

LIFE OF JAMAICA LIMITED

Notes to the Financial Statements

December 31, 1995

1. The Company

The company is incorporated under the Laws of Jamaica. It is a 51% subsidiary of ICWI Investments Limited, the ultimate holding company being ICWI Group Limited both of which are incorporated in Jamaica.

The principal activities are the underwriting of long term life insurance and health insurance business and the management of superannuation funds. The company and its subsidiaries are collectively referred to as "the group". The principal activities of the subsidiaries are detailed in note 10.

These financial statements are presented in Jamaican dollars.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of securities in the unit linked policyholders' funds, certain quoted securities, real estate investments and certain fixed assets at market value.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of the company and its subsidiaries made up to December 31, 1995. Reserves arising on consolidation are taken direct to investment reserve.

Intercompany transactions are eliminated.

(c) Investments:

The company's investments and those of its life subsidiaries are stated as follows:

- (i) Investments in subsidiaries and associated companies are recorded on the equity basis [see notes 10 (b) and 11 (b)].
- (ii) Real estate investments are stated at open market values, determined by Chartered Surveyors or with reference to anticipated sales proceeds, if lower.
- (iii) Mortgages and interest bearing loans are stated at cost, less provision for losses as appropriate.
- (iv) The company's government and other fixed interest securities, unquoted securities, interest bearing deposits and unquoted equities are stated at cost, except where they form part of unit linked policy holders' funds. Government and other fixed term investments of the life subsidiaries are stated at amortized cost.
- (v) Unit trust holdings are stated at market value.
- (vi) Quoted equities are stated at market value.
- (vii) All unit linked policyholder investments are stated at market value.

Investments held by non-life subsidiary companies are stated at cost.

(d) Unit linked investments:

Realised profits and losses, together with unrealised appreciation and depreciation on investments related to unit linked policies are carried to the Life Assurance Fund.

(e) Investment reserves:

Realised profits and losses together with unrealised appreciation and depreciation of investments, excluding those related to unit linked policies, are carried to the investment reserves.

Transfers are made from the investment reserves to the Life Assurance Fund at the discretion of the directors, having regard to the advice of the actuaries.

(f) Depreciation

Depreciation is charged on a straight line basis, at annual rates as follows:

Freehold buildings	5%
Furniture, fixtures and equipment (including those classified as investments)	10% & 20%
Motor vehicles	20%

No depreciation is charged in respect of:

Land
Properties held as investments
Properties owned and occupied substantially by the company
(The effect on net revenue would not be significant).

(g) Prepaid commissions:

Commissions paid prior to December 31, 1995 in respect of premiums due for payment subsequent to that date are deferred. These commissions are written off over the first year of each policy during which time they are recoverable, should the policies be lapsed.

(h) Actuarial valuation:

Policy liabilities have been calculated using the policy premium method. Policy liabilities represent the amount which, together with future premiums and investment income, will be sufficient to pay future benefits, dividends and expenses on insurance and annuity contracts. The process of calculating policy liabilities necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and rates of surrender; consequently, policy liabilities include reasonable provisions for adverse deviations from those estimates. As the probability of deviation from estimates declines, these provisions will be included in future income to the extent not required to cover adverse experience.

An actuarial valuation is prepared annually. The actuarial surplus, net of taxation, is transferred from the life assurance fund to the profit and loss account.

(i) Notional rent:

Notional rent, based on prevailing market rates is charged in respect of buildings owned and occupied by the company.

(j) Policy benefits:

These include inter alia provision for claims incurred but not reported at the balance sheet date, computed on the basis of the company's claims lag experience.

(k) Provisions for loan losses:

Provisions for loan losses are based on loan loss experience and other factors including the character of the loan portfolio and economic conditions.

(l) Interest:

Interest income is recorded on the accrual basis. In the banking subsidiary, if collection of interest is doubtful or payment is outstanding for more than 180 days interest is taken into account on a cash basis.

(m) Foreign currencies:

The group's foreign currency assets and liabilities and items in the foreign subsidiary's revenue account are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currency are converted at the rate of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the revenue account. Unrealised gains and losses arising on translation of the shareholders' funds in the foreign subsidiary are transferred to investment reserve (See note 6).

3. Purchase of insurance portfolio

Effective November 30, 1993 the company purchased the Jamaica Insurance Portfolio of American Life Insurance Company (ALICO), a company incorporated under the laws of Delaware. Its subsidiary, Global Life Assurance Bahamas Limited (GLAB) purchased the insurance portfolio of ALICO in the Bahamas.

Approvals for the final transfer of the portfolios have not yet been obtained from the authorities in Jamaica and in the Bahamas.

These financial statements include earnings of the portfolio totalling \$47,741,000 (1994: \$41,442,000) and the assets and liabilities taken over from ALICO Jamaica.

In 1994, the net earnings of the ALICO business in the Bahamas totalling \$42,849,000 was included in consolidated earnings as 'Net earnings of acquired portfolio' and the corresponding receivable from ALICO included in other receivables.

In 1995, the Bahamas transaction is accounted for under the purchase method, and include ALICO Bahamas' balance sheet as adjusted per the Transfer and Assumption Agreement. The 1994 financial statements have been restated accordingly.

4. Share capital

Thousands of Dollars				
	1995		1994	
	Authorised	Issued	Authorised	Issued
Ordinary stock units of 10 each	40,000	39,750	40,000	39,750
Preference shares (redeemable cumulative):				
8.17% "A" shares of \$1 each	1,700	100	1,700	200
8.17% "B" shares of \$1 each	300	-	300	-
10.37% "C" shares of \$1 each	975	285	975	342
10.37% "D" shares of \$1 each	175	-	175	-
	43,150	40,135	43,150	40,292

Preference shares:

	Redemption terms	
	Start	Annual
	date	instalments
Redeemable:		
Series "A" 8.17%	1980	\$100,000
Series "C" 10.37%	1984	\$57,500

Redeemed during the year:

Series "A" 8.17%	\$100,000
Series "C" 10.37%	57,500

5. Superannuation funds

Amounts totalling approximately \$8,513 million at December 31, 1995 (1994: \$7,733 million) which are managed by the company under the Pooled Pension Funds and other segregated funds are not included in these financial statements.

6. Investment reserves

This includes, inter alia, \$35,935,000 (1994: \$69,040,000) in respect of the group's share of statutory reserve maintained by a subsidiary in accordance with the Banking Act.

Unrealised foreign exchange gains arising on translation of the equity of the foreign subsidiary amounting to \$103,701,000 (1994:\$9,845,000), are reflected in investment reserves. Unrealized foreign exchange losses of \$13,611,000 (1994: \$2,154,000) incurred on the foreign currency loan used to finance the investment was written off against the investment reserves.

7. Bank Loans

This balance represents loans denominated in U.S. currency, negotiated on behalf of the Pooled Pension Funds for the purchase of hotel properties. Repayments in U.S. currency are due in quarterly instalments over the period 1991 - 1997 and attract interest rates of 1.5% and 3% above the London Inter-Bank Offer Rate which at December 31, 1995 was 5.75% (1994: 5.65%). The loans total US\$2,750,000 (1994: US\$5,350,000) and instalments due for repayment up to December 31, 1996 amount to US\$2,600,000. Rental earnings from the hotels are denominated in US dollars.

The loans are secured by mortgage over one hotel property valued at \$1,326 million at December 31, 1995 held by the Pooled Pension Funds and stocks and shares valued at \$243,000,000 held by the company at December 31, 1995.

8. Other liabilities

(a) The other liabilities are as follows:

	Thousands of Dollars			
	Company		Group	
	1995	1994	1995	1994 Restated
Benefits payable to policyholders	224,717	179,635	545,877	406,833
Bank loans and overdrafts (see note 8b)	126,944	130,738	147,784	164,112
Customers' deposits and current accounts	-	-	10,628,749	9,065,692
Collateral deposits	-	-	7,347	8,496
Customers' liabilities under acceptances guarantees and letters of credit	-	-	758,272	1,283,943
Debentures	-	-	2,374	2,348
Due to other banks	-	-	1,476,293	998,952
Interest on customer deposits	-	-	221,005	150,037
Long term liabilities	-	-	322	322
Miscellaneous	314,169	253,358	743,938	453,458
Premiums not applied	91,496	55,634	95,157	58,666
Parent company debenture	-	-	6,500	6,500
Portfolio transfer payables	150,411	111,558	151,127	111,558
Reinsurance payable	-	-	63,238	44,675
Short term loans	1,378,452	1,246,149	1,378,452	1,246,149
Shareholders' dividends	9,254	23,938	9,254	23,938
	2,295,443	2,001,010	16,235,689	14,025,679

(b) Bank loans and overdraft for the company and the group include a loan of US\$2,100,000 (J\$81,710,000) (1994: US\$3,500,0000 (J\$116,604,250) repayable in ten semi-annual instalments commencing October 15, 1992. Interest is payable at 2.5% above the New York Prime rate which was 8.50% at December 31, 1995 (1994: 7.75%).

9. Investments

Real estate investments include owner occupied property of the company at a valuation of \$101,000,000 (1994: \$89,000,000). The title to this property has not yet been transferred to the company.

10. Investment in subsidiaries

(a) The principal operating subsidiary companies are as follows:

Names of companies	Principal activities	Proportion of issued equity capital held by	
		Company	Subsidiaries
Incorporated in Jamaica:			
Hitek Software Engineers Limited	Software development	33%	33%
Lested Developments Ltd.	Real Estate	35%	38%
LOJ Property Management Ltd.	Property management	100%	
Citizens Bank Limited	Banking	75%	
Citizens Merchant Bank Limited	Financial Services		100%
Jamaica Citizens Investments Limited	-		100%
Citizens Finance & Insurance Agency Limited	-		100%
Citizens Building Society Limited	-		100%
IFCOL Leasing Limited	-		100%
Incorporated in Guyana:			
Citizens Bank (Guyana) Limited	-		100%
Incorporated in the United States of America:			
World Trade Services Corporation	International trading		100%
Incorporated in Grand Cayman:			
Global Life Assurance Company Limited	Life insurance	100%	
Aviation Services Limited	Aviation services		100%
Incorporated in Puerto Rico:			

Atlantic Southern Insurance Company	Life insurance	92%
Incorporated in the Bahamas:		
Global Bahams Holdings Limited	Holding company	53%
Global Life Assurance Bahamas Limited	Life Insurance	100%

(b) The investment in subsidiary companies is represented as follows:

	Thousands of Dollars	
	1995	1994
Shares of equity, net of dividends paid from pre-acquisition profits	713,529	704,228
Loans and current accounts	284,754	362,288
	998,283	1,066,516

11. Investment in associated companies

(b) The associated companies are as follows:

Name of company	Principal activity	Percentage of issued equity capital held by	
		Company	Subsidiary
St. Andrew Developers Limited	Real Estate Development	33.3%	
Colonial Life Assurance Company Limited (Incorporated in Bermuda)	Life insurance		30%

(b) The investment in associated companies is represented as follows:

	Thousands of Dollars			
	The Company		The Group	
	1995	1994	1995	1994
Shares at cost	133	133	47,170	39,509
Post acquisition reserves	(7,691)	(7,595)	30,118	18,626
Loan and current accounts	17,930	16,315	23,190	16,977
	10,372	8,853	100,478	75,112

The Life Assurance Fund includes the group's share of losses of St. Andrew Developers Limited based on the unaudited financial statements for the year to December 31, 1995 and the group's share of profits of Colonial Life Assurance Company Limited based on unaudited financial statements for the period to December 31, 1995. (The 1994 results of Colonial Life Assurance Company Limited were based on audited accounts to January 31, 1994). (see note 22 ii).

12. Fixed assets

The Company:

	Thousands of Dollars				
	Freehold land and buildings	Leasehold improvements	Furniture, fixtures & equipment	Motor vehicles	Total
At cost:					
December 31, 1994	10,792	8,904	207,626*	53,893*	281,215*
Additions	155	2,310	24,297*	25,842	52,604
Disposals	-	-	(2,360)	(10,696)	(13,056)
December 31, 1995	10,947	11,214	229,563	69,039	320,763

Accumulated depreciation:					
December 31, 1994	2,549	1,710*	74,713*	25,271*	104,243*
Charge for the year	503	942	30,187	12,570	44,202
Eliminated on disposals	-	-	(102)	(7,754)	(7,856)
December 31, 1995	3,052	2,652	104,798	30,087	140,589
Net book values:					
December 31, 1995	7,895	8,562	124,765	38,952	180,174
December 31, 1994	8,243	7,194*	132,913*	28,622*	176,972*

The Group:

Thousands of Dollars

	Freehold land and buildings	Leasehold improvements	Construction in progress	Furniture, fixtures & equipment	Motor vehicles	Total
At cost or valuation:						
December 31, 1994	15,091	94,503*	12,911	484,936*	126,610*	734,051*
Translation adjustments	155	566	-	12,759	3,965	17,445
Additions	-	44,510	1,175	131,604	49,514	226,803
Disposals	-	-	-	(51,263)	(51,212)	(66,475)
Transfers	-	1,021	(1,021)	-	-	-
December 31, 1995	15,246	140,600	13,065	578,036	164,877	911,824
Accumulated depreciation:						
December 31, 1994	3,039	22,758*	-	175,384*	29,878*	231,059*
Translation adjustments	-	366	-	5,509	519	6,394
Charge for the year	718	20,662	-	88,799	25,071	135,250
Eliminated on disposals	-	-	-	(20,963)	(9,263)	(30,226)
December 31, 1995	3,757	43,786	-	248,729	46,205	342,477
Net book values:						
December 31, 1995	11,489	96,814	13,065	329,307	118,672	569,347
December 31, 1994	12,052	71,745*	12,911	309,552*	96,732*	502,992*

*Reclassified to confirm with 1995 presentation.

Freehold land and buildings include freehold land at cost of \$966,000 (1994:\$966,00 for the company and \$1,19600 (1994:\$19600) for the group.

13. Other assets

(a) The assets are as follows

	Thousands of Dollars			
	The Company		The Group	
	1995	1994	1995	1994
				Restated
Bank and cash balances	58,468	19,617	3,012,142	2,074,415
Customers' liabilities under acceptances guarantees and letters of credit			758,272	1,283,943
Deferred expenses [see note 13(b)]	164,393	60,498	192,124	86,419
Goodwill [see note 13(c)]	24,443	27,038	250,887	246,579
Interest receivable on bank loans	-	-	700,736	492,988
Miscellaneous assets [see note 13(d)]	46,158	20,257	128,967	370,060
Other receivables	557,323	476,864	1,272,679	714,266
premiums due and unpaid	257,074	148,804	396,442	227,746
prepaid commission	89,774	74,699	89,774	74,699
portfolio transfer receivables	-	-	281,881	225,288
Short term loans	-	-	-	64,965
Taxation recoverable	3,511	-	14,366	-
Value of business acquired			112,744	114,672
	1,201,144	827,777	7,211,014	5,976,040

Reclassified to conform with 1995 presentation .

(b) Deferred expenses :

	Thousands of Dollars			
	The Company		The Group	
	1995	1994	1995	1994
				Restated
Re-engineering project in progress	8,955	-	8,955	-
Systems development in progress	154,364	58,351	158,007	60,962
Systems development in expenses (1993/1999)	-	-	7,949	4,522
Subsidiaries' pre-incorporation costs (1993/1997)	1,074	2,147	17,213	20,935
	164,393	60,498	192,124	86,419

(c) Goodwill:

	Thousands of Dollars			
	The Company	The Group		
	1995	1994	1995	1994 Restated
On purchase of subsidiary and associated Company	-	-	13,428	18,935
On purchase of insurance portfolio	24,443	27,038	237,459	227,644
	24,443	27,038	250,887	246,579

The balance at December 31, 1995 includes translation adjustments of \$36,870,000 (1994:\$1,327,000).

(d) Miscellaneous assets:

The 1994 balance for the group includes an amount of \$59,329,000 representing an investment in a subsidiary, Citizens Bank (Guyana) Limited, which was incorporated in 1994 and commenced operating in November of that year. Its results of operations and financial position at December 31, 1994 were not consolidated as the amounts involved were insignificant to the group's results. The subsidiary is consolidated in 1995

14. Proposed ordinary dividends

This represents proposed dividends of \$0.01875 (1994:\$0.0375) per ordinary stock unit based on 397,500,000 ordinary stock units in issue.

15. Prior year adjustments

1994:

Thousands of Dollars

	Life Assurance Fund	Retained Earnings	Investment in Subsidiaries	Minority Interest
The Company		(17,190)	17,190	-
The Group	19,489	(17,910)		(1,579)

The adjustments related to an omission from the actuarial reserves of a subsidiary.

1995:

The 1994 financial statements have been restated to account for the acquisition of the ALICO portfolio in the Bahamas under the purchase method (see note 3). The adjustment represents the Life Assurance Fund arising on the acquisition of the ALICO insurance portfolio in November 1993.

16. Earnings per ordinary stock unit

The calculation of earnings per stock unit is based on earnings of \$37,319,000 (1994:\$72,217,000 and on the 397,500,000 ordinary stock units in issue.

17. Taxation

(a) Taxation comprises:

	Thousands of Dollars	
	1995	1994
Premium tax	27,875	23,398
Income tax	3,101	3,826
Investment Income tax	7,920	2,304
Prior year under/(over) provision	8,670	(148)
	47,566	29,380

(b) Losses of subsidiaries available for offset subject to the agreement of the Commissioner of Income Tax to approximately \$51,098,000 (1994:\$21,942,000)

18. Disclosure of expenses

	Thousands of Dollars	
	1995	1994
Directors' remuneration - fees	3,774	2,236
for management	16,129	11,750
depreciation	135,250	92,284
Auditors' remuneration - current year	21,534	14,864
- prior year	478	2,120
Loans Interest - Life of Jamaica Pooled Pension		
Investment Funds	142,670	92,282
- Other	153,483	291,049
Deferred expenses amortised	2,940	6,958
Goodwill amortised	47,281	22,954
Corporate office reimbursements -ultimate parent company	27,630	24,791
Redundancy	22,877	27,270

19. Related party balances and transactions

These include the balances and transactions arising in the normal course of business, with parent companies, subsidiaries and related companies /parties as noted below. (For purpose of disclosure the Life of Jamaica Pooled Pension Investment Fund is referred to as a related party).

[i] Investments, other assets and other liabilities:

	Thousands of Dollars			
	The Company		The Group	
	1995	1994	1995	1994
Investments:				
Loans receivable, related party	33,754	-	33,754	
Deposits, subsidiaries	18,813	102,700	-	-
Debenture, related company	6,500	6,500	-	-
	59,067	109,200	33,754	-

Other assets:				
Bank balances, subsidiaries	28,133	17,201	-	-
Current account, related party	101,556	81,241	103,178	85,738
Parent company	-	-	1,062	223
Related company	78,602	104,322	78,996	104,733
	208,291	202,764	183,236	190,694
Other Liabilities:				
Bank overdraft, subsidiaries	21,806	14,134	-	-
Other amounts payable:				
Parent company	6,556	5,000	15,490	5,942
Related companies	1,749	-	6,636	-
Subsidiaries	125,405	33,329	-	-
Related party - other	9,178	6,046	9,178	6,046
Short term loan payable				
Related party	395,843	292,577	395,843	292,577
	560,537	351,086	427,147	304,565

[ii] Transactions:

The financial statements include the following transactions with a related party.

Thousands of Dollars

	The Company		The Group	
	1995	1994	1995	1994
Life of Jamaica Pooled Pension Investment Fund:				
Purchase of real estate	214,674		214,674	-
Purchase of mortgage loans	-			81,764
Sale of real estate	331,855	313,678	331,855	313,678
Sales of preference shares	-	27,551	-	27,551
Sale of mortgage loans	-	12,188	-	12,188

20. Contingent liabilities

- (i) The company has a contingent liability under a guarantee in respect of borrowings of an associated company amounting to approximately \$1,856,000 (1994: \$1,856,000).

(ii) Claims amounting to approximately \$40,000,000 (1994: \$2,000,000) against the company, and \$169,000,000 (1994: \$131,000,000) against the group have been filed. Although the amount of the ultimate exposure if any cannot be determined at this time, the directors are of the opinion upon the advice of counsel, that the final outcome of the threatened or filed suits will not have a material adverse effect on the financial position of the group.

21. Pension schemes

The group operates five contributory and one non-contributory pension schemes. Where applicable the most recent actuarial valuations disclose adequate funding. Contributions for the year were \$4,864,000 (1994: \$3,990,000) for the company and \$23,390,000 (1994: \$12,542,000) for the group.

22. Subsequent events

(i) In March 1996 a subsidiary, Citizens Bank Limited, concluded a successful rights issue, raising US\$5.5 million in ordinary and preference shares. The company relinquished its rights in favour of Bonponce Financial Corporation (the holding company for Bonco Popular de Puerto Rico) which subscribed for 20% of the issued ordinary capital of Citizens Bank and US\$2.75M of convertible preferred stock. The company's shareholding in Citizens Bank has therefore declined to 60%.

(ii) The group disposed of its interest in an Associated company, Colonial Life Assurance Company Limited in January 1996.