LIFE OF JAMAICA LTD.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

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1 Identification and Activity

(a) The company is a publicly traded stock company and is incorporated and resident in Jamaica. The main activities include the provision of life and health insurance, pension administration, investment services, pension and retirement products and savings and investment products.

The company is a 76% owned subsidiary of LOJ Holdings Limited. The ultimate parent of the company is Sagicor Life Inc.(Sagicor), formerly The Barbados Mutual Life Assurance Society (the Society). The Society was demutualised in December 2002. Demutualisation is the process whereby the ownership rights of policyholders are converted into ownership rights of shareholders.

(b) The company's subsidiaries are as follows:

Subsidiaries	Principal Activities	Incorporated In	Holding	Financial Year End
Global Life Assurance Company Limited	Life insurance	Grand Cayman	100%	31 December
LOJ Property Management Limited	Property management	Jamaica	100%	31 December
LOJ Pooled Investment Funds Limited	Pension fund management (see (c) below)	Jamaica	100%	31 December

(c) LOJ Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of the pension funds. At 31 December 2002, the assets totalled approximately $12,853,543,000 (2001 -$12,154,562,000).

(d) The company is registered under the Insurance Act 1971, which was replaced by the Insurance Act 2001.

(e) On 23 July 2002, the company and First Life Insurance Company Limited entered into a co-insurance agreement to establish a joint venture vehicle to coordinate the administration of their respective Employee Benefits Businesses. The future profits or losses accruing from this venture will be apportioned equally between the two entities. In order to achieve the desired value parity in the arrangement, First Life Insurance Company Limited issued a promissory note in the value of $160,000,000 at a rate of 20% per annum.

(f) On 1 October 2002 the company and First Life Insurance Company Limited entered into an administration agreement for the administration of the existing ordinary long-term life portfolio of First Life Insurance Company Limited.

(g) These financial statements are expressed in Jamaican dollars unless otherwise indicated.

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 fixed assets, investment properties and investments.

(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) Financial instruments

Financial instruments carried on the balance sheet include investments, cash, premiums receivable, other receivables, interest receivable, due from holding company, bank overdraft, policyholders' funds and other liabilities.

The fair values of the company's financial instruments are discussed in Note 29.

(d) 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 statement of operations. Unrealised gains and losses arising on translation of the stockholders' funds in the foreign subsidiary are transferred to investment reserves (Note 27).

(e) Income recognition

(i) Premiums

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

Amounts collected for investment (non-insurance) contracts are reported as policyholders' funds on deposit.

(ii) Investment income

Interest and rental income are recognised in the statement of operations on the accruals basis up to a period of ninety days. Dividends are included when received. All other income are recognised on the accruals basis.

(f) Investments

i) Mortgages are stated at the aggregate of the unpaid principal, less provision for losses as appropriate.

ii) Securities:

(a) Quoted securities are stated at market value; any fluctuation arising from the changes in market value is taken to investment reserves.

(b) Unquoted securities are stated at cost; adjustment for any permanent diminution in value is taken to the statement of operations.

iii) Government of Jamaica and other securities are stated at cost with provision made or any anticipated losses on realisation. Investments that are issued at a discount or premium are carried at amortised cost with premiums and discounts being amortised to income over the period to maturity.

iv) Assets held under repurchase agreements are stated at cost.

v) Loans on policies are stated at the aggregate of the unpaid balances less a provision for the excess of loans over cash surrender values.

vi) Deposits are stated at cost.

vii) Investment properties are carried at independent professional valuations. The policy is to obtain and record professional valuations of investment properties annually, using open market values.

viii) Unit trust holdings are stated at redemption value.

(g) Claims

Claims payable represent the gross cost of all claims notified but not settled on the balance sheet date. Any reinsurance recoverable is shown as a receivable from the reinsurer.

Death claims are recorded in the statement of operations net of reinsurance recoverable.

(h) Prepaid commissions

Prepaid commissions are written off over the first year of each policy during which time they are recoverable, should the policies be lapsed.

(i) Fixed assets and depreciation

Fixed assets are stated at cost or valuation. Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of assets held at the beginning of the year over their expected useful lives.
The annual rates are as follows:

Computer hardware	33.33%
Freehold buildings	5%
Furniture and equipment	10-20%
Leasehold improvements	10-20%
Motor vehicles	20%

Gains and losses arising on disposal of fixed assets are determined by reference to their carrying amounts and are taken into account in determining the operating profit. On disposal of revalued assets, amounts in the capital reserve relating to those assets are transferred to the statement of operations.

Repair and maintenance expenditure are charged to the statement of operations.

No depreciation is charged in respect of
Freehold land
Properties held as investments (note 2 (f) (vii))

(j) Reserve for future benefits

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An independent actuarial valuation is prepared annually. In the event of an actuarial surplus, the surplus net of taxation, is transferred to the statement of operations. In the event of an actuarial deficit, the deficit, net of tax, is transferred from the statement of operations.

(k) Intangible assets

Deferred expenses are being written off over the expected period of benefit.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

(m) Deferred taxation

Deferred taxation is not recognised in these financial statements as the timing differences are not expected to reverse in the foreseeable future.

(n) Investment reserve

Realised profits and losses together with unrealised appreciation and depreciation on investments, are carried to the investment reserve.

All unrealised losses are transferred to the statement of operations and partial credit is taken for unrealised gains.

(o) Policyholders' benefits

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

(p) Reinsurance ceded

Provision for policy benefits and premiums are recorded net of amounts ceded to, and recoverable from reinsurers.

(q) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the company, its associated companies and its subsidiaries, after eliminating inter company transactions and balances.

(r) Investment in subsidiaries and associated company

Investments in subsidiaries and associated companies are accounted by the equity method. Equity accounting involves recognising the revenue account of the company's share of the subsidiaries' and associate's profit or loss for that year. The company's interest in the subsidiaries and associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the subsidiaries and associated companies.

(s) Policyholders' liabilities

Policyholders' liabilities represent the amount which, together with future estimated premiums, and net investment income will be sufficient to pay estimated future benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies in force. The company's appointed actuary is responsible for determining the amount of policyholders' liabilities that must be set aside each year to ensure that sufficient funds will be available in the future to meet these obligations. The valuation methods employed are based on standards established by the Canadian Institute of Actuaries. In accordance with the requirements of the Insurance Act, 2001, policyholders' liabilities have been determined using the policy premium method.

(t) Pensions and other post retirement benefits

The group maintains a number of pension plans for its eligible employees and agents. The pension plans are primarily contributory, defined benefit plans, which provide pension benefits based on length of service and final average earnings. The cost of pension benefits is recognised using the projected benefit method pro-rated on services. The assets, which are held in trust, are carried at market values. Experience gains and losses are amortised to income over the estimated average service lives of plan members.

The group also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The present value of these benefits is charged to earnings over the employees' years of service to their date of full entitlement.

(u) Segregated funds

The group manages a number of segregated funds on behalf of policyholders. The investment returns on these funds accrue directly to the policyholders with the group assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the group. Income earned from fund management fees is included in other income in the consolidated statements of operations. Investments held in segregated funds are carried at market value.

(v) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, the comparatives have been adjusted to take into account the requirements of the Insurance Act, 2001 and the Insurance Regulations, 2001.

3 Responsibilities of the Appointed Actuary and External Auditors

The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. In carrying out the valuation the appointed actuary also makes use of the work of the external auditors (See note 6).

The external auditors have been appointed by the shareholders and are responsible for conducting an independent audit of the financial statements. In carrying out their audit, the auditors also make use of the work of the appointed actuary and the actuary's report on the policyholders' liabilities. The auditors report outlines the scope of their audit and their opinion.

4 Premium Income, Net

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Gross Written Premium	3,268,466	4,594,582	2,999,146	2,853,294
Reinsurance ceded	(237,259)	(288,523)	(136,506)	(186,240)
	3,031,207	4,306,059	2,862,640	2,667,054

5 Investment Income

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Interest income:				
Bank deposits	64,430	454,002	2,253	1,953
Short term loans	46,670	54,533	46,670	54,533
Policyloans	44,412	55,686	24,041	36,397
Mortgage loans	23,273	17,272	22,823	16,839
Government of Jamaica securities	392,222	316,564	392,222	316,564
Corporate securities	16,035	1,660	16,035	1,660
	587,042	899,717	504,044	427,946
Dividends - ordinary shares	9,926	3,961	4,351	2,272
Other	60,631	101,783	64,555	101,783
	657,599	1,005,461	572,950	532,001

6 Provision for policyholders' liabilities

(a) Composition by line of business is as follows:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Annuities	1,048,940	999,489	1,035,918	983,776
Group insurance	250,724	247,654	250,724	247,654
Individual insurance	1,276,562	1,097,090	615,962	609,435
Guaranteed investor	677,851	661,625	677,851	661,625
	3,254,077	3,005,858	2,580,455	2,502,490

(b) Provisions for future policyholders' liabilities

	The Group 2002				
	Annuities $'000	Guaranteed Investor $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	999,489	661,625	1,097,090	247,654	3,005,858
Normal changes in policyholders' liabilities	49,451	16,226	141,455	3,070	210,202
Changes as a result of revaluation	-	-	38,017	-	38,017
Balance at end of year	1,048,940	677,851	1,276,562	250,724	3,254,077

	2001				
	Annuities $'000	Guaranteed Investor $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	823,870	572,716	5,089,600	206,368	6,692,554
Normal changes in policyholders' liabilities	175,619	88,909	137,566	41,286	443,380
Released on sale of subsidiary	-	-	(4,130,076)	-	(4,130,076)
	999,489	661,625	1,097,090	247,654	3,005,858

	The Company 2002				
	Annuities $'000	Guaranteed Investor $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	983,776	661,625	609,435	247,654	2,502,490
Normal changes in policyholders' liabilities	52,142	16,226	6,527	3,070	77,965
	1,035,918	667,851	615,962	250,724	2,580,455

	2001				
	Annuities $'000	Guaranteed Investor $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	666,067	572,716	728,805	197,374	2,164,962
Normal changes in policyholders' liabilities	317,709	88,909	(119,370)	50,280	337,528
	983,776	661,625	609,435	247,654	2,502,490

(c) Investment assets supporting policy liabilities

	The Group 2002				
	Insurance $'000	Pensions and Annuities $'000	Other Liabilities $'000	Capital and Surplus $'000	Total $'000
Quoted securities	-	-	80,931	-	80,931
Investment properties	-	-	103,265	-	103,265
Fixed interest securities	2,728,540	1,369,321	-	-	4,097,861
Mortgages	128,325	-	-	-	128,325
Other assets	1,088,648	-		1,275,715	2,364,363
	3,945,513	1,369,321	184,196	1,275,715	6,774,745

	2001				
	Insurance $'000	Pensions and Annuities $'000	Other Liabilities $'000	Capital and Surplus $'000	Total $'000
Quoted securities	47,758	-	-	-	47,758
Investment properties	287,778	-	-	-	287,778
Fixed interest securities	678,461	1,369,321	-	-	2,047,782
Mortgages	135,501	-	-	-	135,501
Other assets	1,069,275	-	1,424,982	456,172	2,950,429
	2,218,773	1,369,321	1,424,982	456,172	5,469,248

	The Company 2002				
	Insurance $'000	Pensions and Annuities $'000	Other Liabilities $'000	Capital and Surplus $'000	Total $'000
Quoted securities	-	-	80,931	-	80,931
Investment properties	-	-	103,265	-	103,265
Fixed interest securities	2,728,540	1,028,126	-	-	3,756,666
Mortgages	128,325	-	-	-	128,325
Other assets	420,360	-	-	1,185,771	1,606,131
	3,277,225	1,028,126	184,196	1,185,771	5,676,318

	2001				
	Insurance $'000	Pensions and Annuities $'000	Other Liabilities $'000	Capital and Surplus $'000	Total $'000
Quoted securities	59,214	-	-	-	59,214
Investment properties	84,681	-	-	-	84,681
Fixed interest securities	755,622	1,353,598	-	-	2,109,220
Mortgages	130,480	-	-	-	130,480
Other assets	564,456	-	1,181,516	456,172	2,202,144
	1,594,453	1,353,598	1,181,516	456,172	4,585,739

(d) Policy Assumptions

Policy liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(i) Best estimate assumptions:

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

Mortality and morbidity
The assumptions are based on past emerging group and industry experience. Assumptions vary by sex, underwriting class and type of policy.

Investment yields
The group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the group's investment policy to determine expected rates of return on these assets for all future years. Investment yields include expected future asset defaults.

Policy terminations
Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the group's own experience adjusted for expected future conditions.

Policy expenses
Policy maintenance expenses are derived from the group's own internal cost studies projected into the future with an allowance for inflation.

(ii) Provision for adverse deviation assumptions
The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise 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 recognised 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.

7 Interest Expense

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Interest on pension funds	52,447	54,575	52,447	54,575
Interest expense on policyholders' contracts	119,337	142,920	119,337	139,392
	171,784	197,495	171,784	193,967

8 Disclosure of Expenses

The following items have been charged in the statement of operations:

-	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Auditors' remuneration -				
Current year	10,228	19,491	7,000	6,450
Prior year	1,044	-	492	-
Depreciation	37,538	112,841	33,893	86,938
Directors' emoluments -				
Fees	530	2,441	530	2,441
For management	12,359	13,919	12,359	13,919
Pension	2,593	2,483	2,593	2,483
Other expenses	1,744	1,398	1,744	1,303
Goodwill amortised	-	43,872	-	-
Deferred expenses amortised	-	1,656	-	-
Staff costs (Note 9)	1,028,638	1,210,498	965,495	870,692

9 Staff Costs

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Wages and salaries	343,795	299,210	318,706	265,184
Commissions and bonuses	556,469	689,218	530,974	397,494
Statutory deductions	38,882	35,051	37,072	32,480
Pension costs	14,219	52,690	7,679	43,186

Other	75,273	134,329	71,064	132,348
	1,028,638	1,210,498	965,495	870,692
Termination costs	47,691	11,065	47,691	-
	1,076,329	1,221,563	1,013,186	870,692

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
Average number of employees:				
Full-time administrative	366	531	321	346
Part-time administrative	128	107	127	106
Insurance sales agents	357	426	349	418
	851	1,064	797	870

10 Exceptional items

		The Group and The Company	
		2002	**2001**
		$'000	**$'000**
(a)	Gain from co-insurance	160,000	-
(b)	Co-insurance costs	(13,519)	-
(c)	Restructuring costs	(107,168)	-
		39,313	-

(a) This represents gain arising from co-insurance agreement (Note 1 (e)).

(b) This represents costs incurred in restructuring of the company's employee benefits business with regards to the co-insurance agreement (Note 1 (e)).

(c) This represents restructuring costs to be incurred as the company is in the process of restructuring its operation as a result of its impending merger with Island Life Insurance Company Limited. (See note 32 (a)).

11 Taxation

The taxation charge for the year in the Statement of Operations is comprised of:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Premium tax:				
Current year charge	40,743	82,580	40,743	38,476
Investment income tax:				
Current year charge	33,477	44,991	33,477	47,191
Prior year's (over)/under provision	(25,066)	11,792	(25,066)	11,792
	8,411	56,783	8,411	58,983
	49,154	139,363	49,154	97,459

(a) Premium tax at 1.5% is payable on the gross life insurance premiums of the company.

(b) Investment income tax at 7.5% is payable on net investment income of the company adjusted for taxation purposes. The charge includes tax on premiums/(deposits) relating to the segregated funds totalling $10,800,000 (2001 - $9,930,000). The income from these is not included in the financial statements of the company.

(c) Subject to agreement with the Taxpayer Audit and Assessment Department, losses of one of the company's subsidiary, LOJ Property Management Limited, available at 31 December 2002 for set off against future taxable profits amount to approximately $3,137,000 (2001 - $Nil).

12 Extraordinary Items

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Gain on sale of subsidiaries	-	(201,383)	-	-
Less funds held in escrow	-	80,782	-	-
	-	(120,601)	-	-
Diminution in value of investment	-	37,282	-	-
Assumption of liabilities for policyholder's contracts	-	204,563	-	204,563
	-	121,244	-	204,563

13 Earnings Per Stock Unit

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2002	2001
Net profit before extraordinary items attributable to shareholders ($'000)	829,752	353,103
Weighted average number of ordinary shares in issue ('000)	1,656,249	1,656,249
Basic earnings per share ($ per share)	$ 0.50	$0.21
Net profit after extraordinary items attributable to shareholders ($'000)	829,752	231,859
Weighted average number of ordinary shares in issue ('000)	1,656,249	1,656,249
Basic earnings per share ($ per share)	$0.50	$0.14

The diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares:-

(a) The Group has zero coupon non-cumulative convertible preference shares which would convert at the rate of three ordinary shares for every ten preference shares upon the company attaining a solvency ratio of 100%.

(b) The Group established an Employee Share Ownership Plan for which 2% of the company's authorised share capital will be allocated. See note 32 for further details.

	2002	2001
Net profit before extraordinary item attributable to shareholders ($'000)	829,752	353,103
Weighted average number of ordinary shares in issue ('000)	2,033,254	2,033,254
Fully diluted earnings per share ($ per share)	$0.41	$0.17
Net profit after extraordinary items attributable to shareholders ($'000)	829,752	231,859
Weighted average number of ordinary shares in issue ('000)	2,033,254	2,033,254
Fully diluted earnings per share ($ per share)	$0.41	$0.11

14 Fixed Assets

	The Group				
	Leasehold Improvements $'000	Freehold Buildings $'000	Furniture and Equipment $'000	Motor Vehicles $'000	Total $'000
Cost or Valuation -					
1 January 2002	-	42,000	659,247	23,580	724,827
Additions	1,356	-	16,126	9,384	26,866
Disposal	-	-	(564)	(8,740)	(9,304)
Translation adjustment	-	-	707	-	707
31 December 2002	1,356	42,000	675,516	24,224	743,096
Depreciation -					
1 January 2002	-	4,200	566,188	11,258	581,646
Charge for the year	1,248	2,100	30,736	3,454	37,538
Relieved on disposals	-	-	(459)	(5,380)	(5,839)
Translation adjustment	-	-	578	-	578
31 December 2002	1,248	6,300	597,043	9,332	613,923
Net Book Value -					
31 December 2002	108	35,700	78,473	14,892	129,173
31 December 2001	-	37,800	93,059	12,322	143,181

	The Company			
	Freehold Buildings $'000	Furniture & Equipment $'000	Motor Vehicles $'000	Total $'000
Cost or Valuation -				
1 January 2002	42,000	631,077	20,113	693,190
Additions	-	17,210	8,376	25,586
Disposal	-	(564)	(8,417)	(8,981)
31 December 2002	42,000	647,723	20,072	709,795
Depreciation -				
1 January 2002	4,200	546,264	9,519	559,983
Charge for the year	2,100	28,743	3,050	33,893
Relieved on disposals	-	(459)	(5,055)	(5,514)
31 December 2002	6,300	574,548	7,514	588,362

Net Book Value -				
31 December 2002	35,700	73,175	12,558	121,433
31 December 2001	37,800	84,813	10,594	133,207

15 Investment Properties

	The Group and the Company	
	2002	2001
	$'000	$'000
Commercial properties	103,265	84,681

The properties were valued at current market value as at 31 December 2002 by Allison Pitter and Company Limited, Easton Douglas & Company Limited and Clinton Cunningham & Associates, qualified property appraisers and valuers.

16 Investments

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2002	Carrying Value 2001
	$'000	$'000	$'000	$'000	$'000	$'000
Government of Jamaica						
Securities	81,190	5,598	156,618	3,578,182	3,821,588	2,892,283
Promissory note (Note 1 (e))	160,000	-	-	-	160,000	-
Other foreign governments						
Securities	-	-	-	325,304	325,304	31,181
Term deposits	96,604	68,920	-	3,604	169,128	467,872
Mortgage loans	-	-	-	133,538	133,538	135,501
Policy loans	-	342,335	-	-	342,335	331,535
Corporate debentures	-	-	742	-	742	608
	337,794	416,853	157,360	4,040,628	4,952,635	3,858,980
Quoted equities					446,514	47,758
Unit trusts					14,621	10,542
Real estate					145,847	203,097
Unquoted equities					11,533	133
					5,571,150	4,120,510

	The Company					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2002	Carrying Value 2001
	$'000	$'000	$'000	$'000	$'000	$'000
Government of Jamaica Securities	81,190	5,598	156,618	3,159,641	3,403,047	2,845,582
Promissory note (Note 1 (e))	160,000	-	-	-	160,000	-
Term deposits	1,155	-	-	-	1,155	-
Mortgage loans	-	-	128,325	-	128,325	130,480
Policy loans	-	158,158	-	-	158,158	161,260
Corporate debentures	-	-	742	-	742	608
	242,345	163,756	235,635	3,159,641	3,851,427	3,137,930
Quoted equities					80,932	59,214
Unit trusts					14,621	10,542
Unquoted equities					11,533	133
					3,958,513	3,207,819

a) Included in investments are Government of Jamaica Local Registered Stocks valued at J$20,000,000 which have been pledged as security for overdraft facilities with RBTT Bank Jamaica Limited.

b) Included in investments are Government of Jamaica Local Registered Stocks valued at J$90,000,000 which have been pledged with the regulator, the Financial Services Commission pursuant to Section 8 (1) (a) of the Insurance Regulations, 2001.

c) Included in term deposits for the group is an amount of $56,418,000 (2001 - $33,368,000) deposited in an escrow account in 2001. This amount is being held for two years in accordance with the terms of the sale agreement of Atlantic Southern Insurance Company Limited, a former subsidiary.

17 Investment in Subsidiaries

	2002 $'000	2001 $'000
Share of equity, net of dividends paid from pre-acquisition profits	693,705	671,033

18 Investment in Associated Companies

(a)

Name of Companies	Principal Activity	Equity Capital held by Company
St. Andrew Developers Limited	Real Estate Development	33.33%
Lested Development Limited	Operation of a child care centre (dormant)	35%

Both companies are incorporated and resident in Jamaica.

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

	The Group and The Company	
	2002 $'000	2001 $'000
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,501)
Loans and current accounts	6,604	6,592
	4,105	4,093

(a) The statement of operations includes the group's share of losses of St. Andrew Developers Limited and Lested Developments Limited based on the unaudited financial statements for the year to 31 December 2002. The results of these companies are insignificant to the results of the group.

19 Other Assets

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Premiums due and unpaid	105,501	114,706	100,920	110,119
Taxation recoverable	25,780	-	25,780	-
Interest receivable	118,628	74,263	118,628	74,263
Prepaid commissions	42,487	35,918	42,487	35,917
Other receivables	384,539	310,718	257,088	250,325
Cash and deposits	315,895	54,001	247,190	32,126
Consideration due on sale of subsidiary	-	568,766	-	-
	992,830	1,158,372	792,093	502,750

20 Related Party Balances and Transactions

(a) The balance sheet includes the following balances with related parties and companies:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Other assets:				
Related companies (note 20 (b))	32,197	32,197	32,197	32,197
Less provision for doubtful recovery	(32,197)	(32,197)	(32,197)	(32,197)
	-	-	-	-
Current account - related companies	-	-	36,767	1,840
Current account - related parties	181,349	40,945	10,774	16,489

(b) Related companies:
This represents balance receivable under a promissory note from ICWI Group Limited (formerly the ultimate parent company), which assumed the liability of one of its other subsidiaries. It is repayable plus a one time interest charge of 10% by contribution of 30% of dividends received from the company, starting in the year 2002, until the debt is extinguished, but not beyond the year 2012.

(c) The statement of operations account includes the following transactions with related parties and companies:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Related parties				
Administration fees received	70,452	77,428	70,452	77,428
Interest income	45,545	43,864	35,545	43,864
Management fee income	185,141	181,643	185,141	173,180
Rent paid	(30,110)	(29,497)	(30,110)	(29,497)
Related companies:				
Interest income	-	-	3,924	10,645
Lease rental	-	-	1,253	1,385
Management fees	-	-	23,894	743
Reinsurance costs	-	-	8,365	-
Other	-	-	15,430	-

21 Share Capital

	The Group and The Company	
	2002	2001
Authorised:	$'000	$'000
3,000,000,000 (2001 - 1,656,248,955) ordinary shares of $0.10 each	300,000	165,624
1,700,000 8.17% "A" redeemable cumulative preference shares of $1 each	1,700	1,700
300,000 8.17% "B" redeemable cumulative preference shares of $1 each	300	300
975,000 10.37% "C" redeemable cumulative preference shares of $1 each	975	975
175,000 10.37% "D" redeemable cumulative preference shares of $1 each	175	175
Zero coupon non cumulative convertible preference shares of $1 each	1,056,684	1,056,684
	1,359,834	1,225,458
Issued and fully paid:		

1,656,248,955 ordinary shares of $0.10 each	165,625	165,624
Zero coupon non cumulative convertible preference shares of $1 each	1,056,684	1,056,684
	1,222,308	1,222,308

(a) The zero coupon non cumulative convertible preference shares carry voting rights only in respect of resolutions to wind up the company, reduce its share capital or any action taken which may prejudice or limit the right of the converted preference shares, which entitlement will be one vote for each share held. The shareholders of the converted shares have the right, ranking *pari passu* with the holders of the ordinary shares, to participate in any revenue or capital distributions made by the company.

The zero coupon shares are convertible to ordinary shares upon the company meeting the solvency ratio of the Insurance Act, 2001 which the company has now attained. Consequently, the zero coupon shares will be converted into ordinary shares at the rate of three ordinary shares for every ten preference shares.

(b) During the year, the authorised share capital of the company was increased to $300,000,000 by the creation of an additional 1,343, 751,045 ordinary shares of $0.10 each. These ordinary shares have the same rights and privileges as, and rank *pari passu* for all purposes and in all respect with, the existing ordinary stock units in the company.

22 Share Premium

	The Group and The Company	
	2002	**2001**
	$'000	**$'000**
143,316,330 Ordinary shares issued at a premium of $0.90 each in 1997	128,985	128,985

23 Capital Reserves

This represents the capital redemption reserve fund arising on the redemption of preference shares.

24 Pension Funds

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	369,832	360,294	369,832	360,294
Deposits received	164,064	45,750	105,677	45,750
Interest earned on deposits	51,660	49,862	47,972	49,862
Service charges	(4,514)	(6,000)	(4,514)	(6,000)
Transfers to Pooled Investment Fund	(4,000)	(25,161)	(4,000)	(25,161)
Withdrawals made	(34,325)	(56,968)	(33,726)	(54,913)
Revaluation adjustment	3,319	2,055	-	-
	546,036	369,832	481,241	369,832

This represents funds managed on behalf of pension plans administered by the company. Contributors to the Fund are paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 36 (2001- 47) clients. The average interest rate paid during the year was 11.5% (2001 - 15%).

25 Segregated Funds

(a) The group and the company manage accounts totalling approximately $3,844,960,000 (2001 - $3,627,119,000) and $3,752,718,000 (2001 - $3,408,064,000) respectively on behalf of pension plans and certain life insurance policyholders under the Balanced Fund, Capital Growth Fund, Long Term Securities Fund and the Short Term Deposits Fund which are not included in these financial statements. The assets are the property of the policyholders who share all rewards and risks of the performance of the Funds.

Unit values are determined by dividing the value of the assets in the Funds on a valuation date by the number of units in the Funds on the valuation date. The assets are carried at market value and returns to investors are based on the market valuations.

(b) Net Assets of the Segregated Funds

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Assets				
Government securities	2,592,565	2,351,272	2,592,565	2,289,834
Quoted equities	162,585	354,779	162,585	208,463
Real estate	576,975	543,504	576,975	543,504
Repurchase agreements and short-term loans	197,978	92,027	106,602	92,027
Unit trusts	101,009	93,555	101,009	93,555
Other assets	248,519	238,450	246,368	227,149
	3,879,631	3,673,587	3,786,103	3,454,532
Less: liabilities	(34,671)	(46,468)	(33,385)	(46,468)
	3,844,960	3,627,119	3,752,718	3,408,064

(c) Income by Type on Segregated Funds' Investments

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Government securities	360,076	289,533	360,076	289,533
Quoted equities	63,165	59,409	63,165	59,409
Real estate	96,503	66,282	96,503	66,282
Repurchase agreements and short-term loans	42,358	21,512	36,416	13,189
Unit trusts	14,611	6,138	14,551	6,138
	576,713	442,874	570,711	434,551

26 Other Liabilities

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Benefits payable to policyholders	416,907	431,886	366,017	391,856
Bank overdraft	109,270	65,393	103,196	61,679

Dividends payable	2,706	2,747	2,706	2,747
Promissory notes issued (2003 - 2006)	45,000	-	45,000	-
Miscellaneous	321,606	356,810	239,935	273,431
Funds held in escrow on sale of subsidiary (Note 12)	86,174	80,782	-	-
Provision for contractual termination benefits	27,076	17,961	27,078	17,961
Provision for medical and death benefits	69,034	67,000	69,034	67,000
Provision for pension benefits	36,036	80,000	36,036	80,000
Premiums not applied	66,053	84,183	61,065	78,986
Reinsurance payable	55,723	9,184	55,723	13,304
Taxation	7,068	71,108	-	71,067
	1,242,653	1,267,054	1,005,790	1,058,031

The bank overdraft balance for 2002 represents mainly uncleared effects. The actual balance at the bank was positive at year end. The effective interest rate on the overdraft facilities was 20.75% (2001: - 24%).

27 Investment Reserves

	The Group		The Company	
	2002	**2001**	**2002**	**2001**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	199,517	85,022	141,329	81,348
Realised on sale of subsidiaries	-	25,174	-	-
Unrealised gain on revaluation of investment properties and other investments	36,158	39,243	36,158	17,883
Foreign exchange adjustment	(15,768)	151	-	-
Foreign exchange adjustment on translation of the opening reserve of subsidiary	57,159	24,049	58,465	24,049
Transfer (to)/from statement of operations	(29,023)	25,878	1,610	18,049
	248,043	199,517	237,562	141,329

28 Reinsurance ceded

The retention limits or maximum exposure on insurance policies are as follows for the company and the group:

Individual life policies	5,000,000
Group life	5,000,000
Group health	1,000,000

29 Financial Instruments

(a) Fair value

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. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Some of the group's instruments lack an available trading market. Therefore these instruments have been valued using present value or other valuation techniques and the fair values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

The following table sets out the fair values of financial instruments of the group using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as fixed assets.

Fair values were estimated as follows:

(i) The fair values of cash and cash equivalents, other assets, tax recoverable and other liabilities are assumed to approximate their carrying values, due to their short-term nature.

(ii) The fair value of investments is assumed to be equal to the estimated market value of investments. These values are based on quoted market prices, when available; when not available other valuation techniques are used.

(iii) The fair value and the carrying value of the policyholders' fund are assumed to be the same based on annual actuarial valuation (Note 2 (j))).

The book value of financial assets and financial liabilities held for purposes other than trading may exceed their fair value due primarily to changes in interest rates. In such instances, the group does not reduce the book value of these financial assets and financial liabilities to their fair values, as it is the group's intention to hold them to maturity.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

	The Group			
	Carrying Value 2002 $000	**Fair Value 2002 $000**	**Carrying Value 2001 $000**	**Fair Value 2001 $000**
Financial Assets				
Investments:				
Government of Jamaica securities	3,862,041	3,683,866	2,892,283	2,778,058
Promissory note	160,000	160,000	-	-
Foreign governments' securities	302,816	231,030	56,782	56,829
Quoted United States Dollar Equities	405,471	405,471	151,303	151,303
Unit Trusts	14,621	14,621	10,542	10,542
Term deposits	127,700	127,700	325,801	325,801
Mortgage loans	133,538	133,538	135,501	135,501
Policy loans	342,335	342,335	331,535	331,535
Corporate debentures	65,248	65,248	13,533	13,533
Unquoted securities	11,533	11,533	133	133

	The Company			
Investments:				
Government of Jamaica securities	3,403,047	3,207,007	2,845,715	2,731,555
Promissory notes	160,000	160,000	-	-
Quoted equities	80,931	80,931	59,081	59,081
Unit Trusts	14,621	14,621	10,542	10,542

Term deposits	1,155	1,155	-	-
Mortgage loans	128,325	128,325	130,480	130,480
Policy loans	158,158	158,158	161,260	161,260
Corporate debentures	742	742	608	608
Unquoted securities	11,533	11,533	133	133

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest bearing financial assets are primarily represented by medium and short term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	The Group and The Company					
	2002					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	3.00	-	-	-	-	3.00
investments (1)	10.71	8.17	3.23	15.91	12.78	12.54
Mortgages (2)	16.25	16.25	16.25	16.25	16.25	16.25
Policy loans	17.50	17.50	17.50	17.50	17.50	17.50
Other liabilities	-	-	18.69	18.69	-	18.69
Amounts on Deposit	-	-	-	-	11.50	11.50
Bank overdraft	20.75	20.75	-	-	-	20.75

	The Group and The Company					
	2001					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	3.25	-	-	-	-	3.25
investments (1)	-	18.35	10.88	15.98	12.79	14.50
Mortgages(2)	16.25	16.25	16.25	16.25	16.25	16.25
Policy loans	17.50	17.50	17.50	17.50	17.50	17.50
Other liabilities	-	-	18.69	18.69	-	18.69
Amounts on Deposit	-	-	-	-	15.00	15.00
Bank overdraft	24.00	24.00	-	-	-	24.00

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts.

(2) Yields are based on book values, net of allowances for credit losses and contractual interest rates.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group requires collateral for mortgages and other loans. It does not generally require collateral in respect of other financial assets, mainly premium receivables. There is a credit policy in place to minimize exposure to credit risk. At the balance sheet date the only significant concentration of credit risk related to the group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet and the consolidated balance sheet.

The following table summarizes the credit exposure of the group to businesses and government by sectors in respect of investments:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Government of Jamaica	3,780,680	2,155,179	3,321,179	2,108,611
Financial institutions	409,468	1,236,290	242,516	737,104
United States Dollar equities	732,386	47,625	-	-
Corporate equities	11,533	133	92,464	59,214
Other	637,083	681,283	302,353	302,890
	5,571,150	4,120,510	3,958,512	3,207,819

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company has significant exposure to market risk on its portfolio of investments which could fluctuate based on changes in market interest rates.

(e) Liquidity risk

This is the risk that the group will have difficulty raising funds to meet commitments. Certain of the group's policies have features that allow them to be terminated at short notice creating a potential liquidity exposure. In the normal course of business, the group matches the maturity of invested assets to the maturity of policy liabilities.

(f) Reinsurance risk

The group limits the loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the group's liabilities as primary insurer. The group selects reinsurers with high credit ratings.

(g) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The currency giving rise to this risk is primarily the United States dollar. The group keeps its risk of foreign currency losses to a minimum.

At December 31, 2002, the company had net foreign currency assets aggregating US$43,582,000 (2001 -US$11,763,000).

30 Retirement Plans

The Group operates two pensions plans and these are described below:

(a) The company operates a contributory plan for its staff and agents. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) was 85% (2001 - 85%). The company is paying contributions at the level recommended in the latest actuarial valuation so that a solvency level of 100% can be attained over five years. The company's contributions in the year amounted to $14,219,000 (2001 - $43,186,000).

The latest actuarial valuation was done at December 31, 2000, with an update to September 2001.

(b) Global Life Assurance Company Limited contributes to the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately.

31 Contingencies

(a) Legal proceedings
The group is involved in legal proceedings incidental to the normal conduct of its business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material effect on the group.

(b) Indemnities
Under the terms of the agreement for sale of Atlantic Southern Insurance Company Limited (ASICO) in 2001, the company has indemnified the purchaser in respect of the following:

All losses, liabilities, obligations, damages, taxes, deficiencies, actions, suits, proceedings, demands, assessments, orders, judgements, fines, penalties, costs and expenses (including the reasonable fees, disbursements and expenses of attorneys, accountants and consultants) of any kind or nature whatsoever (whether or not arising out of third party claims and including all amounts paid in investigation, defence and settlement of the foregoing) sustained, suffered or incurred by or made against any Purchaser Indemnified Party (a "Loss or Losses'), arising out of, based upon or in connection with:

(i) Conditions, circumstances or occurrences which constitute or result in any breach of any presentation or warranty made by the company in the Sale Agreement or in any certificate agreement, document or other instrument delivered under or in connection with the agreement, or by reason of any claim, action or proceeding asserted or instituted arising out of or resulting from an inaccuracy in any such representation or warranties;

(ii) Any breach of any covenant or agreement made by Seller or Company in this Agreement or in any certificate, agreement, document or any other instrument delivered under or in connection with the agreement, or by any reason of any claim, action or proceeding asserted or instituted arising out of or resulting from breach of any such covenant or agreement;

(iii) Liabilities relating to amounts due in connection with any benefit plan under which the ASICO may incur iability for periods on or prior to the Closing Date;

(iv) Any and all taxes imposed on the company with respect to periods, or portions thereof, ending on or before the Closing Date ('Pre-Closing Periods'), including without limitation matters disclosed in the agreement;

(v) Liabilities relating to or arising out of any pending litigation, previously disclosed to purchaser, which was filed on or before the Closing Date; and

(vi) Any and all liabilities or obligations of any kind or nature of the company, known or unknown, accrued, contingent or otherwise with respect to, in connection with or as the result of conditions, circumstances or occurrences prior to the Closing Date.

The period of indemnification continues for twenty-four (24) months after the Closing Date in respect of all provisions except for taxation related ones which continue until they become statute barred, and issues relating to representations regarding the minority shareholders which continue indefinitely.

Under the agreement of sale of Global Bahamas Holdings Limited in 2001, LOJ Holdings Limited has agreed to indemnify the purchaser with respect to all guarantees or other financial commitments which are loss-producing and which are outstanding as at the Completion Date and which were made or entered into by Global Life Assurance Company Limited and Global Life Assurance Bahamas Limited (the Companies), other than and excluding guarantees and other financial commitments given or made in ordinary course of business and which are disclosed in the accounts and/or in the Disclosure Letter or, if they are not so disclosed, are in an amount not exceeding US$25,000 or its equivalent in any other currency.

LOJ Holdings Limited will indemnify, defend and hold harmless the Purchaser and the Companies of any claims, demands, actions, suits or other proceedings made or instituted by any shareholder of any of the Companies which in any way arises from the sale other than a claim, demand, action, suit or other proceeding which arises from any rules or regulations applicable to the acquisition of a controlling interest in a public company in the Bahamas or from the rights of other shareholders under the law.

32 Subsequent Events

(a) Subsequent to the year-end, the company acquired Island Life Insurance Company Limited. The acquisition was effected by way of exchange of shares with Life of Jamaica Limited, issuing four point two five (4.25) new ordinary stock units of $0.10 each, in the share capital of Life of Jamaica Limited, in exchange for one (1) stock unit of Island Life Insurance Company Limited. The new stock units in Life of Jamaica Limited shall rank *pari passu* for all purposes and in all respects with the existing ordinary shares of the company. Plans are currently underway to combine the operations of both companies.

(b) Subsequent to the year-end, the company introduced an Employee Share Ownership Plan (ESOP) whereby 2% of the authorised share capital of the company will be allocated to the plan. These shares will be issued to participants in the plan in January 2004.