FAMGUARD CORPORATION LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
FamGuard Corporation Limited:

We have audited the accompanying consolidated financial statements of FamGuard Corporation Limited (the "Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of profit or loss and 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FamGuard Corporation Limited as of December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

April 25, 2014

Eckler
CONSULTANTS + ACTUARIES

APPOINTED ACTUARY'S REPORT

To the Board of Directors and Shareholders of FamGuard Corporation Limited

I have valued the actuarial liabilities and other policy liabilities of FamGuard Corporation Limited for its consolidated statement of financial position at 31 December 2013 and the change in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial and other policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements of FamGuard Corporation Limited fairly represent the results of the valuation.

Jean Mongrain
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
March 28, 2014

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
ASSETS		
Short-term bank deposits	$ 3,274,416	$ 2,106,607
Other bank term deposits	23,332,474	20,226,365
Financial investment assets:		
Fair value through profit or loss (Note 6)	2,501,846	-
Available for sale (Note 6)	7,075,808	6,439,356
Held-to-maturity (Note 6)	107,797,665	78,001,978
Loans (Notes 6 and 22)	74,147,976	73,381,797
Total investment assets	218,130,185	180,156,103
Cash and bank balances	7,583,233	5,946,175
Reinsurance assets (Notes 10 and 27)	7,136,365	6,332,800
Receivables and other assets, net (Notes 7, 22 and 27)	12,900,270	12,338,337
Intangible assets, net (Note 9)	853,333	953,333
Property, plant and equipment, net (Note 8)	31,154,177	32,018,731
TOTAL ASSETS	$ 277,757,563	$ 237,745,479

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits (Notes 10 and 27)	$ 164,516,073	$ 148,892,093
Other policyholders' funds (Note 11)	13,105,831	12,442,312
Policy liabilities	177,621,904	161,334,405
Payables and accruals (Notes 12, 22 and 23)	9,475,634	9,695,276
Total liabilities	187,097,538	171,029,681
EQUITY:		
Preference shares (Note 15)	10,000,000	10,000,000
Ordinary shares (Note 15)	2,000,000	2,000,000
Share premium (Note 15)	10,801,080	10,801,080
Revaluation reserve (Note 14)	11,770,798	11,134,346
Retained earnings	35,632,759	32,780,372
Equity attributable to owners of the Parent	70,204,637	66,715,798
Non-controlling interests (Notes 22 and 28)	20,455,388	-
Total equity	90,660,025	66,715,798
TOTAL LIABILITIES AND EQUITY	$ 277,757,563	$ 237,745,479

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 25, 2014, and are signed on its behalf by:

Director   Director

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
INCOME:		
Gross premium income	$ 94,841,520	$ 98,203,521
Premium ceded to reinsurers (Notes 16 and 22)	(9,724,160)	(11,406,962)
Net premium income	85,117,360	86,796,559
Annuity deposits	12,106,200	7,632,669
Net premium income and annuity deposits (Note 16)	97,223,560	94,429,228
Interest income	10,648,519	9,948,431
Dividend income	729,133	416,234
Realized (loss) gain on sale of investment assets	(213,911)	24,090
Unrealized gain (loss) on investment assets (Note 6)	131,918	(70,314)
Impairment loss on investment assets (Note 14)	-	(594,020)
Other operating income (Note 22)	1,835,135	1,522,126
Total income	110,354,354	105,675,775
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits (Note 17)	59,764,726	59,885,405
Reinsurance recoveries (Notes 17 and 22)	(4,402,003)	(4,882,031)
Net policyholders' benefits	55,362,723	55,003,374
Increase in reserves for future policyholders' benefits (Note 10)	14,820,415	10,059,374
Total benefits	70,183,138	65,062,748

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
Expenses:		
Operating expenses (Notes 18, 19, 20, 22 and 23)	18,999,528	20,530,164
Commissions (Note 22)	11,286,173	11,598,144
Depreciation expense (Note 8)	2,115,083	2,008,555
Bad debt expense (Notes 6 and 7)	1,511,136	988,693
Amortization (Note 9)	100,000	46,667
Total expenses	34,011,920	35,172,223
Total benefits and expenses	104,195,058	100,234,971
PROFIT FOR THE YEAR	6,159,296	5,440,804
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that may be reclassified subsequently to profit or loss:		
Net value income (loss) on available-for-sale financial assets (Notes 6 and 14)	636,452	(40,117)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation (Note 23)	26,384	-
Total other comprehensive income (loss)	662,836	(40,117)
TOTAL COMPREHENSIVE INCOME	$ 6,822,132	$ 5,400,687
PROFIT ATTRIBUTABLE TO:		
Ordinary shareholders	$ 5,226,003	$ 4,815,804
Preferred shareholders	625,000	625,000
Non-controlling interests	308,293	-
	$ 6,159,296	$ 5,440,804
Earnings per ordinary share (Note 24)	$ 0.52	$ 0.48
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	$ 5,888,839	$ 4,775,687
Preferred shareholders	625,000	625,000
Non-controlling interests	308,293	-
	$ 6,822,132	$ 5,400,687

(Concluded)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	Share Capital Preference Shares (Note 15)	Share Capital Ordinary Shares (Note 15)	Share Premium (Note 15)	Revaluation Reserve (Note 14)	Retained Earnings	Attributable to Owners of the Parent	Non-Controlling Interests (Note 28)	Total
Balance as of December 31, 2011	$ 10,000,000	$ 2,000,000	$ 10,801,080	$ 10,580,443	$ 30,364,568	$ 63,746,091	$ -	$ 63,746,091
Profit for 2012	-	-	-	-	5,440,804	5,440,804	-	5,440,804
Impairment loss transfer to profit or loss	-	-	-	594,020	-	594,020	-	594,020
Other comprehensive loss for 2012	-	-	-	(40,117)	-	(40,117)	-	(40,117)
Dividends declared and paid -								
Preference shares	-	-	-	-	(625,000)	(625,000)	-	(625,000)
Ordinary shares ($0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)	-	(2,400,000)
Balance as of December 31, 2012	10,000,000	2,000,000	10,801,080	11,134,346	32,780,372	66,715,798	-	66,715,798
Non-controlling interests arising on investment in mutual Funds (Note 28)	-	-	-	-	-	-	20,147,095	20,147,095
Profit for 2013	-	-	-	-	5,851,003	5,851,003	308,293	6,159,296
Other comprehensive income for 2013	-	-	-	636,452	26,384	662,836	-	662,836
Dividends declared and paid -								
Preference shares	-	-	-	-	(625,000)	(625,000)	-	(625,000)
Ordinary shares ($0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)	-	(2,400,000)
Balance as of December 31, 2013	$ 10,000,000	$ 2,000,000	$ 10,801,080	$ 11,770,798	$ 35,632,759	$ 70,204,637	$ 20,455,388	$ 90,660,025

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	$ 6,159,296	$ 5,440,804
Adjustments for:		
Depreciation expense (Note 8)	2,115,083	2,008,555
Amortization of intangible asset (Note 9)	100,000	46,667
Unrealized loss on investment assets	-	70,314
Impairment loss on investment assets	-	594,020
Realized loss (gain) on sale of investment assets	213,911	(24,090)
Decrease in reinsurance assets	(803,565)	(1,714,535)
Change in mortgage provision (Note 6)	593,422	510,765
Change in reserves for future policyholders' benefits	15,623,980	11,773,909
Interest income	(10,450,394)	(9,948,431)
Dividend income	(638,736)	(416,234)
Operating profit before working capital changes	12,912,997	8,341,744
Decrease in receivables and other assets	67,975	7,099,965
(Decrease) increase in payables and accruals	(674,976)	2,908,008
Increase (decrease) in other policyholders' funds	663,519	(2,709,781)
Net cash from operating activities	12,969,515	15,639,936

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash outflow on consolidation of entity (Note 29)	(4,449,101)	-
Net proceeds from (placement of) bank term deposits greater than three months	1,382,965	(6,290,913)
(Purchase of) proceeds from redemption of corporate bonds	(4,980,000)	10,000
Net purchase of preferred shares	(4,000,000)	(1,112,000)
Purchase of Government bonds	(4,349,400)	(11,025,800)
Net (purchase) sale of equities	(59,662)	135,220
Net other loans repaid	-	75,961
Net policy loans issued	(815,033)	(691,951)
Net mortgage loans repaid	406,157	61,063
Intangible asset acquired (Note 9)	-	(1,000,000)
Net purchase of property, plant and equipment (Note 8)	(1,250,529)	(902,479)
Interest received	10,336,219	9,782,075
Dividends received	638,736	416,234
Net cash used in investing activities	(7,139,648)	(10,542,590)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on ordinary shares	(2,400,000)	(2,400,000)
Dividends paid on preferred shares	(625,000)	(625,000)
Net cash used in financing activities	(3,025,000)	(3,025,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,804,867	2,072,346
CASH AND CASH EQUIVALENTS:		
Beginning of year	8,052,782	5,980,436
End of year	$ 10,857,649	$ 8,052,782
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and bank balances	$ 7,583,233	$ 5,946,175
Short-term bank deposits	3,274,416	2,106,607
	$ 10,857,649	$ 8,052,782

(Concluded)

See notes to consolidated financial statements.

(Expressed in Bahamian dollars)

1. GENERAL

FamGuard Corporation Limited (the "Company") is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company with five wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers Limited (formerly BahamaHealth Insurance Brokers and Benefit Consultants Limited), FG Insurance Agents & Brokers Limited, FG Financial Limited and FG Capital Markets Limited (together, "the Group"). FG is the principal operating unit and is licensed as an insurance company under the Insurance Companies Act, 1969. FG sells life and health insurance products in The Bahamas.

FG Financial Fund Limited SAC (the "Fund") is the umbrella Fund for its four Sub-Funds; FG Financial Preferred Income Fund, FG Financial Diversified Fund, FG Financial Growth Fund and FG Financial Global USD Bond Fund. Each Sub-Fund has its own investment strategy and is segregated from the other Sub-Funds within the umbrella Fund.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, Bahamas.

Entities included in these consolidated financial statements at the end of the reporting period are as follows:

Name of Entity	Principal Activity	Place of Incorporation	Ownership Interest
Family Guardian Insurance Company Limited	Life & Health Insurance	The Bahamas	100%
FG Financial Limited	Administration of Pension and Mutual Funds	The Bahamas	100%
FG Capital Markets Limited	Investment Brokerage & Advisory	The Bahamas	100%
FG Insurance Agents & Brokers Limited	General Insurance Agency	The Bahamas	100%
BahamaHealth Insurance Brokers Limited	Health Insurance Administration	The Bahamas	100%
FG Financial Fund Limited SAC:	Mutual Fund Administrator	The Bahamas	
FG Financial Growth Fund			15%
FG Financial Preferred Income Fund			13%
FG Financial Diversified Fund			14%
FG Financial Global USD Bond Fund			100%

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after January 1, 2013. The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies except for IFRS 10, 12, 13 and IAS 19 as disclosed below.

Standards and interpretations adopted with no effect on financial statements

- **IAS 1**, **Presentation of Financial Statements.** Amendments to revise the way other comprehensive income is presented (annual periods beginning on or after July 1, 2012)

- **IFRS 7, Financial Instruments.** Disclosure amendments on offsetting financial assets and financial liabilities (annual periods beginning on or after January 1, 2013)

  The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

- **IAS 1, Presentation of Financial Statements.** Clarification of the requirements for comparative information (annual periods beginning on or after January 1, 2013)

  The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Financial statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclsoure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures.*

- **IFRS 10, Financial statements (**annual periods beginning on or after January 1, 2013)

  IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* that deals with financial statements and SIC 12 *Consolidation – Special Purpose Entities*. It prescribes one basis for consolidation based on the presence of all three elements of control at the date of initial application. This means that some entities that were previously consolidated may not have to be consolidated under IFRS 10. Conversely, entities that were not previously consolidated may need to be consolidated under IFRS 10.

The Group has participating interests in the Net Asset Value of FG Financial Fund Limited SAC (the "Fund"). The relevant activities of the Fund are directed by its Board of Directors, based on majority vote. However, the majority of the Board members of the Fund also serve as Directors of the Group, with a subsidiary in the Group having 100% of the voting rights to select the Board. Additionally, the Group has significant indirect exposure or rights to variable returns through other related parties (i.e. de facto agents).

The Group made an assessment as at the date of initial application of IFRS 10 as to whether or not it has control over the Fund. The Group concluded that it had control over the Fund since October 2013, on the basis of the Group's direct investment into the Fund which resulted in significant exposure and rights. Therefore, in accordance with the requirements of IFRS 10, FG Financial Fund Limited SAC is included in the consolidated financial statements of the Group. Previously, the Group did not have control and was treated as an affiliate. Comparative amounts for 2012 are not restated since control was obtained in 2013.

- **IFRS 11, Joint Arrangements** (annual periods beginning on or after January 1, 2013)

  IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 prescribes the accounting for a joint arrangement based on parties' rights and obligations under the arrangements. Joint arrangements whereby joint venturers have rights to the net assets of the arrangement would qualify as a joint venture requiring the use of the equity method of accounting. Proportionate consolidation is no longer allowed. If joint operators have rights to the assets and obligations for the liabilities of the arrangements, the arrangement qualifies as a joint operation whereby each operator recognizes its assets, liabilities, revenue and expenses relating to its interest in the joint operation.

- **IFRS 12, Disclosure in Interests in Other Entities** (annual periods beginning on or after January 1, 2013)

  IFRS 12 is a new disclosure standard which is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of IFRS would results in more extensive disclosures in the financial statements.

- **IAS 27, Consolidated and Separate Financial Statements.** Re-issued as IAS 27 *Separate Financial Statements* (as amended in 2011), (annual periods beginning on or after January 1, 2013)

  The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard.

- **IAS 28, Investments in Associates.** Re-issued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), (annual periods beginning on or after January 1, 2013)

Similar to the previous standard, the revised Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed to include investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method.

- **IFRS 13, Fair Value Measurement** (annual periods beginning on or after January 1, 2013)

  IFRS 13 established a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and related disclosures, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

  IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. IFRS 13 requires prospective application for financial years beginning on or after 1 January 2013.

- **IAS 19, Employee Benefits.** Amended standard resulting from the post-employment benefits and termination benefits project (annual periods beginning on or after January 1, 2013)

  IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant changes relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated financial statement of financial position to reflect the full value of the plan deficit or surplus.

  Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The adoption of these Standards and Interpretations did not result in a material adjustment to the prior periods and thus, were adopted on a prospective basis.

Standards and interpretations in issue not yet adopted

- **IFRS 9, Financial Instruments.** Classification and Measurement (annual periods beginning on or after January 1, 2018)

  IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition.

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically debt investments that are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at their fair value. Entities may also make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in fair value that is attributable to changes in the credit risk of the liability to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

- **IAS 32, Financial Instruments: Presentation.** Amendments to Offsetting financial assets and financial liabilities (annual periods beginning on or after January 1, 2014)

  The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities specifically the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

- **IAS 36, Impairment of assets: Disclosure.** Amendments enhancing recoverable amounts and disclosures for non - financial assets (annual periods beginning on or after January 1, 2014)

  The amendments clarify the scope of the disclosures and is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

a. ***Statement of compliance*** - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the interpretations adopted by the IASB.

b. ***Basis of preparation*** - The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain property, plant and equipment and financial instruments.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately.

The accounting policies set out below have been applied consistently by the Group's entities.

c. ***Basis of consolidation*** - The consolidated financial statements incorporate the financial statements of the Company, entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

- When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. ***Cash and cash equivalents*** - For purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, demand balances with banks and bank term deposits with original contractual maturities of three months or less.

e. ***Product classification*** - Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

f. ***Reserves for insurance contracts*** - The reserves for insurance contracts in force at the consolidated statement of financial position date are calculated according to accepted standards of actuarial principles and are determined by the Group's appointed actuary.

The Group calculates the majority of its liabilities for individual life insurance policies using the Canadian Policy Premium Method ("PPM"). Actuarial liabilities under PPM are calculated as the present value of future benefits and expenses, less the present value of future policy premiums. The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapses and expenses, which contain margins for adverse deviations.

Liabilities for deferred annuity policies with a 5% minimum interest rate guarantee are calculated using PPM. Liabilities for other deferred annuities are computed as the value of accrued invested funds. Reserves for immediate payout annuities are calculated using PPM.

Claims reserves for group health policies are estimated from incurred claims and the history of prior claim payments.

Liabilities for other short-term health policies, renewable at the option of the Group, comprise unearned premiums plus a contingency reserve for claims.

g. ***Property, plant and equipment*** - Freehold land and buildings are shown at fair value, based on periodic, normally triennial, valuations by external independent appraisers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Improvements which extend the useful lives or increase the value of assets are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the consolidated statement of profit or loss and other comprehensive income as repairs and maintenance during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to the revaluation surplus account in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve account directly in equity; all other decreases are charged to the consolidated statement of profit or loss and other comprehensive income.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives, as follows:

Freehold buildings	2.5% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware and software	20% - 33% per annum
Leasehold improvements	shorter of period of the leases and estimated economic life of the improvements

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

Construction in progress is stated at cost. Depreciation charges are deferred on construction in progress until project completion, at which time such assets are transferred to specific categories of property, plant and equipment.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

As a result of certain acquisitions of insurance contracts, the Group carries a customer contract intangible asset representing the value of future profits from the acquired contracts. This asset was initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The Group subsequently amortizes this asset on a straight-line basis over the estimated life of 10 years.

i. Financial investment assets:

The Group classifies its financial investment assets in the following categories; (i) financial assets at fair value through profit or loss (FVTPL), (ii) held-to-maturity, (iii) available for sale (iv) and loans and receivables. The classification depends on the purpose for which the investment assets were acquired. Management determines the classification of its investment assets at initial recognition.

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

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses' line item.

(ii) Held-to-maturity

Held-to-maturity financial assets are non-derivative assets with fixed or determinable payments and fixed maturities, other than those that meet the definition of loans and receivables, that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are recorded at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

(iii) Available for sale

A financial investment asset is classified as financial assets available for sale if acquired principally for the purpose of selling in the long-term or if it does not meet the definition for any other category.

Regular-way purchases and sales of equities are recognized on trade date, which is the date that the Group commits to purchase or sell the equity. Investments in equities are initially recognized at cost and subsequently re-measured at fair value.

Fair value is determined by reference to quoted bid prices for ordinary shares. Investments are determined to have been sold when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Unrealized gains and losses arising from changes in the fair value of the investments in equities category are presented in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Realized gains and losses arising from changes in the fair value of the investments in equities category are transferred from other comprehensive income to profit or loss in the period in which they arise.

Management in their assessment of the equity securities determined that available for sale securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. In making its judgment of what is considered significant or prolonged management has evaluated factors such as the volatility of the share price, the financial health of the investee, industry and sector performance, and the nature of the market in which the investments are traded. In consideration of these factors, Management's policy defines a significant decline as a decline in value of more than forty percent (40%) and a prolonged decline as a decline in value for more than 24 months.

(iv) Loans and receivables

A financial investment asset is classified at amortized cost if it is a non-derivative financial asset with fixed or determinable payments that is not quoted in an active market, other than those that the Group intends to sell in the short-term.

Loans and receivables are carried at amortized cost, using the effective interest method less any provision for impairment in value.

A loan or receivable is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for loans and receivables carried at amortized cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

j. ***Loans*** **-** Policy loans arise when the Group extends money to the policy holder. Policy loans and accrued interest are fully collateralized by the cash surrender value of the policy. Automatic premium loans arise under the terms of a life insurance contract should the premium become past due on the contract.

Policy loans and automatic premium loans are carried at the balance outstanding plus accrued interest. No provision for loss on these loans is deemed necessary by management because these loans are fully collateralized by the cash surrender value of the policies.

Mortgage and commercial loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a borrower with no intention of trading the receivable. Mortgage loans are secured by first demand mortgages and provide for monthly repayments at variable interest rates over periods of up to twenty-five years on residential loans and up to twenty years on commercial loans.

Mortgage and commercial loans are stated at the principal balance outstanding plus accrued interest, less specific provisions on certain non-current loans and deferred commitment fees. Specific provisions are made on non-current loans for mortgages over three months in arrears, based on management's evaluation of the respective loans. A specific provision for non-current mortgage loans is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the mortgage loan. Significant financial difficulties of the borrower, probability that the borrower will enter financial reorganization, and default or delinquency in payments are considered indicators that the mortgage loan is impaired.

The amount of the specific provision for loans is the difference between the loan's carrying amount and the recoverable amount, being the present value of estimated future cash flows, including recoveries from guarantees and collateral, discounted at the effective interest rate at inception of the loan. The amount of the provision for loan loss is recognized in the consolidated statement of profit or loss and other comprehensive income. If the amount of the provision subsequently decreases due to an event occurring after the write-down, the release of the provision is recognized in the consolidated statement of profit or loss and other comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-current loans is excluded from interest income.

k. ***Foreign currency translation***:

(i) ***Functional and presentation currency*** **-** Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (functional currency), the Bahamian dollar. The consolidated financial statements are presented in Bahamian dollars, which is also the Group's presentation currency.

(ii) ***Transactions and balances*** - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of profit or loss and other comprehensive income.

l. ***Impairment of assets*** - The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment, for assets carried at amortized cost is calculated as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

If in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment is decreased and the decrease is recognized in the consolidated statement of profit or loss and other comprehensive income.

m. ***Reinsurance transactions*** - In the normal course of its life and health insurance business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements for insurance contracts in Note 3(v) are classified as reinsurance contracts held. The Group retains a range of $75,000 to $175,000 (2012: $75,000 to $175,000) coverage per individual life.

The benefits to which the Group is entitled under reinsurance contracts held are recognized as reinsurance recoveries. These assets consist of short-term balances due from reinsurers and are classified within receivables and other assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Reinsurance payables are recorded in accounts payable and accruals in the consolidated statement of financial position.

n. ***Non-premium revenue and expense recognition*** - Non-premium revenue and expenses are accounted for on the accrual basis. Interest income is recognized using the effective interest method. Dividend income is recorded when the right to receive payment is established.

Income which forms an integral part of the effective interest rate of a loan (i.e. commitment fees) is deferred and recognized as income over the life of the loan.

o. ***Leases*** - Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

p. ***Employee benefits - pension obligations*** - The Group has a defined contribution pension plan for eligible agents and employees whereby the Group pays contributions to a pension plan separately administered by the Group. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their gross earnings and commissions and the Group contributes 3.5% of eligible earnings. The Group's contributions to the defined contribution pension plan are recognized in the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

q. ***Employee benefits - postretirement medical benefit*** - For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in operating expenses on the consolidated statement of profit or loss and other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

r. ***Share capital*** - Shares are classified as equity when there is no obligation to transfer cash or other assets.

s. ***Earnings per share*** - Basic earnings per share is calculated by dividing profit or loss available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There are no dilutive transactions that would have an impact to earnings per share.

t. ***Dividend distribution*** - Dividend distribution to the Group's shareholders are recognized in the consolidated financial statements in the year in which the dividends are declared by the Board of Directors.

u. ***Insurance contracts - classification*** **-** The Group issues contracts that transfer insurance risk, 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.

A number of insurance contracts 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;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
    - (i) the performance or a specified pool of contracts or a specified type of contract; and
    - (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Group.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the appointed actuary.

v. ***Insurance contracts - recognition and measurement*** **-** Insurance contracts including those with DPF are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are group and individual health and hospitalization contracts, and short-duration life insurance contracts. These contracts protect policyholders from the consequences of events (such as death, disability or sickness) that would affect the ability of the policyholder 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 are linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Long-term insurance contracts with fixed and guaranteed terms

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

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

Long-term insurance contracts without fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. These liabilities however, are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

Liabilities for deferred annuities with a 5% minimum interest rate guarantee are based on assumptions as to future mortality, persistency, maintenance expenses, investment income, and crediting interest rates. A margin for adverse deviation is included in the assumptions.

Liabilities for other deferred annuities are computed as the value of accrued invested funds.

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

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

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

In addition, these contracts also participate in the profits of the Group. As the Group declares the bonus to be paid, it is credited to the individual policyholders.

w. ***Other provisions*** - Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation of the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

x. ***Related parties*** - Related parties are defined as follows:

(i) Controlling shareholders;
(ii) Subsidiaries;
(iii) Associates;
(iv) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
(v) Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
(vi) Directors and
(vii) Enterprises owned by the individuals described in (iv) and (v).

y. ***Segments*** - For the purposes of segment reporting, the products and services provided by the Group are subject to similar risks and returns. There are no distinguishable geographical segments, as the geographical areas in which the Group operates are considered to be of similar economic and political conditions and subject to the same risks and returns. Direct expenses are recognized directly by the segment. General and administrative expenses are allocated mainly by square footage of office space used, time spent by employees, or head count depending on the nature of the expense.

z. ***Issues and redemptions of participating shares*** - The Group issues participating, non-voting shares which are redeemable at the sole discretion of the Directors of the Fund for cash equal to a proportionate share of the net assets of the Fund. These are classified as non-controlling interests in the consolidated statement of financial position. These shares are recorded at prices calculated monthly based on the net asset value of the Fund. Participation in the Fund is limited to eligible investors as described in the Fund's Prospectus.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Group's accounting policies - In the process of applying the Group's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in the relevant notes below.

Key sources of estimation uncertainty - *critical accounting estimates* - The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Group's financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the Group's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

a. *Estimate of future 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 mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics 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 contacts where the Group is exposed to longevity risk.

b. ***Impairment***

The Group has made significant investments in tangible and intangible assets. These assets and investments are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

c. ***Depreciation and amortization***

Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and on the revaluation analysis performed triennially. Estimates may change due to technological developments, competition, changes in market conditions, the revaluation analysis and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. The Group reviews the future useful life of property, plant and equipment periodically, taking into consideration the factors mentioned above and all other important factors.

Estimated useful life for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate, etc. In the case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

d. ***Revaluation of property, plant and equipment***

The Group measures its land and buildings at revalued amounts triennially, with changes in fair value being recognized in the revaluation reserve on the consolidated statement of financial position. An independent valuation of the Group's land and buildings is performed to determine the fair value with reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property.

e. Legal proceedings, claims and regulatory discussions

The Group is subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Group evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount the Group has accrued for any matter, or accrue for a matter that has not been previously accrued because it was not considered probable, or a reasonable estimate could not be made.

f. Loan loss provision

To cover any shortfalls from mortgage loans, the Group records specific provisions on non-current loans, based on the assessed value of the underlying collateral and other determinants of net realizable value, including independent appraisal and an assessment of the forced sale value of the underlying collateral.

g. Held-to-maturity financial investment assets

Management has reviewed the Group's held-to-maturity financial investment assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity.

h. Available for sale financial assets

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

i. Retirement benefit obligation

The Group's retirement benefit obligation is discounted at a rate determined by reference to market yields at the end of the reporting period on high quality Government bonds. Significant judgment is required when determining the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include whether there is a deep market in the bonds, quality of the bonds and the identification of outliers which are excluded.

Other key assumptions for retirement benefit obligations include medical, dental and vision cost trend rates and mortality rates. Medical, dental and vision rates are determined by the current year's average per capita costs for all participants. 2013 average per capita costs for retirees was estimated by age groupings.

The Group bases the estimates for mortality on tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group own experience.

j. Control over FG Financial Fund Limited SAC

In October 2013, the Group obtained participating interests in an affiliated umbrella fund; FG Financial Fund Limited SAC. The interests were obtained at market net asset values.

The Group assessed whether or not it has control over the Fund, based on practical ability to direct the relevant activities of the Fund unilaterally. In making their judgment, the Group considered that the relevant activities of the Fund are determined by the Board of Directors of the Fund based on majority vote. However, the majority of the Board members of the Fund also serve as Directors of the Group, giving them power to direct the relevant activities. In addition, the Board of the Fund is selected by 100% of the voting rights held by a subsidiary in the Group.

Additionally, the Group obtained exposure or rights to variable returns through its direct investment and the investment of other related parties (de facto agents). Therefore, after assessment, it was concluded that the Group has sufficient power to direct the relevant activities of the Fund and sufficient exposure or rights to variable returns; therefore it has control over FG Financial Fund Limited SAC.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk, financial risk or both. The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Group's overall risk management approach focuses on the unpredictability of insured events and financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

a. Fair value of financial assets and liabilities

The 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. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities (cash and bank balances, premiums receivable, receivables and other assets and accounts payable and accrued liabilities) at the consolidated statement of financial position date were not materially different from their carrying values due to their short term nature.

The following table depicts the classification of financial assets:

	2013					
	FVTPL	**Loans and Receivables**	**Held-To-Maturity**	**Available-For-Sale**	**Amortized Cost**	**Total**
FINANCIAL ASSETS						
Financial investment assets	$ 2,501,846	$ 74,147,976	$ 107,797,665	$ 7,075,808	$ -	$ 191,523,295

	2012					
	FVTPL	**Loans and Receivables**	**Held-To-Maturity**	**Available-For-Sale**	**Amortized Cost**	**Total**
FINANCIAL ASSETS						
Financial investment assets	$ -	$ 73,381,797	$ 78,001,978	$ 6,439,356	$ -	$ 157,823,131

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable. These instruments are reported at fair value on a recurring basis (i.e. at the end of each reporting period).

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

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

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

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Available-For-Sale	$ 7,075,808	$ -	$ -	$ 7,075,808
FVTPL	2,501,846	-	-	2,501,846
	$ 9,577,654	$ -	$ -	$ 9,577,654

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS				
Available-For-Sale	$ 6,439,356	$ -	$ -	$ 6,439,356
	$ 6,439,356	$ -	$ -	$ 6,439,356

(Continued)

b. Insurance risk

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 Group faces under 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 expected. Insurance events are random and the actual number and amounts of claims and benefits will vary from year to year from the estimate established via 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 retains a range of $75,000 to $175,000 (2012: $75,000 to $175,000) coverage per individual.

Long-term insurance contracts

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

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 and level of insured benefits.

The Group's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

The table below indicates the concentration of insured benefits across four bands of insured benefits per individual life insured.

$	2013	2012
0 - 9,999	$ 122,770,479	$ 116,344,568
10,000 - 24,999	313,011,221	306,376,251
25,000 - 49,999	123,599,677	114,794,109
50,000 and over	1,057,612,504	1,096,673,231
	$ 1,616,993,881	$ 1,634,188,159

(Continued)

Short-term insurance contracts

The following table shows the estimate of claims by calendar year, net of reinsurance. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the consolidated statement of financial position on December 31, 2013. (All amounts are in $000).

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of ultimate claims											
End of year incurred	$ 9,940	$ 11,781	$ 15,372	$ 16,632	$ 24,044	$ 36,431	$ 37,425	$ 36,266	$ 33,339	$ 31,630	$ 252,860
One year later	$ 9,953	$ 12,807	$ 14,497	$ 15,767	$ 23,552	$ 35,196	$ 37,000	$ 34,931	$ 32,719		
Two years later	$ 9,957	$ 12,830	$ 14,521	$ 15,703	$ 22,693	$ 35,204	$ 37,035	$ 34,978			
Three years later	$ 9,956	$ 12,839	$ 14,516	$ 15,119	$ 22,700	$ 35,250	$ 37,073				
Four years later	$ 9,956	$ 12,836	$ 13,982	$ 15,120	$ 22,732	$ 35,275					
Current (December 31, 2013) estimate of ultimate claims	$ 9,956	$ 12,836	$ 13,982	$ 15,120	$ 22,732	$ 35,275	$ 37,073	$ 34,978	$ 32,719	$ 31,630	$ 246,301
Cumulative payments (through December 31, 2013)	9,956	12,836	13,982	15,120	22,732	35,263	37,048	34,947	32,646	27,168	241,698
Current (December 31, 2013) statement of financial position liability	$ -	$ -	$ -	$ -	$ -	$ 12	$ 25	$ 31	$ 73	$ 4,462	$ 4,603

c. Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly.

Loans and held to maturity financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1% interest income on the consolidated statement of profit or loss and other comprehensive income would increase or decrease by $1,434,246 (2012: $1,380,322).

(Continued)

d. Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group manages its risk through the Investment Committees, which monitors the price movement of securities on the Bahamas International Securities Exchange (BISX).

If future market prices were to increase or decrease by 10% this would result in an increase or decrease in other comprehensive income of $1,244,602 (2012: $643,936). Management mitigates this risk by diversification of its portfolio.

e. Credit risk

The Group has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Key areas represented by aggregate amounts disclosed on the face of the consolidated statement of financial position where the Group is exposed to credit risk are:

- Term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from reinsurers
- Amounts due from insurance policyholders

The Group's term deposits are mainly placed with well-known high quality banks. Mortgage loans and loans to policyholders are fully collateralized by the relevant property assets and cash surrender values respectively.

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

The Group has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has a Standard & Poors (S&P) rating of AA-.

f. Liquidity risk

The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group maintains sufficient liquidity (cash and marketable securities) to meet all contractual liabilities as they fall due. The following table shows the undiscounted payout pattern, net of premiums, of the actuarial liabilities.

(Continued)

	2013					
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	over 10 years	Total
Short-term insurance contracts	$ -	$ 6,506,196	$ -	$ -	$ -	$ 6,506,196
Long-term with fixed and guaranteed terms	1,294,299	(2,707,381)	4,681,833	17,095,967	168,703,085	189,067,803
Long-term without fixed and guaranteed terms	60,222,157	1,765,173	7,697,697	7,105,298	22,531,199	99,321,524
Long-term without fixed and guaranteed terms and with DPF	-	1,086,670	6,013,190	8,604,311	41,508,059	57,212,230
Total	$ 61,516,456	$ 6,650,658	$ 18,392,720	$ 32,805,576	$ 232,742,343	$ 352,107,753

	2012					
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	over 10 years	Total
Short-term insurance contracts	$ -	$ 7,172,967	$ -	$ -	$ -	$ 7,172,967
Long-term with fixed and guaranteed terms	1,227,204	(1,422,507)	5,720,853	17,328,993	146,874,362	169,728,905
Long-term without fixed and guaranteed terms	52,536,879	1,306,661	7,052,754	6,751,274	16,228,991	83,876,559
Long-term without fixed and guaranteed terms and with DPF	-	978,264	5,740,218	8,337,768	33,147,016	48,203,266
Total	$ 53,764,083	$ 8,035,385	$ 18,513,825	$ 32,418,035	$ 196,250,369	$ 308,981,697

Amounts not classified consist mostly of deferred annuity fund balances.

g. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

External capital requirements are enforced and regulated by the Insurance Commission of the Bahamas. These requirements are established to ensure sufficient solvency margins are maintained. The Group exceeded both the statutory margin and minimum ratio requirements of qualified admissible assets.

In addition to the solvency margins required by the regulators, the Group measures its solvency ratio using Canadian reserve methodologies and solvency standards as measured by the Minimum Continuity Capital and Surplus Requirement ("MCCSR"). At December 31, 2013 the Group' MCCSR ratio exceeded the required target of 150%.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

h. Operational risk

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is mitigated by communicated and enforced policies and procedures, staff training, and ongoing monitoring and review by management, as well as ongoing internal audit processes.

(Concluded)

6. FINANCIAL INVESTMENT ASSETS

Financial investment assets comprise the following:

	2013	2012
(a) Fair value through profit or loss (FVTPL):		
At beginning of year	$ -	$ -
Addition on consolidation of Fund	2,170,957	-
Purchase of equities	198,971	-
Sale of equities	-	-
Realized gain on sale of investment in equities through profit or loss	-	-
Change in unrealized gain on investment in equities through profit or loss	131,918	-
Change in unrealized loss on investment in equities through revaluation reserve	-	-
At end of year	$ 2,501,846	$ -
(b) Available for sale (AFS):		
At beginning of year	$ 6,439,356	$ 6,660,917
Purchase of equities	-	1,150
Sale of equities	-	(136,370)
Realized gain on sale of investment in equities through profit or loss	-	24,090
Change in unrealized loss on investment in equities through profit or loss	-	(70,314)
Change in unrealized loss on investment in equities through revaluation reserve	636,452	(40,117)
At end of year	$ 7,075,808	$ 6,439,356

(Continued)

	2013	2012
(c) Held-to-maturity (HTM):		
Bahamas Government bonds	$ 69,185,610	$ 52,869,300
Bahamas Mortgage Corporation bonds	9,300,000	9,300,000
Education Loan Authority bonds	6,300,000	6,300,000
Clifton Heritage bonds	2,004,800	2,004,800
Bridge Authority bonds	307,400	307,400
Government bonds, at cost	87,097,810	70,781,500
Add: Accrued interest receivable	1,209,550	1,120,936
	88,307,360	71,902,436
Redeemable preferred shares, at cost	11,653,000	3,312,000
Add: Accrued interest receivable	46,058	15,323
	11,699,058	3,327,323
Corporate bonds, at cost	7,720,000	2,740,000
Add: Accrued interest receivable	71,247	32,219
	7,791,247	2,772,219
Total financial investment assets held-to-maturity	$107,797,665	$ 78,001,978

Investments in equities comprise of ordinary shares in Bahamian companies that are listed on the Bahamas International Stock Exchange ("BISX").

In accordance with amendments dated October 13, 2008 to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, the Group opted to reclassify its investment in equities at that date from fair value through profit or loss to available for sale with effect from July 1, 2008. The carrying value of the investments in the reclassified equities is equivalent to the fair value and as at December 31, 2013 is $6,437,286 (2012: $5,897,036). The accumulated gain or fair value loss that would have been recognized in profit or loss since the reclassification had the investment in equities not been reclassified is $11,529 gain (2012: loss of $528,721) taking into consideration impairment losses previously transferred to profit or loss.

During the year, the Group recognized an impairment loss in the consolidated statement of profit or loss and other comprehensive income totaling $Nil (2012: $594,020) for the impairment of available for sale equity financial assets for which the decline in value has been considered significant or prolonged.

(Continued)

	2013	2012
(d) Loans:		
(i) Policy loans comprise:		
Policy loans	$ 10,487,479	$ 9,771,854
Automatic premium loans	2,583,099	2,483,691
	13,070,578	12,255,545
Add: Accrued interest receivable	657,477	601,378
	13,728,055	12,856,923
(ii) Mortgage loans comprise:		
Commercial:		
Current	2,587,074	6,449,251
Over 90 days	1,633,672	1,327,805
Residential:		
Current	52,136,800	48,689,249
Over 90 days	5,593,655	5,065,961
	61,951,201	61,532,266
Less: Specific provision for credit risk	(1,458,132)	(864,710)
Deferred commitment fees	(374,806)	(405,259)
	60,118,263	60,262,297
Add: Accrued interest receivable	301,658	262,577
	60,419,921	60,524,874
Total loans	$ 74,147,976	$ 73,381,797

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 0% to 11% (2012: 0% to 11%) per annum is charged on policy loans and APLs.

Movements in loan loss provisions are as follows:

	Specific Provision
Balance as of December 31, 2011	$ 781,018
Bad debt expense	510,765
Write-offs	(427,073)
Balance as of December 31, 2012	864,710
Bad debt expense	593,422
Balance as of December 31, 2013	$ 1,458,132

(Continued)

An interest rate of 5.75% per annum (2012: 5.75%) is charged on residential mortgage loans to directors, officers and staff with two or more years of service. Included in total loans are mortgages to related parties in the amount of $572,348 (2012: $630,276). Related party interest income from mortgages for the year ended December 31, 2013 is $43,215 (2012: $41,354) and related party interest receivable on mortgages as of December 31, 2013 is $1,326 (2012: $1,520).

As of December 31, 2013, the Group had non-performing mortgage loans of $7,227,327 (2012: $6,393,766) for which interest of $1,858,933 (2012: $1,383,242) had not been recognized on the consolidated statement of profit or loss and other comprehensive income. Management has determined that mortgage loans totaling $6,548,547 (2012: $5,977,347) are past due but not considered impaired.

(Concluded)

7. RECEIVABLES AND OTHER ASSETS, NET

Receivables and other assets comprise:

	2013	2012
Reinsurance recoveries	$ 4,086,300	$ 5,156,716
Other receivables and other assets	3,824,670	1,616,507
Premium receivables, net	3,603,071	4,546,563
Receivables from general insurance clients	1,211,544	1,221,926
Accrued interest receivable - bank term deposits	481,646	248,466
Utility deposits	219,839	112,546
	13,427,070	12,902,724
Less: allowance for doubtful accounts	(526,800)	(564,387)
	$12,900,270	$12,338,337

The movement in allowance for doubtful accounts is as follows:

	2013	2012
Balance, beginning of year	$ 564,387	$ 86,459
Bad debt expense	917,714	477,928
Write-offs	(873,457)	-
Recoveries	(81,844)	-
Balance, end of year	$ 526,800	$ 564,387

During the year, the Group wrote off $Nil (2012: $911,428) from medical receivables and other assets which represent the balance of the Group's self-funded medical plan.

8. PROPERTY, PLANT AND EQUIPMENT, NET

The movement of property and equipment for the year is as follows:

	2013							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Construction in Progress	Total
Year ended December 31, 2013								
Opening net book amount	$ 9,773,483	$ 17,941,543	$ 1,452,835	$ -	$ 1,117,890	$ 1,688,894	$ 44,086	$ 32,018,731
Additions	-	96,500	136,452	27,946	219,225	10,000	767,244	1,257,367
Revaluations	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(6,838)	-	-	(6,838)
Depreciation charge	-	(472,419)	(386,629)	(5,240)	(356,674)	(894,121)	-	(2,115,083)
Closing net book amount	$ 9,773,483	$ 17,565,624	$ 1,202,658	$ 22,706	$ 973,603	$ 804,773	$ 811,330	$ 31,154,177
As of December 31, 2013								
Cost or revaluation	$ 9,773,483	$ 18,536,930	$ 4,055,076	$ 76,443	$ 3,505,064	$ 4,785,872	$ -	$ 40,732,868
Construction in progress	-	-	-	-	-	-	811,330	811,330
Accumulated depreciation	-	(971,306)	(2,852,418)	(53,737)	(2,531,461)	(3,981,099)	-	(10,390,021)
Net book amount	$ 9,773,483	$ 17,565,624	$ 1,202,658	$ 22,706	$ 973,603	$ 804,773	$ 811,330	$ 31,154,177

(Continued)

	2012							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Construction in Progress	Total
Year ended December 31, 2012								
Opening net book amount	$ 9,773,483	$ 18,440,430	$ 1,114,676	$ 1,352	$ 1,040,416	$ 1,942,621	$ 811,830	$ 33,124,808
Additions	-	-	678,790	-	239,506	-	-	918,296
Revaluations	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	190,676	577,068	(767,744)	-
Disposals	-	-	-	-	(15,818)	-	-	(15,818)
Depreciation charge	-	(498,887)	(340,631)	(1,352)	(336,890)	(830,795)	-	(2,008,555)
Closing net book amount	$ 9,773,483	$ 17,941,543	$ 1,452,835	$ -	$ 1,117,890	$ 1,688,894	$ 44,086	$ 32,018,731
As of December 31, 2012								
Cost or revaluation	$ 9,773,483	$ 18,440,430	$ 3,918,624	$ 64,556	$ 3,292,677	$ 4,775,872	$ -	$ 40,265,642
Construction in progress	-	-	-	-	-	-	44,086	44,086
Accumulated depreciation	-	(498,887)	(2,465,789)	(64,556)	(2,174,787)	(3,086,978)	-	(8,290,997)
Net book amount	$ 9,773,483	$ 17,941,543	$ 1,452,835	$ -	$ 1,117,890	$ 1,688,894	$ 44,086	$ 32,018,731

Freehold land and buildings each include a revaluation surplus of $5,711,539 (2012: $5,711,539) and $3,361,983 (2012: $3,361,983), respectively.

An independent valuation of the Group's land and building was performed by Bahamas Realty to determine the fair value of the land and building. The valuation, which conforms to International Valuation Standards, was determined using the sales comparison method. The effective date of the valuation was December 31, 2011.

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been $19,140,390 (2012: $19,140,390).

(Continued)

Details of the Group's freehold land and buildings fair value hierarchy at December 31, 2013 is as follows:

	2013			
	Level 1	Level 2	Level 3	Total
Freehold land	$ -	$ 9,773,483	$ -	$ 9,773,483
Freehold buildings	-	17,565,624	-	17,565,624
	$ -	$27,339,107	$ -	$27,339,107

	2012			
	Level 1	Level 2	Level 3	Total
Freehold land	$ -	$ 9,773,483	$ -	$ 9,773,483
Freehold buildings	-	17,941,543	-	17,941,543
	$ -	$27,715,026	$ -	$27,715,026

The assets are required to be measured at fair value on a recurring basis.

(Concluded)

9. INTANGIBLE ASSET, NET

In 2012, the Group acquired a portfolio of insurance contracts for $1,000,000 through the undertaking of one of its subsidiaries. The Group recognizes an intangible asset representing the value of business acquired.

The movement in the intangible asset is as follows:

	2013	2012
At cost	$ 1,000,000	$ 1,000,000
Accumulated amortization:		
Balance, beginning of year	46,667	-
Amortization	100,000	46,667
Balance, end of year	146,667	46,667
Net book value	$ 853,333	$ 953,333

10. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS

The Canadian Policy Premium Method (PPM) is used for the determination of reserves for future policyholders' benefits of long-term insurance contracts.

As of December 31, 2013 the aggregate reserves for future policyholders' benefits and related insurances in force are summarized as follows:

	Reserves		Insurances in force	
	2013	2012	2013	2012
Ordinary life	$ 59,730,543	$ 54,070,693	$2,260,663,000	$2,291,208,000
Annuities	66,004,709	58,208,369	-	-
Home service life	31,826,065	29,343,604	502,165,000	486,712,000
Accident and health	6,954,756	7,269,427	-	-
Gross Liabilities	164,516,073	148,892,093	2,762,828,000	2,777,920,000
Reinsurance assets	(7,136,365)	(6,332,800)	-	-
	$157,379,708	$142,559,293	$2,762,828,000	$2,777,920,000

The reserves for future policyholders' benefits are determined annually by actuarial valuation and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, morbidity rates, maintenance expenses and interest rates. The assumptions also include provisions for adverse deviation to recognize uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made.

Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation.

(i) ***Mortality and Morbidity***

Assumptions for Home Service life business are based on Group experience. Assumptions for other business lines are based on industry experience, as the Group does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by $3,257,932 (2012: $3,050,368) or decrease by $3,272,872 (2012: $3,058,746).

(Continued)

(ii) ***Investment Yields***

Assets are allocated to life and annuity business lines. Expected investment yields are based on new money rates and expectant asset mix. A margin for adverse deviation is added by deducting 40 basis points (2012: 50 basis points) from current rates and assuming future interest rates reduce to 4.75% over 20 years. If future interest rates were to differ by 100 basis points from that assumed, without changing the policyholder dividend scale, the liability would increase by $19,050,559 (2012: $18,163,994) or decrease by $13,187,745 (2012: $11,454,753).

(iii) ***Persistency***

Lapse rates are based on the Group's experience where credible experience is available and industry experience is used where credible Group experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates; whichever is adverse, by 20% on Home Service business and 15% on Ordinary business. If future lapse rates were to differ by 10% from that assumed, the liability would increase by $832,518 (2012: $699,968) or decrease by $2,719,597 (2012: $2,607,939).

(iv) ***Expenses***

Expenses are based on best estimates of Group experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2.25% (2012: 2.25%) initially, decreasing to 1.75% (2012: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $2,595,023 (2012: $2,472,563) or decrease by $2,567,798 (2012: $2,445,004).

(v) ***Ongoing Review***

Actuarial assumptions are continuously reviewed based on emerging Group and industry experience and revised if appropriate and material.

(vi) ***Margins for Adverse Deviation Assumptions***

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

The movements in reserves for future policyholders' benefits and other policyholders' benefits (namely insurance liabilities), by line of business, are summarized below:

(Continued)

a. ***Short-term insurance contracts:***

	2013	2012
Liabilities at beginning of year	$ 7,172,967	$ 9,328,276
Change in Data, Methods, and Assumptions	28	-
Usual change in In-Force Business and New Business	(666,796)	(2,155,309)
Liabilities at end of year	$ 6,506,199	$ 7,172,967

b. ***Long-term insurance contracts with fixed and guaranteed terms:***

	2013	2012
Liabilities at beginning of year	$ 47,694,206	$ 43,912,577
Changes in Data, Methods, and Assumptions	778,431	(927,037)
New Business	(2,879,965)	(2,497,244)
Usual change in In-Force Business	7,249,376	7,205,910
Liabilities at end of year	$ 52,842,048	$ 47,694,206

c. ***Long-term insurance contracts without fixed and guaranteed terms:***

	2013	2012
Liabilities at beginning of year	$ 68,616,646	$ 61,083,218
Changes in Data, Methods, and Assumptions	(251,999)	1,154,593
New Business	7,064,474	3,676,112
Usual change in In-Force Business	2,498,659	2,702,723
Liabilities at end of year	$ 77,927,780	$ 68,616,646

d. ***Long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participation Features (DPF):***

	2013	2012
Liabilities at beginning of year	$ 19,075,474	$ 18,175,848
Changes in Data, Methods, and Assumptions	(188,640)	(154,800)
New Business	(248,642)	(238,348)
Usual change in In-Force Business	1,465,489	1,292,774
Liabilities at end of year	$ 20,103,681	$ 19,075,474

Long term insurance contracts with DPF are not measured at fair value due to the lack of a reliable basis for measuring it.

(Continued)

Total for all lines of businesses	**2013**	**2012**
Liabilities at beginning of year	$142,559,293	$132,499,919
Changes in Data, Methods, and Assumptions	337,820	72,756
New Business	3,935,867	940,520
Usual change in In-Force Business	10,546,728	9,046,098
Liabilities at end of year	$157,379,708	$142,559,293

(Concluded)

11. OTHER POLICYHOLDERS' FUNDS

Other policyholders' funds relate to unpaid benefits, premiums received in advance, unearned premiums and accumulated dividends.

12. PAYABLES AND ACCRUALS

Amounts due to reinsurers for reinsurance contracts at December 31, 2013 was $1,282,653 (2012: $612,207) and is included in the payables and accruals in the consolidated statement of financial position.

13. BANK OVERDRAFT FACILITIES

The Group has bank overdraft facilities of $250,000 (2012: $250,000). Amounts utilized under the facilities attract interest at Nassau prime plus 1.5%.

14. REVALUATION RESERVE

Revaluation reserve is comprised of the following:

	Financial Investment Assets Revaluation	Fixed Assets Revaluation	Total Revaluation Reserve
Balance as of December 31, 2011	$ (1,535,756)	$12,116,199	$10,580,443
Impairment loss transfer to profit or loss	594,020	-	594,020
Adjustment to fair value of investment in equities	(40,117)	-	(40,117)
Balance as of December 31, 2012	(981,853)	12,116,199	11,134,346
Adjustment to fair value of investment in equities	636,452	-	636,452
Balance as of December 31, 2013	$ (345,401)	$12,116,199	$11,770,798

15. SHARE CAPITAL

The Group's share capital is comprised as follows:

	Variable Rate Cumulative Redeemable Preference Shares of $1,000 each par value		Ordinary Shares of $0.20 each par value	
	2013	**2012**	**2013**	**2012**
Authorized	10,000	10,000	15,000,000	15,000,000
Issued and fully paid	$10,000,000	$10,000,000	$ 2,000,000	$ 2,000,000
Shares outstanding at beginning of year	10,000	10,000	10,000,000	10,000,000
Shares outstanding at end of year	10,000	10,000	10,000,000	10,000,000

The Variable Rate Cumulative Redeemable Preference Shares (preference shares) carry a dividend rate of Nassau prime plus 1.5% per annum payable semi-annually. Dividends are declared by the Board of Directors in their sole discretion. The preference shares have no predetermined maturity date, yet the Group may call for the redemption of all or part of the issue on or after December 31, 2005 upon 90 days written notice. The preference shares rank with respect to the payment of dividends and distributions on liquidation: (1) senior to the Group's ordinary shares and (2) subordinate to any debentures, debt obligations, or policyholder claims currently or which the Group may enter into. The holders of the preference shares have no equity ownership or voting rights. There were no outstanding cumulative preference share dividends at the end of the year.

The excess of the issue and purchase price of the ordinary and preference shares over the par value less the costs incurred with the tender offer have been credited to the share premium account.

16. NET PREMIUM INCOME AND ANNUITY DEPOSITS

Net premium income and annuity deposits are comprised of:

	2013	2012
Short-term insurance contracts	$66,633,303	$68,832,607
Long-term insurance contracts with fixed and guaranteed terms	18,259,293	19,095,801
Long-term insurance contracts without fixed and guaranteed terms	17,926,292	14,436,369
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	4,128,832	3,471,413
Premium revenue arising from insurance contracts issued	106,947,720	105,836,190
Premiums ceded for short-term and long-term contracts to reinsurers	(9,724,160)	(11,406,962)
	$97,223,560	$94,429,228

17. POLICYHOLDERS' BENEFITS

Policyholders' benefits for the year ended December 31, 2013 by insurance contracts were as follows:

	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Short-term insurance contracts	$40,648,319	$ (3,225,612)	$37,422,707	$43,764,043	$ (2,949,633)	$40,814,410
Long-term insurance contracts with fixed and guaranteed terms	7,468,050	(1,176,391)	6,291,659	5,740,987	(1,932,398)	3,808,589
Long-term insurance contracts without fixed and guaranteed terms	8,881,486	-	8,881,486	8,090,897	-	8,090,897
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	2,766,871	-	2,766,871	2,289,478	-	2,289,478
	$59,764,726	$ (4,402,003)	$55,362,723	$59,885,405	$ (4,882,031)	$55,003,374

18. OPERATING LEASES

The Group leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as of December 31, 2013 are as follows:

	2013	2012
Up to 1 year	$ 150,379	$ 150,379
1 year to 5 years	-	-
	$ 150,379	$ 150,379

19. TAXATION

There are no corporate, income or capital gains taxes levied in The Bahamas and the Group, therefore, pays no taxes on its profit or loss. However, taxes based on gross premium income, levied at 3%, for the year ended December 31, 2013 amounted to $2,845,841 (2012: $2,947,196) and is included within operating expenses in the consolidated statement of profit or loss and other comprehensive income.

20. PENSION PLAN

The Group's pension costs, net of forfeitures in respect to the Plan for the year ended December 31, 2013, amounted to $312,234 (2012: $469,475) and is included in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

21. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments to extend credit under mortgage loan agreements amounted to $1,759,947 as of December 31, 2013 (2012: $1,111,720).

On June 25, 2013, the Group entered into an agreement for the purchase of property, plant and equipment. The total cost of the asset is $965,000 and a deposit of $96,500 was placed.

The Group is a defendant in several legal actions arising in the normal course of its business affairs. Management believes that the resolution of these matters will not have a material impact on the Group's financial position.

The Group is contingently liable for $5,000 (2012: $5,000) in customs bonds and customs guarantees.

22. RELATED PARTY BALANCES AND TRANSACTIONS

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

The following are related party balances and transactions not disclosed elsewhere in the consolidated financial statements:

	2013	2012
Related party balances:		
Non-controlling interests	$13,723,728	$ -
Related party transactions:		
Post-employment benefits	$ 151,124	$ 46,000
Related party balances with Sagicor Life:		
Receivables and other assets	$ 604,321	$ 583,935
Payables and accruals	$ 603,034	$ 385,055
Related party transactions with Sagicor Life:		
Premiums ceded to reinsurer	$ 4,638,141	$ 4,413,656
Reinsurance recoveries	$ 1,259,119	$ 650,566
Management fees	$ 132,000	$ 132,000

Compensation of key management personnel:

	2013	2012
Salaries and other short-term employee benefits	$ 1,779,666	$ 1,784,520
Commissions	200,000	112,500
	$ 1,979,666	$ 1,897,020

Directors' remuneration:

In 2013, the total remuneration of the directors was $404,375 (2012: $362,132).

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds 19,450 shares (2012: 21,750 shares) of the Group and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Group makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of years, depending on the type of award granted.

23. POST-RETIREMENT MEDICAL BENEFIT

The Group introduced a post-retirement medical plan on January 1, 1999 for employees who retire after that date. Employees at age 65 or older with 10 or more years of service to the Group are eligible for subsidized post-retirement medical, dental and vision benefits. The Group's contributions will be provided as premium payments are due, for retired participants. Retirees are assumed to pay the full retiree costs, less the Group's subsidy.

In 2013, the employer contribution subsidy for medical costs was increased from 50% of active costs to 60% of retiree costs and a 50% employer contribution subsidy was provided for dental and vision costs. The Group set the contributions to a fixed dollar amount equivalent to the 2014 subsidy and eliminated the dental and vision subsidy in future periods.

During the year, the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB issued an amendment to IAS 19 Employee Benefits, effective for annual reporting periods beginning on or after January 1, 2013. While this standard requires a retrospective adjustment upon adoption, the prior year effects did not result in a material adjustment ($63,312) and thus, were made on a prospective basis.

The most recent actuarial valuation was carried out by TowerWatson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amounts recognized in the consolidated statement of profit or loss and other comprehensive income consists of:

	Other Postemployment Benefits	
	2013	**2012**
Components of benefit cost recognized in profit or loss and other comprehensive income:		
Current service cost	$ 135,583	$ 33,986
Interest cost	110,988	27,731
Actuarial loss	-	4,214
Past service cost recognized	(128,731)	-
Net benefit cost in recognized in profit or loss and other comprehensive income	$ 117,840	$ 65,931

(Continued)

	2013	2012
Components of benefit cost recognized in other comprehensive income:		
Remeasurement on the defined benefit liability:		
Actuarial gain due to Experience	$ (37,308)	$ -
Actuarial gain due to Demographic Assumption changes	(25,894)	-
Actuarial loss due to Financial Assumption changes	36,818	-
Actuarial gain on DBO	$ (26,384)	$ -

	2013	2012
Total benefit cost recognized in profit or loss and other comprehensive income:		
Cost recognized in profit or loss	$ 117,840	$ 65,931
Remeasurement effects recognized in other comprehensive income	(26,384)	-
Total benefit cost recognized in profit or loss and other comprehensive income	$ 91,456	$ 65,931

The current service cost, interest expense and past service cost for the year are included in the employee benefits expense in the consolidated statement of profit or loss and other comprehensive income. The re-measurement of the net defined benefit liability is included in other comprehensive income.

There are no assets associated with the Group's post-retirement medical benefit plan.

Funded Status

The funded status at the end of the year, and the related amounts recognized in the consolidated statement of financial position are as follows:

	Other Postemployment Benefits	
	2013	2012
Funded status, beginning of year		
Benefit obligation, funded plans	$ (557,867)	$ (433,127)
Unrecognized net actuarial loss	-	-
Net amount recognized, end of year	$ (557,867)	$ (433,127)

(Continued)

Amounts recognized in the consolidated statement of financial position are as follows:

	2013	2012
Current liability	$ (30,982)	$ (34,344)
Noncurrent liability	(526,885)	(398,783)
	$ (557,867)	$ (433,127)

	Other Postemployment Benefits	
	2013	2012
Experience adjustments		
DBO, end of year	$ (557,867)	$ (433,127)
Funded status	$ (557,867)	$ (433,127)

	Other Postemployment Benefits	
	2013	2012
Change in Plan Assets		
Fair value of plan assets, beginning of year	$ -	$ -
Employer contribution	32,431	24,428
Plan participant's contribution	(32,431)	(24,428)
Fair value of plan assets, end of year	$ -	$ -

The weighted average assumptions used to determine the defined benefit obligation at the end of the year were as follows:

	2013	2012
Discount rate	5.00%	5.75%
Medical cost trend rate	5.00%	5.00%
Dental/Vision cost trend	3.00%	N/A
Mortality	RP2000	RP2000

Through its post-employment medical plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields - The present value of the defined benefit plan liability are calculated using a discount rate determined by reference to yields on government bond. Decreases in Government bond yields will increase plan liabilities. If future discount rates were increased or decreased by 100 basis points, the defined benefit obligation would increase or decrease by $54,061.

(Continued)

Mortality Risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the liability. If life expectancy increases or decreases by one year for both men and women, the defined benefit obligation would increase or decrease by $1,399.

Medical cost trend risk - The present value of the defined benefit plan liability is calculated by reference to the future health cost trends. As such, increases in the cost levels tend to result in increases in the plan's liability. The Group has set the contributions to a fixed dollar amount, equivalent to the 2014 subsidy, for future periods. As a result, if medical cost increases or decreases by 1%, the defined benefit obligation would increase or decrease by $0.

Expected employer contributions

The Group expects to contribute $30,982 (2012: $34,344) to the post-retirement benefits plan in 2014. This benefit is expected to be paid from corporate assets.

(Concluded)

24. EARNINGS PER ORDINARY SHARE

	2013	2012
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Profit attributable to ordinary shareholders	$ 5,226,002	$ 4,815,804
Earnings per ordinary share	$ 0.52	$ 0.48

25. BUSINESS SEGMENTS

The Group is organized into three main business segments; life insurance, health insurance and wealth management. All other segments are deemed insignificant to the Group's operations.

The Group identifies its reportable operating segments by product line consistent with the reports used by Management. These segments and their respective products are as follows:

- *Life Insurance* - offers a range of ordinary life insurance and industrial life insurance.
- *Health Insurance* - offers a range of group medical, individual medical, sick and accident, and hospitalization insurance.
- *Wealth Management* - offers a range of services including investment management, pension management and administration, corporate advisory services, and mutual fund management.

Transactions between segments are carried out at arm's length. No inter-segment transactions occurred in 2013 and 2012. The revenue from external parties reported to Management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income. The amounts provided to Management with respect to total assets and liabilities are measured in a manner consistent with that in the consolidated statement of financial position.

Segment profit represents the profit earned by each segment after allocation of central administration costs and salaries, investment income, and other gains and losses. This is the measure reported to Management for the purpose of assessment of segment performance. No single customer contributed 10% or more to the Group's revenue for both 2013 and 2012. All assets are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

The segment results for the period ended December 31 rounded to the nearest thousand are as follows:

(Continued)

	2013 ($000)			
	LIFE	HEALTH	WEALTH MANAGE-MENT	TOTAL
INCOME				
Net premium income	$ 28,636	$ 56,481	$ -	$ 85,117
Annuity deposits	12,106	-	-	12,106
Investment income	10,852	265	441	11,558
Other income	435	156	255	846
Total income	52,029	56,902	696	109,627
POLICYHOLDER BENEFITS	33,111	37,072	-	70,183
EXPENSES	15,822	16,287	949	33,058
	48,933	53,359	949	103,241
PROFIT FOR THE YEAR	$ 3,096	$ 3,543	$ (253)	$ 6,386
TOTAL ASSETS	$ 230,540	$ 9,033	$ 28,721	$ 268,294
TOTAL LIABILITIES	$ 176,699	$ 6,924	$ 2,431	$ 186,054

	2012 ($000)		
	LIFE	HEALTH	TOTAL
INCOME			
Net premium income	$ 30,227	$ 56,570	$ 86,797
Annuity deposits	7,633	-	7,633
Investment income	9,210	340	9,550
Other income	733	261	994
Total income	47,803	57,171	104,974
POLICYHOLDER BENEFITS	27,076	37,987	65,063
EXPENSES	17,474	15,510	32,984
	44,550	53,497	98,047
PROFIT FOR THE YEAR	$ 3,253	$ 3,674	$ 6,927
TOTAL ASSETS	$ 211,129	$ 9,970	$ 221,099
TOTAL LIABILITIES	$ 160,457	$ 7,594	$ 168,051

(Concluded)

26. SUBSEQUENT EVENT

On February 15, 2014, the Board of Directors declared a fourth quarter dividend of $0.06 per share or $600,000 to shareholders of record as of February 26, 2014 and payable March 3, 2014.

27. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Statement of financial position

- Certain reinsurance assets and reserves for future policyholders' benefits are presented gross on the consolidated statement of financial position.

- Reinsurance recoveries are included in receivables and other assets on the consolidated statement of financial position.

There was no effect to the consolidated statement of profit or loss and other comprehensive income as a result of these changes.

28. NON-CONTROLLING INTERESTS

Non-controlling interests are comprised of 400,000,000 non-voting, redeemable participating shares (the "Shares") of a par value of B$0.001 each. Of these shares, 100,000,000 are linked exclusively to a Segregated Account designated as Class A, 100,000,000 are linked exclusively to a Segregated Account designated as Class B, 100,000,000 are linked exclusively to a Segregated Account designated as Class C, and 100,000,000 are linked exclusively to a Segregated Account designated as class D.

The movement is as follows:

	2013	2012
Balance at beginning of year	$ -	$ -
Share of profit for the year	308,293	-
Non-controlling interests arising on investment in mutual funds (Note 29)	20,147,095	-
Balance at end of year	$20,455,388	$ -

29. CONSOLIDATED ENTITY

In October 2013, the Group obtained participating interests in an affiliated umbrella fund; FG Financial Fund Limited SAC. The interests were obtained at market net asset values.

The Group assessed whether or not it has control over the Fund, based on practical ability to direct the relevant activities of the Fund unilaterally. In making their judgment, the Group considered that the relevant activities of the Fund are determined by the Board of Directors of the Fund based on majority vote. However, the majority of the Board members of the Fund also serve as Directors of the Group, giving them power to direct the relevant activities. In addition, the Board of the Fund is selected by 100% of the voting rights held by a subsidiary in the Group.

Additionally, the Group obtained exposure or rights to variable returns through its direct investment and the investment of other related parties (de facto agents). Therefore, after assessment, it was concluded that the Group has sufficient power to direct the relevant activities of the Fund and sufficient exposure or rights to variable returns; therefore it has control over FG Financial Fund Limited SAC.

The details of the consolidation are as follows:

Net cash outflow on investment in consolidated entity:

	2013
Cash paid for participation in the entity consolidated	$ 5,120,294
Less: addition to cash and cash equivalents at consolidation	671,193
Balance at end of year	$ 4,449,101

(Continued)

Assets and liabilities recognized at the date of consolidation are as follows:

	2013
ASSETS	
Cash and cash equivalents	$ 671,193
Term deposits	2,246,812
Financial investment assets	17,077,458
Accounts receivable and other assets	1,636,518
Total assets	$21,631,981
LIABILITIES	
Uninvested contributions	$ 1,407,436
Accrued expenses and other payables	27,167
Total liabilities	$ 1,434,603

(Concluded)

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