to conduct ordinary life insurance business. In December 2012, the company received approval from the FSC to market Group Mortgage Blanket Protection Policy (Bulk Premium) and commenced underwriting life insurance in July 2013. During the year, the company received approval from the FSC to market Creditor Life Protection Policy (Single Premium) and Group Life. It commenced underwriting Single Premium life insurance in August 2014.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements, viz:

- Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities* which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously. The adoption of this amendment did not result in any change to the presentation and disclosures in the financial statements.

- IFRIC 21, *Levies* which is effective for accounting periods beginning on or after January 1, 2014 provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs.

  The company reviewed legislation which applies to it and has adopted a change in accounting policy in respect of the recognition of asset tax. However, the amount involved is not considered material for restatement.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of available-for-sale investments at fair value, except for those for which a reliable measure of fair value is not available.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the company's functional currency and expressed in thousands of dollars, unless otherwise stated.

(d) Use of estimates and judgement:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Although these estimates are based on management's best knowledge of current events and actions, actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

(e) Comparative information:

Whenever necessary, the comparative figures are restated to conform to current year's presentation.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounts payable:

Accounts payable are stated at amortised cost.

(b) Accounts receivable:

Trade and other accounts receivable are stated at amortised cost less impairment losses [see note 3(m)].

3. Significant accounting policies (continued)

(c) Cash and cash equivalents:

Cash and cash equivalents are shown at cost. They comprise bank balances and short-term, highly liquid investments where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments.

(d) Foreign currency transactions and balances:

Transactions in foreign currencies are translated to the functional currency of the company at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss.

(e) Taxation:

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the income for the year, using tax rates substantively enacted at the financial year end, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

(e) Taxation (continued):

(iii) Premium tax

Tax on premium income earned is included as an operating expense as it is considered a tax on revenue rather than on profits.

(f) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [see note 3(m)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be reliably measured. The cost of day to day servicing of property, plant and equipment is recognised in the statement of profit or loss and other comprehensive income as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment, with the exception of artwork, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives.

The depreciation rates are as follows:

Computers	33⅓%
Leasehold improvements	33⅓%
Office equipment	10%
Furniture and fittings	10%
Motor vehicles	20%

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(g) Insurance contracts:

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001.

(i) Classification

The company issues contracts that transfer insurance risk which are short-term life insurance contracts.

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

3. Significant accounting policies (continued)

(g) Insurance contracts (continued):

(ii) Recognition and measurement

The insurance contracts insure human life for death or permanent disability over a short duration. Short-duration life insurance contracts protect the company's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy-holder. There are no maturity or surrender benefits.

The underwriting results are determined after making provision for, inter alia, outstanding claims. Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the company. The loss and loss expense reserves have been reviewed by the company's actuary using the past loss experience of the company and industry data.

Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities. Management believes that, based on the analysis completed by the actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Insurance contract liabilities are determined by an independent actuary using the policy premium method of valuation. These liabilities are, on valuation, adjusted through the statement of profit or loss and other comprehensive income to reflect the valuation determined under the policy premium method.

(h) Reinsurance contracts:

The company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts [see note 3 (g)]. Reinsurance does not relieve the originating insurer of its liability.

(i) Revenue recognition:

(i) Premium income

Gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

3. Significant accounting policies (continued)

(i) Revenue recognition (continued):

(ii) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

(iii) Realised gains and losses

Realised gains and losses recorded in the statement of profit or loss and other comprehensive income relate to gains and losses on the sale of financial and other assets. This is calculated as the difference between net sales proceeds and the current carrying value and is recorded on occurrence of the sale transaction.

(j) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable, resale agreements and investments. Financial liabilities include policyholders' liabilities, accounts payable and due to parent society.

(i) Recognition

The company initially recognises debt securities on the date that they are originated. All other financial assets and liabilities are initially recognised on the settlement date, at which the company becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3. Significant accounting policies (continued)

(k) Investment securities:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were purchased. Investments are classified as loans and receivables, held-to-maturity, at fair value through profit or loss and available-for-sale securities.

(i) Loans and receivables:

Loans and receivables are non-derivative financial assets that are created or purchased by the company, with fixed or determinable payments and are not quoted in an active market. They arise when the company provides money or services directly to a debtor with no intention of trading the receivable.

Loans and receivables comprise cash and cash equivalents and securities purchased under resale agreements.

(ii) Held to maturity:

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These investments are initially recognised at cost with transaction costs directly attributable included. After initial measurement, held to maturity financial assets are measured at amortised cost using the effective interest rate method. Were the company to sell other than an insignificant amount of held to maturity investments before maturity, the entire category would be compromised and reclassified as available for sale.

(iii) Available-for-sale investments:

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in the above two categories; they are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or market prices. They are initially recognised at cost, and subsequently remeasured at fair value. Fair value gains and losses are reported as a separate component in the statement of profit or loss and other comprehensive income. On disposal of these investments, the unrealized gains or losses included in other comprehensive income are included in profit or loss. However, interest, which is calculated using the effective interest method, is recognised in profit and loss.

(iv) Financial liabilities:

Non-derivative financial liabilities are classified as other financial liability. Other financial liabilities comprise policy holder's liabilities, accounts payable and due to parent society.

3. Significant accounting policies (continued)

(l) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for services rendered by employees. These include current or short term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care; post-employment benefits such as pension.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

The parent Society provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements. These benefits are accounted for under a defined contribution pension plan and the obligations for contributions are recognised as an expense in the profit or loss as incurred.

(m) Impairment:

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(n) Claims:

Claims are recorded in profit or loss net of reinsurance recoverable. Charges for provision for claims is recognised in profit or loss based on the estimated liability determined by the actuary.

(o) Securities purchased under resale agreements:

Securities purchased under resale agreements ("Resale agreements") are short-term transactions whereby securities are bought with simultaneous agreements to resell the securities on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralized lending and are carried at amortised cost.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreement, using the effective interest method, and is included in interest income.

(p) Related parties:

A related party is a person or entity that is related to the company.

A) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company.

B) An entity is related to the company if any of the following conditions applies:

(i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled, or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

3. Significant accounting policies (continued)

(q) New, revised and amended standards and interpretations not yet effective:

A number of new, revised and amended standards and interpretations were in issue but were not yet effective and which the company has not early adopted. The company has assessed the relevance of all such standards and interpretations and has determined that the following are likely to be relevant to its operations:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized. The company is assessing the impact that the standard may have on its 2018 financial statements.

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

  - IFRS 13 *Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - IAS 24 *Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The company is assessing the impact that the standard will have on its 2015 financial statements.

3. Significant accounting policies (continued)

(q) New, revised and amended standards and interpretations not yet effective (continued):

- *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  The company is assessing the impact that the amendment will have on its 2016 financial statements.

4. Critical accounting estimates and judgments in applying accounting policies

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

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

(i) Fair value of financial instruments:

In the absence of quoted market prices, the fair value of a significant proportion of the company's financial instruments was determined using a generally accepted alternative to quoted market prices. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(ii) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss reserves have been determined by the company's actuary using the company's past loss experience and industry data. Amounts recoverable in respect of claims from re-insurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by the actuary that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

5. Responsibilities of the appointed actuary and external auditors

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

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary, in his verification of the management information provided by the company, and used in valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion. An actuarial valuation is prepared annually.

The external auditors have been appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the company 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 actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

6. Cash and cash equivalents

	2014	2013
	$'000	$'000
Bank balances	3,285	8,903
Time deposit	8,000	-
	11,285	8,903

7. Accounts receivable

	2014 $'000	2013 $'000
Premium receivable	1,104	16,875
Interest receivable	5,439	2,336
Other receivables	3,545	16
	10,088	19,227

8. Investments

	2014 $'000	2013 $'000
Loans and receivables:		
Treasury bills	54,879	-
Time deposit	14,749	-
Bank of Jamaica Certificates of Deposit	77,760	68,817
Available-for-sale:		
Government of Jamaica (GOJ) Global bond	10,477	9,780
Government of Jamaica (GOJ) Benchmark Investment Notes	135,058	135,940
	292,923	214,537
Maturity profile:		
Within 3 months	72,037	27,081
3 months to 1 year	85,828	41,736
1 to 5 years	135,058	145,720
	292,923	214,537

Investments include $90,054,000 (2013: $90,945,000) held to the order of the Financial Services Commission (FSC) as required by the Insurance Act 2001.

9. Securities purchased under resale agreements

At December 31, 2014 collateral held for securities purchased under resale agreements approximated their carrying values, and are due within three months from the reporting date.

10. Property, plant and equipment

	Motor Vehicle $'000	Leasehold improvements $'000	Furniture, fixtures & fittings $'000	Total $'000
Cost:				
Additions, being balance at December 31, 2013	-	2,008	2,852	4,860
Additions	6,931	-	1,506	8,437
Disposals	-	-	(62)	(62)
December 31, 2014	6,931	2,008	4,296	13,235
Depreciation:				
Charge, being balance at December 31, 2013	-	56	25	81
Charge for the year	1,155	669	381	2,205
Eliminated on disposals	-	-	(9)	(9)
December 31, 2014	1,155	725	397	2,277
Net book values:				
December 31, 2014	5,776	1,283	3,899	10,958
December 31, 2013	-	1,952	2,827	4,779

11. Share capital

	2014 $'000	2013 $'000
Authorised and stated capital issued and fully paid:		
1,000 ordinary shares at no par value	1	1

12. Capital reserve

This reserve arose from the waiver of an amount payable by the company to the parent society in 2009.

13. Investment revaluation reserve

This represents the unrealised gains, net of losses, on the revaluation of available-for-sale investments.

14. Accounts payable

	2014 $'000	2013 $'000
Due to reinsurers	12,196	5,918
Other payables and accruals	15,824	4,938
	28,020	10,856

15. Due to parent society

The amount due to parent society represents amounts due for staff costs and other operating expenses.

16. Policyholders' liabilities

(a) Actuarial liabilities are computed for the insurance portfolio as follows:

(i) Bulk Creditor Life

Monthly premiums are paid at the end of the month while the risks are incurred during the month. The reserve is determined by reviewing the claims reported in 2014 that were incurred prior to 2014, expressing that as a percentage of the inforce sum insured as at December 31, 2013. Using data available on the historical performance of the insured portfolio, similar rates were computed for 2012 and 2013. The average of these three ratios was applied to the inforce sum insured to determine the Incurred But Not Reported (IBNR) reserve at December 31, 2014. Based on the method used to compute the actuarial reserves, there are no assumptions for mortality, valuation interest rates, lapses or expenses.

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2014

16. Policyholders' liabilities (continued)

(a) Actuarial liabilities are computed for the insurance portfolio as follows (continued):

(ii) Single Premium Creditor Life

Premiums are paid at issue only. The reserve is determined based on best estimate assumptions for mortality, interest rates, expenses and lapses. The expense and mortality assumptions are similar to those used for the pricing while slightly higher lapse rates are assumed. These assumptions were adjusted by margins of adverse deviation. No experience studies were done as there is a paucity of data.

(b) Policyholders' liabilities consist of:

	2014 $'000	2013 $'000
Incurred but not reported reserves	6,423	11,864
Benefit claims payable	9,212	23,688
	15,635	35,552

(c) Change in policyholders' liabilities:

	2014 $'000	2013 $'000
Actuarial liabilities:		
At the beginning of the year	11,864	-
(Decrease)/increase in reserves	(5,441)	11,864
At the end of the year	6,423	11,864
Benefit claims payable:		
At the beginning of the year	23,688	-
(Decease)/increase in claims payable	(14,476)	23,688
At the end of the year	9,212	23,688

17. Deferred tax liability

Deferred tax liability is attributable to the following:

	2014 $'000	2013 $'000
Property, plant and equipment	77	147
Interest receivable	815	350
Accounts payable	(91)	-
Unrealised foreign exchange (losses)/gains	(8)	6
	793	503

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2014

17. Deferred tax liability (continued)

Movement in temporary differences during the year:

	Balance at January 1, 2013	Recognised in profit/loss	December 31, 2013	Recognised in profit /loss	December 31, 2014
	\$'000	\$'000 [note 20(a)(ii)]	\$'000	\$'000 [note 20(a)(ii)]	\$'000
Property, plant and equipment	-	147	147	(70)	77
Interest receivable	696	(346)	350	465	815
Accounts payable	-	-	-	(91)	(91)
Unrealised foreign exchange gains/(losses)	1	5	6	(14)	(8)
	697	(194)	503	290	793

18. Disclosure of expenses

Profit/(loss) before finance income and taxation is stated after charging:

	2014 \$'000	2013 \$'000
Auditors' remuneration - current year	2,000	1,550
- prior year	849	50
Depreciation	2,205	81
Directors' remuneration [note 23(d)]	4,862	1,050

19. Salaries, pension contributions and other staff benefits

	2014 \$'000	2013 \$'000
Salaries	18,755	1,737
Statutory contributions	2,476	218
Pension cost [note 3(l)]	659	57
Staff incentives	8,108	-
Other staff benefits	2,627	410
	32,625	2,422

20. Taxation

(a) The taxation charge for the year is based on investment income after the deduction of expenses which are allowable in earning these types of income. The charge for taxation comprises:

	2014 \$'000	2013 \$'000
(i) Current tax expense:		
Income tax at 15%	2,200	1,797
Prior year under/(over) provision	371	(89)
	2,571	1,708
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 17)	290	(194)
Total taxation recognised in profit or loss	2,861	1,514

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2014

20. Taxation (continued)

(b) Reconciliation of effective tax rate:

The actual charge differs from the "expected" tax charge for the year as follows:

	2014 $'000	2013 $'000
Investment income [note c(ii)]	22,701	13,637
Computed "expected" tax charge @ 15%	3,405	2,046
Difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(86)	25
Allowable expenses	(829)	(468)
Prior year under/(over) provision	371	(89)
Actual tax charge	2,861	1,514

(c) (i) Effective July 28, 2011, the company became a registered insurance company under the Insurance Act, 2001 and in accordance with the Financial Services Commission. Accordingly, investment income is taxed at 15%. The effective tax rate for 2014 was 12.60% (2013: 11.10%) of pre-tax profits of $118,026,000 (2013: $5,287,000).

(ii) Investment income comprises interest income, foreign exchange gains and other income.

(d) Other comprehensive income:

There is no taxation attributable to other comprehensive income.

(e) Premium tax:

Premium tax is recognised as 3% of premium income less certain allowance expenses, where applicable, and is recognised as an operating expense.

21. Insurance and financial risk management

The company's activities expose it to insurance and financial risks. These activities involve the analysis, evaluation and management of some degree of risk or combination of risks. Taking these risks is core to the insurance business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company manages risk through a framework of risk principles, organisational structures and risk measurement and monitoring processes. The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems.

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

21. Insurance and financial risk management (continued)

Investment Committee:

The Investment Committee recommends to the Board for its approval a written Investment and Loan Policy. The committee reviews investment activities at least six times each year, and ensures that the existing policies comprehensively deal with the management of the company's investment portfolio and that appropriate limits are being adhered to. The Investment Committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors and outlined in the Investment policy.

Conduct Review Committee:

The Conduct Review Committee is a committee of the Board of Directors and has principal responsibility to establish and maintain procedures designed to protect the company from conflicts of interest with related parties, in compliance with the Insurance Regulations. The Committee meets at least four times per year.

Audit Committee:

The Audit Committee oversees how management monitors compliance with the company's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the company. Internal Audit assists the Audit Committee in its oversight role, by performing independent reviews of the risk management and control environment.

The most important types of risk are insurance risk, reinsurance risk, market risk, liquidity risk, credit risk, and other capital risks. Market risk includes cash flow and fair value interest rate risk and currency risk.

(a) Insurance risk:

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits is 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.

The company has developed its insurance underwriting strategy and reinsurance arrangements to determine the type of insurance risks accepted. The company's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants. For the contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as eating, smoking and exercise habits resulting in earlier or more claims than expected.

21. Insurance and financial risk management (continued)

(a) Insurance risk (continued):

The benefits assured for the Creditor Life policies, distributed by retained amounts and by reinsured amounts are shown below:

2014			
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	1,001,003	-	1,001,003
1,000 - 2,000	2,598,322	-	2,598,322
2,000 - 5,000	10,665,789	-	10,665,789
5,000 - 10,000	13,440,011	3,700,011	9,740,000
10,000 and over	8,380,450	5,515,450	2,865,000
	36,085,575	9,215,461	26,870,114

2013			
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	1,029,883	-	1,029,883
1,000 - 2,000	2,697,940	-	2,697,940
2,000 - 5,000	10,173,858	-	10,173,858
5,000 - 10,000	10,622,117	2,848,704	7,773,413
10,000 and over	5,287,102	3,402,704	1,884,398
	29,810,900	6,251,408	23,559,492

(b) Reinsurance risk:

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the company cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the company's liability as primary insurer.

The company manages reinsurance risk by selecting a reinsurer which has established capability to meet its contractual obligations and which has favourable credit ratings as determined by reputable rating agencies. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the company are summarized below:

Type of insurance contract	**Retention limit**
Group creditor life contract	JMD 5,000,000; USD 51,000; CAD 52,000; GBP 33,000 of coverage per life insured. Treaty limits apply

21. Insurance and financial risk management (continued)

(c) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from investing activities and deposits with other institutions. Balances arising from these activities include cash and cash equivalents, securities purchased under resale agreements and investments.

Credit risk exposure is the amount of loss that the company would suffer if all counterparties to which the company was exposed were to default at once.

Management of credit risk:

The Investment and Loan Policy of the company sets out the framework within which credit risk is managed. This policy is the responsibility of the Board of Directors, with the principal objective being to:

i. Maximize the risk adjusted after tax return on the investment portfolio
ii. Manage risk at a level that maintains the company's capital above regulatory requirements, and
iii. Maintain sufficient liquidity to settle liabilities as they fall due.

Counterparty credit risk

With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to cash and cash equivalents and debt securities. Additionally, these assets are held with financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Risk Management Unit of the parent society.

Cash and cash equivalents:

These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

Investment securities and resale agreements:

These debt securities are mainly government issued debt for which risk of default is considered low by regulators. The company observes the concentration limits as prescribed by the Insurance Regulations. The company is in compliance with Insurance Regulations, 2001 and the company's Investment and Loan Policy.

At the reporting date, the maximum exposure is represented by the carrying amount of financial assets shown on the statement of financial position. There was no change in the company's exposure to credit risk, or the manner in which it manages and measures credit risk.

21. Insurance and financial risk management (continued)

(d) Liquidity risk:

Liquidity risk is the potential for loss to the company arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

i. *Funding liquidity risk* - the risk that the company will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

ii. *Asset / Market liquidity risk* - is the company's inability to liquidate assets in an orderly fashion and the resulting loss on liquidation. This usually stems from illiquid markets or market disruptions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities, which includes:

- Weekly cash flow projections and close monitoring of its cash resources;
- Managing the concentration and profile of debt maturities;
- Maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruptions to cash flows; and
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;

Assets available to meet liabilities include cash balances. The company would also be able to meet unexpected net cash outflows by selling securities, should it become necessary.

The carrying amount of the contractual maturities of accounts payable and policyholders' liabilities at year-end approximates the contractual cash flow expected, and are due within one year from the reporting date.

There was no change in the nature of exposure to liquidity risk which the company is subjected to or its approach to measuring and managing the risk during the year.

(e) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income.

These arise mainly from changes in interest rate and foreign exchange rate and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

21. Insurance and financial risk management (continued)

(e) Market risk (continued):

(i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The currencies giving rise to this risk are the United States dollar (USD), Great Britain pounds (GBP) and Canadian dollar (CAD). The company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits. At the reporting date, the net foreign currency assets were as follows:

	Balances		Exchange rates	
	2014	2013	2014	2013
	$	$	$	$
USD	98,112	94,462	114.12	105.72
GBP	1,869	287	175.97	173.56
CAD	2,546	280	96.34	98.99

A 10% (2013: 15%) weakening of the Jamaica dollar against the various currencies at December 31 would have increased operating surplus by the amounts shown below. A 1% (2013: 1%) strengthening of the Jamaica dollar against these currencies at December 31, would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2014		2013	
	1% Strengthening	10% Weakening	1% Strengthening	15% weakening
	$	$	$	$
USD	(111,965)	1,119,654	(99,862)	1,497,931
GBP	(3,289)	32,889	(497)	7,459
CAD	(2,453)	24,528	(277)	4,153

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close the gap, if it becomes necessary.

21. Insurance and financial risk management (continued)

(e) Market risk (continued):

(ii) Interest rate risk:

The following table summarises the carrying amounts of recognised assets, liabilities and equity to arrive at the company's interest rate gap based on the earlier of contractual repricing or maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk. This interest rate gap is normal within insurance company.

	2014					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	254	8,000	-	-	3,031	11,285
Securities purchased under resale agreements	-	30,069	-	-	-	30,069
Accounts receivable	-	-	-	3,118	6,970	10,088
Investments	-	72,037	85,828	135,058	-	292,923
Total financial assets	254	110,106	85,828	138,176	10,001	344,365
Liabilities						
Policyholders' liabilities	-	-	-	-	15,635	15,635
Accounts payable	-	-	-	-	28,020	28,020
Due to parent society	-	-	-	-	2,022	2,022
Total financial liabilities	-	-	-	-	45,677	45,677
On-statement of financial position gap, being total interest rate sensitivity gap	254	110,106	85,828	138,176	(35,676)	298,688
Cumulative gap	254	110,360	196,188	334,364	298,688	-

The following table summarises the carrying amounts of recognised assets, liabilities and equity to arrive at the company's interest rate gap based on the earlier of contractual repricing or maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk. This interest rate gap is normal within insurance company (continued).

	2013					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	8,136	-	-	-	767	8,903
Accounts receivable	-	-	-	-	19,227	19,227
Investments	-	27,081	41,736	145,720	-	214,537
Total financial assets	8,136	27,081	41,736	145,720	19,994	242,667
Liabilities						
Policyholders' liabilities	-	-	-	-	35,552	35,552
Accounts payable	-	-	-	-	10,856	10,856
Due to parent society	-	-	-	-	3,245	3,245
Total financial liabilities	-	-	-	-	49,653	49,653
On-statement of financial position gap, being total interest rate sensitivity gap	8,136	27,081	41,736	145,720	(29,659)	193,014
Cumulative gap	8,136	35,217	76,953	222,673	193,014	-

21. Insurance and financial risk management (continued)

(e) Market risk (continued):

(ii) Interest rate risk (continued):

The company is exposed to interest rate risk. Investments totalling $292,923,000 (2013: $214,537,000) have a fixed or variable rate of interest. There are no interest-bearing financial liabilities.

Sensitivity analysis:

Fair value sensitivity for fixed rate instruments:

An increase/decrease using the below scenarios would adjust reserves and profit or loss by the amounts shown below:

	2014		2013	
	Increase in interest rate	Decrease in interest rate	Increase in interest rate	Decrease in interest rate
J$ denominated instruments	250 basis points	100 basis points	250 basis points	100 basis points
US$ denominated instruments	200 basis points	50 basis points	200 basis points	50 basis points

	2014		2013	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Jamaican dollars	(4,639)	1,936	(6,373)	2,713

	2014		2013	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
United States dollars	(86)	22	(254)	65

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust reserves and profit or loss by the amount shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2014 Effect on Profit or Loss		2013 Effect on Profit or Loss	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Variable rate instruments December 31	3,069	1,228	2,845	1,138

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

21. Insurance and financial risk management (continued)

(f) Capital risk management:

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its insurance licence.

The company's objectives when managing capital are:

(i) To comply with capital requirements set by the regulators of the insurance industry within which the company operates;

(ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

The company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the company. Regulators are primarily interested in protecting the rights of the policyholders and monitor the company closely to ensure that it is satisfactorily managing affairs for the benefit of the policyholders. At the same time, the regulators are also interested in ensuring that the company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

In implementing current capital requirements, the FSC requires the company to maintain a minimum capital requirement of $150,000,000.

To assist in evaluating the current business and strategic opportunities, a risk-based 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) standard as defined by the FSC and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%.

The MCCSR for the company is set out below:

	2014	2013
Regulatory capital held ($`000)	307,210	202,571
Minimum regulatory capital ($`000)	49,507	42,337
MCCSR Ratio	620.5%	478.5%

There has been no change to the company's approach to managing or measuring capital.

21. Insurance and financial risk management (continued)

(g) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Group Risk Management Unit centrally and in daily operations through the senior management team. This responsibility is supported by the development of overall company standards for the management of operational risk, including:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards;

The Group Risk Management Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by Group Internal Audit and Group Compliance. The results of all operational risk reviews are discussed with management and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Audit Committee, and to the Board of Directors.

22. Fair value of financial instruments

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 in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

22. Fair value of financial instruments (continued)

(a) Accounting classification and fair values:

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, their classification and their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair values.

	December 31, 2014							
	Carrying Amount				Fair value			
	Loan and receivables $'000	Available for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:								
Investments	-	145,535	-	145,535	-	145,535	-	145,535
Financial assets not measured at fair value:								
Accounts receivable	10,088	-	-	10,088				
Cash and cash equivalents	11,285	-	-	11,285				
Securities purchased under resale agreements	30,069	-	-	30,069				
Investments	147,388	-	-	147,388				
	198,830	-	-	198,830				
Financial liabilities not measured at fair value:								
Accounts payable	-	-	28,020	28,020				
Due to parent society	-	-	2,022	2,022				
Policyholders' liabilities	-	-	15,635	15,635				
	-	-	45,677	45,677				

	December 31, 2013							
	Carrying Amount				Fair value			
	Loan and receivables $'000	Available for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:								
Investments	-	145,720	-	145,720	-	145,720	-	145,720
Financial assets not measured at fair value:								
Accounts receivable	19,227	-	-	19,227				
Cash and cash equivalents	8,903	-	-	8,903				
Investments	68,817	-	-	68,817				
	96,947	-	-	96,947				
Financial liabilities not measured at fair value:								
Accounts payable	-	-	10,856	10,856				
Due to parent society	-	-	3,245	3,245				
Policyholders' liabilities	-	-	35,552	35,552				
	-	-	49,653	49,653				

22. Fair value of financial instruments (continued)

(b) Valuation technique:

The valuation technique used in measuring fair value in the level 2 hierarchy is detailed below. There were no significant unobservable inputs used.

Financial assets	Method
Government of Jamaica J$ securities	• Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.

23. Related party balances and transactions

(a) Identity of related parties:

The company has a related party relationship with its parent society, fellow subsidiaries, directors, associated companies and key management personnel.

(b) The statement of financial position includes balances arising in the ordinary course of business with related parties.

	2014 $'000	2013 $'000
Parent society:		
Cash and cash equivalents	1,595	8,491
Premium receivable	1,104	16,875
Fellow subsidiary:		
Accounts payable	3,828	736
Other related party:		
Accounts payable	4,153	-

(c) The statement of profit or loss and other comprehensive income includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

	2014 $'000	2013 $'000
Parent society:		
Gross premium income	293,315	51,056
Interest income	28	30
Interest expense	(44)	-
Management fees	(2,954)	-
Insurance benefits incurred	(100,236)	(23,688)
Fellow subsidiary:		
Gross premium income	401	-
Interest income	112	164
Service fees	(144)	-
Legal & professional fees	(4,256)	-
Rent and maintenance expense	(4,445)	(736)
Other related party:		
Contribution to JN Foundation	(4,426)	-

23. Related party balances and transactions (continued)

	2014 $'000	2013 $'000
(d) Transactions with key management personnel:		
Directors remuneration (note 18)	4,862	1,050
Key management compensation	12,700	-

24. Lease commitment

The company leases office space from a fellow subsidiary under the terms of a lease agreement dated November 13, 2013. The lease is for a term of three (3) years and is payable monthly.

The company is committed to making future lease payments as follows:

	2014 $'000	2013 $'000
Within one year	1,645	1,521
More than one year	1,371	3,016
	3,016	4,537

25. Loss arising from National Debt Exchange

In the previous year, the company voluntarily participated in the Government of Jamaica (GOJ) National Debt Exchange. The acceptance of the offer resulted in the company exchanging local debt instruments of $135,000,000. The exchange resulted in a one-off loss of $4,835,671.

26. Dividends

Dividends of $9,719.37 (2013: Nil) per share were declared and paid to the parent society.