Life of Jamaica Ltd.

Notes to Consolidated Financial Statements

December 31, 2001

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1 The company

Life of Jamaica Limited is a publicly traded stock company, incorporated in Jamaica, providing life insurance and investment management products. The company's products include life and health insurance, group benefits, annuities, pension and retirement products, and savings and investment products.

On November 15, 2001, LOJ Holdings Limited, a company incorporated in Jamaica, purchased 76% of the company's ordinary shares from FINSAC Limited. The ultimate parent of LOJ Holdings Limited is Barbados Mutual Life Assurance Society, which is incorporated in Barbados.

The company and its subsidiaries are collectively referred to as the "Group". The principal activities of the subsidiaries are detailed in note 16.

These financial statements are presented in Jamaican dollars.

2 Insurance Licence

The company is registered under the Insurance Act 1971, which was repealed by the Insurance Act 2001. The 2001 Act provides that the registration under the repealed act is deemed to have been issued under the new act and continues in effect, subject to the company meeting the new registration requirements.

3 Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) which are materially represented by Statements of Standard Accounting Practice issued by the Institute of Chartered Accountants of Jamaica.

4 Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain quoted securities, real estate investments at market value.

(b) Basis of consolidation:

The company consolidates the financial statements of all subsidiary companies, and eliminates on consolidation all significant inter-company balances and transactions. The equity method is used to account for investments over which the company exerts significant influence. [See notes 16 (d) & (e) and 17(b)]

(c) Investments:

The company's investments and those of its life insurance subsidiaries are stated as follows:

(i) Real estate investments are stated at open market values, determined by Chartered Surveyors or with reference to anticipated sales proceeds, if lower.

(ii) Mortgages, and interest bearing loans are stated at cost, less provision for losses as appropriate.

(iii) The company's government and other fixed interest securities, unquoted securities, interest bearing deposits and unquoted equities are stated at cost. Government and other fixed interest securities of the life insurance subsidiaries are stated at amortised cost.

(iv) Unit Trust holdings are stated at redemption value.

(v) Short term loans represents securities purchased under agreements to resell ("reverse repos"),which are agreements where the company purchases securities and simultaneously agrees to resell them on a specified date at a specified price, are stated at cost.

(vi) Quoted equities are stated at market value.

(vii) Policy loans which are loans issued to policyholders and are fully backed by cash values of the underlying insurance policies, are carried at face amount plus interest.

Investments held by the non-life insurance subsidiary are stated at cost.

(d) Investment reserves:

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

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

(e) Reinsurance ceded:

Provision for future policy benefits, premiums and policy benefits are recorded 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.

(f) Depreciation:

Depreciation is charged on a straight line basis, at annual rates as follows:

Freehold buildings	5%
Leasehold improvements	10-20%
Furniture, fixtures and equipment	10% & 20%
Motor vehicles	20%

No depreciation is charged in respect of:
Freehold land
Properties held as investments [note 4(c) i]

(g) Prepaid commissions:

Commissions paid prior to December 31, 2001 in respect of premiums due for payment subsequent to that date are deferred. These commissions are written off over the first year of each policy during which time they are recoverable, if the policies are lapsed.

(h) Policyholders' liabilities:

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

(i) Policy benefits:

These include, inter alia, provision for claims incurred but not reported at the balance sheet date, computed on the basis of the company's claims lag experience.

(j) Pensions and other post retirement benefits:

The group maintains a number of pension plans for its eligible employees and agents. The pension plans are primarily contributory, defined benefit plans, that provide pension benefits based on length of service and final average earnings. The cost of pension benefits is recognised using the projected benefit method pro rated on services. The assets, which are held in trust, are carried at market related values. Experience gains and losses are amortised to income over the estimated average remaining service lives of plan members.
The group also provided supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The present value of these benefits is charged to earnings over the employees' year of service to their date of full entitlement.

(k) Interest:

Interest income is recorded on the accrual basis up to a period of 90 days.

(l) Segregated funds:

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

(m) Foreign currencies:

The group's foreign currency assets and liabilities and items in the foreign subsidiary's revenue account are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currency are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in statement of operations. Unrealised gains and losses arising on translation of the stockholders' funds in the foreign subsidiary are transferred to investment reserves [see note 14].

5 <u>Responsibilities of the actuary and external auditors</u>

The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. In carrying out the valuation the appointed actuary also makes use of the work of the external auditors. (See note 10).

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

6 <u>Change in accounting policies</u>

(a) The Insurance Act 2001 requires that the segregated policy funds which were previously incorporated in the financial statements of the company, be accounted for separately. Consequently the income statements of the segregated policy funds have been removed from the consolidated statement of operations and the assets and liabilities have been separately identified on the balance sheet, and are shown by way of notes only (note 7).

(b) In the current year, the company changed its policy of accounting for pension liabilities and post retirement benefits by providing for the excess of past service benefits over assets at the reporting dates [note 7(b)].

The 2000 comparatives have been restated accordingly.

7 <u>Prior year adjustments</u>

(a) The following amounts relating to the segregated policy funds have been removed from the consolidated statement of operations. The assets and liabilities of the segregated funds are reflected as line items in the balance sheets.

	Thousands of Dollars	
	The company	The Group
POLICY LIABILITIES	3,216,317	3,938,861
Representing		
ASSETS:		
Real estate	695,268	695,268
Quoted equities	166,616	747,854
Government and other fixed interest securities	2,453,544	2,454,103
Unit Trust	92,594	92,594
Term loans and deposits	3,791	131,078
Other assets	116,206	129,666
	3,528,019	4,250,563
Less: LIABILITIES		
Loans from Life of Jamaica Limited	267,064	267,064
Other liabilities	44,638	44,638
	311,702	311,702
	3,216,317	3,938,861

	The Group
Income statement:	2000
Income	
Net premiums	826,718
Investment and other income	465,810
	1,292,528
Benefits and expenses	
Policy benefits	1,063,740
Appreciation on unit linked policy funds	(28,752)
Administrative expenses	318
Changes in policyholders' liabilities	221,921
	1,257,227

Profit before taxation	35,301
Taxation	(35,301)
Profit after taxation	Nil

(b) The effects of the changes in accounting policies outlined in note 6 have been accounted for in the consolidated statement of operations, the statement of changes in shareholders' funds and the balance sheets. Prior year balances have been restated as necessary. [See note 6(b)].

8 Share capital

	Thousands of Dollars			
	2001		2000	
	Authorised	Issued	Authorised	Issued
Ordinary shares 1,656,248,955 issuable as stock units, of 10c each	165,624	165,624	165,624	54,081
Preference shares (redeemable cumulative):				
8.17% "A" shares of $1 each	1,700	-	1,700	-
8.17% "B" shares of $1 each	300	-	300	-
10.37% "C" shares of $1 each	975	-	975	-
10.37% "D" shares of $1 each	175	-	175	-
Zero coupon (2000:12.5 %)shares of $1 each	1,056,684	1,056,684	1,056,684	1,056,684
	1,225,458	1,222,308	1,225,458	1,110,765

In March 2001 the 12.5% preference shares were converted to "zero coupon" perpetual non-cumulative convertible preference shares. The shares carry voting rights only in respect of resolutions to wind up the company, reduce its share capital or which may prejudice or limit the right of the converted preference shares, which entitlement will be one vote for each share held. The shareholders of the converted shares have the right, ranking pari passu with the holders of the ordinary shares, to participate in any revenue or capital distributions made by the company.

On conversion, the holder of the converted shares gave up the right to any accrued preference dividends.

Upon the company attaining a solvency ratio of 100%, as required by the Insurance Act 2001, the "zero coupon" perpetual non cumulative preference shares shall be automatically converted into ordinary shares, such conversion to be at the rate of three ordinary shares for every ten preference shares, (see note 31).

9 Share premium

The share premium arose on the issue to FINSAC Limited in 1997, of 143,316,330 ordinary stock units at a premium of 90 cents per stock unit.

10 Policyholders' liabilities

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

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Individual insurance	1,262,790	1,301,523	1,750,444	5,662,317
Group Insurance	247,654	197,372	247,654	206,368
Annuities	983,776	666,067	999,490	823,870
Pensions	369,832	360,294	369,832	360,294
Other	8,270	-	8,270	-
Total	2,872,322	2,525,256	3,375,690	7,052,849
Less pensions	369,832	360,294	369,832	360,294
Total Less Pensions	2,502,490	2,164,962	3,005,858	6,692,555

(b) Changes in policy liabilities

	Thousands of Dollars			
	The Company		The Group	
	2,001	2,000	2,001	2,000
Balance at beginning of year (restated)	2,164,962	1,978,563	6,692,555	6,113,017
Normal changes in policyholders' liabilities	337,528	186,399	257,546	78,887
Change in methods and assumptions	-	-	-	94,061
Changes from different currencies			185,833	406,590
Released on sale of subsidiary	-	-	(4,130,076)	-
Increase in provision	337,528	186,399	(3,686,697)	579,538
Balance at end of year	2,502,490	2,164,962	3,005,858	6,692,555
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(c) Assets backing policy liabilities:

The company:

	Thousands of Dollars					
	2001					
	Insurance	Pensions & annuities	Other liabilities	Capital & surplus	Segregated funds	Total
Corporate Shares	59,214				-	59,214
Real estate	84,681	-		-	-	84,681
Fixed interest securities	755,622	1,353,598		-	-	2,109,220
Mortgages	130,480	-		-	-	130,480
Segregated funds assets	-	-		-	3,408,064	3,408,064
Other assets	564,456	-	1,181,516	456,172		2,202,144
	1,594,453	1,353,598	1,181,516	456,172	3,408,064	7,993,803
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The group:

	Thousands of Dollars 2001					
	Insurance	Pensions & annuities	Other liabilities	Capital & surplus	Segregated funds	Total
Corporate Shares	47,758	-	-	-	-	47,758
Real estate	287,778	-	-	-	-	287,778
Fixed interest securities	678,461	1,369,321	-	-	-	2,047,782
Mortgages	135,501	-	-	-	-	135,501
Segregated funds assets	-	-	-	-	3,627,119	3,627,119
Other assets	1,069,275	-	1,424,982	456,172	-	2,974,127
	2,218,773	1,369,321	1,424,982	456,172	3,627,119	9,120,065

(c) Assets backing policy liabilities:

The Company:

	Thousands of Dollars 2000					
	Insurance	Pensions & annuities	Other liabilities	Capital & surplus	Segregated funds	Total
Corporate Shares	34,624	-	-	-	-	34,624
Real estate	65,770	-	-	-	-	65,770
Fixed interest securities	1,333,069	1,026,361	13,771	-	-	2,373,201
Mortgages	135,043	-	-	-	-	135,043
Segregated funds assets	-		-	-	3,216,317	3,216,317
Other assets	-		2,143,679	112,770	-	2,256,449
	1,568,506	1,026,361	2,157,450	112,770	3,216,317	8,081,404

The Group:

	Thousands of Dollars					
	2001					
	Insurance	Pensions & annuities	Other liabilities	Capital & surplus	Segregated funds	Total
Corporate Shares	272,401	-	-	-	-	272,401
Real estate	324,235	-	-	-	-	324,235
Fixed interest securities	3,290,183	1,064,543	-	-	-	4,354,726
Mortgages	1,491,698	-	-	-	-	1,491,698
Segregated ftmds assets	-	-	-	-	3,938,861	3,938,861
Other assets	1,469,901	-	2,998,563	112,770	-	4,581,234
	6,848,418	1,064,543	2,998,563	112,770	3,938,861	14,963,155

(d) Policy assumptions:

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

(i) Best estimate assumptions:

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

Mortality and morbidity:

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

Investment yields:

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

Policy terminations:

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

Policy expenses:

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

(ii) Provision for adverse deviation assumptions:

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary, is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. A range of allowable margins is prescribed by the Canadian Institute of Actuaries. The group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

11 Reinsurance ceded

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

Individual life policies range between	$ 2,000,000 and $5,000,000
Group life	$ 2,000,000
Group health	$ 500,000

12 Pension funds

In addition to pension funds of $369,832,000 (2000: $360,294,000), the company manages funds totalling approximately $12,154,562,000 (2000: $12,402,000,000) under the Pooled Pension Investment Funds, which are not included in these financial statements. [(See note 16 (b)].

13 Other liabilities

(a) The other liabilities are as follows:

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Benefits payable to policyholders	391,856	361,666	431,886	603,580
Bank loans and overdrafts (see note 13(b)]	61,679	76,500	65,393	125,687
Miscellaneous	268,891	162,799	338,919	83,463
Provision for diminution - subsidiary	-	-	-	96,757
Funds held in escrow on sale of subsidiary [see note 16 (c) and 25]	-	-	80,782	-
Provision for contractual termination benefits	17,961	41,387	17,961	41,387
Provision for medical and death benefits	67,000	18,000	67,000	18,000
Provision for pension benefits (see notes 6,7 & 32)	80,000	72,000	80,000	72,000
Premiums not applied	78,986	135,136	84,183	191,525
Reinsurance payable	-	-	9,184	58,688

Short term loans [see note 29(i)]	-	1,143,192	-	1,143,192
Shareholders' dividends	2,747	2,781	2,747	2,781
Taxation payable	71,067	62,641	71,108	71,440
	1,040,187	2,076,102	1,249,163	2,508,500

(b) Bank loans and overdrafts:

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
These include the following:				
Bank loans (i)	-	-	-	24,356
Mortgage loan (ii)	-	-	-	25,731
	-	-	-	50,087

(i) The loan, denominated in United States dollars and repayable over ten years with interest at prime rate plus 1.75% per annum, was repaid during the year. It was secured on real estate included in investment properties.

(ii) The loan, denominated in United States dollars and repayable over 10 years with interest at 10% per annum was repaid during the year. It was secured on real estate included in investment properties.

14 investment reserves

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Balance at beginning of year	81,348	33,433	85,022	48,214
Released on sale of subsidiaries	-	-	25,174	-
Unrealised gain/(loss) on revaluation of real estate and investments	17,883	(433)	39,243	(3,613)
Foreign exchange adjustment	-	-	151	1,465
Foreign exchange adjustment on translation of subsidiary's opening reserves	24,049	48,348	24,049	48,348
Transfer to /(from) statement of operations	18,049	-	25,878	(9,392)
Balance at end of year	141,329	81,348	199,517	85,022

15 Segregated funds

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Assets				
Short term deposits	73,430	-	73,430	127,287
Short term loans	18,597	3,791	18,597	3,791
Government securities	2,289,834	2,453,544	2,351,272	2,454,103
Unit trusts	93,555	92,594	93,555	92,594
Equities	208,463	166,616	354,779	747,854
Real estate	543,504	695,268	543,504	695,268
Other assets	227,149	116,206	238,450	129,666
	3,454,532	3,528,019	3,673,587	4,250,563
Less: liabilities	46,468	311,702	46,468	311,702
	3,408,064	3,216,317	3,627,119	3,938,861

16 Investment in subsidiaries

(a) The principal operating subsidiary companies are as follows:

Names of subsidiaries	Principal activities	Proportion of issued equity capital held by Company	Subsidiaries
Incorporated in Jamaica:			
LOJ Property Management Ltd.	Property management	100%	
LOJ Pooled Investment Funds Ltd.	Pension Fund Management [see (b) below]	100%	
Incorporated in Grand Cayman:			
Global Life Assurance Company Limited	Life insurance	100%	
Incorporated in Puerto Rico:			
Atlantic Southern Insurance			

Company	Life insurance	Nil (2000: 92%)
Incorporated in The Bahamas:		
Global Bahamas Holdings Limited	Holding company	Nil (2000: 52%)
Global Life Assurance Bahamas Limited	Life Insurance	Nil (2000: 52%)

(b) LOJ Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment funds in trust on behalf of the pension funds. At December 31, 2001 the pension schemes' assets totalled approximately $12,154,562,000 (2000: $12,402,000,000), (see note 12).

(c) During the year Global Life Assurance Company Limited sold its interest in Atlantic Southern Insurance Company Limited to North American Life Insurance Company of Texas. It also sold its interest in Global Bahamas Holdings Limited to a Bahamian company, Colina Insurance Company, [see notes 4(b),13 25 & 33].

(d) The results of the subsidiaries disposed of during the year are included based on their financial statements as adjusted for significant events to the effective dates of the respective agreements.

(e) The investment in subsidiary companies is represented as follows:

	Thousands of Dollars	
	2001	2000
Shares of equity, net of dividends paid from pre-acquisition profits	671,033	624,453
Diminution in net assets value	-	(96,757)
Loans and current accounts	14,173	177,689
	685,206	705,385

17 Investment in associated companies

(a)

Name of companies	Principal activity	Equity capital held by Company
Incorporated in Jamaica		
St. Andrew Developers Limited	Real Estate Development	33.3%
Lested Developments Limited	Operation of a child care centre **(dormant)**	35 %

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

	Thousands of Dollars	
	The Company & The Group	
	2001	2000
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,579)
Loans and current accounts	6,592	4,733
	4,093	2,156
	======	======

(c) The statement of operations includes the group's share of losses of St. Andrew Developers Limited and Lested Developments Limited based on the unaudited financial statements for the year to December 31, 2001. The results of these companies are insignificant to the group.

18 Fixed assets

The Company:

	Thousands of Dollars				
	Freehold building	Leasehold Improvements	Furniture, fixtures & equipment	Motor vehicles	Total
At cost:					
December 31, 2000	42,000	-	617,904	20,102	680,006
Additions	-	-	16,660	7,208	23,868
Disposals	-	-	(3,487)	(7,197)	(10,684)
December 31, 2001	42,000	-	631,077	20,113	693,190
Accumulated depreciation:					
December 31, 2000	2,100	-	466,438	12,624	481,162
Charge for the year	2,100	-	82,893	1,945	86,938
Eliminated on disposals	-	-	(3,067)	(5,050)	(8,117)
December 31, 2001	4,200	-	546,264	9,519	559,983
Net book values:					
December 31, 2001	37,800	-	84,813	10,594	133,207
December 31, 2000	39,900	-	151,466	7,478	198,844
The Group:					
At cost:					
December 31, 2000	42,000	16,459	796,593	33,564	888,616
Translation adjustment	-	620	6,666	446	7,732
Additions	-	112,411	22,538	9,147	144,096
Transfers	-	(129,490)	(149,569)	(8,770)	(287,829)
Disposals	-	-	(16,981)	(10,807)	(27,788)
December 31, 2001	42,000	-	659,247	23,580	724,827
Accumulated depreciation:					
December 31, 2000	2,100	12,753	593,610	22,419	630,882
Translation adjustment	-	477	4,972	201	5,650
Charge for the year	2,100	6,817	100,256	3,668	112,841

Eliminated on disposal	-	(1,133)	(13,091)	(9,876)	(24,100)
Transfers	-	(18,914)	(119,559)	(5,154)	(143,627)
December 31, 2001	4,200	-	566,188	11,258	581,646
Net book values:					
December 31, 2001	37,800	-	93,059	12,322	143,181
	=======	=========	=========	========	========
December 31, 2000	39,900	3,706	202,983	11,145	257,734
	=======	=========	=========	========	========

19 Other assets

(a) The other assets are as follows:

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Cash resources	32,126	29,354	54,001	189,486
Deferred expenses	-	-	-	1,656
Goodwill [see note 19(b)]	-	-	-	84,868
Other receivables	292,571	620,063	367,090	727,985
Premiums due and unpaid	110,119	140,748	114,706	218,910
Prepaid commission	35,917	23,570	35,918	23,570
Consideration due on sale of subsidiary	-	-	568,766	-
Value of business acquired	-	-	-	85,184
	470,733	813,735	1,140,481	1,331,659

(b) Goodwill:

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Balance at beginning of year	-	-	84,868	106,475
Translation adjustment	-	-	3,483	10,556
Amortised during the year	-	-	(47,355)	(32,163)
	-	-	(43,872)	(21,607)
	-	-	40,996	84,868
Goodwill released on disposal of subsidiary	-	-	(40,996)	-
Balance at end of year	-	-	-	84,868

This arose on the purchase of an insurance portfolio. The balance was fully amortised during the year consequent on the sale of the subsidiary which held the portfolio.

20 Investment income

	Thousands of Dollars			
	The Company		The Group	
	2001	2000	2001	2000
Interest - short term loans	54,533	22,075	54,533	22,075
Interest - bank deposits	1,953	1,786	63,034	49,146
Interest - government securities	316,565	290,540	345,739	318,998
Interest - corporate debentures	1,660	139	9,150	2,829
Interest - policy loans	39,154	37,864	182,097	176,826
Interest - mortgage loans	18,049	8,428	157,788	166,555
Interest - segregated policy funds	43,864	24,245	43,864	24,245
Dividends	2,272	1,765	45,438	44,427
Management fees	254,132	247,074	262,597	249,915
Foreign exchange gains/(loss)	542	(19,495)	542	(19,495)
Other income	110,268	109,607	194,673	207,238
	842,992	724,028	1,359,455	1,242,759

21 Administrative expenses

Administrative expenses are shown net of $69,449,000 (2000: $Nil) which represents amount recovered from a former related party during the year, (note 29).

22 Disclosure of expenses

Operating profit for the year is stated after charging:

	Thousands of Dollars	
	The Group	
	2001	2000
Directors' remuneration		
- fees	2,441	14,391
- for management	13,919	12,172
- pensions	2,483	2,589
Depreciation	112,841	87,429
Auditors' remuneration	19,491	17,737
Deferred expenses amortised	1,656	961
Goodwill amortised	43,872	21,607
Corporate office reimbursements, related company	-	8,418
Personnel expenses - wages, salaries and related costs	765,895	720,763
Redundancy	7,585	26,215
	=======	=======

At December 31, 2001 the number of permanent employees was 367 (2000: 352) for the company and 409 (2000: 539) for the group.

23 Actuarial pension surplus

In 2000 this represented actuarial gain on the defined benefit pension plan of a subsidiary.

Any actuarial recognised gain or loss exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Where the calculation results in a benefit to the subsidiary, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

This policy was adopted in 2000 by a subsidiary in accordance with the International Accounting Standard on Employee Benefits. The change in policy of the subsidiary caused its net earnings to increase by $70,933,000.

24 Taxation

Taxation comprises:

	Thousands of Dollars	
	The Group	
	2001	2000 restated
Premium tax (a)	82,580	75,188
Investment Income tax (b)	44,991	20,699
Prior years' under/(over) accrual (c)	11,792	(43,412)
	139,363	52,475

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

(b) Investment income tax at 7.5% is payable on net investment income of the company adjusted for taxation purposes. The charge includes tax on premiums/(deposits) relating to the segregated funds totalling $9,930,000 (2000: $9,950,000). The income from these funds is no longer included in the income statement (note 7).

(c) Losses available for offset against future taxable income, subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, amount to $Nil (2000: $15,700,000) for the group.

25 Extraordinary items

	Thousands of Dollars	
	The Group	
	2001	2000 restated
Gain on sale of subsidiaries (note 33)	201,383	-
less funds held in escrow	(80,782)	-
	120,601	-
Provision for diminution in value of Atlantic Southern Insurance Company	-	(5,700)
Diminution in value of investment	(37,282)	-
Gain on sale of shares in subsidiary	-	3,486
Amounts paid on assumption of liabilities of certain policyholders' contracts	(204,563)	-
	(121,244)	(2,214)

There is no attributable taxation.

26 Contribution to surplus

This represents gain arising on the purchase of $1,939,816,738 FINSAC Bonds for a contribution of $1.

27 Profit per ordinary stock unit

The calculation of basic profit per stock unit is based on the weighted average of 1,377,390,799 (2000: 540,816,330) ordinary stock units in issue and profits as shown below.

The calculation of fully diluted earnings per share is based on earnings as shown below calculated on the assumption that the zero coupon convertible shares had been converted at the beginning of both accounting periods using 1,694,396,200 (2000: 857,821,731) stock units.

	Thousands of Dollars	
	The Group	
	2001	2000 restated
Before extraordinary items	353,103	198,139
After extraordinary items	231,859	195,925

28 Risk management

Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise or a financial liability or equity instrument of another enterprise.

Exposure to credit, interest rate and currency risks arise in the ordinary course of the group's business.

Actual experience is monitored against the assumptions to ensure that the assumptions remain appropriate. Recent experience has been consistent with the assumptions. In addition to the risks associated with the assumptions, the group is exposed to the following risks:

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest bearing financial assets are primarily represented by medium and short term investments, which have been contracted at fixed and floating interest rates for the duration of the term. At December 31, 2001, financial assets subject to interest aggregated $3,138,063,000 (2000: $3,007,767,000) for the company and $3,859,113,000 (2000: $8,799,303,000) for the group.

(b) Credit risk:

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

The group requires collateral for mortgages and other loans, It does not generally require collateral in respect of other financial assets, mainly premium receivables. There is a credit policy in place to 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 consolidated balance sheet.

(c) Foreign currency risk:

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

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

At December 31, 2001, the company had net foreign currency assets aggregating US$11,763,000 (2000: US$8,836,000).

(d) Market risk:

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

(e) Liquidity risk:

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

(f) Reinsurance risk:

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

(g) Fair value measurement risk:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Some of the group's instruments lack an available trading market. Therefore these instruments have been valued using present value or other valuation techniques and the fair values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

In determining fair values, quoted prices are used if available. When a quoted price is not readily available, fair values are estimated using quoted market prices of similar securities, or other valuation techniques.

The fair values of cash resources, premiums receivable, other financial assets and other financial liabilities are assumed to approximate their carrying values.

Mortgages are granted under typical market conditions and their values are not adversely affected by unusual terms.

29 Related party balances and transactions

These include the balances and transactions arising in the normal course of business, with subsidiaries and related companies/parties as noted below. (For purpose of disclosure, the Life of Jamaica Pooled Pension Investment Funds and the Segregated Funds are referred to as related parties).

(a) Investments, other assets and other liabilities:

	The Company 2001	The Company 2000	The Group 2001	The Group 2000
	Thousands of Dollars			
Investments:				
FINSAC Limited Bonds	-	4,429,846	-	4,499,846
Other assets:				
Related companies (note [ii])	32,197	101,000	32,197	101,000
Less: provision for doubtful recovery	(32,197)	(101,000)	(32,197)	(101,000)
	-	-	-	-
Current account, related parties	16,489	48,280	40,945	57,694
Current account, related companies	1,840	506	1,840	10,410
	18,329	48,786	42,785	68,104
Other liabilities:				
Short term loan FINSAC Limited	-	111,543	-	111,543

(b) Related companies:
This represents balance receivable under a promissory note from ICWI Group Limited (formerly the ultimate parent company), which assumed the liability of one of its other subsidiaries. It is repayable plus a one time interest charge of 10% by contribution of 30% of dividends received from the company, starting in the year 2002, until the debt is extinguished, but not beyond the year 2012 (see note 21).

(c) Transactions:

The financial statements include the following transactions with related companies/parties.

	The Company 2001	The Company 2000	The Group 2001	The Group 2000
	Thousands of Dollars			
Related parties:				
Investment management fees	(173,180)	(163,730)	(181,643)	(166,571)
Administration fees	(77,428)	(62,627)	(77,428)	(62,627)
Property rental	29,497	30,423	29,497	30,423
Interest received	(43,864)	(24,245)	(43,864)	(24,245)
Interest paid	-	19	-	19

Subsidiaries:				
Interest paid	-	256	-	-
Lease rental	1,385	-	-	-
Interest received	10,674	4,025	-	-
Management fees	743	1,035	-	-
	=======	=======	======	=======
Related companies:				
Interest paid	-	207	-	207
Interest received	-	(13)	-	(13)
FINSAC Limited:				
Interest income	91,169	539,964	91,161	539,964
	=======	=======	======	=======

30 Contingent liabilities, commitments and indemnities

(a) The company and the group are contingently liable in respect of quantified claims amounting to approximately $107,698,000 (2000: $114,797,000) which have been filed against the company and the group.

(b) Indemnities:

(1) Under the agreement for sale of ASICO, the group has indemnified the purchaser in respect of the following:

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

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

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

(iii) liabilities relating to amounts due in connection with any Benefit Plan under which the ASICO may incur liability for periods on or prior to the Closing Date;

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

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

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

The period of indemnification continues for 24 months after the 'closing date' in respect of all provisions except for taxation related ones which continue until they become statute barred, and issues relating to representations regarding the minority shareholders which continue indefinitely.

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

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

31 Solvency ratio

Under the agreement for sale of the company's shares, the company is required to attain and maintain a solvency ratio of 150%. The agreed solvency ratio is in excess of that required under the Insurance Act 2001

32 Pension plans

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

(i) The company operates a contributory plan for its staff and agents. the assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) was 85% (2000: 80%). The company is paying contributions at the level recommended in the latest actuarial valuation so that a solvency level of 100% can be attained over five years.

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

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

33 Supplementary information to the statement of cash flows

Profit on disposal of subsidiaries:

	Thousands of Dollars The Group 2001
Invested assets	6,414,835
Fixed assets	144,202
Other assets	479,750
Goodwill	40,996
Cash	122,693
	7,202,476
Policyholders' liabilities:	
Policy liabilities	(4,130,076)
Pension and other benefits	(1,383,328)
Other liabilities	(782,982)
	906,090
	1,107,473
Sale proceeds	
Profit	201,383
Less: funds held in escrow	(80,782)
	120,601

34 Statement of operations, the company

	Thousands of Dollars 2001	2000 Restated
Income		
Net premiums	2,667,054	2,331,315
Investment and other income	842,992	724,028
	3,510,046	3,055,343
Benefits and expenses		
Policy benefits	1,286,863	1,137,441
Interest	193,967	272,452
Changes in provision for policyholders' liabilities	337,528	186,399
Administrative expenses	838,761	928,496
Commission and sales expenses	381,638	368,104

	3,038,757	2,892,892
Operating profit for the year	471,289	162,451
Share of earnings of associated companies, net	78	(170)
Profit of life subsidiary	76,170	47,637
Profit /(loss) of non-life subsidiary	4,393	(2,286)
	551,930	207,632
Investment reserve transfers, net	(18,049)	-
Profit before taxation	533,881	207,632
Taxation	(97,459)	(11,707)
Profit after taxation and before extraordinary items	436,422	195,925
Extraordinary items, net	(204,563)	-
Profit for the year after taxation and extraordinary items	231,859	195,925
	==========	=========