FIRST LIFE INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1. Identification and Principal Activities

(a) First Life Insurance Company Limited is incorporated and domiciled in Jamaica. It is a 74% owned subsidiary of Pan-Jamaican Investment Trust Limited.

The main activity of the company is the provision of ordinary life, group life and health insurance and group pension administration. The registered office of the company is located at 60 Knutsford Boulevard, Kingston S.

The company is registered under the Insurance Act 2001 and is listed on the Jamaica Stock Exchange.

(b) The company's subsidiaries and associated companies, which together with the company are referred to as "the group" are as follows:

		Proportion of issued equity capital held by	
	Principal Activities	Company	Subsidiaries
Subsidiaries			
Jamaica Property Company Limited	Office Rental	100%	
Jamaica Property Development Limited	Property Management		100%
Jamaica Property Management Limited	Property Management		100%
Pan Caribbean Financial Services Limited	Development Banking	77%	

Pan Caribbean Merchant Bank Limited	Merchant Banking		100%
Pan Caribbean Investments Limited	Financial Services		100%
Portfolio Partners Limited	Investment Management	100%	
Associated Companies			
St Andrew Developers Limited	Property Development	33.33%	33.33%
Impan Properties Limited	Office Rental		20%
Knutsford Holdings Limited	Office Rental		28%
Joint Venture			
Employee Benefits Administrator Limited	Employee Benefits Administration	50%	

All of the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica.

(c) In July 2002, the Company and Life of Jamaica Limited (LOJ) entered into a co-insurance agreement to coordinate the administration of their respective Employee Benefits businesses. The profits or losses accruing from this venture are apportioned equally between the two entities. In order to achieve the desired value parity in the arrangement, First Life Insurance Company Limited assumed a liability to LOJ of $160,000,000 at a rate of 20% per annum.

(d) On 1 October 2002, the Company and LOJ entered into an agreement for the administration of the individual life portfolio of First Life Insurance Company Limited.

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

2. Significant Accounting Policies

(a) Basis of preparation

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 31 December 2003 have therefore been prepared in accordance with IFRS and comparative information has been restated to conform with the provisions of IFRS. The group has opted for early adoption of IFRS 1, First-time Adoption of International Financial Reporting Standards and has applied the provisions of that standard in the preparation of these financial statements. The effects of adopting IFRS on the equity and net profit as previously reported are detailed in Note 46.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of availabIe-for-sale financial assets, investment securities held for trading and investment properties.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount 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.

Where IFRS does not contain guidelines governing the accounting treatment of transactions specific to insurance products, the company typically refers to accounting principles promulgated by the Jamaican Insurance Regulations for guidance.

(b) Basis of consolidation

(i) Subsidiaries
Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated on a line-by-line basis.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of Subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

Investments by the holding company in subsidiaries are stated at valuation, based on the underlying values of the subsidiaries' net assets.

The group's investment in St Andrew Developers Limited is not material, as such, is accounted for using the equity method.

(ii) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the group's share of the post-acquisition profits or losses of associates is recognised in the statement of operations and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence, but which it does not control.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Income recognition

(i) Interest income and expenses

Interest income is recognised in the statement of operations for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Premium income

Premiums are recognised as revenue when due from policyholder and are stated net of reinsurance premiums.

Amounts collected for investment type contracts are reported as deposits. Revenue from these contracts consists of policy fees for the Cost of insurance, administration and surrenders during the period, and is reported as other income in the statement of operations.

(iii) Fee and commission income

Fee and commission income is recogmiscd on an accrual basis. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(d) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of operations.

(e) Taxation

Taxation on the profit and loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of operations except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity. Taxation on Jamaican life assurance business is charged on investment income less expenses allowable in earning that income at the rate of 7 1/2% and on gross taxable premium income at 1 1/2%. Taxation on other operations within the group is based on profit for the year adjusted for taxation purposes at 33 1/3%.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(f) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under agreements to resell, other assets, long term loans and other liabilities.

The fair values of the group's and the company's financial instruments are discussed in Note 43.

(g) Cash and cash equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise investment Securities with less than 90 days maturity From the date of acquisition including cash and balances, deposits held on call with banks and bank overdraft.

(h) Investments

(i) Investment securities

Investments are classified into the following categories: trading, available-for-sale and originated debt securities. Management determines the appropriate classification of investments at the time of purchase.

Trading securities are those which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. They are initially recorded at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in investment income.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in stockholders' equity are transferred to the statement of operations.

Originated debt securities include those where money is provided to the issuer, either directly or through an intermediary, other than those that are originated with the intent to be sold immediately or in the short-term, which are recorded as trading securities, They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

All purchases and sales of investment securities are recognised at settlement date.

(ii) Investment property

Investment property is held for long-term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is carried at fair value, based on open market value determined annually by external valuers. Changes in fair values are recorded in the statement of operations.

(iii) Securities purchased under agreements to resell

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(iv) Loans and allowances for impairment losses

Policyholder, mortgage and other loans are carried at amortised cost.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to the statement of operations.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

(i) Leases

(i) As Lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the statement of operations over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(j) Other Assets

(i) Prepaid commissions

Prepaid commissions are written off over the first year of each policy. During that period, the amounts are recovered from agents, should the policies be lapsed. Commissions recovered are included in the statement of operations.

(ii) Inventories

Inventories are valued on the first-in, first-out basis at the lower of cost and net realisable value.

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. 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 rates are as follows:

Leasehold improvements	Over the period of the lease
Furniture and fixtures	10% & 12.5%
Equipment	10%
Computer hardware & software	20%
Motor vehicles capitalized under finance leases	Over the period of the lease
Motor vehicles	14.29% & 20%

Land is not depreciated. Gains and losses arising from the disposal of property, plant and equipment are determined by reference to their carrying amount and are taking into account in determining operating profit.

Repairs and maintenance expenditure is charged to the statement of operations as incurred.

(l) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of operations so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of operation if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the statement of operations over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the statement of operations in the period to which they relate.

(ii) Other post-retirement obligations

The group also provides supplementary health and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.
A provision is made for the estimated liability for annual leave as a result of services tendered by employees up to the balance sheet date.

(iv) Equity compensation benefits

Share options are granted to management and key employees based on an assessment by the Board of Directors. Options are exercisable beginning one year from the date of grant and have a contractual option term of five years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium. The group does not make a charge to staff costs in connection with share options.

(v) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

(m) Segregated funds

The group manages a number of segregated funds on behalf of policyholders. The investment returns on these unitised 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 carried from fund management fees is included in other income in the consolidated statement of operations. Investments held in segregated funds are carried at their fair values. 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.

(n) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired. Goodwill is amortised on the straight-line basis over its remaining useful life for a period not exceeding fifteen years from the date of acquisition.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

At each balance sheet (date the group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(ii) Grants

Grants are deducted in arriving at the carrying amount of the asset, and are recognized as income over the life of the depreciable assets by way of a reduced depreciation charge.

(iii) Other intangible assets

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the group and have probable economic benefits exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software is amortised using the straight-line method over its useful life.

(o) Special insurance reserve

This represents:

(i) The sum of the negative reserves which have been offset in the reserve for future policyholders' benefits, and

(ii) The difference between the cash surrender value (CSV) of the policies and the reserve for future policyholders' benefits, where the CSV is greater.

(p) Investment reserve

Unrealised gains and losses on quoted equities held by the company are classified as available-for-sale and are taken to the stockholders' equity in accordance with IFRS. Regulatory reserve requirements are met by a transfer from the investment reserve, to retained earnings at a rate of 25% on the reducing balance basis.

(q) Policyholders' funds

(i) Reserve for future policyholders' 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 actuarial valuation is prepared annually. In the event of an actuarial surplus, the surplus is transferred to the statement of operations. In the event of an actuarial deficit, the deficit is transferred from the statement of operations.

(ii) Approved deposit administration funds
Management fees are earned from the deposit administration funds managed on behalf of policyholders. Income generated by these funds accrues to the company, which in turn pays a guaranteed interest rate to the policyholders.

(r) Other liabilities

(i) Benefits payable to policyholders
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.

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 are notified.

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

(ii) Guarantees
The potential liability under guarantees is reported as a liability in the balance sheet. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(iii) Reinsurance ceded
Provisions for future policy benefits (life assurance fund or policy liabilities), premiums and policy benefits are stated net of amounts ceded to, and recoverable from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured policy. In the normal course of business, the company limits the amount of loss on any one policy by reinsuring certain levels of risks in various areas of exposure with the other insurers.

Reinsurance ceded does not discharge the company's liability as the primary insurer. Failure of the reinsurers to honour their obligations could result in losses to the company; consequently a contingent liability exists should an assuming company be unable to meet its obligations.

The retention limits or maximum exposure on insurance policies are as follows:

	2003 $'000	2002 $'000
Ordinary life	5,000	2,000
Group life	5,000	2,000
Group mortgage	5,000	2,000
Personal accident	5,000	2,000

(s) Provisions

Provisions are recognised when tile group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(t) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(u) Guarantees

The potential liability under guarantees is reported as a liability in the balance sheet. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(v) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the company or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(w) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components in other economic environments.

(x) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of IFRS (Note 46).

3. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the actuary. His responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with auditing standards issued by the Institute of Chartered Accountants of Jamaica and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed actuary and his report on the policyholders' liabilities.

4. Segmental Financial Information

The group is organised into three main business segments:

(a) Insurance and pension management services - This incorporates provision of ordinary life, group life and group health insurance and pension management services;

(b) Banking and other financial services - This incorporates the acceptance of deposits from customers, the financing of loans and leases, foreign currency trading, investment management, securities trading and fund management;

(c) Property management services - This incorporates the rental and management of commercial real estate.

2003

	Insurance & Pension Management Services $'000	Banking and other Financial Services $'000	Property Management Services $'000	Eliminations $'000	Group $'000
External revenues	1,717,295	2,943,898	452,595	-	5,113,788
Revenue from other segments	130,487	4,362	35,666	(170,515)	-
Total revenues	1,847,782	2,948,260	488,261	(170,515)	5,113,788
Operating profit	409,266	347,576	112,768	(21,948)	847,662
Share of results of associated companies before taxation	-	-	3,120	-	3,120
Profit before taxation	409,266	347,576	115,888	(21,948)	850,782
Taxation	(36,205)	2,596	(13,603)	(152)	(47,364)
Profit after taxation	373,061	350,172	102,285	(22,100)	803,418
Minority interest					(78,699)
Net profit					724,719

Segment assets	6,361,011	18,406,032	2,087,866	(3,141,789)	23,713,120
Segment liabilities	2,907,819	16,852,352	602,708	(102,951)	20,259,928
Other segment items:					
Capital expenditure	3,601	11,980	79,684	-	95,265
Depreciation	6,047	5,099	3,201	3,279	17,626
Amortisation	12,260	1,658	-	-	13,918

2002

	Insurance & Pension Management Services $'000	Banking and other Financial Services $'000	Property Manage-ment Services $'000	Eliminations $'000	Group $'000
External revenues	1,417,644	1,851,183	248,999	-	3,517,826
Revenue from other segments	146,834	3,068	34,128	(184,030)	-
Total revenues	1,564,478	1,854,251	283,127	(184,030)	3,517,826
Operating profit/(loss)	354,192	276,007	(61,510)	(35,669)	533,020
Share of results of associated companies before taxation	-	-	6,685	-	6,685
Profit before taxation	354,192	276,007	(54,825)	(35,669)	539,705
Taxation	(22,251)	15,621	(6,705)	(160)	(13,495)
Profit/(loss) after taxation	331,941	291,628	61,530	35,829	526,210
Minority interest					(82,502)
Net profit					443,708
Segment assets	5,349,647	1,868,881	14,056,721	(2,552,196)	18,723,053
Segment liabilities	2,613,188	12,936,170	485,659	(48,422)	15,986,595

Other segment items:

Capital expenditure	4,012	41,631	75,061	400	121,104
Depreciation	8,758	4,005	1,952	2,869	17,584
Amortisation	12,485	750	-	-	13,235

5. Income

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Premiums, net (Note 6)	1,383,505	1,221,005	1,383,505	1,221,005
Investments, net (Note 7)	3,020,030	1,844,371	311,933	224,044
Other (Note 8)	713,373	459,135	153,006	119,502
	5,116,908	3,524,511	1,848,444	1,564,551

6. Net Premium Income

	The Group and The Company	
	2003 $'000	2002 $'000
Ordinary life	66,415	69,508
Annuities	17,054	42,113
Group life and health	1,155,195	998,902
Creditor life and group mortgage	182,102	165,387
Gross premiums	1,420,766	1,275,910
Less: reinsurance	(37,261)	(54,905)
	1,383,505	1,221,005

7. Net Investment Income

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Income				
Policy loans	2,701	2,559	2,701	2,559
Mortgage loans	2,962	4,252	2,962	4,252
Other loans and leases	102,431	125,987	73,609	74,178
Government of Jamaica securities	3,014,829	1,842,068	354,183	268,361
Other	150,683	152,816	135,330	158,005
	3,273,606	2,127,682	568,785	507,355
Expenses				
Interest expenses	195,937	235,062	195,937	235,062
Investment expenses	57,639	48,249	60,915	48,249
	253,576	283,311	256,852	283,311
	3,020,030	1,844,371	311,933	224,044

8. Other Income

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Fees from managed funds	67,028	26,584	67,028	26,584
Rental income	334,475	293,830	-	-
Gain on sale of property, plant and equipment	163	(1,205)	568	435
Share of results of associated companies	3,120	6,685	662	306
Co-insurance	11,708	28,582	11,708	28,582
Miscellaneous income	225,451	187,847	73,040	63,595
Gains/(losses) on property valuation	71,428	(83,188)	-	-
	713,373	459,135	153,006	119,502

Co-insurance income represents the net income from the co-insurance agreement with Life of Jamaica Limited for the year.

9. Taxation

(a) Composition of tax charge
The taxation charge for the year is comprised of.

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Premium tax at 1 1/2%	6,009	5,738	6,009	5,738
Investment income tax at 7 1/2%	32,290	15,698	32,290	15,698
Current income tax at 33 1/3%	4,647	814	-	-
Share of tax of subsidiaries	-	-	11,767	(4,381)
Share of tax of associates	836	804	288	97
Adjustment to prior year estimate	(654)	-	-	-
Deferred income taxes	4,236	(9,624)	(2,094)	750
	47,364	13,430	48,260	17,902
Stamp duties	-	65	-	65
	47,364	13,495	48,260	17,967

Subject to agreement with the Taxpayer Audit and Assessment Department, the group has losses available for offset against future taxable profits amounting to approximately $114,298,000 (2002 - $100,073,000).

(b) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Premium tax				
Gross premium income	1,420,766	1,275,910	1,420,766	1,275,910
Tax at 1 1/2 %	21,311	19,139	21,311	19,139
Income not subject to tax	(15,729)	(13,826)	15,729	13,826
Amounts on deposit	323	280	323	280
Premium tax on segregated funds deposits	104	145	104	145
	6,009	5,738	6,009	5,738
Investment income tax				
Gross investment income	3,020,303	1,844,371	311,933	224,044
Tax at 7 1/2 %	226,502	138,328	23,395	16,803
Deductible expenses	(77,133)	(74,778)	(77,133)	(74,778)
Expenses not deductible for tax purposes	4,667	2,243	4,667	2,243
Other income taxable at 7 1/2 %	82,167	71,610	82,167	71,610
Effect of different tax regime applicable to life insurance operations	(203,107)	(121,525)	-	-
Net effect of other charges and allowances	(2,900)	570	(2,900)	570
	30,196	16,448	30,196	16,448
Current income tax				
Profit before tax	462,802	220,875	-	-
Tax at 33.33%	154,267	73,625	-	-
Income not subject to tax	(167,061)	(154,000)	-	-
Expenses not deductible for tax purposes	29,065	74,145	-	-
Net effect of other charges and allowances	(5,294)	(3,330)	-	-
	10,977	(9,560)	-	-
Adjustment for prior year (over)/under provision	(654)	65	-	65
Share of tax of subsidiaries	-	-	11,767	(4,381)
Share of tax of associates	836	804	288	97
Income tax expense	47,364	13,495	48,260	17,967

10. Net Profit and Unappropriated Profits Attributable to Stockholders

This is stated after charging/(crediting):

	2003 $'000	2002 $'000
Directors' emoluments		
Fees	247	389
Management remuneration (included in staff costs)	10,831	6,372
Auditors' remuneration -		
Current year	9,515	8,075
Prior year	725	(290)
Depreciation	17,626	17,584
Provision for credit losses	41,994	58,664
Amortisation of goodwill	13,918	12,485
Staff costs (Note 11)	225,194	247,746
Loss/(gain) on disposal of property, plant and equipment	163	(1,205)
Bad debt expenses	4,167	2,602

11. Staff Costs

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Wages and salaries	167,338	168,580	82,171	101,587
Payroll taxes	15,854	16,124	8,154	10,163
Pension costs (Note 25)	(124)	(12,142)	(1,694)	(11,776)
Other post retirement benefits (Note 25)	(2,384)	7,988	(4,480)	6,413
Redundancy costs	1,631	29,226	1,631	29,226
Other	42,879	37,970	16,032	14,448
	225,194	247,746	101,814	150,061

Number of employees at the end of the year:

	The Group		The Company	
	2003	2002	2003	2002
	No.	No.	No.	No.
Regular	141	172	61	100
Contract	16	23	9	15
	157	195	70	115

12. Earnings Per Stock Unit

The calculation of basic earnings per stock unit is based on the net profit attributable to stockholders and the weighted average numbers of ordinary stock units in issue during the year.

	The Group	
	2003	2002
Net profit attributable to stockholders ($'000)	724,719	443,708
Weighted average number of ordinary stock units (thousands)	300,258	300,124
Basic earnings per stock unit	$2.41	$1.48

For fully diluted earnings per stock unit, the weighted average number of ordinary stock units in issue is adjusted to assume conversion of all potentially dilutive 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.

	The Group 2003	The Group 2002
Net profit attributable to stockholders ($'000)	724,719	443,708
Interest earned on income from conversion (net of tax) ($'000)	961	910
Net profit used to determine fully diluted earnings per stock unit	725,680	444,618
Weighted average number of ordinary stock units (thousands)	300,258	300,124
Adjustment for assumed conversion of share options	3,125	3,125
Weighted average number of ordinary stock units for fully diluted earnings per stock unit	303,383	303,249
Fully diluted earnings per stock unit	$2.39	$1.47

13. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturity dates not exceeding 90 days.

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Cash at bank and in hand	221,642	218,166	81,087	42,556
Short term deposits	4,507	3,189	4,507	3,189
Investment securities (Note 15(b))	223,437	170,986	-	-
Securities purchased under agreements to resell (Note 16)	297,305	327,359	297,305	327,359
Less:				
Bank overdraft	(6,066)	(10,831)	(4,003)	(6,646)
	740,825	708,869	378,896	366,458

14. Cash Reserve at Bank of Jamaica

In the banking subsidiary, a prescribed minimum 23% of deposit liabilities is required to be maintained in the liquid assets, of which 9% must be maintained as cash reserve with the Bank of Jamaica. These amounts are not available for investment, lending or other use by the group.

Effective 15 January 2003, the banking subsidiary is required by the Bank of Jamaica under section 28A of the Bank of Jamaica Act, to maintain a special deposit wholly in the form of cash, representing 5% of prescribed liabilities. This special deposit earns interest at 6% per annum.

15. Investment Securities

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Available-for-sale-				
Debt securities:				
Government of Jamaica	1,587,971	2,162,472	-	-
Corporate debentures	17,994	185,380	17,994	-
Equity securities:				
Quoted	85,168	134,328	1,985	32,517
Unquoted	142,383	108,723	17,159	10,181
	1,833,516	2,590,903	37,138	42,698
Originated debt -				
Debt securities:				
Government of Jamaica	8,579,202	6,287,659	1,778,200	1,559,741
Trading -				
Government of Jamaica	487,398	59,384	-	-
	10,900,116	8,937,946	1,815,338	1,602,439

(a) Included in the group's investments are Government of Jamaica securities pledged as collateral as follows:

i) Local Registered Stocks valued at $100 million (2002 - $100 million) have been pledged with the regulator, the Financial Services Commission, in accordance with Section 8 (1) (a) of the Insurance Regulations, 2001.

ii) Investments valued at $146,866,000 and US$3,000,000 have been pledged as collateral for loans granted to the company.

iii) Local Registered Stocks totalling $23,263,000 have been pledged as security for the bank overdraft facilities of the company and certain subsidiaries.

iv) Local Registered Stocks valued at $82,199,000 have been pledged as collateral for a loan facility of the parent company.

v) Local Registered Stocks valued at $30,000,000 held by the banking subsidiary which have been pledged to the Bank of Jamaica, as security for possible shortfalls in its operating accounts.

(b) Included in investment securities are the following amounts which are regarded as cash equivalents for the purposes of the consolidated statement of cash flows:

	2003 $'000	2002 $'000
Debt securities with original maturity of not greater than 90 days	223,437	170,986
	========	========

(c) Available-for-sale securities include unquoted equities with carrying values totaling $135,224,000 (2002 - $108,542,000) which are matched against corresponding loan liabilities. Accordingly, the fair values of these equities approximate their carrying amounts.

16. Securities Purchased under Agreements to Resell

The group and the company entered into collateralised securities purchased under agreements to resell, which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Included in securities purchased under agreements to resell are $297,305,000 (2002 - $327,359,000), which are regarded as cash and cash eqUivalents for the purposes of the consolidated statement of cash flows.

17. Loan and Lease Receivables

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Mortgage loans	13,111	14,280	13,111	14,280
Policy loans	34,076	32,470	34,075	32,470
Other loans	1,329,580	1,464,573	388,893	328,148
Leases	29,668	58,976	14,920	29,984
	1,406,435	1,570,299	450,999	404,882
Less: Provision for impairment losses	(118,837)	(160,850)	(3,490)	(3,509)
	1,287,598	1,409,449	447,509	401,373

Included in loans and leases are the group's and the company's investments in finance leases as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Net investment in finance leases is classified as follows:				
Not later than one year	22,019	28,164	7,630	10,449
Later than one year and not later than five years	7,649	30,812	7,290	19,535
	29,668	58,976	14,920	29,984

18. Investment Properties

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At 1 January, as restated	1,393,600	1,475,687	-	-
Acquired during the year	969	621	-	-
Transferred from capital work-in-progress	104,665	17,865	-	-
Transferred from/(to) property, plant and equipment under IAS 40	15,097	(17,385)	-	-
Fair value gains/(losses)	71,428	(83,188)	-	-
At 31 December	1,585,759	1,393,600	-	-

Repairs and maintenance expenditure in relation to investment properties amounted to $191,501,920 (2002 - $168,369,868) respectively for the group and the company.

The properties were valued at current market value as at 31 December 2003 by D.C. Tavares & Finson Realty Limited, qualified property appraisers and valuers.

19. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Subsidiary companies -				
At valuation				
Jamaica Property Company Limited	-	-	1,479,414	1,380,753
Portfolio Partners Limited	-	-	39,143	28,570
Pan Caribbean Financial Services Limited	-	-	1,158,494	750,962
	-	-	2,677,051	2,160,285
Associated companies -				
St Andrew Developers Limited				
Shareholding at cost	266	266	133	133

Share of losses	(7,307)	(8,055)	(4,564)	(4,939)
Current account	4,297	3,579	733	733
	(2,744)	(4,210)	(3,698)	(4,073)
Impan Properties Limited				
Shareholding at cost	20	20	-	-
Share of profit	90	100	-	-
Share of capital reserve	7,945	7,945	-	-
Current account	(8,980)	(8,980)	-	-
	(925)	(915)	-	-
Knutsford Holdings Limited				
Shareholding at cost	1	1	-	-
Share of profit	1,545	2,091	-	-
Share of capital reserves	48,401	46,309	-	-
Current account	13,104	13,213	-	-
	63,051	61,614	-	-
	59,382	56,489	2,673,353	2,156,212

20. Due to/(from) related parties

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

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Holding company:				
Current account	414	3,667	(588)	(219)
Other	-	764	-	-
	414	4,431	(588)	(219)
Subsidiaries:				
Portfolio Partners Limited	-	-	(35,243)	(55,849)
Pan Caribbean Merchant Bank Limited	-	-	(415)	(809)
Jamaica Property Company Limited	-	-	(75,474)	(56,436)
Pan Caribbean Financial Services Limited	-	-	(29)	(29)
	-	-	(111,161)	(113,123)
	414	4,431	(111,749)	(113,342)

(b) The consolidated statement of operations includes the following transactions with related parties:

	2003 $'000	2002 $'000
Management and other fees paid to holding company	20,688	14,376
Interest paid to holding company and fellow subsidiaries	13,825	7,722
Leases with holding company and fellow subsidiaries	4,554	1,219
Loans to holding company and fellow subsidiaries	21,133	27,015
Loan from holding company	2,398	3,111

The group offers financial services to fellow subsidiaries.

(c) A subsidiary has pledged certain of its freehold land and buildings as security for First Mortgage Debenture Stocks issued by the ultimate holding company under a joint trust deed. At 31 December 2003, the balance outstanding was $2,398,000 (2002 - $3,111,000).

21. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 7 1/2% for the company and 33 1/3% for the company's subsidiaries.

The movement on the deferred income tax balance is as follows:

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Balance as at 1 January	33,952	(41,584)	(3,027)	(2,277)
Charged to statement of revenue and expenses	(4,236)	9,624	2,094	(750)
Available-for-sale investments				
- fair value re-measurement	(62,307)	65,912	-	-
Balance as at 31 December	(32,591)	33,952	(933)	(3,027)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred income tax assets				
Property, plant and equipment	5,886	7,294	529	128
Investment securities	41,055	65,911	-	-
Pensions and other post retirement benefits	3,358	2,717	-	-
Interest payable	181	220	-	-
Net lease obligations	810	395	-	-
Unutilised tax losses	3,943	-	-	-
Tax losses carried forward	35,143	34,034	-	-
	90,376	110,571	529	128
Deferred income tax liabilities				
Property, plant and equipment	625	906	358	906
Investment securities	63,412	27,105	1,104	2,249
Pensions and other post retirement benefits	4,889	3,992	-	-
Tax depreciation on investment property	53,176	44,438	-	-
Receivables	865	178	-	-
	122,967	76,619	1,462	3,155

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unappropriated profits of subsidiaries, as such amounts are permanently reinvested; such unappropriated profits totalled $2,141,655,000 at 31 December 2003 (2002 - $1,770,110,000).

22. Other Assets

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Accrued interest income receivable	1,501,936	680,682	274,773	174,371
Customers' liabilities under guarantees	63,433	301,995	-	-
Due from salesmen	21	-	21	
Inventories	3,512	3,266	-	
Other receivables	270,853	180,840	119,660	127,993
Premiums receivable	101,590	88,683	101,590	88,683
Prepaid commissions	12	1,290	12	1,289
Work-in-progress	46,187	16,500	29,687	-
	1,987,544	1,273,256	525,743	392,336

(a) Premiums receivable are stated net of provision for doubtful amounts of $19,914,000 (2002 - $19,914,000). Provision is made in full for premiums receivable outstanding for more than 90 days.

(b) Other receivables include amounts recoverable from reinsurers of $4,895,000 (2002 - $4,767,000).

23. Property, Plant and Equipment

The Group

	Freehold Premises	Leasehold Improvements	Furniture, Fixtures & Equipment	Motor Vehicles Capitalised under Finance Leases	Motor Vehicles	Capital Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At Cost -							
1 January 2003, as restated	158,041	26,256	103,890	6,110	12,034	63,104	369,435
Additions	-	4,093	8,381	2,147	3,107	77,537	95,265

Disposals	-	-	-	-	(3,723)	-	(3,723)
Transfers	(15,547)	(1,511)	1,511	-	-	(106,179)	(121,726)
Write-offs	-	(13,528)	(36,621)	-	(108)	-	(50,257)
31 December 2003	142,494	15,310	77,161	8,257	11,310	34,462	288,994
Depreciation -							
1 January 2003, as restated	2,443	13,529	60,449	1,432	5,569	-	83,422
Charge for year	3,933	1,275	8,412	2,430	1,576	-	17,626
Relieved on disposals	-	-	-	-	(2,271)	-	(2,271)
Transfers	(557)	-		-	-	-	(557)
Write-offs	-	(13,528)	28,160	-	(107)	-	(41,795)
31 December 2003	5,819	1,276	40,701	3,862	4,767	-	56,425
Net Book Value -							
31 December 2003	136,675	14,034	36,460	4,395	6,543	34,462	232,569
31 December 2002	155,598	12,727	43,441	4,678	6,465	63,104	286,013

The Company

	Leasehold Improvements $'000	Furniture & Fixtures $'000	Computer Hardware & Software $'000	Motor Vehicles $'000	Total $'000
At Cost -					
1 January 2003	13,546	10,507	52,036	4,301	80,390
Additions	-	159	3,441	-	3,600
Disposals	-	-	-	(3,291)	(3,291)
Write-offs	(13,528)	(10,383)	(14,525)	(108)	(38,544)
31 December 2003	18	283	40,952	902	42,155
Depreciation -					
1 January 2003	13,528	7,100	31,414	2,750	54,792
Charge for the year	4	12	5,730	301	6,047
Relieved on disposals	-	-	-	2,223	(2,223)
Write-offs	(13,528)	(7,101)	(10,432)	(107)	(31,168)
31 December 2003	4	11	26,712	721	27,448

Net Book Value -					
31 December 2003	14	272	14,240	181	14,707
31 December 2002	18	3,407	20,622	1,551	25,598

24. Intangible Assets

	The Group					
	2003			2002		
	Goodwill $'000	Other Intangible Assets $'000	Total $'000	Goodwill $'000	Other Intangible Assets $'000	Total $'000
Net book value at 1 January	202,532	12,274	214,806	55,017	1,228	56,245
Additions	-	17,196	17,196	160,000	20,864	180,864
Grant received	-	(13,714)	(13,714)	-	(9,068)	(9,068)
Amortisation charge	(12,260)	(1,658)	(13,918)	(12,485)	(750)	(13,235)
Net book value at 31 December	190,272	14,098	204,370	202,532	12,274	214,806

	The Company	
	2003 Goodwill $'000	2002 Goodwill $'000
Net book value at 1 January	202,532	55,017
Additions	-	160,000
Amortisation charge	(12,260)	(12,485)
Net book value at 31 December	190,272	202,532

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cost, net of grant at 31 December	256,100	260,113	240,822	240,822
Accumulated amortisation	(51,730)	(45,307)	(50,550)	(38,290)
Net book value at 31 December	204,370	214,806	190,272	202,532

This comprises:

(a) Goodwill arising on the purchase of the group life and health insurance portfolios of Jamaica Mutual Life Assurance Society, Dyoll Life Limited, Crown Eagle Life Insurance Company Limited and Horizon Life Limited.

(b) Goodwill arising on the acquisition of a 50% interest in the employee benefits portfolio of Life of Jamaica Limited.

(c) Computer software purchased net of grants received from Deutsche Investitions and Entwicklungsgesellschaft mbH (DEG).

These amounts are being amortised over the expected period of benefit.

25. Retirement Benefit Asset/Liability

The company and its Subsidiaries have established a number ofpcnsion schemes covering all permanent employees. The assets of funded plans are held independently of the group's assets in separate funds administered by the company. Defined benefit plans are valued by independent actuaries annually, using the projected unit credit method.

The latest actuarial valuations were carried out as at 31 December 2003.

The amounts recognised in the balance sheet comprise:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Pension scheme (Note 25(a))	(59,340)	(51,923)	(44,675)	(39,949)
Other post-retirement obligations:				
Medical and life insurance (Note 25(b))	52,651	56,447	42,579	48,294
	==========	==========	==========	==========

(a) Pension scheme

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of funded obligations	98,217	151,766	60,342	100,721
Fair value of plan assets	(257,976)	(244,049)	(165,338)	(163,696)
	(159,759)	(92,283)	(104,996)	(62,975)
Unrecognised actuarial gains	52,954	13,799	32,416	12,651
Limitation on asset recognised	47,465	26,561	27,905	10,375
Asset in the balance sheet	(59,340)	(51,923)	(44,675)	(39,949)

First Life Insurance Company Pooled Pension Fund, which manages the group's pension fund assets, has invested in ordinary stock units of the company with a fair value of $2,919,000 (2002 - $2,324,000).

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	5,052	6,134	2,182	3,665
Interest cost	14,382	17,499	8,462	12,472
Expected return on plan assets	(27,045)	(25,982)	(16,451)	(17,600)
Net actuarial (gains)/losses recognised in year	-	(1,232)	-	-
Change in limitations on asset	20,904	1,662	17,530	-
Gains on curtailment	(13,417)	(10,313)	(13,417)	(10,313)
Total, included in staff costs (Note 11)	(124)	(12,142)	(1,694)	(11,776)

The actual return on plan assets was $29,625,000 and $18,994,000 (2002 $35,186,000) and $24,806,000) for the group and the company, respectively.
The movement in the asset recognised in the balance sheet:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Asset at 1 January	(51,923)	(31,740)	(39,949)	(24,225)
Total expense, as above	(124)	(12,142)	(1,694)	(11,776)
Contributions paid	(7,293)	(8,041)	(3,032)	(3,948)
At 31 December	(59,340)	(51,923)	(44,675)	(39,949)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2003	2002	2003	2002
	%	%	%	%
Discount rate	15.0	12.5	15.0	12.5
Expected return on plan assets	10.5-12.5	10.5-12.5	12.5	12.5
Future salary increases	10.0	10.0	10.0	10.0
Future pension increases	3.5	3.5	3.5	3.5

(b) Other Post-retirement Benefits

In addition to pension benefits, the Company offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The latest actuarial valuations were carried out as at 31 December 2003. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 11% per year (2002 - 11 %).

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	55,977	82,930	48,509	74,166
Unrecognised actuarial losses	(3,026)	(26,483)	(5,930)	(25,872)
Liability in the balance sheet	52,651	56,447	42,579	48,294

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	2,223	1,864	1,336	1,156
Interest cost	7,723	6,124	6,599	5,257
Rccognised actuarial losses	587	-	502	-
Gain recognised due to curtailment	(12,917)	-	(12,917)	-
Total included in staff costs (Note 11)	(2,384)	7,988	(4,480)	6,413

The movement in the liability recognised in the balance sheet is as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Liability at beginning of year	56,447	49,940	48,294	43,219
Total expense, as above	(2,384)	7,988	(4,480)	6,413
Contributions paid	(1,412)	(1,481)	(1,235)	(1,338)
Liability at end of year	52,651	56,447	42,579	48,294

26. Segregated Funds

(a) The group and the company manage accounts totalling approximately $53,662,000 (2002 - $44,225,000) on behalf of certain life insurance policyholders under two policy segregated funds. The assets are the property of the policyholders who share all the 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) Segregated Funds' Assets

	The Group and the Company 2003		
	Concord Equity Fund $'000	Money Market Fund $'000	Total $'000
Investments -			
Government of Jamaica securities	-	8,108	8,108
Quoted equities	29,291	-	29,291
Unquoted equities	20	-	20
Securities purchased under agreements to resell	-	7,742	7,742
	29,311	15,850	45,161
Other assets	1,417	7,084	8,501
	30,728	22,934	53,662

	The Group and the Company 2002		
	Concord Equity Fund	Money Market Fund	Total
	$'000	$'000	$'000
Investments -			
Government of Jamaica securities	-	6,747	6,747
Quoted equities	26,202	-	26,202
Unquoted equities	16	-	16
Securities purchased under agreements to resell	-	6,866	6,866
	26,218	13,613	39,831
Other assets	455	3,939	4,394
	26,673	17,552	44,225

(c) Income by Type on Segregated Funds' Investments

	The Group and The Company	
	2003	2002
	$'000	$'000
Government of Jamaica securities	1,120	722
Quoted equities	747	1,584
Securities purchased under agreements to resell	2,258	1,054
	4,125	3,360

27. Share Capital

	2003	2002
	$'000	$'000
Authorised:		
Ordinary stock units of $1 each	347,000	347,000
"C" 8 1/2% cumulative redeemable preference shares of $1 each	1,403	1,403
"D" 8 1/2% cumulative redeemable preference shares of $1 each	1,597	1,597
	350,000	350,000
Issued and fully paid:		
Ordinary stock units of $ 1 each	300,258	300,258

Share options are granted to directors and senior employees of companies within the group. When options are exercised, 50% of the shares are sourced from new issue of shares with the balance being acquired on the Jamaica Stock Exchange. These shares are issued at exercise prices of $1.75 and $1.80, respectively. Movements in the number of share options outstanding are as follows:

	2003	2002
	$'000	$'000
At 1 January	6,250	7,000
Exercised	-	(517)
Cancelled	-	(233)
	6,250	6,250

No share options were exercised during the year: The effect on share capital and share premium of 516,667 options exercised in 2002 is as follows:

	2003	2002
	$'000	$'000
Ordinary share capital - at par	-	258
Share premium	-	194
Proceeds	-	452
Fair value, at exercise date, of share issue	-	2,896

Share options outstanding at the end of the year have the following expiry dates:

	2003	2002
	$'000	$'000
31 December 2004	6,000	6,000
31 October 2006	250	250
	6,250	6,250

28. Share Premium

The share premium arose from the issue of ordinary shares at a premium as follows:

	2003	2002
	$'000	$'000
1987 and prior years	6,570	6,570
1993	43,153	43,153
2002	194	194
	49,917	49,917

29. Capital Redemption Reserve

This arose on the redemption of 1,403,100 'C' and 1,596,900 'D' preference shares out of profits in 1993 and 1992, respectively.

30. Insurance and Banking Reserves

	The Group and the Company				
	Insurance	Banking		Total	
	Special Reserve	Retained Earnings Reserve	Banking Reserve Fund	2003	2002
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	114,158	121,800	30,840	266,798	165,339
Transfers	(32,917)	15,400	-	(17,517)	101,459
Balance at 31 December	81,241	137,200	30,840	249,281	266,798

The retained earnings reserve and banking reserve fund are maintained by a subsidiary in accordance with the Financial Institutions Act, 1992. The special insurance reserve is further explained in note 2(o).

31. Investment and Other Reserves

These comprise:

	The Group and The Company	
	2003	2002
	$'000	$'000
Fair value gains/(losses) on investments	58,162	(50,619)
Capital reserves	254,572	257,517
	312,734	206,898

32. Dividends

	2003	2002
	$'000	$'000
First interim dividends for 2003 at $0.07 (2002 - $0.065) per stock Unit - gross	21,018	19,517
Second interim dividends for 2003 at $0.07 (2002 - $0. 10) per stock unit - gross	21,018	30,026
Final dividends for 2003 at $0.095 (2002 - $0.168) per stock unit - gross	28,525	-
	70,561	49,543

Dividends of $0.168 per stock unit totaling $50,443,000 were declared subsequent to the year-end in respect of 2002.

33. Reserve for Future Policyholders' Benefits

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

	The Group and The Company	
	2003	2002
	$'000	$'000
Ordinary life	172,194	161,912
Annuities	107,188	92,432
Group life and health	264,078	223,019
Creditor and mortgage life	253,530	220,466
Group investment funds	2,702	3,379
	799,692	701,208

(b) Change in reserves for future policyholders' benefits

	The Group and The Company						
	Ordinary Life	Annuities	Group Life and Health	Creditor and Mortgage Life	Group Invest-ment Funds	Total 2003	Total 2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at start of year	161,912	92,432	223,019	220,466	3,379	701,208	711,770
Increase/(decrease) in reserves	10,282	14,756	41,059	33,064	(677)	98,484	(10,562)
Balance at end of year	172,194	107,188	264,078	253,530	2,702	799,692	701,208

(c) Investments and other assets supporting policyholders' and other liabilities

2003

	Ordinary Life $'000	Annuities and Pensions $'000	Group Operations $'000	Other Liabilities, Surplus and Capital $'000	Total $'000
Deposits and securities held under agreements to resell	39,888	135,559	274,528	4,336	454,311
Mortgages	2,571	10,415	-	-	12,986
Quoted equities	-	-		1,985	1,985
Unquoted equities	-	-	-	17,159	17,159
Government of Jamaica securities	195,030	581,404	684,324	317,442	1,778,200
Loans on policies	34,076	-	-	-	34,076
Other loans and leases	1,588	80,043	-	336,810	418,441
	273,153	807,421	958,852	677,732	2,717,158
Interest receivable	30,838	131,508	60,491	51,936	274,773
Withholding tax recoverable	5,811	25,812	22,914	5,290	59,827
Other current assets	6,654	28,171	228,478	69,283	332,586
Non-current assets	-	-	-	3,034,756	3,034,756
	316,456	992,912	1,270,735	3,838,997	6,419,100

2002

	Ordinary Life $'000	Annuities and Pensions $'000	Group Operations $'000	Other Liabilities, Surplus and Capital $'000	Total $'000
Deposits and securities held under agreements to resell	33,975	103,940	185,647	6,986	330,548
Mortgages	2,581	11,555	-	-	14,136
Quoted equities	-	-	-	32,517	32,517

Unquoted equities	-	-	-	10,181	10,181
Government of Jamaica securities	183,866	666,025	634,107	75,743	1,559,741
Loans on policies	32,470	-	-	-	32,470
Other loans and leases	1,846	102,021	15,330	235,570	354,767
	254,738	883,541	835,084	360,997	2,334,360
Interest receivable	20,445	76,499	36,679	40,748	174,371
Withholding tax recoverable	13,428	25,295	40,736	32,292	111,751
Other current assets	4,011	20,210	126,672	109,757	260,650
Non-current assets	-	-	-	2,537,633	2,537,633
	292,622	1,005,545	1,039,171	3,081,427	5,418,765

(d) Policy assumptions

The nature and method of determining the significant assumptions made by the company in the computation of policy liabilities are described in the following paragraphs. In all cases, the assumptions are supplemented by the use of margins for adverse deviation.

(i) Policy claims and benefits -

Estimates of the amounts and timings of future claims and benefit payments are based on both company and industry experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience, soME deviation in that pattern is probable.

(ii) Investment income -

The computation of policy liabilities takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to the projection of interest rates and the magnitude of credit losses from asset defaults. The company accounts for such uncertainties by incorporating provisions for credit losses into projections of investment income in addition to the allowances for depreciation in the carrying values of invested assets.

(iii) Policy maintenance expenses -

Amounts are included in policy liabilities to provide for the costs of administering policies in force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. The process of forecasting expenses requires estimates to be made of such factors as the rate of salary increases, productivity changes, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the company's experience.

(iv) Policyholder dividends -

The reserve for future policyholders' benefits include the present value of estimated amounts of future policyholder dividends based on current dividend scales and expected future income attributable to participating policies.

(e) Sensitivity to assumption changes

The assumptions that are most susceptible to change in the near term are policy lapse rates and future investment yields.

(i) Policy lapse rates -

In calculating the policy liabilities, a margin of 30% has been applied to the policy lapse rate assumptions as a margin for adverse deviation. For lapse-supported policies, a decrease in ultimate lapse rates would increase policy liabilities and for non lapse-supported policies an increase in ultimate lapse rates would increase policy liabilities. For policies in force as at 31 December 2003, a decrease of 1% in the lapse rate on lapse-supported policies together with an addition of 0.1% to the lapse rates on non lapse-supported policies would increase policy liabilities by $3.11 million (2002: $0.23 million).

(ii) Interest rate risk -

Based on the projected cash flows of the company as at 31 December 2003, the approximate impact of an immediate 1% increase in the general level of interest rates would reduce the value of policy liabilities by $24.98 million (2002 - $10.49 million). Conversely, the impact of an immediate 1% decrease would increase the value of policy liabilities by $17.17 million (2002 - $13.51 million).

(f) Changes in policy liabilities

Changes in policy liabilities during the year were caused by the following business activities and changes in actuarial assumptions.

	The Group and The Company			
	2003			
	Ordinary Life $'000	Annuities $'000	Other $'000	Total $'000
Change due to the issuance of new policies	(100)	10,800	-	10,700
Normal increase due to the passage of time	21,888	1,491	73,442	96,821
Change due to actuarial assumptions	(11,506)	2,465	-	(9,041)
	10,282	14,756	73,442	98,480

	The Group and The Company			
	2002			
	Ordinary Life $'000	Annuities $'000	Other $'000	Total $'000
Change due to the issuance of new policies	(7,585)	19,082	46,580	58,077
Normal increase due to the passage of time	15,250	8,271	-	23,521
Change due to actuarial assumptions	(46,790)	1,487	(46,857)	(92,160)
	(39,125)	28,840	(277)	10,562

34. Approved Deposit Administration Funds

At the end of the year, there were 87 (2002 - 86) contributors to the Funds. The average interest rates paid during the year were 12% and 13% for the money market and long term funds, respectively (2002 - 12% and 14%), while the interest rate at the year end was 13% for both funds (2002 - 13% for both funds, respectively). Interest paid to contributors was $90,592,000 (2002 - $99,824,000).

35. Policyholders' Funds on Deposit

These represent the non-insurance component of premiums for policies, which include an investment option.

36. Policy Dividends on Deposit

These represent cash dividends declared on participating insurance policies, which the policyholders have opted to place on deposit with the company.

37. Other Liabilities

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Premiums received in advance	2,371	2,381	2,371	2,381
Benefits payable to policyholders	12,868	13,779	12,868	13,779
Other liabilities and accrued expenses	1,657,680	645,479	538,495	245,602
Amounts due to banks and other financial institutions (Note 38)	1,212,809	1,252,259	-	-
Customers' liabilities under guarantees	63,433	301,996	-	-
Customers' deposits and savings accounts	597,923	394,436	-	-
Short term loans	272,209	236,083	259,158	236,082
Current portion of long term loans (Note 39)	163,815	192,358	146,495	173,950
	3,983,108	3,038,771	959,387	671,794

(a) Security for the bank overdrafts includes certain specific securities and investment properties owned by the subsidiaries as well as the unlimited guarantee of the holding company.

(b) Amounts due to banks and other financial institutions represent the liabilities of the company's banking subsidiaries to other financial institutions.

(c)The short-term loan balance includes an amount of $160,000,000 due to Life of Jamaica Limited as a result of certain terms and conditions of the joint venture agreement between these two companies. The amount is payable on demand and attracts interest at the rate of 20% per annum.

(d)Other liabilities and accrued expenses include an amount of $16,157,000 (2002 - $4,445,000) representing reinsurance premiums payable.

38. Due to Banks and Other Financial Institutions

The Group

	Currency	Rate %	Repayable	2003 $'000	2002 $'000
Long Term Loans -					
Caribbean Development Bank (CDB)	US$	6.50	1996-2004	19,908	49,971
Citibank N.A.	US$	9.75	2004	120,491	100,684
Development Bank of Jamaica Limited (DBJ)	J$	various	various	137,967	189,629
	J$	various	various	114,398	128,143
	US$	various	various	223,947	215,721
Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG)	J$	6	2009	22,660	22,660
	EUR	6	2012	289,657	185,382
	US$	Libor + 2.25	1999- 2003	-	43,815
European Investment Bank (EIB)	J$	2	2011 -2015	23,583	23,583
	J$	2	2007	24,854	24,854
	US$	3	1998 -2003	-	59,907
	pound	3	1998 -2003	-	15,470
	J$	Nil		15,361	15,361
	J$	Nil		24,640	-
	J$	10	2008 -2015	23,556	-
	J$	9.571	2008 -2015	59,600	-
	US$	3.5		29,133	-
	US$	5.5	2008 -2015	22,592	-

GOJ/World Bank Loan in association with Jamaica Exporters Association (JEA)	US$	Nil	1996-2005	12,626	15,506
The National Export-Import Bank of Jamaica Limited	J$	6.5-9	various	37,257	64,484
First Life Insurance Company Pooled Pension Long Term Investment Fund	J$	18.5 - 25	various	4,801	4,542
				1,207,031	1,159,712
Short Term Loans -					
Bank of America	US$	1.50	2004	5,745	-
Citibank N.A,	US$		2003		38,033
First Global Bank Limited	J$	10	2004	33	-
United States Agency for International Development	J$	5	2003	-	25,511
Bear Stearns			2003	-	29,003
				5,778	92,547
				1,212,809	1,252,259
				=========	=========

39. Long Term Loans

				The Group	
	Currency	Rate	Repayable	2003	2002
		%		$'000	$'000
Secured -					
Citibank N.A.	J$	10.25	2004	-	10,194
First Caribbean International Bank Limited	US$	LIBOR + 2.875	2004	99,588	99,513
Unsecured -					
Consortium loan	US$	10	2003	-	1,220
Other loans	J$	14.75	2003	-	216
Consortium loan	US$	9.75	2011	59,212	53,263
Consortium loan	J$	25	2003	-	3,630
Consortium loan	J$	18.80	2004	-	15,000
Consortium loan	US$	9	2004	141,359	143,967

				300,159	327,003
Current portion (Note 37)				(163,815)	(192,358)
				136,344	134,645
				========	========

	Currency	Rate	Repayable	The Company 2003	2002
		%		$'000	$'000
Secured -					
Citibank N.A.	J$	10.25	2004	-	10,194
Unsecured -					
Consortium loan	US$	10	2003	-	1,220
Consortium loan	US$	11.25	2011	59,212	53,263
Consortium loan	J$	18.80	2004	-	15,000
Consortium loan	US$	9.5-9.75	2004	141,359	143,967
				200,571	223,644
Current portion (Note 37)				(146,495)	(173,950)
				54,076	49,694
				========	========

40. Cash Flows from Operating Activities

	2003	Restated 2002
	$'000	$'000
Cash Flows from Operating Activities		
Net profit	724,719	443,708
Adjustments to reconcile net profit to cash flow provided by operating activities:		
Depreciation of property, plant and equipment	17,626	17,584
Amortisation of intangible assets	13,918	13,235
Provision for credit losses	(41,994)	7,439
Interest income	(3,179,384)	(2,139,997)
Interest expense	2,630,631	1,649,357
Share of profit in associated company	(3,120)	(6,685)
Income tax expense	43,128	23,119

Change in retirement benefit asset/obligation	(11,213)	(12,062)
Deferred tax expense/(credit)	4,236	(9,624)
Loss/(gain) on sale of property, plant and equipment	163	(1,205)
Write off of property, plant and equipment and investment property	9,866	1,704
(Appreciation)/depreciation on investment property	(71,428)	83,188
Provision for doubtful debts	(7,729)	7,729
Unrealised gain on real estate fund	2,105	(1,469)
Unrealised gain on foreign exchange	(23,314)	(26,190)
Unrealised (gain)/loss on trading securities	(27,004)	62
Impairment losses on investments	-	5,386
Minority interest	78,699	82,502
Change in policyholders' fund	98,483	(10,562)
	258,388	127,219
Changes in operating assets and liabilities:		
Statutory reserves at Bank of Jamaica	(5,886)	(1,524)
Repurchase agreements	(2,238,761)	1,514,892
Securities purchased under agreements to resell	3,399,833	1,606,667
Other assets, net	(96,191)	64,757
Other liabilities, net	271,862	186,951
Change in policyholders' fund on deposit	(26,452)	15,879
Deposit pension fund, net	(183,351)	(326,689)
	1,379,442	3,188,152
Interest received	2,358,130	2,066,090
Interest paid	(1,764,489)	(1,563,960)
Income tax paid	(19,030)	(20,446)
Net cash provided by operating activities	1,954,053	3,669,836
	==========	==========

41. Commitments

(a) Operating lease commitments - where the group/company is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Not later than 1 year	-	-	3,295	7,885
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	-	3,295	7,885

(b) Operating lease commitments - where the group/company is the lessor.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Not later than 1 year	201,531	176,739	-	-
Later than 1 year and not later than 5 years	379,059	560,826	-	-
Later than 5 years	35,968	44,960	-	-
	616,558	782,525	-	-

(c) At 31 December 2003, there were undisbursed loan commitments for the group of $113,599,000. There were no such commitments for the company as at that date.

42. Off Balance Sheet Activities

(a) Carrying amount and fair value of assets under management

Assets under management, which are not beneficially owned by the group and the company, but which are managed by them on behalf of investors, have been excluded from the balance sheet. The carrying amounts and fair values of assets under management are as follows:

	The Group & The Company			
	2003		2002	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial Assets				
Cash at bank, accrued interest & other receivables	526,888	526,888	949,625	949,625
Equity investments	318,413	318,413	1,775,121	1,758,045
Investments in associated companies	67,950	67,950	143,030	188,882
Other investments	3,330,979	3,330,979	68,485	68,485
Total assets	4,244,230	4,244,230	2,936,261	2,965,037

(b) Fiduciary Activities

The banking subsidiary provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the bank making allocation, purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. As at 31 December 2003, the banking subsidiary had financial assets under administration of approximately $2,668,793,000 (2002 - $3,207,963,000).

43. Fair Value of Financial Instruments

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. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(b) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is rccognised separately by deducting the amount of the provisions for credit losses from both book and fair values; and

(e) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

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 following financial assets and financial liabilities are not carried at fair value:

The Group

	Carrying Value 2003 $'000	Fair Value 2003 $'000	Carrying Value 2002 $'000	Fair Value 2002 $'000
Financial Assets				
Investment securities - originated debt	8,579,202	8,094,379	6,287,659	6,095,307
Loan and lease receivables	1,287,598	1,282,961	1,409,449	1,395,908

The Company

	2003 $'000	2003 $'000	2002 $'000	2002 $'000
Investment securities - originated debt	1,778,200	1,533,135	1,559,741	1,515,587
Loan and lease receivables	447,509	442,872	401,373	387,832

	The Group			
	2003	2003	2002	2002
	$'000	$'000	$'000	$'000
Financial Liabilities				
Long term loans (including current portion)	300,159	292,924	327,003	325,156

	The Company			
	2003	2003	2002	2002
	$'000	$'000	$'000	$'000
Long term loans (including current portion)	200,571	193,336	223,644	221,797

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. Market data is not available for a significant portion of the group's financial instruments. 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.

44. Financial Risk Management

The group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, interest rates, and foreign currency exchange rates. The group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

(a) Interest rate risk

The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The group and the company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of mariet interest rates on their financial position and cash flows. The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the group's and the company's interest rate gap based on earlier of contractual repricing or maturity dates.

The tables below summarise the group's exposure to interest rate risk. Included in the tables are the carrying amounts of the group's balance sheet assets, categorized by the contractual repricing or maturity dates.

The Group
2003

	Up to One Year $'000	One to Five Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets					
Cash and bank balances	221,642	-	-	-	221,642
Cash reserve at Bank of Jamaica	-	-	-	16,941	16,941
Securities purchased under agreements to resell	6,810,816	152,499	-	-	6,963,315
Investments	4,042,088	4,053,607	3,305,052	791,474	12,192,221
Investment properties	-	-	-	1,585,759	1,585,759
Investments in associated companies	-	-	-	59,381	59,381
Other	-	-	-	2,673,861	2,673,861
Total assets	11,074,546	4,206,106	3,305,052	5,127,416	23,713,120
Liabilities					
Policyholders' funds	435,318	40,220	228,971	488,533	1,193,042
Due to bank and other financial institutions	183,810	505,719	523,280	-	1,212,809
Securities sold under agreement to repurchase	13,679,281	38,883	-	-	13,718,164
Approved deposit administration funds	685,365	-	-	-	685,365
Minority interest	-	-	-	346,053	346,053
Other	823,417	259,983	(17,994)	2,039,089	3,104,495

Total liabilities	15,807,191	844,805	734,257	2,873,675	20,259,928
On balance sheet interest sensitivity gap	(4,732,645)	3,361,301	2,570,795	2,253,741	3,453,192
Cumulative interest sensitivity gap	(4,732,645)	(1,371,344)	1,199,451	3,453,192	

2002

	Up to One Year $'000	One to Five Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Total assets	12,871,947	851,567	1,583,633	3,416,126	18,723,273
Total liabilities	11,880,675	484,836	1,652,487	1,968,817	15,986,815
On balance sheet interest sensitivity gap	991,272	366,731	(68,854)	1,447,309	2,736,458
Cumulative interest sensitivity gap	991,272	1,358,003	1,289,149	2,736,458	

Non-

The Company
2003

	Up to One Year $'000	One to Five Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets					
Cash and bank balances	81,087	-	-	-	81,087
Securities purchased under agreements to resell	297,305	152,499	-	-	449,804
Investments	263,097	239,440	960,018	804,799	2,267,354
Investment in subsidiaries	-	-	-	2,677,052	2,677,052
Investments in					

associated companies	-	-	-	(3,699)	(3,699)
Other	-	-	-	1,001,164	1,001,164
Total assets	641,489	391,939	960,018	4,479,316	6,472,762
Liabilities					
Policyholders' funds	1,120,683	40,220	228,971	488,533	1,878,407
Other	405,653	-	-	735,510	1,141,163
Total liabilities	1,526,336	40,220	228,971	1,224,043	3,019,570
On balance sheet interest sensitivity gap	(884,847)	351,719	731,047	3,255,273	3,453,192
Cumulative interest sensitivity gap	(884,847)	(533,128)	197,919	3,453,192	

The Company
2002

	Up to One Year $'000	One to Five Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Total assets	546,025	435,261	1,395,629	3,086,075	5,462,990
Total liabilities	603,203	109,980	1,185,952	827,397	2,726,532
On balance sheet interest sensitivity gap	(57,178)	325,281	209,677	2,258,678	2,736,458
Cumulative interest sensitivity gap	(57,178)	268,103	477,780	2,736,458	

The table below summarises the effective interest rate by major currencies for financial instruments of the Group and the company.

	The Group					The Company				
	J$	US$	CAN$	GBP	Other	J$	US$	CAN$	GBP	Other
	%	%	%	%	%	%	%	%	%	%
Cash and balances due from other banks	25.0	6.0	1.1	2.2	1.9	-	-	-	-	-
Cash reserve at Bank of Jamaica	-	0.5	-	2.8	-	-	-	-	-	-
Cash resources	3.2	1.5	-	-	-	3.2	1.5	-	-	-
Trading securities	33.8	11.7	-	-	9.5	-	-	-	-	-
Investments	22.9	11.7	-	-	10.2	24.6	11.9	-	-	3.4
Securities purchased under agreements to resell	26.2	-	-	-	-	21.6	-	-	-	-
Mortgage loans	23.0	-	-	-	-	23.0	-	-	-	-
Policy loans	16.0	-	-	-	-	16.0	-	-	-	-
Other loans and leases	20.4	10.8	-	-	-	21.0	-	-	-	-
Liabilities										
Bank overdraft	22.7	-	-	-	-	22.7	-	-	-	-
Loans	23.0	-	-	-	-	21.0	10.0	-	-	-
Due to banks and other financial institutions	7.0	6.6	-	-	6.6	-	-	-	-	-
Customer deposits	14.3	5.4	-	3.3	-	-	-	-	-	-
Securities sold under agreements to repurchase	25.7	7.1	-	-	-	-	-	-	-	-

(b) 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

2003

	Jamaican $ J$'000	US$ J$'000	GBP J$'000	Other J$'000	Total J$'000
Assets					
Cash and balances due from other banks	15,004	112,026	-	16,473	143,503
Cash and bank balances	90,920	3,763	368	42	95,093
Investments (excluding investments in subsidiaries and associated companies)	12,075,296	6,667,538	-	412,702	19,155,536
Investment properties	1,585,759	-	-	-	1,585,759
Other	2,503,810	212,456	-	16,963	2,733,229
Total assets	16,270,789	6,995,783	368	446,180	23,713,120
Liabilities					
Due to other banks and other financial institutions	471,290	451,862	-	289,657	1,212,809
Customer deposits	196,289	391,336	10,298	-	597,923
Other liabilities	2,757,515	261,014	-	1,038	3,019,567
Loans	503,120	99,588	-	-	602,708
Securities sold under agreements to repurchase	8,796,358	4,876,500	-	45,306	13,718,164
Minority interest	346,053	-	-	-	346,053
Other	662,623	70,178	6	29,897	762,704
Total liabilities	13,733,248	6,150,478	10,304	365,898	20,259,928
Net position	2,537,541	845,305	(9,936)	80,282	3,453,192

2002

Total assets	13,003,062	5,443,542	15	276,434	18,723,053
Total liabilities	10,971,290	4,733,539	-	281,766	15,986,595
Net position	2,031,772	710,003	15	(5,332)	2,736,458

(b) Currency risk

The Company

2003

	Jamaican $ J$'000	US$ J$'000	Other J$'000	Total J$'000
Assets				
Cash and bank balances	74,311	6,734	42	81,087
Investments (excluding investments in subsidiaries and associated companies)	2,152,841	560,162	4,155	2,717,158
Other	3,666,809	2,324	5,384	3,674,517
Total assets	5,893,961	569,220	9,581	6,472,762
Liabilities	2,757,517	261,014	1,039	3,019,570
Net position	3,136,444	308,206	8,542	3,453,192

2002

Total assets	5,457,409	5,447	134	5,462,990
Total liabilities	2,722,258	4,274	-	2,726,532
Net position	2,735,151	1,173	134	2,736,458

(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 premiums receivable. There is a credit policy in place to minimise 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 summarises the credit exposure of the banking subsidiary to businesses and government by sectors:

	Loans & Leases	Guarantees and letters of credit	Total 2003	Total 2002
	$'000	$'000	$'000	$'000
Agriculture, fishing and mining	41,244	-	41,244	175,908
Construction and real estate	23,605	19,632	43,237	94,903
Distribution	144,361	2,307	146,668	87,187
Manufacturing	171,910	24,640	196,550	398,723
Personal	43,585	13,041	56,626	145,729
Professional and other services	193,807	-	193,807	198,299
Tourism and entertainment	627,576	1,783	629,359	614,675
Transportation storage and communication	11,755	500	12,255	3,525
Other	-	1,530	1,530	-
Total	1,257,843	63,433	1,321,276	1,718,949
Total provision	(115,347)	-	(115,347)	(159,169)
Net	1,142,496	63,433	1,205,929	1,559,780

(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 group and the company has significant exposure to market risk on its portfolio of investments which could fluctuate based on changes in market interest rates. In particular, the banking subsidiary is exposed to market risk existing from open positions in interest rate currency and equity products.

(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, as far as is possible, the group matches the maturity of invested assets to the maturity of policy liabilities as far as possible.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the group. It is unusual for insurance companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The following tables analyse assets and liabilities of the group and the company into relevant maturity groupings based on the remaining period, at balance sheet date, to contractual maturity date.

The Group
2003

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets					
Cash and bank balances	221,642	-	-	-	221,642
Cash reserve at Bank of Jamaica	16,941	-	-	-	16,941
Securities acquired under reverse repurchase agreements	3,005,914	3,957,401	-	-	6,963,315
Investments	696,391	2,081,111	6,076,986	3,337,733	12,192,221
Investment properties	-	-	-	1,585,759	1,585,759
Investments in associated companies	-	-	-	59,382	59,382
Other	200,391	1,581,803	386,334	505,332	2,673,860
Total assets	4,141,279	7,620,315	6,463,320	5,488,206	23,713,120

Liabilities					
Policyholders' funds	177,069	431,756	126,976	1,142,606	1,878,407
Securities sold under repurchase agreements	9,924,087	3,755,194	38,883	-	13,718,164
Minority interest	-	-	-	346,053	346,053
Other	1,919,883	560,324	1,209,087	628,010	4,317,304
Total liabilities	12,021,039	4,747,274	1,374,946	2,116,669	20,259,928
Net Liquidity Gap	(7,879,760)	2,873,041	5,088,374	3,371,537	3,453,192
Cumulative Liquidity Gap	(7,879,760)	(5,006,719)	81,655	3,453,192	

The Group
2002

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Total assets	7,484,968	5,821,295	792,590	4,624,200	18,723,053
Total liabilities	(7,220,180)	(5,367,785)	(991,022)	(2,407,608)	(15,986,595)
Net Liquidity Gap	264,788	453,510	(198,432)	2,216,592	2,736,458
Cumulative Liquidity Gap	264,788	718,298	519,866	2,736,458	

The Company
2003

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets					
Cash and bank balances	81,087	-	-	-	81,087
Securities acquired under reverse repurchase agreements	297,305	152,499	-	-	449,804
Investments	56,827	81,749	1,384,306	744,472	2,267,354

Investment in subsidiaries	-	-	-	2,677,052	2,677,052
Investments in associated companies	-	-	-	(3,699)	(3,699)
Other	182,788	157,789	280,526	380,061	1,001,164
Total assets	618,007	392,037	1,664,832	3,797,886	6,472,762
Liabilities					
Policyholders' funds	177,069	431,756	126,976	1,142,606	1,878,407
Other	538,574	161,841	343,043	97,705	1,141,163
Total liabilities	715,643	593,597	470,019	1,240,311	3,019,570
Net Liquidity Gap	(97,636)	(201,560)	1,194,813	2,557,575	3,453,192
Cumulative Liquidity Gap	(97,636)	(299,196)	895,617	3,453,192	

The Company
2002

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Total assets	774,722	149,639	351,117	4,187,512	5,462,990
Total liabilities	(819,432)	(455,176)	(123,759)	(1,328,165)	(2,726,532)
Net Liquidity Gap	(44,710)	(305,537)	227,358	2,859,347	2,736,458
Cumulative Liquidity Gap	(44,710)	(350,247)	(122,889)	2,736,458	

(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) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The group manages this risk ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

45. Litigation and Contingent liabilities

(a) The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters, when, in the opinion of management and its professional advisor, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both financial position and results of operations.

(b) Trafalgar Commercial Bank Limited, a former subsidiary of Pan Caribbean Financial Services Limited has been sued by two of its customers who have alleged that they are not indebted to the subsidiary and have sought declarations to that effect. The suit claims unqualified damages for fraud and breach of contract.

The subsidiary has filed a defense to the claim, denied the allegations and counter-claimed for the debt owing.

46. Financial Effects of Adopting International Financial Reporting Standards

The Group adopted International Financial Reporting Standards effective 1 January 2003. Prior to that date, the financial statements of the Group and the Company were prepared in accordance with Jamaican Generally Accepted Accounting Principles (JGAAP). The financial statements for the years ended 31 December 2001 and 31 December 2002 (the immediately preceding comparative period) have been restated to reflect the financial position and results under IFRS. The financial effects of conversion from JGAAP to IFRS are set out in the tables following:

(a) Effect on stockholders' equity as at 1 January 2002 (Date of transition to IFRS):

	The Group		
	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balances (i)	218,305	123,138	341,443
Cash reserve at Bank of Jamaica	9,531	-	9,531
Investments (i), (ii), (iii), (iv)	5,996,988	8,458,008	14,454,996
Taxation recoverable	75,764	-	75,764
Other assets (i), (v)	837,558	438,216	1,275,774
Property, plant and equipment (i), (iii)	100,391	106,713	207,104
Deferred tax assets (vi)	-	26,092	26,092
Retirement benefit assets (vii)	-	31,740	31,740
Segregated Funds' assets	33,761	-	33,761
Intangible assets (viii)	55,017	1,228	56,245
	7,327,315	9,185,135	16,512,450
STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	300,000	-	300,000
Share premium	49,723	-	49,723
Capital redemption reserve	3,000	-	3,000
Insurance and banking reserves	165,339	-	165,339
General reserve (ix)	2,100	(2,100)	-
Loan loss reserve (x)	-	53,290	53,290
Investment and other reserves (ii), (iii), (iv)	716,990	(428,713)	288,277
Dividends proposed (xi)	-	76,000	76,000
Retained earnings (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x)	1,337,272	222,034	1,559,306
	2,574,424	(79,489)	2,494,935
Policyholders' funds	2,120,368	-	2,120,368
Bank overdrafts	22,756	-	22,756

Due to related parties	6,727	-	6,727
Taxation payable	445	-	445
Other liabilities (i), (xi)	2,363,546	9,082,716	11,446,262
Deferred tax liabilities (vi)	-	66,684	66,684
Segregated Funds' liabilities	33,761	-	33,761
Long term loans	63,919	-	63,919
Retirement benefit liabilities (vii)	-	49,940	49,940
Minority interest (iv)	141,369	65,284	206,653
	7,327,315	9,185,135	16,512,450

(a) Effect on stockholders' equity as at 1 January 2002 (Date of transition to IFRS):

	The Company		
	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balances	42,771	-	42,771
Investments (ii), (iii), (iv)	4,309,639	(130,896)	4,178,743
Due from related parties	87,233	-	87,233
Taxation recoverable	75,443		75,443
Other assets (v)	421,716	(3,322)	418,394
Property, plant and equipment (iii)	30,703	-	30,703
Deferred tax assets (vi)	-	167	167
Retirement assets (vii)	-	24,225	24,225
Segregated Funds' assets	33,761	-	33,761
Intangible assets (viii)	55,017		55,017
	5,056,283	(109,826)	4,946,457
STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	300,000	-	300,000
Share premium	49,723	-	49,723
Capital redemption reserve	3,000	-	3,000
Insurance and banking reserves	165,339	-	165,339
General reserve (ix)	2,100	(2,100)	-

Investment and other reserves (ii), (iii), (iv)	716,990	(428,713)	288,277
Loan loss reserve (x)	-	53,290	53,290
Dividends proposed (xi)	-	76,000	76,000
Retained earnings (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (X)	1,337,272	222,034	1,559,306
	2,574,424	(79,489)	2,494,935
Policyholders' funds	2,120,368	-	2,120,368
Bank overdraft	16,402	-	16,402
Other liabilities (xi)	251,384	(76,000)	175,384
Deferred tax liabilities (vi)	-	2,444	2,444
Segregated Funds' liabilities	33,761	-	33,761
Long term loans	59,944	-	59,944
Retirement benefit liabilities (vii)	-	43,219	43,219
	5,056,283	(109,826)	4,946,457

(b) Effect on stockholders' equity as at 31 December 2002:

The Group

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balances (i)	245,113	(26,947)	218,166
Cash reserve at Bank of Jamaica	11,055	-	11,055
Investments (i), (ii), (iii), (iv)	6,235,049	10,167,733	16,402,782
Taxation recoverable (i)	112,083	27,178	139,261
Other assets (i), (v)	825,696	447,560	1,273,256
Property, plant and equipment (i), (iii)	211,042	74,971	286,013
Deferred tax assets (vi	-	81,566	81,566
Retirement benefit assets (vii)	-	51,923	51,923
Segregated Funds' assets	44,225	-	44,225
Intangible assets (viii)	202,532	12,274	214,806
	7,886,795	10,836,258	18,723,053

STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	300,258	-	300,258
Share premium	49,917	-	49,917
Capital redemption reserve	3,000	-	3,000
Insurance and banking reserves	266,798	-	266,798
General reserve (ix)	8,568	(8,568)	-
Loan loss reserve (x)	552,421	(345,523)	206,898
Investment and other reserves (ii), (iii), (iv)	-	87,667	87,667
Dividends proposed (xi)	-	50,443	50,443
Retained earnings (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (X)	1,663,147	108,330	1,771,477
	2,844,109	(107,651)	2,736,458
Policyholders' funds	1,899,135	-	1,899,135
Bank overdrafts	10,831	-	10,831
Due to related parties	4,431	-	4,431
Taxation payable	5,444	-	5,444
Other liabilities (i), (xi)	2,655,261	10,814,787	13,470,048
Deferred tax liabilities (vi)	-	47,614	47,614
Segregated Funds' liabilities	44,225	-	44,225
Long term loans	-	56,447	56,447
Retirement benefit liabilities (vii)	134,645	-	134,645
Minority interest (iv)	288,714	25,061	313,775
	7,886,795	10,836,258	18,723,053

(b) Effect on stockholders' equity as at 31 December 2002:

	The Company		
	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balance	42,556	-	42,556
Investments (ii), (iii), (iv)	4,592,271	(101,699)	4,490,572

Due from related parties	113,342	-	113,342
Taxation recoverable	111,752	-	111,752
Other assets (v)	393,107	(771)	392,336
Property, plant and equipment (iii)	25,598		25,598
Deferred tax assets (vi)	-	128	128
Retirement assets (vii)	-	39,949	39,949
Segregated Funds' assets	44,225	-	44,225
Intangible assets (viii)	202,532		202,532
	5,525,383	(62,393)	5,462,990
STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	300,258	-	300,258
Share premium	49,917	-	49,917
Capital redemption reserve	3,000	-	3,000
Insurance and banking reserves	266,798	-	266,798
General reserve (ix)	8,568	(8,568)	-
Investment and other reserves (ii), (iii), (iv	552,421	(345,523)	206,898
Loan loss reserve (x)	-	87,667	87,667
Dividends proposed (xi)	-	50,443	50,443
Retained earnings (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (X)	1,663,147	108,330	1,771,477
	2,844,109	(107,651)	2,736,458
Policyholders' funds	1,899,135	-	1,899,135
Bank overdraft	6,646	-	6,646
Taxation payable	3,589	-	3,589
Other liabilities (xi)	677,985	(6,191)	671,794
Deferred tax liabilities (vi	-	3,155	3,155
Segregated Funds' liabilities	44,225	-	44,225
Long term loans	49,694	-	49,694
Retirement benefit liabilities (vii)	-	48,294	48,294
	5,525,383	(62,393)	5,462,990

(c) Reconciliation of net profit at 31 December 2002:

The Group

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Income			
Insurance	1,420,763	(3,119)	1,417,644
Property investment and management	341,465	(92,467)	248,998
Merchant banking	554,746	1,296,438	1,851,184
	2,316,974	1,200,852	3,517,826
Policy Benefits and Expenses			
Policyholders' benefits and reserves	875,203	-	875,203
Commissions	82,273	-	82,273
Management expenses	680,463	(78,790)	601,673
	1,637,939	(78,790)	1,559,149
Operating Profit	679,035	1,279,642	1,958,677
Share of results of associated companies	2,148	4,537	6,685
Interest expense	(130,371)	(1,295,286)	(1,425,657)
	550,812	11,107	539,705
Transfer from investment reserve	62,905	(62,905)	-
Profit before Taxation	613,717	(74,012)	539,705
Taxation	(22,154)	8,659	(13,495)
Profit after Taxation	591,563	(65,353)	526,210
Minority Interest	64,243	(18,259)	(82,502)
Net Profit	527,320	(83,612)	443,708

The Company

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Profit before taxation	430,792	30,883	461,675
Taxation	(21,500)	3,533	(17,967)
Net Profit	409,292	34,416	443,708

(i) Funds under management by the banking subsidiary which were previously recorded as off-balance sheet under Jamaican GAAP are now recognized on the balance sheet.

(ii) Financial assets classified as originated loans and available-for-sale under IFRS are carried at their amortised cost and fair values respectively. Originated loans are carried at their amortised cost using the effective yield method. The Unrealised gains/losses as a result of the remeasurement of the available-for-sale investments to fair value are recognised in the cumulative re-measuremcnt result from available-for-sale financial assets.

(iii) Investment properties are held for rental or capital appreciation purposes, are carried at fair value and are not depreciated. Under IFRS, the owner-occupied portion of investment properties has been transferred to property, plant and equipment and is being depreciated over the remaining useful life. In addition, investment properties classified as land awaiting development which were previously recorded at cost are now being carried at fair value.

Changes in the fair values of the investment properties which were previously taken to capital reserves, are now being recorded in the profit and loss account, and are included in other operating income or expenses.

Depreciation charge on investment properties which was previously classified as property, plant and equipment has been written back to the statement of operations under direct expenses. In addition, depreciation charge on the owner occupied portion of investment properties has now been included in direct expenses.

(iv) The investment in subsidiaries, investment in associated companies, minority interest in the group's subsidiaries and related reserves were adjusted to reflect the effect of changes in the net assets of the subsidiaries and associated companies associated with their adoption of IFRS.

(v) Assets which did not qualify for recognition under IFRS were written off.

(vi) No provision for deferred tax was recognised under previous Jamaican GAAP. Under IFRS, full provision is made for deferred tax on all temporary differences using the liability method.

(vii) Assets and liabilities arising under defined benefit pension plans and other post-retirement benefit obligations were not recognised under previous Jamaican GAAP. They are recognised under IFRS based on valuations carried out by independent actuaries using the projected unit credit method.

(viii) Under IFRS, costs that are directly associated with identifiable and unique software products controlled by the group for which there are probable economic benefits exceeding the cost beyond one year, have been recognised as intangible assets.

(ix) Under Jamaican GAAP grants received for the purchase of equipment were recorded in the general reserve and amortised to the statement of operations based on the annual depreciation provided on the equipment. Under IFRS, grants are deducted in arriving at the carrying amount of the asset, and are recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

(x) The methodology for determining the provision for credit losses under IFRS differs from Bank of Jamaica regulatory requirements. The IFRS methodology involves discounting of projected future cash flows of principal and interest at the original effective interest value of the loans. The Bank of Jamaica regulatory requirements differ from IFRS in that they prescribe specific valuation rules for collateral and do not involve discounting of cash flows. The excess of the regulatory provision for credit losses over the IFRS provision is dealt with in a non-distributable loan loss reserve in stockholders' equity.

(xi) Under Jamaican GAAP dividends proposed were recorded in liabilities. Under IFRS dividends proposed are recorded in equity.

47. Subsequent Events

(a) Subsequent to the year-end, Life of Jamaica (LOJ) announced its intention to acquire the insurance business of the Company along with the Company's shareholding in Pan Caribbean Financial Services Limited. Both parties have also signed a Memorandum of Understanding supporting their intention.

(b) On 31 December 2003, the company executed a binding agreement to merge with Manufacturers Investments Limited (MIL) subject to regulatory approval. In February 2004, the shareholders of the company authorised the creation of 275 million new shares to consummate the MIL transaction. In March 2004, the Minister of Finance granted his approval and the company issued shares to MIL's shareholders thereby legally concluding the merger.