

# Pan-Jamaican Investment Trust Limited

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## Notes to the Financial Statements

31 December 2000

### 1. Identification and Activities

The main activity of the company, which is incorporated and domiciled in Jamaica and is limited by shares, is the direction and control of the operations of its subsidiaries and associated companies. The company's income consists mainly of dividends, interest income and management fees earned from its subsidiaries and associated companies.

The principal activities of the subsidiaries and associated companies are detailed in note 2(c).

These financial statements are expressed in Jamaican dollars.

### 2. Significant Accounting Policies

#### (a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards and have been prepared under the historical cost convention as modified by the revaluation of certain securities, fixed assets and investment properties.

#### (b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Consolidation

The consolidated financial statements comprise the financial statements of the company, its subsidiaries and associated companies made up to 31 December 2000,

All amounts are stated in Jamaican dollars unless otherwise identified. At 31 December the rate of exchange was approximately J\$45 to US\$1 (1999 - J\$41 to US\$1).

The wholly and partly owned subsidiaries at 31 December 2000 are:

	Principal Activities	Proportion of issued equity capital held by	
		Company	Subsidiary
First Life Insurance Company Limited	Life and Health Insurance	73%	
Jamaica Property Company Limited	Office Rental		100%
Jamaica Property Development Limited	Property Management		100%
Jamaica Property Management Limited	Property Management		100%
Pan Caribbean Merchant Bank Limited	Merchant Banking		100%
Pan Caribbean Investments Limited	Financial Services		100%
Portfolio Partners Limited	Investment Management		100%
Hardware & Lumber Limited	Trading	87%	
H. & L. True Value Limited	Trading		100%
H & L Agri & Marine Company Limited	Trading		100%
Hole-In-The-Wall Limited	Dormant		100%
Office Services Limited	Construction and Janitorial Services		100%
Scott's Preserves Limited	Trading		100%
Scott's of Jamaica Limited	Dormant		100%
Wherry Wharf Sales Company Limited	Dormant		93%
Jamaican Floral Exports Limited	Horticulture	80%	
Jamaican Heart Limited	Horticulture		100%
Pan-Jamaican Mortgage Society Limited	Financial Services	100%	
Busha Browne's Company Limited (Incorporated in the Bahamas)	Dormant	100%	
Busha Browne's Company Limited	Distribution		100%

The associated companies are held by the First Life Insurance Company Limited and at 31 December 2000 are:

	Principal Activities	Proportion of equity capital held by
Impan Properties Limited	Office Rental	20%
Knutsford Holdings Limited	Office Rental	28%
St. Andrew Developers Limited	Property Development	66%
Trafalgar Development Bank Limited	Development Banking	29%

The Group's investment in St. Andrew Developers Limited is intended to be short term and, as a result, this is accounted for by the equity method.

All subsidiaries and associated companies, except where indicated otherwise, are incorporated and domiciled in Jamaica.

Goodwill and capital reserve arising on consolidation are dealt with in capital reserves.

(d) Investment in subsidiaries and associated companies

Investment by the holding company in subsidiaries is stated at cost.

Associated companies are accounted for by the equity method. By this method, the group's share of profits is included in profit before taxation and the taxation attributable to the share of profits in the group's tax charge. In the group's balance sheet, the investment is shown at cost plus reserves arising since the acquisition date.

(e) Expenses

Expenses are charged to income as incurred except for amounts allocated to lands awaiting development, construction in progress and developments for sale, subject to carrying costs not exceeding realisable value. Expenses which relate to future periods are included in deferred expenditure and amortised over the expected periods of benefit.

(f) Fixed assets and depreciation

Fixed assets are stated at cost, with the exception of certain freehold land and buildings which are stated at depreciated replacement cost or market value as computed in 1977. Additions subsequent to valuation are stated at cost. The cost or valuation of fixed assets is written off on the straight line method over the expected useful lives of the assets held at the beginning of the year. The expected average useful lives are as follows:

Buildings	20 to 50 years
Plant, furniture and equipment	8 to 15 years
Motor vehicles	5 years
Leasehold improvement	Life of lease
Leased assets	Life of lease

Gains and losses arising on disposal of fixed assets are dealt with in the profit and loss account. Repairs and maintenance expenditure are charged to the profit and loss account.

(g) Investment properties

Freehold land and buildings held for investment are stated at market value. Valuations are revised on the basis of annual appraisals carried out by independent property appraisers and valuers.

(h) Investments

Investments are stated as follows:

- (i) Quoted equities held by the insurance and banking subsidiaries at market value and all other subsidiaries at cost with adjustment for any permanent diminution in value;
- (ii) Unquoted equities are stated at cost with adjustment for any permanent diminution in value;
- (iii) Government of Jamaica and other securities at cost after provision for any anticipated losses on realisation;
- (iv) Mortgage loans at the aggregate of the unpaid principal;
- (v) Policy loans at the aggregate of the unpaid balance;
- (vi) Assets held under repurchase agreements are stated at cost;
- (vii) Deposits are stated at cost;
- (viii) Equity investment is stated at the cost of the investment plus the group's and company's share of reserves arising since acquisition of the investment.

Gains and losses arising from the sale of investments (carried at cost or valuation) are dealt with in investment reserve or profit and loss account as is appropriate.

(i) Investment reserves

The group's life insurance subsidiary, First Life Insurance Company Limited, reflects realised gains or losses together with unrealised appreciation or depreciation in market values of quoted equities and investment properties in investment reserves. A percentage of this reserve is transferred annually to the profit and loss account.

(j) Reserve for future benefits

The reserve for future benefits to policyholders is calculated by the actuary based on the details of business in force at the end of First Life Insurance Company Limited's accounting year, and represents the amount required, together with future premiums and interest, to provide for future benefits on insurance and annuity contracts. These reserves are calculated on the policy premium method, using interest, inflation and mortality assumptions appropriate to the policies in force. Any adjustment to the reserves is reflected in the year to which it relates.

(k) Taxation and deferred taxation

Taxation charged in these financial statements is based on the profit for the year. Deferred taxation is recorded only in respect of timing differences which are expected to reverse in the foreseeable future.

(l) Income recognition

(i) Premiums

Premiums are recognised as earned when due and are stated net of reinsurance premiums.

(ii) Sale of goods and services

Sales revenue is recognised upon delivery of products and customer acceptance or performance of services.

(iii) Other income

All other income are recognised on the accruals basis.

(m) Financial instruments

Financial instruments carried on the balance sheet include investments, cash, premiums receivable, trade and other receivables, interest receivable, due to other banks, bank overdrafts, trade and other liabilities and long term loans.

The fair values of the group's financial instruments are discussed in Note 20.

- (n) Intangible assets
  - (i) Goodwill

This represents purchased goodwill which is being written off over the expected period of benefit, which has been assessed at seven years.

- (ii) Deferred expenses

These are being written off over the expected period of benefit.

- (o) Cash and cash equivalents

These comprise cash at bank and in hand, deposits and investments maturing within three months net of bank overdrafts.

- (p) Foreign currency translation

Transactions in foreign currencies are converted at the rate of exchange ruling at the date of the transaction. Balances due or payable in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Losses or gains are reflected in the profit and loss account.

- (q) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the FIFO and average cost bases.

- (r) Finance leases

The gross investment in finance leases net of unearned income is recorded as a receivable balance. Income is recognised over the term of the lease in a manner that produces a constant rate of return on the net investment in the lease.

- (s) Provision for credit losses

Provision for credit losses is based on management's evaluation of the potential losses in the credit portfolio, taking into consideration the business and economic conditions.

(t) Retirement benefit plans

Retirement benefits are actuarially determined based on career earnings. Employers' contributions to fund past service deficiencies and future service liabilities are made monthly and are charged to the profit and loss account.

3. Taxation

The charge for taxation comprises:

	2000 \$'000	1999 \$'000
Income tax at 33 1/3%	23,034	20,573
Tax credit on bonus issue of shares	(1,795)	(1,984)
Premium tax	7,732	4,405
Investment income tax	20,633	10,996
Contractors' levy	26	-
Stamp duties	<u>71</u>	<u>5,254</u>
	<u>49,701</u>	<u>39,244</u>

Subject to agreement with the Commissioner of Income Tax, tax losses available for set off against future profits of certain subsidiaries amounted to approximately \$226,600,000 (1999 \$179,773,000).

4. Net Profit

(a) Group profit before taxation is arrived at after charging/(crediting) the following items:

	2000 \$'000	1999 \$'000
Directors' emoluments -		
Fees	126	53
Management remuneration (included in staff costs)	34,737	23,878
Auditors' remuneration -		
Current year	10,778	10,931
Prior year	(273)	(260)

Depreciation	34,102	25,438
Provision for credit losses	2,200	1,500
Amortisation of deferred expenditure	16,411	11,992
Amortisation of goodwill	11,018	4,679
Gain on foreign exchange	(16,741)	(4,530)
Staff costs (Note 5)	330,443	280,940
Loss on sale of fixed assets	<u>5,894</u>	<u>-</u>
(b) Net (loss)/profit dealt with in the financial statements of the holding company was	<u>(97,954)</u>	<u>12,450</u>
(c) Interest		
Mortgage debentures and fixed loans	16,771	14,209
Bank overdraft and other	35,472	27,657
Interest on banking operations	<u>34,815</u>	<u>21,856</u>
	<u>87,058</u>	<u>63,722</u>

#### 5. Staff Costs

	The Group	
	2000	1999
	\$'000	\$'000
Wages and salaries	245,719	216,406
Statutory deductions	21,936	18,449
Pension costs	9,194	10,439
Other	<u>53,594</u>	<u>35,646</u>
	<u>330,443</u>	<u>280,940</u>
Average number of employees		
Regular	389	403
Contract	<u>276</u>	<u>227</u>
	<u>665</u>	<u>630</u>



## 6. Earnings per Stock Unit

Basic earnings per stock unit is calculated based on the net profit attributable to shareholders and the weighted average number of stock units in issue during the year.

	The Group	
	2000	1999
Net profit attributable to stockholders (\$'000)	208,132	128,569
Weighted average number of stock units in issue ('000)	160,677	159,290
Basic earnings per stock unit	<u>\$1.29</u>	<u>\$0.81</u>

For fully diluted earnings per stock unit, the weighted average number of stock units in issue is adjusted to assume conversion of all dilutive potential ordinary stock units. The net profit is also adjusted to reflect the after tax effect of income arising from the conversion of such potential ordinary stock units.

Net profit attributable to stockholders (\$'000)	208,132	128,569
Interest expense on preference shares (\$'000)	<u>10,673</u>	<u>-</u>
Net profit used to determine diluted earnings per stock unit (\$'000)	<u>218,805</u>	<u>128,569</u>
Weighted average number of ordinary shares in issue ('000)	160,677	159,290
Adjustments for - assumed conversion of preference shares ('000)	10,721	-
- share options ('000)	<u>2,000</u>	<u>-</u>
Weighted average number of shares for diluted earnings per stock unit ('000)	<u>173,398</u>	<u>159,290</u>
Fully diluted earnings per stock unit	<u>\$1.26</u>	<u>\$0.81</u>

7. Fixed Assets

The Group

	Land & Buildings \$'000	Leasehold Improvement \$'000	Work in Progress & Furniture \$'000	Plant, Equipment & Furniture \$'000	Motor Vehicles \$'000	Total \$'000
Cost or Valuation -						
1 January 2000	23,544	53,049	27,133	199,290	25,069	328,085
Additions	-	4,807	-	33,917	3,114	41,838
Reclassifications	-	-	9,367	4,677	(4,677)	(9,367)
Disposals	-	(1,683)	-	(6,875)	(4,445)	(13,003)
31 December 2000	<u>23,544</u>	<u>56,173</u>	<u>17,766</u>	<u>231,009</u>	<u>19,061</u>	<u>347,553</u>
Depreciation -						
1 January 2000	23,383	18,049	-	87,707	10,637	139,776
Charge for the year	45	6,259	-	24,205	3,593	34,102
Reclassification	-	-	-	128	(128)	-
On disposals	-	(67)	-	(941)	(3,716)	(4,724)
31 December 2000	<u>23,428</u>	<u>24,241</u>	<u>-</u>	<u>111,099</u>	<u>10,386</u>	<u>169,154</u>
Net Book Value -						
31 December 2000	<u>116</u>	<u>31,932</u>	<u>17,766</u>	<u>119,910</u>	<u>8,675</u>	<u>178,399</u>
31 December 1999	<u>161</u>	<u>35,000</u>	<u>27,133</u>	<u>111,583</u>	<u>14,432</u>	<u>188,309</u>

	The Company			
	Leasehold Improvement \$'000	Plant, Equipment & Furniture \$'000	Motor Vehicles \$'000	Total \$'000
Cost -				
1 January 2000	199	2,782	957	3,938
Additions	-	134	-	134
31 December 2000	<u>199</u>	<u>2,916</u>	<u>957</u>	<u>4,072</u>
Depreciation -				
1 January 2000	173	1,925	765	2,863
Charge for the year	6	199	191	396
31 December 2000	<u>179</u>	<u>2,124</u>	<u>956</u>	<u>3,259</u>
Net Book Value -				
31 December 2000	<u>20</u>	<u>792</u>	<u>1</u>	<u>813</u>
31 December 1999	<u>26</u>	<u>857</u>	<u>192</u>	<u>1,075</u>

#### 8. Goodwill

	The Group \$'000
Balance at beginning of year	67,088
Goodwill purchased	9,055
Amortised during the year	(11,018)
Balance at end of year	<u>65,125</u>

#### 9. Investment Properties

Investment properties were valued at current market value as at 31 December 2000 by D.C. Tavares & Finson Realty Limited, property appraisers and valuers.

10. Investments

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Associated companies -				
Cost	123,741	100,337	-	-
Group's/company's share of -				
Net loss	(61,109)	(40,626)	-	-
Write down of investment	(12,214)	(12,214)	-	-
Reserves	<u>45,983</u>	<u>41,165</u>	<u>-</u>	<u>-</u>
	96,401	88,662		
Equity Investment	55,781	50,555	-	-
Quoted	76,219	59,900	10,552	29,875
Unquoted	15,254	3,789	895	800
Government of Jamaica and other securities	1,921,093	1,414,094	136,003	16,690
Mortgage loans	20,495	23,250	-	-
NHT contributions	<u>161</u>	<u>161</u>	<u>12</u>	<u>12</u>
	<u>2,185,404</u>	<u>1,640,411</u>	<u>147,462</u>	<u>47,377</u>

The National Housing Trust contributions were made prior to 31 July 1979 and are recoverable in the years 2001 to 2004.

11. Other Insurance and Banking Assets

	The Group	
	2000 \$'000	1999 \$'000
Loans on policies	29,082	27,023
Loans to customers and lease receivables	212,242	264,889
Accrued interest	125,414	82,460
Customers' liabilities under guarantees	56,121	286,053
Receivables	152,119	135,767
Cash resources	<u>103,263</u>	<u>137,506</u>
	<u><b>678,241</b></u>	<u><b>933,698</b></u>

(a) Included in loans to customers and lease receivables is the group's investment in finance leases as follows:

	\$'000
Minimum lease payments receivable, less provision for losses	72,782
Less: Unearned finance income	<u>(20,461)</u>
	<u>52,321</u>

Minimum lease payments are receivable in the years ending 31 December:

	\$'000
2001	32,394
2002	19,419
2003	11,171
2004	6,457
2005	<u>3,341</u>
	<u>72,782</u>

(b) Cash resources include a subsidiary's statutory cash reserve with the Bank of Jamaica amounting to \$12,631,000 (1999 - \$13,807,000). This amount is held on a non-interest bearing basis and is not available for investment or other use by the subsidiary.

## 12. Deferred Expenditure

This represents systems development costs related to certain subsidiaries and is to be written off over the expected period of benefit.

13. Bank Indebtedness

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Bank loans and overdrafts	95,512	64,982	3,625	4,421
Amounts included in -				
Current maturities	63,928	11,755	15,000	-
Long term liabilities	<u>46,122</u>	<u>36,202</u>	<u>-</u>	<u>-</u>
	<u>110,050</u>	<u>47,957</u>	<u>15,000</u>	<u>-</u>
Aggregate amount	<u>205,562</u>	<u>112,939</u>	<u>18,625</u>	<u>4,421</u>
Amount secured	<u>201,089</u>	<u>99,068</u>	<u>-</u>	<u>-</u>

14. Share Capital

	2000 \$'000	1999 \$'000
Authorised -		
Ordinary shares of 10c each	20,000	17,500
Preference shares of 10c each	<u>1,072</u>	<u>-</u>
	<u>21,072</u>	<u>17,500</u>
Issued and fully paid -		
Ordinary stock units of 10c each	16,081	16,054
Preference stock units of 10c each	<u>1,072</u>	<u>-</u>
	<u>17,153</u>	<u>16,054</u>

During the year, the authorised share capital was increased to \$20,000,000 by the creation of 25,000,000 ordinary shares of \$0.10 each to rank pari passu in all respects with the existing ordinary shares.

At an extraordinary general meeting, 10,720,942 ordinary shares of \$0.10 each comprising part of the company's authorised and unissued share capital were converted to 10,720,972 10% cumulative redeemable preference shares of \$0.10 each. The preference shares were issued for cash at \$14.00 each and are liable to be converted and redeemed prior to 31 August 2015.

During the year, certain directors exercised their option to acquire 275,000 ordinary shares in the company at a price of \$1.60 each. These shares were fully paid for at the end of the year.

15. Policyholders' Funds

	The Group	
	2000	1999
	\$'000	\$'000
Reserve for future policyholders' benefits	1,024,025	894,169
Deposit administration funds	828,670	651,652
Pooled pension funds	553,922	405,442
Policy dividends on deposit	17,011	16,305
Other policyholders' funds	442	594
	<u>2,424,070</u>	<u>1,968,162</u>

The actuary has given his opinion that the actuarial liabilities are adequate to provide for future payments under the terms of the policies in force.

16. Other Insurance and Banking Liabilities

	The Group	
	2000	1999
	\$'000	\$'000
Amounts due to other banks	137,643	169,850
Customers' deposits and savings accounts	163,318	85,453
Customers' liabilities under guarantees	56,121	286,053
Payables	94,432	78,060
Premiums received in advance	6,206	-
Benefits payable to policyholders	13,640	11,260
Bank overdraft	11,399	29,274
	<u>482,759</u>	<u>659,950</u>

17. Long Term Liabilities

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Secured loans -				
First mortgage debenture stocks				
21% 1984-2001	500	500	500	500
13% 1976-2000	-	75	-	75
12% 1979-2003	780	985	871	1,103
22% 1985-2006	-	1	3,252	3,575
22% 1987-2007	-	-	1,082	1,161

First mortgage debentures				
22% 1989-2009	-	-	1,000	1,000
Bank of Nova Scotia Jamaica Limited				
Variable rate 1996 - 2001	221	3,258	-	-
Trafalgar Development Bank Limited				
3% 1998 - 2002 (US\$116,780)	5,312	9,665	-	-
Citibank N.A. (US \$110,000)				
Variable rate 1998 - 2002	5,003	9,101	-	-
Citibank N.A. (US\$1,000,000)	45,487	-	-	-
Manufacturers Merchant Bank Limited				
25% 2000 - 2005	1,727	-	-	-
Victoria Mutual Building Society				
12% 1997 - 2005 (£ 1,000,000)	66,781	65,801	66,781	65,801
Development Bank of Jamaica Limited				
15% 1999 - 2003	-	3,070	-	-
Total Secured	<u>125,811</u>	<u>92,456</u>	<u>73,486</u>	<u>73,215</u>

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Unsecured loans -				
Variable rate Debt Bonds				
1998-2001	-	2,581	-	-
2000-2001	3,661	11,000	-	-
First Life Insurance Company Limited				
22%-25% 1999-2001	-	-	20,688	20,688
Bank of Nova Scotia Jamaica Limited				
27% 2000 - 2001	15,000	-	15,000	-
George and Branday Limited				
23% 1998 - 2001	1,542	2,882	-	-
Consortium loans				
10% 1999 - 2000	-	2,618	-	-
15% 2000 - 2002	7,809	-	-	-
24% 1999 - 2004	1,106	1,785	-	-
25% 1999 - 2003	-	20,000	-	-
26% 1999 - 2006	18,655	-	-	-
Office & Secretarial Services Limited				
14.5% 2000 - 2004	11,377	-	-	-



Jamaica Public Service Company Limited 14% 1999-2001	1,786	1,313	-	-
Total unsecured	<u>60,936</u>	<u>42,179</u>	<u>35,688</u>	<u>20,688</u>
	186,747	134,635	109,174	93,903
Less current maturities	<u>92,321</u>	<u>41,118</u>	<u>36,430</u>	<u>21,393</u>
	<u>94,426</u>	<u>93,517</u>	<u>72,744</u>	<u>72,510</u>

18. Insurance and Banking Reserves

	<b>Insurance</b>		<b>Banking</b>	
	Special Reserve	Retained Earnings	Statutory Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	73,482	5,847	14,017	93,346
Transfers	<u>2,551</u>	<u>-</u>	<u>12,175</u>	<u>14,726</u>
Balance at end of year	<u>76,033</u>	<u>5,847</u>	<u>26,192</u>	<u>108,072</u>

Insurance

The Special Reserve is maintained by First Life Insurance Company Limited and represents:

- (a) The sum of the negative reserves which have been offset in the reserve for future benefits, and
- (b) The difference between the cash surrender value (CSV) of the policies and the reserve for future benefits, where the CSV is greater.

The reserve is non-distributable.

Banking

This represents the amount that Pan Caribbean Merchant Bank Limited is required to set aside under the licence under which it operates and is non-distributable.

19. Dividends

	2000	1999
	\$'000	\$'000
Capital distribution paid for 2000 of J\$0.04 (1999 - \$0.03) per stock unit	6,433	4,741
Ordinary dividends paid for 2000 of J\$0.045 (1999 - nil) per stock unit - gross	7,236	-
Ordinary dividends proposed for 2000 at J\$0.12 (1999 - nil) per stock unit - gross	<u>19,297</u>	<u>-</u>
	<u><b>32,966</b></u>	<u><b>4,741</b></u>

20. Financial Instruments

(a) Interest rate risk

The group is exposed to various interest rate risks through the impact of rate changes on interest bearing liabilities and assets. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature.

(b) Currency risk

The consolidated balance at 31 December 2000 includes aggregate net foreign liabilities of approximately US\$3,586,000 (1999 - US\$4,624,000) and £1,006,000 (1999 £998,000) in respect of transactions arising in the ordinary course of business.

(c) Credit risk

Cash and short term investments are held with substantial financial institutions. A significant portion of investments is held in various government instruments. There are no significant concentrations of risk attaching to other receivables and premium receivable as these amounts are not concentrated in any given sector or institution and are shown net of provisions for doubtful debts.

(d) Liquidity risk

The group has formal asset/liability practices and monitors liquidity on a regular basis.

There' is no individual contract or policyholder who has the potential to influence the withdrawal of a significant amount of liabilities.

(e) Fair values

Fair value represents the amount at which a financial instrument could be exchanged in an arms length transaction between willing parties under no obligation to act, and is best evidenced by quoted market price if one exists.

The amounts included in the financial statements for cash and cash equivalents, other assets (excluding taxation recoverable and deferred expenses), other liabilities (excluding taxation payable and amounts due to other banks), current portion of long term loans and customer deposits and savings accounts reflect their approximate fair values because of the short term maturity of these instruments.

The estimated fair values of the group's other financial instruments are as follows:

	The Group			
	2000		1999	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial assets				
Investments (excluding NHT, equity investments, and associated companies)	2,033,061	2,033,061	1,501,033	1,501,033
Other Insurance and Banking Assets (excluding cash resources, receivables, accrued interest and customers liabilities under guarantees)	<u>241,324</u>	<u>241,324</u>	<u>291,912</u>	<u>291,912</u>
Financial liabilities				
Long term liabilities (including current portion)	201,706	201,706	134,635	134,635
Amounts due to other banks	<u>137,643</u>	<u>137,643</u>	<u>169,850</u>	<u>169,850</u>

The Company

	2000		1999	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial assets				
Investments (excluding NHT, deposits and equity investments)	<u>147,450</u>	<u>147,450</u>	<u>47,365</u>	<u>47,365</u>
Financial liabilities				
Long term liabilities (including current portion)	<u>109,174</u>	<u>109,174</u>	<u>93,903</u>	<u>93,903</u>

The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented above are not necessarily indicative of the ultimate net realisable values or amounts that the group would realise in a current market exchange.

Fair values were estimated as follows:

Investments

Fair value of equity instruments is determined based on quoted market prices for these instruments. When quoted market prices are not available, an approximation of fair value is based on the net underlying assets of the investee. Fair value of other investments is based on quoted market prices when available; when not available, other valuation techniques are used.

Financial liabilities

The fair values of long term liabilities either approximate their carrying amounts or are estimated using discounted cash flow analyses based on the group's current incremental borrowing rates for similar types of borrowing arrangements.

## 21. Borrowings

The interest rate exposure of borrowings are as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Total borrowings				
At fixed rates	235,527	226,602	109,174	93,901
At floating rates	224,403	107,157	-	-
	<u>459,930</u>	<u>333,759</u>	<u>109,174</u>	<u>93,901</u>
	%	%	%	%
Weighted average effective interest rates:				
Due to banks and other financial institutions	9.95	9.43	-	-
Bank borrowing	19.03	15	12	12
Other	<u>17.21</u>	<u>21</u>	<u>-</u>	<u>18</u>

## 22. Retirement Benefit Plans

The company and its subsidiaries participate in contributory pension plans administered by First Life Insurance Company Limited. Benefits under the plans are based on the employees' earnings during recognised service.

### (a) First Life Insurance Company Limited

The latest actuarial valuation which was carried out at 31 December 2000, revealed that the scheme was overfunded by \$26,500,000. The actuary has recommended that the employer contribute at a rate of 5% of members' earnings until the next valuation date, which should be no later than 31 December 2002. The employees contribute at 5%. Effective 1 January 2001, the company implemented the actuary's recommendation.

(b) Jamaica Property Company Limited

The latest actuarial valuation which was carried out at 31 December 1998, revealed a past service surplus of \$5,087,000. The actuary has recommended that the employer contribute at a rate of 4% of members' pensionable earnings until the next valuation date which should be no later than 31 December 2001. The employees contribute at 5%. The recommendation has not yet been implemented.

(c) Pan Caribbean Merchant Bank Limited

Based on the latest actuarial valuation which was carried out at 31 December 1995, the scheme is adequately funded. The employer contributes at 3.3% and the employees at 5% of pensionable earnings. The valuation effective 31 December 1998 has not been completed.

(d) Hardware and Lumber Limited and its Subsidiaries

The company and most of its subsidiaries participate in a plan whose benefits are based on 2% of final five years' average salary for each year of service. The latest actuarial valuation, which was carried out at 31 December 1996, indicated that there was a past service deficiency of \$2,294,000. The trustees have implemented the actuary's recommendation that, effective 1 January 1997, the employer contributes at the rate of 6.2% of members' earnings until the next valuation date which should occur no later than 31 December 1999. This valuation has not been completed. The employer's contribution of 6.2% includes a contribution of 3% of members' basic earnings, which is required to eliminate the deficiency over a period of three years. The employees contribute at a rate of 5% of earnings.

One subsidiary, Office Services Limited, participates in a plan whose benefits are based on career earnings. The latest actuarial valuation, which was carried out as at 31 December 1998, indicated that the scheme was adequately funded.

During the year contributions made by the group were \$9,194,000 (1999 - \$10,439,000) and by the company \$1,108,000 (1999 - \$639,000).

### 23. Contingency

The Commissioner of Income Tax has assessed one of the subsidiaries on an estimated basis for income taxes totalling \$1,500,000 in respect of the years of assessment 1987 - 1989. No provision for liability has been made in the accounts based on the subsidiary's objection to the matter.

24. Assets under Management

Assets under management, which are not beneficially owned by certain subsidiaries, but which are managed by these subsidiaries on behalf of investors, have been excluded from the consolidated balance sheet. At the balance sheet date, the book value of these assets amounted to \$8,723,424,000 (1999 - \$4,761,835,000).

Assets under management include \$2,461,883,000 (1999 - \$974,716,000) which are denominated in United States Dollars,

25. Subsequent Event

Effective 1 January 2001, in pursuance of a scheme of reorganisation comprised in an Agreement for Exchange of Shares, the entire share capital of Pan Caribbean Merchant Bank Limited, a wholly owned subsidiary of First Life Insurance Company Limited (First Life), was transferred to Trafalgar Development Bank (TDB) in exchange for 140,613,376 ordinary shares of \$1.00 each in TDB. As a result First Life now holds 68% of the issued share capital of TDB.

26. Comparative Information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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