LIFE OF JAMAICA LIMITED 1996

Notes to the Financial Statements

December 31, 1996

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, 1996. Reserves arising on consolidation are taken direct to investment reserves.

Intercompany transactions are eliminated.

(c) Investments:

The company's investments and those of its life insurance 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 policyholders' funds. Government and other fixed term investments of the life insurance subsidiaries are stated at amortised cost.

(v) Unit trust holdings are stated at market value.

(vi) Quoted equities are stated at market value.

(vi) All unit linked policyholder investments are stated at market value.

Investments held by non-life insurance 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 relating 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%
Leasehold improvements	10-20%

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, 1996 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 business 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 rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the revenue account. Unrealized gains and losses arising on translation of the shareholders' funds in the foreign subsidiary are transferred to investment reserves [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.

Approval for the final transfer of the portfolio has not yet been obtained from the authorities.

These financial statements include cumulative earnings of the portfolio totalling $147,687,000 (1995:$90,914,000). Assets totalling $815,351,000 (1995:$638,529,000) and liabilities totalling $667,664,000 (1995: $547,615,000).

4. Share capital

	Thousands of Dollars			
	1996		1995	
	Authorised	Issued	Authorised	Issued
Ordinary stock units of 10¢ each	40,000	39,750	40,000	39,750
Preference shares				
(redeemable cumulative):	1,700	-	1,700	100
8.17% "A" shares of $1 each	300	-	300	-
8.17% "B" shares of $1 each	975	228	975	228
10.37% "C" shares of $1 each	175	-	175	-
10.37% "D" shares of $1 each	**43,150**	**39,978**	**43,150**	**40,135**

Preference shares:

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

	1995	1996
Redeemed during the year:		
Series "A" 8.17%	$100,000	100,000
Series "C" 10.37%	$ 57,500	57,500

5. Superannuation funds

Amounts totalling approximately $11,513 million at December 31, 1996 (1995: $9,348 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

These include, inter alia, $Nil (1995: $35,935,000) in respect of the group's share of a statutory reserve maintained by a subsidiary in accordance with the Banking Act, 1992.

Unrealised foreign exchange losses arising on translation of the equity of the foreign subsidiary amounting to $76,224,000 (1995:gains of $103,701,000), are reflected in investment reserves. Unrealised foreign exchange gains of $3,335,000 (1995: losses of $13,611,000) 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 Hotel and Tourism Fund 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, 1996 was 5.59% (1995: 5.75%). The loans total US$400,000 (1995: US$2,750,000) and are due for repayment by December 31, 1997. Rental earnings from the hotels are denominated in US dollars.

The loans are secured by a mortgage over one hotel property valued at $ 1,375 million at December 31, 1996 held by the Pooled Hotel and Tourism Fund and stocks and shares held by the company at December 31, 1996.

8. Other liabilities

(a) The other liabilities are as follows:

	Thousands of Dollars			
	The Company		The Group	
	1996	1995	1996	1995
Benefits payable to policyholders	291,492	224,717	683,682	545,877
Bank loans and overdrafts [see note 9(b)	32,972	126,944	54,751	147,784
Customers' deposits and current accounts	-	-	10,672,124	10,628,749
Collateral deposits	-	-	2,926	7,347
Customers' liabilities under acceptances, guarantees and letters of credit	-	-	580,974	758,272
Debentures	-	-	2,384	2,374
Due to other banks	-	-	1,195,396	1,476,293
Interest on customer deposits	-	-	169,342	221,005
Long term liabilities	-	-	34,188	322
Miscellaneous	524,997	314,169	1,149,831	743,938
Premiums not applied	72,505	91,496	76,394	95,157
Due to parent company	-	-	944	6,500
Portfolio transfer payables	139,744	150,411	139,744	151,127
Reinsurance payable	53,268		74,813	63,238
Short term loans	1,510,641	1,378,452	975,587	1,378,452
Shareholders' dividends	2,508	9,254	2,508	9,254
	2,628,127	**2,295,443**	**15,815,588**	**16,235,689**

(b) Bank loans and overdraft for the company and the group include a loan of US$700,000 (J$24,514,000) [1995: US$2,100,000 (J$81,710,000)] repayable in ten semi-annual instalments which commenced October 15, 1992. Interest is payable at 2.5% above the New York prime rate which was 8.25% at December 31, 1996 (1995: 8.50%).

9. Investments

(a) Quoted equities:

Shares held by the company totalling $98,000,000 (1995: $Nil) have been pledged as security for the establishment of credit facilities with a subsidiary.

(b) Government securities and other investments:

Certain foreign investments held by the group are recorded at cost which is $62,495,000 below their market values at December 31, 1996. However, it is the intention that these securities will be held until their maturity dates 2001 through 2023, hence no provision is included in the financial statements for this amount.

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	60% (1995:75%)	
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			70%
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 Bahamas 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 1996	1995
Shares of equity, net of dividends paid from pre-acquisition profits	462,425	713,529
Loans and current accounts	109,770	284,754
	572,195	**998,283**

(c) The investment in Citizens Bank Limited included above is reflected at cost (1995, reflected at net assets value). An adjustment has been made in the consolidated life assurance fund to reflect the group's net carrying value also at cost. This has been done as the subsidiary was sold subsequent to the year end for a consideration which exceeded cost [see note 23].

(d) Atlantic Southern Insurance Company (ASICO) has incurred operating losses in 1995 and 1996 and the regulatory authority in Puerto Rico has determined that as a result of its operations for the year 1996 its capital is impaired to the extent of US$345,840 [see note 20b) ii].

11. Investment in associated companies

(a) 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		Nil (1995:30%)

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

	Thousands of Dollars			
	The Company		The Group	
	1996	1995	1996	1995
Shares at cost	133	133	133	47,170
Post acquisition reserves	(8,383)	(7,691)	(8,383)	30,118
Loans and current accounts	615	17,930	615	23,190
	7,635	10,372	(7,635)	100,478

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, 1996. The results of this associate are insignificant to the group.

The investment in Colonial Life Assurance Company was sold during the year.

12. Fixed assets

The Company:

	Freehold land and buildings	Leasehold Improvements	Furniture fixtures & equipment	Motor vehicles	Total
	Thousands of Dollars				
At cost:					
December 31, 1995	10,947	11,214	229,563	69,039	320,763
Additions	835	31	36,054	16,274	53,194
Disposals	(5,556)	-	(5,930)	(14,398)	(25,884)
December 31, 1996	6,226	11,245	259,687	70,915	348,073
Accumulated depreciation:					
December 31, 1995	3,052	2,652	104,798	30,087	140,589
Charge for the year	499	950	32,355	16,352	50,156
Eliminated on disposals	(1,941)	-	(3,018)	(11,821)	(16,780)
December 31, 1996	1,610	3,602	134,135	34,618	173,965
Net book values:					
December 31, 1996	**4,616**	**7,643**	**125,552**	**36,297**	**174,108**
December 31, 1995	**7,895**	**8,562**	**124,765**	**38,952**	**180,174**

The Group:

	Freehold land and buildings	Leashold Improvements	Construction in progress	Furniture fixture & equipment	Motor vehicles	Total
	Thousands of Dollars					
At cost or valuation:						
December 31, 1995	15,246	140,600	13,065	578,036	164,877	911,824
Revaluation adjustment	3,451	-	-	-	-	3,451
Translation adjustments	-	(1,416)	-	(13,162)	(3,252)	(17,830)
Additions	835	13,017	-	77,294	30,351	121,497
Disposals	(5,556)	(54)	(4,779)	(15,954)	(39,365)	(65,708)
Transfers	-	8,286	(8,286)	-	-	-
December 31, 1996	13,976	160,433	-	626,214	152,611	953,234
Accumulated depreciation:						
December 31, 1995	3,757	43,786	-	248,729	46,205	342,477
Revaluation adjustment	(757)	-	-	-	-	(757)
Translation adjustments	-	(524)	-	(5,395)	(488)	(6,407)
Charge for the year	833	16,527	-	86,310	40,518	144,188
Eliminated on disposals	(1,941)	(36)	-	(10,593)	(17,121)	(29,691)
December 31, 1996	1,892	59,753	-	319,051	69,114	449,810
Net book values:						
December 31, 1996	**12,084**	**100,680**	**-**	**307,163**	**83,497**	**503,424**
December 31, 1995	**11,489**	**96,814**	**13,065**	**329,307**	**118,672**	**569,347**

Freehold property of a subsidiary was revalued by LOJ Property Management Limited (a fellow subsidiary) on an open market basis at March 31, 1996.

Freehold land and buildings include freehold land at cost of $527,000 (1995: $966,000) for the company and $757,000 (1995: $1,196,000) for the group.

13. Other assets

(a) The other assets are as follows:

	Thousands of Dollars			
	The Company		The Group	
	1996	1995	1996	1995
Bank and cash balances	32,706	58,468	2,605,963	3,012,142
Customers' liabilities under acceptances, guarantees and letters of credit	-	-	580,974	758,272
Deferred expenses [see note 13(b)]	253,471	164,393	279,877	192,124
Goodwill [see note 13(c)]	37,577	24,443	204,186	250,887
Interest receivable on bank loans	-	-	519,513	700,736
Miscellaneous assets	46,784	46,158	346,386	128,967
Other receivables	348,518	557,323	693,255	1,272,679
Premiums due and unpaid	197,769	257,074	325,534	396.442
Prepaid commission	90,688	89,774	90,688	89,774
Portfolio transfer receivables	-	-	257,106	281,881
Taxation recoverable	49	3,511	12,236	14,366
Value of business acquired	-	-	96,550	112,744
	1,007,562	**1,201,144**	**6,012,268**	**7,211,014**

(b) Deferred expenses:

	Thousands of Dollars			
	The Company		The Group	
	1996	1995	1996	1995
Re-engineering project in progress	33,605	8,955	33,605	8,955
Systems development in progress	219,866	154,364	225,072	158,007
Systems development expenses (1993/1999)	-	-	11,730	7,949
Subsidiaries' pre-incorporation costs (1993/1997)	-	1,074	9,470	17,213
	253,471	**164,393**	**279,877**	**192,124**

(c) Goodwill:

	Thousands of Dollars			
	The company		The Group	
	1996	1995	1996	1995
On purchase of subsidiary and associated company	-	-	2,519	13,428
On purchase of insurance portfolio	37,577	24,443	201,667	237,459
	37,577	**24,443**	**204,186**	**250,887**

The balance at December 31, 1996 includes translation adjustments of $22,657,000 (1995: $36,870,000).

14. Proposed ordinary dividends

This represents proposed dividends of $nil (1995: $0.01875) per ordinary stock unit based on 397,500,000 ordinary stock units in issue.

15. (Loss)/earnings per ordinary stock unit

The calculation of (loss)/earnings per stock unit is based on losses of $1,053,121,000 (1995: earnings of $37,267,000) and on the 397,500,000 ordinary stock units in issue.

16. Taxation

Taxation comprises:

	Thousands of Dollars	
	1996	1995
Premium tax	28,388	27,875
Income tax	8,321	3,101
Investment income tax	-	7,920
Prior year (over)/under provision	-76	8,670
	36,633	47,566

Premium tax at 1.5% is payable on net life insurance premiums of the company.

Investment Income Tax at 7.5% is payable on net investment income of the company adjusted for taxation purposes. Income tax is payable at 33 1/3% on profits of non life insurance subsidiaries adjusted for taxation purposes.

Losses available for offset subject to the agreement of the Commissioner of Income Tax amount to approximately $50,224,000 (1995: Nil) for the company and $665,713,000 (1995: $51,098,000) for the group.

17. Prior year adjustments

The adjustment represents the Life Assurance Fund acquired on the purchase of the ALICO insurance portfolio in the Bahamas by a subsidiary in November 1993.

18. Disclosure of expenses

		Thousands of Dollars	
		1996	1995
Directors' remuneration	- fees	2,723	3,774
	- for management	15,738	16,129
Depreciation		144,188	135,250
Auditors'remuneration	- current year	23,004	21,534
	- prior year	1,027	478
Deferred expenses amortised		46,282	2,940
Goodwill amortised		46,256	47,281
Corporate office reimbursements - ultimate parent company		42,548	27,630
Redundancy		**117,433**	**22,877**

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	
	1996	1995	1996	1995
Investments:				
Loans receivable, related party	-	33,754	-	33,754
Deposits, subsidiaries	-	18,813	-	-
Debenture, related company	-	6,500	-	-
	-	59,067	-	33,754
Other assets:				
Bank balances,subsidiaries	658	28,133	-	-
Current account, related party	1,925	101,556	1,925	103,178
Parent company	92,613	-	92,613	1,062
Related company	3,104	78,602	3,104	78,996
	98,300	**208,291**	**97,642**	**183,236**
Other liabilities:				
Bank overdraft, subsidiaries	8,458	21,806	-	-
Other amounts payable:				
Parent company	-	6,556	944	15,490
Related companies	-	1,749	8,640	6,636
Subsidiaries	-	125,405	-	-
Related party - other	-	9,178	-	9,178
Short term loan payable:				
Related party	-	395,843	-	395,843
Subsidiaries	535,054	-	-	-
Related companies	96,935	-	96,935	-
	640,447	**560,537**	**106,519**	**427,147**

[ii] Transactions:

The financial statements include the following transactions with related parties.

	Thousands of Dollars			
	The Company		The Group	
	1996	1995	1996	1995
Life of Jamaica Pooled Pension Investment Funds				
Purchase of real estate	-	214,674	-	214,674
Sale of real estate	501,502	331,855	501,502	331,855
Interest received	44,844	33,724	44,844	33,724
Interest paid	63,714	142,670	63,714	142,670
Subsidiaries:				
Interest paid	112,632	-	-	-
Interest received	**4,395**	**4,455**	-	-

20. Contingent liabilities and capital commitments

(a) The company and the group are contingently liable in respect of:

[i] Guarantees by the company of loans to subsidiaries totalling US$ 1,355,000. Of this amount $855,000 is guaranteed jointly with the parent company and the loan is secured on property owned by the subsidiary.

[ii] Claims amounting to approximately $44,900,000 (1995:$40,000,000) against the company, and $676,400,000 (1995:$173,000,000) 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 based 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.

[iii] Guarantees given by a subsidiary to meet the terms of the life insurance contracts and annuity contracts transferred to another subsidiary and previous associate on the purchase of the Manulife portfolios, in the event that these entities become insolvent or otherwise be unable to honour the claims of the policyholders and annuitants. This obligation covers a period of ten years.

(b) The company and the group have capital commitments as follows:

[i] Under an agreement with Bonponce Financial Corporation, the company has an obligation to purchase from that Corporation US$2,750,000 convertible preference shares in the banking subsidiary, at the higher of the Determined Market Price or the subscription price, in the event of the occurrence of any 'trigger event' as defined.

Some of the 'trigger events' have occurred, one of which relates to the non payment of preference dividends by the subsidiary as a result of that company having an accumulated deficit position at the end of the year [see note 23 (iv)].

[ii] A subsidiary has given a commitment to making a loan to its subsidiary of US$345.840 [see note 10 (d)].

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 $27,032,000 (1995: $4,864,000) for the company and $44,457,000(1995: $23,390,000) for the group.

22. Banking act

At December 31, 1996 a banking subsidiary was in breach of the following sections of the Banking Act:

(a) Section 9.1 which requires capital base to be in excess of twenty five times deposit liabilities.

(b) Section 10.1 (2) which requires capital base to be in excess of the historical cost of certain fixed assets.

(c) Section 13.1 (f) which deals with the maximum amount that the bank may lend to a single customer or group.

(d) Section 15.1 which requires the bank to maintain liquid assets at a predetermined percentage of prescribed assets.

23. Subsequent events

(i) On May 15,1997 the company sold its 60% interest in Citizens Bank Limited to FINSAC Limited (FINSAC) for $182,600,000 (see note 10 c).

(ii) On May 21, 1997 the company entered into an agreement with FINSAC for the injection of $1,200,000,000. This will result in FINSAC owning 26.5% of the ordinary issued capital of the company and such number of 12 1/2% cumulative redeemable preference shares as can be acquired after the purchase of the ordinary shares.

(iii) On May 22, 1997 the company sold its holdings in CIBC Jamaica Limited to FINSAC for $513,045,000.

(iv) On June 4, 1997 FINSAC purchased the preference shares held by Bonponce Financial Corporation in Citizens Bank, thereby releasing the company from its obligation to purchase the shares [see note 20 (h) (i)].