Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2003

1. Identification and Principal Activities

(a) Pan-Jamaican Investment Trust Limited is a limited liability company incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange.

(b) The main activity of the company is the direction and control of the operations of its subsidiaries and associated companies. The company's income consists mainly of dividends, interest income and management fees earned from its subsidiaries and associated companies. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

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

	Principal Activities	Proportion of issued equity capital held by	
		Company	Subsidiary
Subsidiaries			
First Life Insurance Company Limited	Life and Health Insurance	73%	
Jamaica Property Company	Office Rental		100%
Jamaica Property Development	Property Management		100%
Jamaica Property Management	Property Management		100%
Pan Caribbean Financial			

Services Limited	Merchant Banking	100%	
Pan Caribbean Merchant Bank Limited	Merchant Banking		100%
Pan Caribbean Investments Limited	Financial Services		100%
Portfolio Partners Limited	Investment Management		100%
Jamaican Floral Exports Limited	Horticulture	80%	
Jamaican Heart Limited	Horticulture		100%
Pan-Jamaican Mortgage Society Limited	Financial Services	100%	
Scotts Preserves Limited	Distribution	100%	
Busha Browne's Company Limited	Distribution		100%
Busha Browne's Company Limited (incorporated in the Bahamas)	Dormant	100%	
Scotts of Jamaica Limited	Dormant		100%
Panacea Insurance Company Limited (Incorporated in the Cayman Islands)	Captive Insurance	100%	
Associated Companies			
Hardware & Lumber Limited	Trading	25%	
St Andrew Developers Limited	Property Development		66 2/3%
Impan Properties Limited	Office Rental		20%
Knutsford Holdings Limited	Office Rental		28%
Employee Benefits Administrator Limited	Dormant		50%

(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) All the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica, except as otherwise indicated.

(f) 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. In particular, 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 37. These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-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.

(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. 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.

(ii) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method, the company's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account 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.

(iii) Joint venture

Interests in assets, liabilities and earnings of jointly controlled ventures are included in these financial statements using the proportional consolidation method, eliminating material related party balances.

(c) Income

(i) Investment income

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.

Dividend income is recognised when the right to receive payment is established.

(ii) Premium income

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

Amounts collected as premiums from investment type contracts are reported as deposits. Revenue from these contracts consist of policy fees for the cost of insurance, administration and surrenders during the period.

Revenues from investment management and administrative service provided are based on contractual fee arrangements and are recognised as earned when the service has been provided.

(iii) Fee and commission income

Fee and commission income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down, are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. 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.

(iv) Manufacturing and distribution income

Revenue is recognised upon customer acceptance of delivery of products and performance of services, net of General Consumption Tax and discounts and after eliminating sales within the Group.

(v) Rental income
This comprises the invoice value of rental and maintenance charges net of General Consumption Tax and is recognised on an accrual basis.

(d) Expenses
Expenses are charged to income as incurred except for amounts allocated to lands awaiting development, construction in progress and developments for sale, subject to carrying costs not exceeding realisable value.

(e) 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 profit and loss account.

(f) Taxation
Taxation on the profit for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss 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.

(g) 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 determination of the fair values of the Group's and the company's financial instruments are discussed in Note 34.

(h) 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 balances, deposits held on call with banks and bank overdrafts.

(i) 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 profit and loss account.

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 profit and loss account.

(iii) Securities purchased under agreements to resell

Securities purchased under agreements to resell 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 profit and loss.

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.

(v) Investment in subsidiaries and associated companies

Investments by the holding company in subsidiaries are stated at cost.

The associated companies are accounted for by the equity method. By this method, the Group's share of profits is included in the Group profit before taxation and the tax attributable to the share of profits is included in the Group's tax charge.

In the Group's and company's balance sheets, the investments are included at cost plus the share of reserves arising since acquisition of the investment.

The group's investment in St Andrew Developers Limited is intended to be short term and, as such, is accounted for on the equity method.

(j) 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 profit and loss account 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 profit and loss account 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.

(k) Grants

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

(l) 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 over their expected useful lives.

The rates are as follows:

Leasehold improvements	Life of lease
Furniture, fixtures & fittings	10% & 12.5%
Equipment	10%
Computer hardware & software	20%
Leased assets	Life of lease
Motor vehicles	14.29% & 20%

Land is not depreciated as it is deemed to have an indefinite life. Gains and losses arising from the disposal of property, plant and equipment are determimed by reference to their carrying amount and are taking into account in determining operating profit. Repairs and maintenance expenditure is charged to the profit and loss account as incurred.

(m) Employee benefits

(i) Pension

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 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 profit and loss account 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 profit and loss account over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the profit and loss account in the period to which they relate.

(ii) Other post-retirement obligations

The Group also provides supplementary health, dental 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 rendered 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 failing due more than twelve (12) months after the balance sheet date are discounted to present value.

(n) Segregated funds

Segregated funds' assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. Investment income and both realised and unrealised gains and losses accrue directly to the policyholders. The assets of each account are segregated and are not subject to claims that arise out of any other business of the company. Deposits, withdrawals, net investment income and realised gains and losses, together with the increase or decrease in the market value of investments related to segregated policies are carried to policyholders' liabilities.

(o) 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.

Any 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) 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.

(p) Investment reserve

Unrealised gains and losses on available-for-sale securities are taken to stockholders' equity. 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 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. Actuarial surpluses/deficits are transferred to/from the profit and loss account.

(ii) Claims

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

(iii) 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 profit and loss account 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 Group'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.

(s) Provisions

Provisions are recognised when the 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) 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.

(v) 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.

(w) 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 reflect the requirements of IFRS; (Note 37).

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 four 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.

(d) Distribution - This includes the wholesale and retail distribution of hardware, household and agricultural products and equipment.

(e) Other activities include the provision of construction related equipment and janitorial services, the manufacturing and distribution of preserves, juices and other condiments and procurement services.

2003

	Insurance and Pension Management Services $'000	Banking and other Financial Services $'000	Property Management Services $'000	Distribution $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	1,717,523	2,943,898	488,868	1,388,214	4,473	-	6,542,976
Revenue from other segments	8,461	-	111,259	-	14,810	(134,530)	-
Total revenues	1,725,984	2,943,898	600,127	1,388,214	19,283	(134,530)	6,542,976
Operating profit	399,814	340,503	180,377	55,324	11,338	(90,895)	896,461
Share of results of associated companies before taxation	-	-	5,536	-	-	-	5,536
Profit on disposal of subsidiary	-	-	148,336	-	-	(85,002)	63,334
Profit before taxation	399,814	340,503	334,249	55,324	11,338	175,897	965,331
Taxation	(36,205)	2,444	(23,655)	(13,684)	32,168	-	(38,932)
Profit after taxation	363,609	342,947	310,594	41,640	43,506	(175,897)	926,399
Minority interest							(274,220)
Net profit							652,179
Segment assets	3,363,947	18,404,713	2,673,744	-	120,164	(380,043)	24,182,525
Segment liabilities	3,346,956	17,588,434	377,163	-	260,157	(380,043)	21,192,667

Other segment items:							
Capital expenditure	3,601	11,980	79,826	-	-	-	95,407
Depreciation	9,326	5,099	3,345	12,812	432	-	31,014
Amortisation	12,260	1,658	-	-	-	-	13,918

2002

	Insurance and Pension Management Services $'000	Banking and other Financial Services $'000	Property Management Services $'000	Distribution $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	1,409,302	1,848,894	273,007	1,628,081	999	-	5,160,283
Revenue from other segments	8,342	2,290	115,566	-	17,740	143,938	-
Total revenues	1,417,644	1,851,184	388,573	1,628,081	18,739	(143,938)	5,160,283
Operating profit	319,668	274,862	25,560	61,368	(717)	(79,032)	601,709
Share of results of associated companies before taxation	-	-	6,685	-	-	-	6,685
Profit before taxation	319,668	274,862	32,245	61,368	(717)	(79,032)	608,394
Taxation	(22,251)	15,461	(28,961)	(12,476)	-	-	(48,227)
Profit after taxation	297,417	290,323	3,284	48,892	(717)	(79,032)	560,167
Minority interest							(205,145)
Net profit							355,022
Segment assets	2,901,292	14,055,830	2,372,229	714,008	28,170	(532,839)	19,538,690
Segment liabilities	3,037,720	13,762,199	357,234	400,501	177,316	(532,839)	17,202,131
Other segment items:							
Capital expenditure	4,412	41,631	75,185	4,182	534	-	125,944
Depreciation	11,627	4,005	2,151	14,421	138	-	32,342
Amortisation	12,485	750	-	-	-	-	13,235

5. Discontinued Operation

On 30 September 2003, the Group sold the majority of its shareholdings in Hardware & Lumber Limited, which comprised its distribution segment. The results, cash flows and net assets of this subsidiary were as follows:

	9 months to 30 September 2003 $'000	12 months to 31 December 2002 $'000
Sales	1,388,214	1,628,081
Operating costs	(1,301,607)	(1,562,837)
Profit from operations	86,607	65,244
Other income	4,381	14,505
Finance cost	(35,664)	(18,381)
Profit before tax	55,324	61,368
Tax	(13,684)	(12,476)
Profit after taxation	41,640	48,892

	30 September 2003	31 December 2002
Operating cash flows	(31,410)	16,758
Investing cash flows	(1,293)	(2,631)
Financing cash flows	(86,756)	(33,994)
Total cash flows	(119,459)	(19,867)

	30 September 2003 $'000	31 December 2002 $'000
Plant, property and equipment	155,542	166,340
Retirement benefit assets	8,775	5,998
Deferred tax assets	3,013	3,434
Receivables	159,054	139,445
Inventories	422,782	363,727
Other assets	7,950	35,064
Total assets	757,116	714,008
Total liabilities	(406,988)	(400,501)
Net assets	350,128	313,507

The profit on disposal was determined as follows:

	$'000
Proceeds from disposal	171,005
Net assets disposed	(107,671)
Profit on disposal	63,334

The net cash inflow on sale is determined as follows:

	$'000
Proceeds from sale	171,005
Add: Net bank overdraft	127,527
Net cash inflow on sale	298,532

6. 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	-	-
Investment income tax at 7 1/2%	32,290	15,698	-	-
Current income tax at 33 1/3%	18,331	8,776	-	-
Share of tax of associates	2,516	804	1,680	-
Adjustment to prior year estimate	(654)	120	-	-
Deferred income taxes (note 18)	(19,560)	17,026	8,372	22,256
	38,932	48,162	10,052	22,256
Stamp duties	-	65	-	-
	38,932	48,227	10,052	22,256

Subject to agreement with the Taxpayer Audit and Assessment Department, the group has losses available for offset against future taxable profits amounting to approximately $97,857,000 (2002 - $151,758,000).

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

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Insurance operations				
Premium tax				
Gross premium income	1,420,766	1,275,910	-	-
Tax at 1 1/2 %	21,311	19,139	-	-
Income not subject to tax	(15,729)	(13,826)	-	-
Amounts on deposit	323	280	-	-
Premium tax on segregated funds deposits	104	145	-	-
	6,009	5,738	-	-
Investment income tax				
Gross investment income	311,933	224,044	-	-
Tax at 7 1/2 %	23,395	16,803	-	-
Deductible expenses	(77,133)	(74,778)	-	-
Expenses not deductible for tax purposes	4,667	2,243	-	-
Other income taxable at 7 1/2 %	82,167	71,610	-	-
Effect of different tax regime applicable to life insurance operations			-	-
Net effect of other charges and allowances	(2,900)	570	-	-
	30,196	16,448	-	-
Other operations				
Current income tax				
Profit before tax	753,248	393,153	218,361	87,116

Tax at 33 1/3 %	251,083	131,051	72,787	29,039
Income not subject to tax	(201,096)	(166,524)	(5,700)	(3,910)
Expenses not deductible for tax purposes	31,278	78,124	1,351	2,297
Profit on disposal of subsidiary	(21,111)	-	(49,446)	-
Tax losses carried forward not utilised	(36,886)	(8,135)	-	-
Net effect of other charges and allowances	(22,403)	(9,399)	(10,620)	(5,170)
	865	25,117	8,372	22,256
Adjustment for prior year provision	(654)	120	-	-
Share of tax of associates	2,516	804	1,680	-
Income tax expense	38,932	48,227	10,052	22,256

7. Net Profit and Unappropriated Profits Attributable to Stockholders

This is stated after charging/(crediting):

	2003 $'000	2002 $'000
Directors'emoluments -		
Fees	153	264
Management remuneration (included in staff costs)	43,341	40,127
Auditors' remuneration -		
Current year	15,624	13,400
Prior year	725	(290)
Depreciation	31,014	32,342
Provision for credit losses	42,013	7,439
Amortisation of goodwill	13,918	13,235
Staff costs (Note 8)	406,320	436,415
Loss/(gain) on disposal of property, plant and equipment	163	(1,507)
Bad debt expenses	19,107	7,969

8. Staff Costs

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Wages and salaries	322,008	336,220	35,948	28,453
Payroll taxes	30,098	30,905	1,814	1,386
Pension costs (Note 22(b))	4,806	(17,610)	4,930	(6,996)
Other post retirement benefits (Note 22(c))	(1,985)	10,130	399	346
Redundancy costs	1,631	30,667	-	-
Other	49,762	46,103	1,619	2,464
	406,320	436,415	44,710	25,653

Number of employees at the end of the year:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
	No.	No.	No.	No.
Regular	149	316	8	10
Contract	16	365	-	-
	165	681	8	10

9. Earnings per Stock Unit

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

	2003	2002
Net profit attributable to stockholders ($'000)	652,179	355,022
Weighted average number of stock units in issue (thousands)	172,119	171,702
Basic earnings per stock unit	$3.79	$2.07

For fully diluted EPS, the weighted average number of 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.

Fully diluted EPS was calculated as follows:

	2003	2002
Net profit attributable to stockholders ($'000)	652,179	355,022
Interest earned on income from conversion (net of tax) ($'000)	484	297
Dividends on preference shares ($'000)	54	54
Net profit used to determine diluted earnings per stock unit ($'000)	652,717	355,373
Weighted average number of ordinary shares in issue (thousands)	172,119	171,702
Adjustments for - assumed conversion of preference shares (thousands)	1,100	825
- share options (thousands)	39	39
Weighted average number of shares for diluted earnings per stock unit (thousands)	173,258	172,566
Fully diluted earnings per stock unit	$3.77	$2.05

10. 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 and bank balances	225,040	234,012	122,693	54,535
Short term deposits	4,505	5,709	-	-
Investment securities (Note 12(c))	223,437	170,987	171,913	147,112
Securities purchased under agreements to resell (Note 13)	297,305	327,359	-	-
Bank overdrafts	(38,203)	(76,339)	(1,618)	-
	712,084	661,728	292,988	201,647

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.

11. Cash Reserve at Bank of Jamaica

In the banking subsidiary, a prescribed minimum of 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.

12. Investment Securities

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Trading:				
Government of Jamaica	487,398	59,384	-	-
Available-for-sale:				
Debt securities -				
Government of Jamaica	1,783,523	2,277,336	134,045	114,864
Corporate debentures	17,994	185,380	-	-
Equity securities -				
Quoted	89,510	138,157	4,342	3,829
Unquoted	142,383	108,723	-	-
	2,033,410	2,709,596	138,387	118,693
Originated debt:				
Debt securities -				
Government of Jamaica	8,579,202	6,287,659	-	-
Corporate debentures	41,780	37,173	33,526	28,419
	8,620,982	6,324,832	33,526	28,419
	11,141,790	9,093,812	171,913	147,112

(a) Corporate debentures are shown net of provision for impairment losses of $50,832,000 (2002 - $50,832,000) for the group.

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

(i) Local Registered Stocks valued at $100,000,000 (2002 - $100,000,000) have been pledged by the insurance subsidiary with 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 insurance subsidiary.

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

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

(c) 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	170,987
	========	========

(d) Available-for-sale securities include unquoted equities with carrying values totalling $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.

13. Securities Purchased under Agreements to Resell

The group entered into collateralised reverse repurchase agreements (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.

14. Loan and Lease Receivables

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Mortgage loans	13,111	14,287	-	-
Policy loans	34,076	32,470	-	-
Other loans	1,305,333	1,431,772	-	-
Leases	29,668	58,976	-	-
	1,382,188	1,537,505	-	-
Less: Provision for impairment losses	(118,837)	(160,850)	-	-
	1,263,351	1,376,655	-	-

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

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Not later than one year	22,019	28,164	-	-
Later than one year and not later than five years	7,649	30,812	-	-
	29,668	58,976	-	-

15. Investment Property

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At 1 January, as restated	1,378,506	1,460,593	-	-
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	14,990	(17,385)	-	-
Fair value gains/(losses)	71,535	(83,188)	-	-
At 31 December	1,570,665	1,378,506	-	-

Repairs and maintenance expenditure in relation to investment properties amounted to $191,502,000 (2002 - $168,370,000) respectively for the Group.

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.

16. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Subsidiary companies -				
At cost				
First Life Insurance Company Limited	-	-	57,758	57,758
Hardware and Lumber Limited	-	-	-	46,314
Busha Browne's Company Limited	-	-	1	1
Scott's Preserves Limited	-	-	1	-
Panacea Insurance Company Limited	-	-	6,910	-
Jamaica Floral Exports Limited	-	-	3,000	3,000
Pan Jamaican Mortgage Society Limited	-	-	1	1
	-	-	67,671	107,074

Associated companies -				
St Andrew Developers Limited				
Shareholding at cost	266	266	-	-
Share of losses	(7,307)	(8,055)	-	-
Current account	4,297	3,579	-	-
	(2,744)	(4,210)	-	-
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	-	-
Hardware and Lumber Limited				
Shareholding at cost	22,296	-	22,296	-
Share of profit	736	-	736	-
Share of capital reserves	102,858	-	-	-
	125,890	-	23,032	-
	185,272	56,489	90,702	107,074

17. Due to/(from) Related Parties

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

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Subsidiaries:				
Busha Browne	-	-	111,390	80,522
Portfolio Partners Limited	-	-	575	575
First Life Insurance Company Limited	-	-	11,759	1,945
Pan Caribbean Merchant Bank Limited	-	-	121	19
Jamaica Property Company Limited	-	-	(1,729)	1,032
Scott's Preserves Limited	-	-	28,973	16
Hardware & Lumber Limited	-	-	-	2,700
Pan-Jamaican Mortgage Society	-	-	400	400
Jamaica Floral Export Limited	-	-	92,020	92,020
	-	-	243,509	179,229

(b) 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).

18. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate 33 1/3%, with the exception of the insurance subsidiary for which a rate of 7.5% is used.

Assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred tax assets	(55,545)	(85,000)	-	-
Deferred tax liabilities	80,842	66,634	25,183	16,811
Net liabilities/(assets)	25,297	(18,366)	25,183	16,811

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

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Net (asset)/liability at beginning of year	(18,366)	(14,062)	16,811	(5,445)
(Credited)/charged to profit and loss account (note 6)	(19,560)	17,026	8,372	22,256
Charged/(credited) to equity	63,223	(21,330)	-	-
Net liability/(asset) at end of year	25,297	(18,336)	25,183	16,811

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	5,892	8,736	6	6
Investment securities	41,365	65,911	-	-
Pensions and other post retirement benefits	8,799	10,697	5,441	4,707
Interest payable	274	342	93	121
Net lease obligations	810	395	-	-
Unrealised foreign exchange losses	3,853	1,497	3,853	-
Unutilised tax losses	71,705	35,774	-	-
Accrued vacation leave	-	1,096	-	-
Other	44	44	44	44
	132,742	124,492	9,437	4,878

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred income tax liabilities				
Property, plant and equipment	687	5,090	62	73
Investment securities	63,412	27,105	-	-
Pensions benefits	24,991	26,156	20,102	20,165
Tax depreciation on investment property	53,176	44,438	-	-
Unrealised foreign exchange gains	10,526	1,153	10,147	1,153
Interest receivable	5,247	476	4,309	298
Other	-	1,708	-	-
	158,039	106,126	34,620	21,689

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 $1,879,641,000 at 31 December 2003 (2002 - $1,424,419,000).

The amounts shown in the balance sheet include the following

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	106,440	95,249	3,952	4,751
Deferred tax assets to be recovered within 12 months	26,302	29,243	5,485	127
	132,742	124,492	9,437	4,878
Deferred tax liability to be recovered after more than 12 months	105,959	75,684	27,245	18,318
Deferred tax liability to be recovered within 12 months	52,080	30,442	7,375	3,371
	158,039	106,126	34,620	21,689
	25,297	(18,366)	25,183	16,811

19. Other Assets

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Interest receivable	1,514,864	683,893	12,928	3,211
Customers' liabilities under guarantees	63,433	301,995	-	-
Dividends receivable	-	-	-	39,938
Due from salesmen	21	-	-	-
Inventories	3,512	3,266	-	-
Trade receivables	-	125,288	-	-
Other receivables	279,777	576,035	7,595	8,351
Premiums receivable	101,590	88,683	-	-
Prepaid commissions	12	1,290	-	-
Work-in-progress	46,187	16,500	-	-
	2,009,396	1,796,950	20,523	51,500

(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) Trade receivables are stated net of provision for impairment losses of nil (2002 - $13,224,000).

(c) Other receivables for the group include amounts recoverable from reinsurers of $4,895,000 (2002 - $4,767,000

20. Property, Plant and Equipment

The Group

	Land & Buildings $'000	Leasehold Improvements $'000	Work in Progress $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Total $'000
Cost -						
1 January 2003	196,679	69,841	63,104	195,583	20,725	545,932
Additions	-	4,093	77,537	8,523	5,254	95,407
Reclassifications and transfers	(15,547)	(1,511)	(106,179)	1,511	-	(121,726)
Disposals	(23,554)	(42,788)	-	(113,702)	(14,639)	(194,683)
31 December 2003	157,578	29,635	34,462	91,915	11,340	324,930
Depreciation -						
1 January 2003	26,364	40,827	-	113,122	7,499	187,812
Charge for the year	6,269	5,423	-	13,934	5,388	31,014
Reclassifications and transfers	(557)	-	-	-	-	(557)
On disposals	(25,503)	(35,271)	-	(74,709)	(8,488)	(143,971)
31 December 2003	6,573	10,979	-	52,347	4,399	74,298
Net Book Value -						
31 December 2003	151,005	18,656	34,462	39,568	6,941	250,632
31 December 2002	170,315	29,014	63,104	82,461	13,226	358,120

The Company

	Leasehold Improvements $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Total $'000
Cost -				
1 January 2003	199	3,040	957	4,196
Additions	-	142	-	142
31 December 2003	199	3,182	957	4,338
Depreciation -				
1 January 2003	188	2,522	957	3,667
Charge for the year	4	141	-	145
31 December 2003	192	2,663	957	3,812
Net Book Value -				
31 December 2003	7	519	-	526
31 December 2002	11	518	-	529

21. 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 Group	
	2003	2002
	$'000	$'000
Cost, net of grant at 31 December	263,595	260,113
Accumulated amortisation	(59,225)	(45,307)
Net book value at 31 December	204,370	214,806

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.

22. Retirement Benefits

The company and its subsidiaries have established a number of pension 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
Assets				
Pension scheme	(119,645)	(118,415)	(60,305)	(60,495)
Liabilities				
Pension scheme (Note 22(b))	13,308	11,379	13,308	11,379
Other (Note 22(c))	55,667	69,006	3,016	2,742
	68,975	80,385	16,324	14,121

(a) Funded pension obligations

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	115,386	236,875	17,169	18,355
Fair value of plan assets	(357,147)	(417,113)	(99,171)	(87,605)
	(241,761)	(180,238)	(82,002)	(69,250)
Unrecognised actuarial gains	61,407	22,116	8,453	4,440
Limitation on asset recognised	60,709	39,707	13,244	4,315
Asset in the balance sheet	(119,645)	(118,415)	(60,305)	(60,495)

The pension plan assets includes investments in First Life Insurance Company Pooled Pension Fund, which has investments in ordinary stock units of the company with a fair value of $5,443,000 (2002 - $2,717,000).

The amounts recognised in the profit and loss account are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	5,959	10,449	907	900
Interest cost	16,615	26,522	2,223	1,827
Expected return on plan assets	(37,576)	(42,636)	(10,531)	(8,740)
Net actuarial gains recognised in year	-	(2,311)	-	-
Change in limitations on asset	29,833	(1,222)	8,939	2,884
Gains on curtailment	(13,417)	(10,313)	-	-
Total	1,414	(19,511)	1,538	(8,897)

The actual return on plan assets was $49,838,000 and $11,320,000 (2002 - $57,920,000 and $13,092,000) 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
At 1 January	(118,415)	(84,785)	(60,495)	(50,582)
Total expense, as above	1,414	(19,511)	1,538	(8,897)
Contributions paid	(8,641)	(14,119)	(1,348)	(1,016)
Curtailment	5,997	-	-	-
At 31 December	(119,645)	(118,415)	(60,305)	(60,495)

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	9.5-12.5	12.5	12.5
Future salary increases	10.0	10.0	10.0	10.0
Future pension increases	3.0-3.5	2.5-3.5	3.0	3.0

(b) Unfunded Pension Obligations

The amounts recognised in the balance sheet for additional pension benefits are as follows:

	The Group and the Company	
	2003	2002
	$'000	$'000
Present value of unfunded obligations	13,308	11,379

The amounts recognised in the profit and loss account are as follows:

	The Group and the Company	
	2003	2002
	$'000	$'000
Interest cost	3,392	1,901

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

	The Group and The Company	
	2003	2002
	$'000	$'000
Liability at 1 January	11,379	10,830
Total expense (see below)	3,392	1,901
Contributions paid	(1,463)	(1,352)
Liability at 31 December	13,308	11,379

The amounts included in staff costs for pension benefits is made up as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Funded scheme (Note 22(a))	1,414	(19,511)	1,538	(8,897)
Unfunded scheme (as above)	3,392	1,901	3,392	1,901
Total included in staff costs (Note 8)	4,806	(17,610)	4,930	(6,996)

(c) Other Post-retirement Benefits

In addition to pension benefits, the Group 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	58,673	95,331	2,996	2,854
Unrecognised actuarial losses	(3,006)	(26,325)	20	(112)
Liability in the balance sheet	55,667	69,006	3,016	2,742

The amounts recognised in the profit and loss account are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	2,277	2,623	54	43
Interest cost	8,068	7,507	345	303
Recognised actuarial losses	587	-	-	-
Gain recognised due to curtailment	(12,917)	-	-	-
Total included in staff costs (Note 8)	1,985	10,130	399	346

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
At 1 January	69,006	60,742	2,742	2,510
Total expense, as above	(1,985)	10,130	399	346
Contributions paid	(1,536)	(1,866)	(124)	(114)
Curtailment	(9,818)	-	-	-
At 31 December	55,667	69,006	3,017	2,742

23. Segregated Funds

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 market valuations.

24. Other Liabilities

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Premiums received in advance	2,371	2,382	-	-
Benefits payable to policyholders	12,868	13,779	-	-
Other liabilities and accrued expenses	1,691,777	1,020,241	43,361	40,916
Due to banks and other financial institutions (Note 25)	1,212,809	1,252,259	-	-
Guarantees	63,433	301,995	-	-
Customers' deposits and savings accounts	465,763	394,436	-	-
Dividends payable	-	3,214	1,096	2,838
Short term loans	272,209	236,083	-	-
Current portion of long term loans (Note 26)	192,423	256,894	50,155	45,520
	3,913,653	3,481,283	94,612	89,274

(a) Amounts due to banks and other financial institutions represent the liabilities of the banking subsidiaries to other financial institutions.

(b) The short term loan balance includes an amount of $160,000,000 (2002 - $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.

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

25. Due to Banks and Other Financial Institutions

				The Group	
	Currency	Rate	Repayable	2003	2002
		%		$'000	$'000
Long Term Loans -					
Caribbean Development Bank (CDB)	US$	6.5	1906-2004	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			2009		
Entwicklungsgesellschaft mbH (DEG)	J$	6		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	2007	15,361	15,361
	J$	Nil	2007	24,640	-
	J$	10	2008-2015	23,556	-
	J$	9.57	2008-2015	59,600	-
	US$	3.50	2007	29,133	-
	US$	5.50	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$	1.5	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

26. Long Term Loans

		The Group		The Company	
		2003	2002	2003	2002
	Currency	$'000	$'000	$'000	$'000
Secured loans -					
First mortgage debenture stocks					
12% 1979-2003	J$	-	326	-	326
22% 1985-2006	J$	-	-	1,814	2,387
22% 1987-2007	J$	-		733	873
First mortgage debentures					
22% 1989-2009	J$	-	-	1,000	1,000
Bank of Nova Scotia Jamaica Limited					
21% 2004	J$	-	1,150	-	-
Citibank N.A. 2004 - 10.25%	US$	-	10,194		-
Citibank N.A.Variable rate 2001 - 2005	US$	50,063	65,385	50,063	65,385
Citibank N.A. - 12% 2001 - 2004	J$	-	21,237	-	-
Consortium Loan - 13% 2003	US$	-	2,757	-	-
Manufacturers Sigma Merchant Bank Limited	J$				
25% 2000 - 2005		-	1,413	-	-
First Caribbean International Bank Limited					
LIBOR + 2.875 2002 - 2004	US$	99,588	99,513	-	-
Total secured loans (carried forward)		149,651	201,975	53,610	69,971

	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Total secured loans (brought forward)	149,651	201,975	53,610	69,971
Unsecured loans -				

First Life Insurance Company Limited 21 %	J$	-	-	20,686	20,686
Consortium loans:					
9.00%	J$	141,359	-	-	-
9.5% - 9.75% 2004	J$	59,212	143,967	-	-
10% 1999 - 2003	J$	-	1,220	-	-
11.25% 2011	J$	-	53,263	-	-
18.80% 2004	J$	-	15,000	-	-
25% 1999 - 2003	J$	-	3,630	-	-
Jamaica Public Service Company Limited					
14% 1999 - 2003	J$	-	216	-	-
Total unsecured loans		200,571	217,296	20,686	20,686
		350,222	419,271	74,296	90,657
Less: Current portion (Note 24)		(192,423)	(256,894)	(50,155)	(45,520)
		157,799	162,377	24,141	45,137

Included in long term liabilities are the group's obligations under finance leases as follows:

		2003	2002
		$'000	$'000
In the year ending 31 December:	2003	-	884
	2004	-	884
	2005	-	716
Minimum lease payments		-	2,484
Less: future interest payments		-	(1,071)
Net obligations under finance leases		-	1,413
Less: current portion		-	(648)
		-	765

27. Share Capital

	2003	2002
	$'000	$'000
Authorised -		
Ordinary stock units of 10c each	19,996	19,996
10% convertible cumulative redeemable preference shares of 10c each	4	4
	20,000	20,000

Issued and fully paid -		
Ordinary stock units of 10c each	17,212	17,212
10% convertible cumulative redeemable preference shares of 10c each	4	4
	17,216	17,216

Share options are granted to directors and senior employees 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 $2.00 and $8.94, respectively. Under the scheme, only 20% of the options allocated to each individual can be exercised in a given year. Where a previous year's allocation has not been utilized, however, this is accumulated. These options expire on 31 December 2004.

Movements in the number of share option outstanding are as follows:

	2003	2002
	$'000	$'000
At 1 January	3,375	4,000
Exercised	-	(625)
	3,375	3,375

No share options were exercised during the year. The effect on share capital and share premium of 625,000 options exercised in 2002 is as follows:

	2003	2002
	$'000	$'000
Ordinary share capital at par	-	63
Share premium	-	1,187
	-	1,250
Fair value, at exercise date of share issue	-	8,250

28. Insurance and Banking Reserves

	The Group				
	Insurance	Banking		Total	
	Special Reserve	Retained Earnings Reserve	Banking Reserve Fund	2003	2002
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	84,183	89,994	22,567	196,744	122,782
Transfers	(24,274)	11,357	-	(12,917)	73,962
Balance at 31 December	59,909	101,351	22,567	183,827	196,744

Special reserve 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.

The retained earnings reserve and banking reserve fund are maintained by a subsidiary in accordance with the Financial Institutions Act, 1992.

These reserves are non-distributable.

29. Dividends Proposed

	2003	2002
	$'000	$'000
Dividends paid for 2003 of $0.32 (2002 - $0.205) per stock unit - gross	55,078	35,284

In 2003, dividends of $0.215 per stock unit totalling $37,005,000 were declared subsequent to the year end in respect of 2002.

30. Policyholders' Funds

(a) Reserve for Future Policyholders Benefits
The appointed actuary has given his opinion that the actuarial liabilities are adequate to provide for future payments under the terms of the policies in force.

(b) 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).

(c) Policyholders' Funds on Deposits
These represent the non-insurance component of premiums for policies, which include an investment option.

(d) 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.

31. Cash Flows from Operating Activities

	2003 $'000	Restated 2002 $'000
Net profit	652,179	355,022
Adjusted for:		
Depreciation of property, plant and equipment	31,014	32,342
Profit on disposal of subsidiary	(63,334)	-
Amortisation of intangible assets	13,918	13,235
Provision for credit losses	(42,013)	7,439
Interest income	(3,189,131)	(2,142,124)
Interest expense	2,436,809	1,440,093
Share of profit in associated company	(5,536)	(6,685)
Income tax expense	38,932	48,227
Minority interest	274,220	205,145
Loss/(gain) on sale of property, plant and equipment	163	(1,507)
Write off of property, plant and equipment and investment property	9,866	1,704

Fair value (gains)/losses on investment properties	(71,535)	83,188
Unrealised loss on real estate fund	2,105	(1,469)
Unrealised gain on foreign exchange	(7,111)	(20,286)
Unrealised (gain)/loss on trading securities	26,355	62
Increase/(decrease) in reserve for future policyholders benefits	98,484	(10,563)
	152,675	3,823
Changes in operating assets and liabilities:		
Statutory reserves at Bank of Jamaica	(5,886)	(1,524)
Securities sold under agreement to repurchase	3,399,833	1,606,667
Loans and lease receivable	155,317	(11,480)
Securities purchased under agreements to resell	(2,361,206)	1,187,533
Retirement benefit asset/obligation	(12,640)	(24,817)
Other assets, net	349,528	94,631
Other liabilities, net	(350,588)	(82,746)
Policyholders' funds	(26,453)	16,059
Deposit administration fund, net	(92,759)	(226,728)
	1,207,821	2,561,418
Interest received	2,358,160	2,068,217
Interest paid	(1,661,259)	(1,382,650)
Income tax paid	(38,994)	(21,743)
Net cash provided by operating activities	1,865,728	3,225,242

32. Commitments

At 31 December 2003, there were undisbursed loan commitments for the group of $113,599.000. There were no commitments for the company at year end.

33. Off Balance Sheet Activities

(a) Carrying amounts and fair values of assets under management

Assets under management, which are not beneficially owned by the group and the company, but which are managed on behalf of investors, have been excluded from the balance sheet.

The carrying amounts and fair values of assets under management are as follows:

	2003 The Group Carrying Amount $'000	2003 The Group Fair Value $'000
Financial Assets		
Cash at bank, accrued interest & other receivables	526,888	526,888
Equity investments	318,413	318,413
Investments in associated companies	67,950	67,950
Other investments	3,330,979	3,330,979
Total assets	4,244,230	4,244,230

	2002 The Group Carrying Amount $'000	2002 The Group Fair Value $'000
Financial Assets:		
Cash at bank, accrued interest & other receivables	949,625	949,625
Equity investments	1,775,121	1,758,045
Investments in associated companies	143,030	188,882
Other investments	68,485	68,485
Total assets	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).

34. 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 recognised 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	8,634,544	8,150,479	6,337,901	6,143,343
Loan and lease receivables	1,249,787	1,262,571	1,360,563	1,366,443

	The Company			
	2003 $'000	2003 $'000	2002 $'000	2002 $'000
Investment securities -originated debt	33,526	31,261	28,419	26,220

	The Group			
	2003 $'000	2003 $'000	2002 $'000	2002 $'000
Financial Liabilities				
Long term liabilities (including current portion)	350,222	342,987	419,271	414,341

	The Company			
	2003 $'000	2003 $'000	2002 $'000	2002 $'000
Long term liabilities (including current portion)	74,296	70,542	90,657	87,081

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.

35. 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 market 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	One to Five Years	5 Years	Non-interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	225,040	-	-	-	225,040
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	4,045,111	4,100,872	3,467,848	795,816	12,409,647
Investment properties	-	-	-	1,570,665	1,570,665
Investments in associated companies	-	-	-	185,271	185,271
Other	-	-	-	2,811,646	2,811,646
Total assets	11,080,967	4,253,371	3,467,848	5,380,339	24,182,525
Liabilities					
Policyholders'funds	435,318	40,222	228,971	488,533	1,193,044
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	-	-	-	1,253,292	1,253,292
Other	694,601	335,895	(17,994)	2,117,491	3,129,993
Total liabilities	15,678,375	920,719	734,257	3,859,316	21,192,667
On balance sheet interest sensitivity gap	(4,597,408)	3,332,652	2,733,591	1,521,023	2,989,858
Cumulative interest sensitivity gap	(4,597,408)	(1,264,756)	1,468,835	2,989,858	

	2002				
	Up to One Year	One to Five Years	Over 5 Years	Non-interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	12,931,024	891,592	1,665,230	4,050,844	19,538,690
Total liabilities	11,961,774	575,107	1,652,487	3,012,763	17,202,131
On balance sheet interest sensitivity gap	969,250	316,485	12,743	1,038,081	2,336,559
Cumulative interest sensitivity gap	969,250	1,285,735	1,298,478	2,336,559	

The Company
2003

	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	122,693	-	-	-	122,693
Securities purchased under agreements to resell	-	33,097	96,246	-	129,343
Investments	-	30,169	-	12,401	42,570
Investment in subsidiaries	-	-	-	67,671	67,671
Investments in associated companies	-	-	23,032	23,032	
Other	-	-	-	329,038	329,038
Total assets	122,693	63,266	96,246	432,142	714,347
Liabilities					
Other	-	75,914	-	86,231	162,145
Total liabilities	-	75,914	-	86,231	162,145
On balance sheet interest sensitivity gap	122,693	(12,648)	96,246	345,911	552,202
Cumulative interest sensitivity gap	122,693	110,045	206,291	552,202	

	The Company 2002				
	Up to One Year	One to Five Years	Over 5 Years	Non-interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	54,141	50,128	81,597	420,792	606,658
Total liabilities	-	90,271	-	75,339	165,610
On balance sheet interest sensitivity gap	54,141	(40,143)	81,597	345,453	441,048
Cumulative interest sensitivity gap	54,141	13,998	95,595	441,048	

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

	The Group				
	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	-	-	-
Trading securities	33.8	11.7	-	-	9.5
Investments	28.1	11.7	-	-	10.2
Securities purchased under agreements to resell	26.2	-	-	-	-
Mortgage loans	23.0	-	-	-	-
Policy loans	16.0	-	-	-	-
Other loans and leases	20.4	10.8	-	-	-
Lease receivables					
Liabilities					
Bank overdraft	22.7	-	-	-	-
Loans	22.0	4.1	-	-	-
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	-	-	-

	The Company				
	J$	US$	CAN$	GBP	Other
	%	%	%	%	%
Cash and balances due from other banks	-	-	-	-	-
Cash reserve at Bank of Jamaica	-	-	-	-	-
Cash resources	3.2	1.5	-	-	-
Trading securities	-	-	-	-	-
Investments	-	12.0	-	-	3.4
Securities purchased under agreements to resell	-	-	-	-	-
Mortgage loans	-	-	-	-	-
Policy loans	-	-	-	-	-
Other loans and leases	-	-	-	-	-
Lease receivables					
Liabilities					
Bank overdraft	22.7	-	-	-	-
Loans	22.0	4.1	-	-	-
Due to banks and other financial institutions	-	-	-	-	-
Customer deposits	-	-	-	-	-
Securities sold under agreements to repurchase	-	-	-	-	-

(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 $	US$	GBP	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Assets					
Cash and balances due from other banks	15,004	112,026	-	16,473	143,503
Cash and bank balances	94,009	3,782	645	42	98,478
Investments (excluding investments in subsidiaries and associated companies)	12,071,695	6,888,557	-	412,709	19,372,961
Investment properties	1,570,665	-	-	-	1,570,665
Other	2,766,296	214,077	-	16,545	2,996,918
Total assets	16,517,669	7,218,442	645	445,769	24,182,525
Liabilities					
Due to other banks and other financial institutions	471,290	451,862	-	289,657	1,212,809
Customer deposits	64,129	391,336	10,298	-	465,763
Other liabilities	2,863,229	313,371	-	1,038	3,177,638
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	1,253,292	-	-	-	1,253,292
Other	662,623	70,178	6	29,486	762,293
Total liabilities	14,614,041	6,202,835	10,304	365,487	21,192,667
Net position	1,903,628	1,015,607	(9,659)	80,282	2,989,858

2002

Total assets	13,680,383	5,584,621	28	273,658	19,538,690
Total liabilities	12,116,514	4,806,618	9	278,990	17,202,131
Net position	1,563,869	778,003	19	(5,332)	2,336,559

The Company
2003

	Jamaican $ J$'000	US$ J$'000	Other J$'000	Total J$'000
Assets				
Cash and bank balances	110,888	11,795	-	122,683
Investments (excluding investments in subsidiaries and associated companies)	12,400	159,513	-	171,913
Other	419,751	-	-	419,751
Total assets	543,039	171,308	-	714,347
Liabilities	112,082	50,063	-	162,145
Net position	430,957	121,245	-	552,202

2002

Total assets	465,677	140,981	-	606,658
Total liabilities	100,225	65,385	-	165,610
Net position	365,452	75,596	-	441,048

(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	751,921	1,783	753,704	614,675
Transportation, storage and communication	11,755	500	12,255	3,525
Other	-	1,530	1,530	-
Total	1,382,188	63,433	1,445,621	1,718,949
Total provision	(118,837)	-	(118,837)	(159,169)
Net	1,263,351	63,433	1,326,784	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	102,347	122,693	-	-	225,040
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	6,102,418	3,529,726	12,409,646
Investment properties	-	-	-	1,570,665	1,570,665
Investments in associated companies	-	-	-	185,272	185,272
Other	200,391	1,636,159	409,871	565,225	2,811,646
Total assets	4,021,984	7,797,364	6,512,289	5,850,888	24,182,525
Liabilities					
Policyholders' funds	177,069	431,756	126,976	1,142,608	1,878,409
Securities sold under repurchase agreements	9,924,087	3,755,194	38,883	-	13,718,164
Minority interest	-	-	-	1,253,292	1,253,292
Other	1,840,546	641,459	1,233,228	627,569	4,342,802
Total liabilities	11,941,702	4,828,409	1,399,087	3,023,469	21,192,667
Net Liquidity Gap	(7,919,718)	2,968,955	5,113,202	2,827,419	2,989,858
Cumulative Liquidity Gap	(7,919,718)	(4,950,763)	162,439	2,989,858	

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	7,500,872	6,357,883	758,083	4,921,852	19,538,690
Total liabilities	7,164,443	5,838,037	1,018,630	3,181,021	17,202,131
Net Liquidity Gap	336,429	519,846	(260,547)	1,740,831	2,336,559
Cumulative Liquidity Gap	336,429	856,275	595,728	2,336,559	

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	-	122,693	-	-	122,693
Securities acquired under reverse repurchase agreements	-	-	33,097	96,246	129,343
Investments	-	-	30,169	12,402	42,571
Investment in subsidiaries	-	-	-	243,556	243,556
Investments in associated companies	-	-	-	23,032	23,032
Other	-	-	-	153,152	153,152
Total assets	-	122,693	63,266	528,388	714,347
Liabilities					
Other	-	-	75,914	86,231	162,145
Total liabilities	-	-	75,914	86,231	162,145
Net Liquidity Gap	-	122,693	(12,648)	442,157	552,202
Cumulative Liquidity Gap	-	122,693	110,045	552,202	

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	-	54,141	50,128	502,389	606,658
Total liabilities	-	-	90,271	75,339	165,610
Net Liquidity Gap	-	54,141	(40,143)	427,050	441,048
Cumulative Liquidity Gap	-	54,141	13,998	441,048	

(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.

36. 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.

37. 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 year ended 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	Effect of Transition to IFRS	IFRS
	$'000	$'000	$'000
ASSETS			
Investment properties (iii)	1,621,482	(160,889)	1,460,593
Cash and bank balances (i)	849,196	123,138	972,334
Cash reserve at Bank of Jamaica	9,531	-	9,531
Investments (i),(ii),(iv)	3,778,180	8,602,231	12,380,411
Taxation recoverable	100,937	-	100,937
Other assets (i), (v)	1,369,385	455,743	1,825,128
Deferred expenses	8,881	(8,881)	-
Property, plant and equipment (iii)	158,404	136,526	294,930
Deferred tax assets (vi)	-	40,937	40,937
Retirement benefit assets (vii)	-	84,786	84,786
Segregated Funds' assets	33,761	-	33,761
Intangible assets (viii)	55,017	1,228	56,245
	7,984,774	9,274,819	17,259,593

STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	17,153	-	17,153
Share premium	164,202	-	164,202
Capital redemption reserve	2,200	-	2,200
Insurance and banking reserves	122,782	-	122,782
Loan loss reserve (x)	-	39,297	39,297
Investment and other reserves (ii), (iii), (iv)	708,827	(311,749)	397,078
Dividends proposed (xi)	-	27,449	27,449
Retained earnings (ii), (iii),(iv),(v),(vi),(vii),(viii) (ix),(x)	1,094,832	214,464	1,309,296
	2,109,996	(30,539)	2,079,457
Policyholders' funds	2,120,369	-	2,120,369
Bank overdrafts	40,848	-	40,848
Securities sold under agreement to repurchase	-	8,711,664	8,711,664
Taxation payable	712	-	712
Other liabilities (i), (xi)	2,649,976	406,107	3,056,083
Deferred tax liabilities (vi)	-	70,724	70,724
Segregated Funds' liabilities	33,761	-	33,761
Long term loans	141,107	-	141,107
Retirement benefit liabilities (vi)	-	71,573	71,573
Minority Interest (iv)	888,005	45,290	933,295
	7,984,774	9,274,819	17,259,593

The Company

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balances	41,010	-	41,010
Investments (ii)	239,114	(1,572)	237,542
Due from subsidiaries	179,407	-	179,407
Taxation recoverable	7,235	-	7,235
Other assets	78,601	-	78,601
Property, plant and equipment	603	-	603
Retirement benefit assets (vii)	-	50,582	50,582
	545,970	49,010	594,980
STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	17,153	-	17,153
Share premium	164,201		164,201
Capital redemption reserve	146,823		146,823
Investment reserves	-	(1,525)	(1,525)
Dividends proposed (xi)	-	27,449	27,449
Retained earnings (ii), (xi)	34,955	42,638	77,593
	363,132	68,562	431,694
Bank overdraft	2,575	-	2,575
Other liabilities (xi)	106,943	(27,449)	79,494
Taxation payable	267		267
Deferred tax liabilities (vi)	-	(5,444)	(5,444)
Long term liabilities	73,053	-	73,053
Retirement benefit liabilities (vii)	-	13,341	13,341
	545,970	49,010	594,980

(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)	312,612	78,600	234,012
Cash reserve at Bank of Jamaica	11,055	-	11,055
Investments (i), (ii), (iv)	3,550,996	10,207,123	13,758,119
Loans and lease receivable	1,270,492	106,163	1,376,655
Investment properties (iii)	1,538,185	(159,679)	1,378,506
Taxation recoverable (i)	135,649	27,178	162,827
Deferred tax assets (vi)	-	85,000	85,000
Other assets (i), (v)	1,337,541	459,409	1,796,950
Property, plant and equipment (iii)	259,064	99,056	358,120
Intangible assets (viii)	202,532	12,274	214,806
Retirement benefit assets (vii)	-	118,415	118,415
Segregated Funds' assets	44,225	-	44,225
Deferred expenditure	771	(771)	-
	8,663,122	10,875,568	19,538,690
STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	17,216	-	17,216
Share premium	165,388	-	165,388
Capital redemption reserve	2,200	-	2,200
Insurance and banking reserves	202,901	(6,157)	196,744
Loan loss reserve (x)	-	64,647	64,647
Investment and other reserves (ii),(iii),(iv)	611,353	(252,577)	358,776
Dividends proposed (xi)	-	37,005	37,005
Retained earnings (ii),(iii),(iv),(v),(vi),(vii),(viii),(ix),(x)	1,371,995	122,588	1,494,583
	2,371,053	(34,494)	2,336,559
Policyholders' funds	1,899,137		1,899,137
Bank overdrafts	76,339		76,339
Securities purchased under agreement to resell	-	10,318,331	10,318,331

Taxation payable	10,170	-	10,170
Other liabilities (i),(xi)	3,033,010	448,273	3,481,283
Deferred tax liabilities (vi)	-	66,634	66,634
Segregated Funds' liabilities	44,225	-	44,225
Long term liabilities	162,377	-	162,377
Retirement benefit liabilities (vii)	-	80,385	80,385
Minority interest (iv)	1,066,811	(3,561)	1,063,250
	8,663,122	10,875,568	19,538,690

The Company

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS			
Cash and bank balances	54,535	-	54,535
Investments (ii)	247,627	6,559	254,186
Due from subsidiaries	179,229	-	179,229
Taxation recoverable	6,184	-	6,184
Other assets	51,500	-	51,500
Property, plant and equipment	529	-	529
Retirement benefit assets (vii)	-	60,495	60,495
	539,604	67,054	606,658

STOCKHOLDERS' FUNDS AND LIABILITIES			
Stockholders' Funds			
Share capital	17,216	-	17,216
Share premium	165,388	-	165,388
Capital redemption reserve	146,823	-	146,823
Investment reserve	-	4,452	4,452
Dividends proposed (xi)	-	37,005	37,005
Retained earnings (ii), (xi)	38,494	31,670	70,164
	367,921	73,127	441,048
Taxation payable	267	-	267
Other liabilities (xi)	126,279	(37,005)	89,274
Deferred tax liabilities (vi)	-	16,811	16,811
Long term liabilities	45,137	-	45,137
Retirement benefit liabilities (vii)	-	14,121	14,121
	539,604	67,054	606,658

(c) Reconciliation of net profit at 31 December 2002

The Group

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Income	3,960,769	1,199,514	5,160,283
Policy Benefits and Expenses			
Policyholders' benefits and reserves	875,203	-	875,203
Cost of sales	1,200,458	-	1,200,458
Other operating expenses	1,135,395	(92,575)	1,042,820
	3,211,056	(92,575)	3,118,481
Operating Profit	749,713	1,292,089	2,041,802
Share of results of associated companies	2,148	4,537	6,685
Interest expense	(151,084)	(1,289,009)	(1,440,093)
	600,777	7,617	608,394
Transfer from investment reserve	62,905	(62,905)	-
Profit before Taxation	663,682	(55,288)	608,394

Taxation	(30,236)	(17,991)	(48,227)
Profit after Taxation	633,446	(73,279)	560,167
Minority Interest	(208,739)	3,594	(205,145)
Net Profit	424,707	(69,685)	355,022

The Company

	Previous JGAAP $'000	Effect of transition to IFRS $'000	IFRS $'000
Profit before Taxation	75,828	11,288	87,116
Taxation	-	(22,256)	(22,256)
Net Profit	75,828	(10,968)	64,860

(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 re-measurement of the available-for-sale investments to fair value are recognised in the cumulative re-measurement 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 profit and loss account 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 profit and loss account 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 1FRS 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.

Detailed Profit and Loss Account

Year ended 31 December 2003

	2003	2002
	$'000	$'000
Income		
Dividends and interest	89,259	102,472
Management fees	24,939	20,752
Exchange gain	16,203	5,904
Gain on sale of subsidiary	148,336	-
Income from associated company	2,416	-
Other	17,130	14,140
	298,283	143,268
Expenses		
Administration (page 76)	63,911	41,294
Preference dividends	-	58
Interest on loans and bank borrowings	16,011	14,800
	79,922	56,152
Profit before Taxation	218,361	87,116
Taxation	(10,052)	(22,256)
Net Profit	208,309	64,860

Administration Expenses

Year ended 31 December 2003

	2003 $'000	2002 $'000
Advertising and promotion	1,336	1,793
Audit fees	2,620	1,480
Bank charges	861	312
Computer charges	711	669
Depreciation	144	199
General expenses	927	345
Legal fees	2,531	1,179
Motor vehicle expenses	3,927	3,640
Office expenses	373	265
Other post retirement benefit cost	399	346
Pension contributions	4,930	(6,997)
Printing and stationery	121	77
Registrar and trustee fees	1,992	1,037
Repairs and maintenance	161	145
Salaries and wages	35,948	28,453
Staff welfare and training	1,619	2,465
Statutory deductions	1,814	1,386
Subscriptions and donations	633	916
Telephone and postage	345	361
Travelling	1,181	1,061
Write offs	1,338	2,162
	63,911	41,294