1 Identification and Principal Activities

The company operated as an approved venture capital company for the purposes of the Income Tax Act up to December 2000.

The company's principal activities involve the financing of equipment leases and providing loans. It is a subsidiary of First Life Insurance Company Limited. The ultimate parent company is Pan-Jamaican Investment Trust Limited.

All these companies are incorporated in Jamaica.

The company disposed of its 51% shareholding in Trafalgar Commercial Bank Limited in December 2000. Effective 1 January 2001, in pursuance of a scheme of reorganisation comprised in an Agreement for Exchange of Shares, the company acquired 100% shareholding in Pan Caribbean Merchant Bank Limited.

The company changed its accounting date from 30 September to 31 December in order to coincide with the accounting date of its parent company. Accordingly, these financial statements cover a period of fifteen months. The comparative period is for twelve months.

All amounts in these financial statements are expressed in Jamaican dollars unless otherwise stated.

2 Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Companies Act and the Financial Institutions Act, and comply with Jamaican Accounting Standards. These financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The group's financial statements include the financial statements of its 51% owned subsidiary, Trafalgar Commercial Bank Limited up to the date of disposal of that subsidiary and its 100% owned subsidiary, Pan Caribbean Merchant Bank Limited, from the date of acquisition of that subsidiary. Both companies are incorporated in Jamaica.

The subsidiary is licensed under the Financial Institutions Act 1992.

(c) Use of estimates

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

(d) Foreign currencies

(i) Transactions during the period are converted at the rates of exchange prevailing on the transaction dates.

(ii) Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at rates of exchange prevailing at the balance sheet date. Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

(iii) Where foreign currency assets are specifically acquired to match foreign currency liabilities either in whole or in part, the translation gains or losses are netted and the difference taken to the profit and loss account.

(e) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, long term loan receivables, loans to customers, lease receivables, all other assets excluding fixed assets and goodwill arising on consolidation, deposits by customers, and all other liabilities. The fair values of the group's financial instruments are discussed in Note 25.

(f) Interest and fees

Interest income and expenses are recognised on the accrual basis, except that where collection of interest income is considered doubtful or payment of interest is outstanding for more than 90 days, interest is taken on the cash basis. Accrued interest on loans which are in arrears for 90 days and more is excluded from income.

Project fee income is recorded as income when loan agreements are signed and funds are committed for disbursement.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents relate to cash resources, which comprises cash in hand and money on call at Bank of Jamaica.

(h) Investments

Investments in the company are stated at the lower of cost and net realisable value. Investments in the subsidiary are shown at cost.

Where there is a diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(i) Provision for credit losses

The group maintains an allowance for credit losses, which consists of specific provisions and general provisions for doubtful credits.

Specific provisions are established as a result of reviews of individual loans and are based on an assessment which takes into consideration all factors, including collateral held and business and economic conditions.

General provisions for doubtful credits are established against the loan portfolio in respect of the group's core business lines where a prudent assessment by the group of adverse economic trends suggests that losses may occur, but where such losses cannot yet be determined on an item-by-item basis.

(j) Fixed assets and depreciation

(i) Fixed assets are recorded at cost and are stated at historical cost less depreciation.

(ii) Depreciation is provided on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The following rates are used: -

Office equipment	10%
Motor vehicles	20%
Leasehold improvements	20%
Computer equipment	33 1/3%

(iii) Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating results.

(k) Leases

Lease income is derived from finance leases and is recognised over the period of the lease on the actuarial or reducing balance method. This method provides a constant rate of return on the remaining net investment in the lease. Unearned income from finance leases represents the income element of lease payments collectible in future accounting periods.

(l) Deferred taxation

Deferred taxation is recognised in these financial statements only to the extent that the timing differences are considered likely to reverse in the foreseeable future.

(m) Acceptance under guarantees and letters of credit

Liabilities under acceptances in respect of guarantees, commitments and letters of credit are reported as a liability in the balance sheet. Equal and offsetting claims against customers in the event of a call on these commitments, are reported as an asset.

(n) Assets purchased/sold under resale/repurchase agreements

A repurchase agreement/reverse repurchase agreement is a short term transaction whereby securities are sold/bought with simultaneous agreements for reselling/repurchasing the securities on a specified date and at a specified price.

The purchase and sale of securities under repurchase/reverse repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expenses are recorded on the accrual basis.

(o) Employee benefit costs

Contributions by the Group to fund benefits under the pension scheme are actuarially determined and include amounts to fund future service benefits, expenses and past service benefits. Contributions are charged as an expense in the year in which they are due.

(p) Comparative information

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

3 Net Securities Trading Income and Gains

	The Group	
	Fifteen months ended 31 December 2001 $'000	**Year ended 30 September 2000 $'000**
Investment income	1,347,505	-
income from loans and leases	29,206	-
Gains on sale of securities	18,437	-
Revaluation gains	1,267	-
Other income	2,255	-
	1,398,670	-
Less : Expenses	1,265,365	-
	133,305	-
	==========	==========

4 Staff Costs

	The Group		**The Company**	
	Fifteen Months ended 31 December 2001	**Year ended 30 September 2000**	**Fifteen Months ended 31 December 2001**	**Year ended 30 September 2000**

	$'000	**$'000**	**$'000**	**$'000**
Salaries and wages	53,309	64,322	23,075	37,949
Statutory contributions	5,838	5,362	2,634	3,097
Pension costs	1,990	1,956	653	1,439
Other staff benefits	24,397	8,042	3,927	3,570
	85,534	79,682	30,289	46,055
	=======	=======	=======	=======

The number of employees of the group and the company at 31 December 2001 were 51 (2000 - 66) and 5 (2000 - 29), respectively.

5 Profit /(Loss) before Taxation and Exceptional Item

This is arrived at after charging/(crediting):

	The Group		**The Company**	
	Fifteen Months ended 31 December 2001 $'000	**Year ended 30 September 2000 $'000**	**Fifteen Months ended 31 December 2001 $'000**	**Year ended 30 September 2000 $'000**
Directors' emoluments -				
Fees	2,663	1,822	863	1,220
Remuneration	3,958	4,740	965	4,740
Auditors' remuneration	2,564	2,520	1,484	1,620
Staff costs (Note 4)	85,534	79,682	30,289	46,055
Depreciation	6,644	9,748	1,791	4,571
Interest expense	199,437	172,031	125,408	104,823
Loss/(profit) on sale of fixed assets	10,061	237	10,070	(182)
	=======	=======	=======	========

6 Exceptional item

This represents the net charge to the profit and loss account arising as a result of the restructuring of the company and the operational amalgamation with Pan Caribbean Merchant Bank Limited during the period and comprises:

The Group		**The Company**	
Fifteen Months ended 31 December	**Year ended 30 September**	**Fifteen Months ended 31 December**	**Year ended 30 September**

	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Redundancy cost	24,801	-	24,801	-
New accommodation expense	924	-	163	-
Professional fees	4,037	-	3,903	-
	29,762	-	28,867	-

7 Taxation

The company was relieved from taxation up to December 2000 arising from their approved venture capital status up to that time. Subsequent to that date taxation is based on the profit for the period adjusted for taxation purposes.

Income tax is computed at 33 1/3% of the profits for the period adjusted for tax purposes and comprises:

	The Group	
	Fifteen Months ended 31 December 2001 $'000	Year ended 30 September 2000 $'000
Provision for current year charge	-	-
(Over)/under provision of prior year taxation	(1,027)	5
	(1,027)	5

The tax charge is disproportionate to the reported results for the current period, mainly because tax-free interest income was excluded in arriving at the taxable income. Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for carry forward and offset against future profits of the company and its subsidiary at 31 December 2001 were $35,396,000 and $32,549,000, respectively (2000 - $Nil).

8 Net Profit/(Loss) and Retained Earnings

The net profit is dealt with in the financial statements as follows:

Fifteen

	Months ended 31 December 2001 $'000	Year ended 30 September 2000 $'000
The company -		
Profit and loss	(30,531)	(15,775)
Post acquisition profit in subsidiary not recovered in sales proceeds	-	(903)
	(30,531)	(16,678)
The subsidiary	118,079	539
	87,548	(16,139)
	========	========

The retained earnings are reflected in the financial statements as follows:

	31 December 2001 $'000	30 September 2000 $'000
The company -		
Statement of changes in equity	326,334	379,381
Post acquisition profit in subsidiary not recovered in sales proceeds	-	(903)
	326,334	378,478
The subsidiary	45,156	(2,256)
	371,490	376,222
	========	=========

9 Earnings Per Stock Unit

The calculation of earnings per stock unit (EPS) is based on the group's net profit or loss for each period and the number of shares in issue in respect of that period as shown below. The shares in issue for the period ended 31 December 2001 used in the computation represents the weighted average shares in issue for the period. The shares in issue were weighted to reflect the effect of the shares issued during the period in pursuance of the Exchange of Shares Agreement (Note 20).

	31 December 2001	30 September 2000
Average number of shares in issue used		

in EPS computation	227,538	115,047
	========	========

10 Cash Resources

	The Group		The Company	
	31 December 2001	30 September 2000	31 December 2001	30 September 2000
	$'000	$'000	$'000	$'000
Cash	76,158	9,097	16,248	8,496
Cash reserve at Bank of Jamaica	9,531	60,385	-	-
	85,689	69,482	16,248	8,496
	=======	=======	=======	======

Cash reserve represents the prescribed percentage of deposit liabilities required to be maintained in cash, substantially on a non-interest bearing basis, with the Bank of Jamaica. Accordingly, it is not available for investment or other use by the Group.

11 Investments

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 4 Years	Over 4 Years	Carrying Value 31 December 2001	Carrying Value 30 September 2000
	$'000	$'000	$'000	$'000	$'000	$'000
Quoted and Unquoted Investments -						
Preference	-	3,545	10,636	103,152	117,333	108,157
Ordinary	-	-	-	25,050	25,050	11,294
Government of Jamaica	89,158	127,280	181,627	309,869	707,934	423,737
Other	255,351	64,078	-	7,050	326,479	201,669
	344,509	194,903	192,263	445,121	1,176,796	744,857
Less: Provision for losses on unquoted investments					(29,661)	(12,991)
					1,147,135	731,866
					=======================	

The Company

	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 4 Years	Over 4 Years	Carrying Value 31 December 2001	Carrying Value 30 September 2000
	$'000	$'000	$'000	$'000	$'000	$'000
Unquoted investments -						
Preference	-	3,545	10,636	103,152	117,333	108,157
Ordinary	-	-	-	14,294	14,294	11,294
Investment in subsidiary	-	-	-	140,613	140,613	44,668
Government of Jamaica	14,181	52,827	12,046	-	79,054	-
Other	255,351	63,511	-	-	318,862	227,574
	269,532	119,883	22,682	258,059	670,156	391,693
Less: Provision for losses on unquoted investments					(29,661)	(12,991)
					640,495	378,702

12 Long Term Loans

	The Group & The Company	
	31 December 2001	30 September 2000
	$'000	$'000
Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)	161,479	152,707

In June 1997, the company entered into a foreign currency arrangement with DEG, a major shareholder and a provider of long term finance to the company. Under the agreement, the company borrowed from DEG, USS4,351,610 (the equivalent of DM 7,500,000) and immediately made a corresponding loan to DEG in the amount of DM 7,500,000 repayable in year 2012, the intention being that this loan to DEG is to hedge against the exchange risk which the company is exposed to in respect of an earlier DM loan from DEG and which is also repayable in year 2012 (Note I7(b)). Interest on the loan to DEG is at 6% per annum and interest on the loan to the company is at 8 1/8% per annum and is included in long term liabilities (Note 17). In 2001 the loan to DEG and the loan to the company were converted to European currency. The balances are EUR 3,834,689 at the year end.

The company does not trade in foreign currency swaps and the above arrangement was entered into to reduce the impact of fluctuating currency rates and related foreign currency exposure.

13 (a) Loans and Leases

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	**3 to 12 Months**	**1 to 4 Years**	**Over 4 Years**	**31 December 2001**	**30 September 2000**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Leases	464,656	157,262	502,417	234,698	1,359,033	1,745,357
Less: Provision for losses					(272,814)	(226,729)
					1,086,219	1,518,628

Breakdown net of provision:

	31 December 2001	**30 September 2000**
	$'000	**$'000**
Loans	1,064,143	1,516,768
Leases	22,076	1,860
	1,086,219	1,516,628

	The Company					
	Remaining Term to Maturity					
	Within 3 Months	**3 to 12 Months**	**1 to 4 Years**	**Over 4 Years**	**31, December 2001**	**30' September 2000**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Leases	437,259	143,580	426,408	204,381	1,211,628	1,378,203
Less: Provision for losses					(257,226)	(179,708)
					954,402	1,198,495

Breakdown net of provision:

31 December **30 September**

	2001 $'000	2000 $'000
Loans	954,402	1,196,635
Leases	-	1,860
	954,402	1,198,495

13 (b) Provision for Credit and Other Losses

	The Group		The Company	
	31 December 2001 $'000	30 September 2000 $'000	31 December 2001 $'000	30 September 2000 $'000
Total Non Performing Loans and Leases	301,395	379,288	298,181	250,413
The provision for credit and other losses comprises:				
At beginning of period	226,729	175,344	179,708	137,102
Provision made during the period	87,525	108,237	81,534	46,322
Provision no longer required	(4,016)	(49,963)	(4,016)	(1,251)
Net provision during the period	83,509	58,274	77,518	45,071
Transferred on acquisition of Pan Caribbean Merchant Bank Limited	9,631	-	-	-
Transferred on disposal of Trafalgar Commercial Bank Limited	(47,021)	-	-	-
Net loans and leases written off	(34)	6,889	-	(2,465)
At end of period	272,814	226,729	257,226	179,708

14 Fixed Assets

	The Group						
	Freehold Premises $'000	Furniture and Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Leasehold Improve-ments $'000	Leased Assets $'000	Total $'000
Cost -							
1 October 2000	26,578	23,695	32,546	12,756	8,026	2,260	105,861
Additions	-	816	563	129	-	-	1,508

Disposals	(26,578)	(7,115)	(6,500)	(11,895)	(970)	-	(53,058)
Adjustment for acquisition of Pan Caribbean Merchant Bank Limited	-	21,233	10,398	873	-	-	32,504
Adjustment for disposal of Trafalgar Commercial Bank Limited	-	(16,747)	(23,795)	-	(7,056)	(2,260)	(49,858)
31 December 2001	-	21,882	13,212	1,863	-	-	36,957
Accumulated Depreciation -							
1' October 2000	-	13,215	20,875	11,051	4,668	732	50,541
Charge for the period	-	3,159	2,680	303	389	113	6,644
On disposals	-	(1,269)	(4,936)	(10,444)	(279)	-	(16,928)
Adjustment for acquisition of Pan Caribbean Merchant Bank Limited	-	11,489	4,882	680	-	-	17,051
Adjustment for disposal of Trafalgar Commercial Bank Limited	-	(13,007)	(15,823)	-	(4,778)	(845)	(34,453)
31 December 2001	-	13,587	7,678	1,590	-	-	22,855
Net Book Value -							
31 December 2001	-	8,295	5,534	273	-	-	14,102
30 September 2000	26,578	10,480	11,671	1,705	3,358	1,528	55,320

The Company

	Freehold Premises $'000	**Furniture and Equipment $'000**	**Computer Equipment $'000**	**Motor Vehicles $'000**	**Leasehold Improve-ments $'000**	**Total $'000**
Cost -						
1 October 2000	26,578	6,948	8,751	12,756	970	56,003

Disposals	(26,578)	(6,945)	(6,500)	(11,895)	(970)	(52,888)
31 December 2001	-	3	2,251	861	-	3,115
Accumulated Depreciation -						
1 October 2000	-	601	5,634	11,051	182	17,468
Charge for the period	-	501	1,059	134	97	1,791
On disposals	-	(1,099)	(4,936)	(10,444)	(279)	(16,758)
31 December 2001	-	3	1,757	741	-	2,501
Net Book Value -						
31 December 2001	-	-	494	120	-	614
30 September 2000	26,578	6,347	3,117	1,705	788	38,535

15 Sundry Assets

	The Group		The Company	
	31 December 2001 $'000	30 September 2000 $'000	31 December 2001 $'000	30 September 2000 $'000
Interest receivable	57,110	35,240	34,650	23,549
Foreclosed asset	11,186	28,000	11,186	28,000
Other assets	58,159	70,367	47,242	30,317
	126,455	133,607	93,078	81,866

The foreclosed asset balance represents the carrying value of a property foreclosed by the company, which was used as security for a customer's loan. The value at which the property is recorded represents loan principal plus interest accrued to the date of foreclosure less provision. An agreement for the sale of property was entered into by the company subsequent to the period end.

Other assets include the subsidiary's contribution to the National Housing Trust amounting to $Nil (2000 - $49,567), recoverable in the years 2001 to 2004.

16 Deposits by Customers

The Group					
Remaining Term to Maturity					
Within 3 Months	3 to 12 Months	1 to 4 Years	Over 4 Years	31 December 2001	30 September 2000

	$'000	$'000	$'000	$'000	$'000	$'000
Customers' deposits	208,289	8,089	100,960	-	317,338	460,722

17 Due to Financial and Other Institutions

	Currency	Rate %	31 December 2001 $'000	30 September 2000 $'000
The Company:				
Long Term Loans -				
United States Agency for International Development (USAID) -				
Repayable in 21 semi-annual instalments starting January 1995 and ending July 2005	J$	5	34,114	38,309
Repayable within 10 years in 16 equal semi-annual instalments commencing October 1997	J$	23&24	-	24,553
Repayable in 16 semi-annual instalments commencing December 1996 and ending June 2003	J$	22&24	-	875
Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG) -				
Repayable in one amount on 31 December 2009 (Loan #1)	J$	6	22,660	26,272
Repayable in one amount on 30 December 2012 (Loan #2)	EUR	6	161,479	152,597
Repayable in 10 semi-annual instalments commencing March 1999	US$	Libor+2.25	82,280	117,037
European Investment Bank (EIB)				
Repayable in 5 annual instalments commencing March 2011 and ending March 2015	J$	2	23,583	23,583
Repayable in 1 instalment on 31 December 2007	J$	2	24,854	24,854
Repayable in 12 semi-annual instalments commencing March 1998 and ending September 2003	US$	3	66,705	94,845

Repayable in 12 semi-annual instalments commencing March 1998 and ending September 2003	£	3	26,287	37,432
Repayable in 1 instalment on 31 August 2002	J$	2	15,361	15,361
Repayable in 1 instalment on 31 December 2007	EUR	2	22,858	21,676
Commonwealth Development Corporation (CDC) -				
Repayable in 16 semi-annual instalments commencing May 1994 and ending November 2001	£	10	-	48,113
Repayable in 12 semi-annual instalments commencing January 1996 and ending July 2001	US$	9	-	44,825
GO]/World Bank Loan in association with Jamaica Exporters Association (JEA) -				
Draw-down commencing August 1998				
Repayable within 5 years of the date of each draw-down commencing August 1998	US$	Nil	17,582	46,828
Caribbean Development Bank (CDB) -				
Repayable in 32 quarterly instalments commencing July 1996 and ending April 2004	US$	6	78,201	111,245
Development Bank of Jamaica Limited (DBJ) - (Formerly issued by National Development Bank Limited))				
Repayable over varying periods from 30 months to 96 months	J$	9-26	68,303	112,921
Repayable over varying periods from 48 months to 96 months	J$	Various	218,292	205,796
Development Bank of Jamaica Limited (DBJ) - (Formerly held by Agricultural Credit Bank of Jamaica Limited)				
Repayable in 16 quarterly instalments	J$	10	-	320
Development Bank of Jamaica Limited (DBJ) -				
Repayable over varying periods from 24 months to 72 months	J$	6.5-13	148,643	-
Repayable over varying periods from 24 months to 72 months	US$	9	5,605	-

Short Term Loans:				
Dehring, Bunting & Golding Limited	US$	10	-	62,755
Barclays Bank (Miami) -				
Loans at varying interest rates	US$	-	82,722	78,444
National Insurance Fund				
Repayable January 2002	J$	20	50,000	-
Investment Masters Limited				
Repayable January 2002	J$	20	15,000	-
FirstGlobal Bank Limited				
Held on Call	J$	10	2,500	-
Pan Caribbean Merchant Bank Limited				
- Off balance sheet				
Repayable January 2002	J$	19	4,494	-
The Company			1,171,523	1,288,641
The Subsidiary				
Long Term Loans				
Development Bank of Jamaica Limited	J$	12-24	-	1,678
Citibank	US$	9.75	94,540	-
Development Bank of Jamaica Limited	J$	6-10	71,133	
The National Export-Import				
Bank of Jamaica Limited	J$	6.5-9	16,457	-
			182,130	1,678
Short term loans -				
Overnight borrowing	J$		-	15,000
Bank of America	US$	1.5	2,172	-
The Group			1,355,825	1,305,319
			=========	=========

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	**3 to 12 Months**	**1 to 4 Years**	**Over 4 Years**	**31 December 2001**	**30 September 2000**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Due to financial and other institutions	308,441	266,784	321,883	458,717	1,355,825	1,305,319

	The Company					
	Remaining Term to Maturity					
	Within 3 Months	**3 to 12 Months**	**1 to 4 Years**	**Over 4 Years**	**31 December 2001**	**30 September 2000**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Due to financial and other institutions	293,698	162,425	300,083	415,317	1,171,523	1,298,641

(a) United States Agency for International Development (USAID)

Under the terms and conditions of the USAID loan agreements, the company may prepay all or part of the principal if the interest due is fully paid and up to date. The loans are repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time USAID disbursed the loan funds. The loan agreements further require that the company:

(a) provide an annual reserve for loan losses of a minimum of 3% of average loans outstanding; and

(b) restrict ownership by any individual, association or company to a maximum of 15% of voting shares of the company.

Approval was granted during the period for the company to remove the above restriction on ownership.

(b) Deutsche Investitions - und Entwicklungsgesellischaft mbH (DEG)

Under the terms of the DEG Loan Agreement, the loans totalling DM 14,500,000 are to be applied for the financing of medium and small-scale enterprises.

Loan #1 - DM 7,000,000 disbursed 1990.

This loan is repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time DEG disbursed the loan funds. The interest rate of 6% consists of 3 portions, A-portion, B-portion and C-portion. The A-portion shall be 0.75% per annum and remitted in DM by the Ministry of Finance. The B-portion shall be 1.5% per annum and shall be remitted in J$ to the Ministry of Finance for exchange risk coverage. The C-portion shall be 3.75% per annum and payable in J$ out of the operating surplus of the company, paid to a special fund termed "The

Trafalgar German Fund I".

Loan #2 - DM 7,500,000 disbursed 1993.

This loan is repayable in foreign currency. The interest rate of 6% per annum consists of an A-portion and a B-portion. The A-portion shall be 0.75% per annum and shall be remitted in DM to DEG. The B-portion shall be paid to a special fund termed "The Trafalgar German Fund 11". The fund is to be used primarily for the coverage of foreign exchange losses incurred by TDB should these funds be converted to Jamaican dollars, and for other technical assistance.

The third loan of US $4,351,610 (Note 12) was under a foreign currency hedging arrangement with DEG. It is repayable in 10 semi-annual instalments commencing March 1999.

(c) European Investment Bank (EIB)

The EIB has established in favour of the company, credit in the amount of EUR 1,000,000 for the financing of projects through equity participation in small and medium sized enterprises.

The company shall repay the loan in respect of amounts disbursed under each allocation, the Euro equivalent of one half of the net amount of dividends received by the company in respect of the corresponding equity participation during the preceding calendar year.

The outstanding balance of the loan after the payments due on 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual instalments beginning on 31st March 2011. Repayment may either be in Euro or one or more currencies of the member states of the European Economic Community and shall be calculated as the Euro equivalent of the Jamaican dollar liability using exchange rates between the Euro and the selected currencies prevailing on the thirtieth day before the date of payment,

An additional facility was established in the amount of EUR 5,000,000. The loan was disbursed to the company in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed.

In 1999, an additional facility was established in the amount of EUR 3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. To date total disbursement stands at EUR 1,110,000.

On the outstanding balance of the loan, the company shall repay in each year a sum representing the equivalent in Euro of 50% of the dividend (if any) received in respect of the corresponding equity participation during the preceding calendar year.

(d) Commonwealth Development Corporation (CDC)

The company obtained two loans from the CDC. The first loan £:4,000,000 sterling was disbursed to the company in Pounds Sterling. A portion of these funds is held as collateral security for the short term United States Dollar loans from Barclays Bank, Miami (Note 17(f)). The remainder of these funds was on-lent to borrowers and was repayable in Sterling as were the principal and interest due to CDC.

The second loan for US$6,000,000 was on-lent to borrowers in United States Dollars and was repayable by the borrowers in United States Dollars as were the principal and interest due to CDC.

(e) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve J$ financing to the company for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate.

Funds disbursed to the company bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ.

(f) Barclays Bank

The loans with Barclays Bank are denominated in U.S. Dollars and are secured by Sterling deposits (Note I7(d)).

(g) Dehring, Bunting & Golding Limited (DBG)

The loans with Dehring, Bunting & Golding Limited were denominated in U.S. Dollars and were evidenced by Promissory Notes.

(h) Jamaica Exporters' Association (JEA)

The agreement with Government of Jamaica and the World Bank in association with the Jamaica Exporters' Association allows TDB the facility to borrow up to

US$4,400,000 for on-lending to private enterprises seeking funding for export development projects. The loans are repayable in foreign currency within 5 years of the date of each individual advance, the first instalment being due August 1998.

(i) Caribbean Development Bank (CDB)

The agreement with the Caribbean Development Bank (CDB) provides the company with a credit facility of US$5,000,000 for on-lending to development projects on such terms and conditions as CDB may stipulate. The funds are repayable in foreign currency and had a two-year moratorium in respect of principal repayments, which commenced in 1996.

18 Sundry Liabilities

	The Group		The Company	
	31 December 2001 $'000	**30 September 2000 $'000**	**31 December 2001 $'000**	**30 September 2000 $'000**
Interest payable	40,782	17,411	31,049	17,411
Other payables	68,560	46,009	53,159	19,102
	109,342	63,420	84,208	36,513
	========	=======	=======	=======

Other payables for the group include manager's cheques amounting to approximately $Nil (2000 - $19,961,000) which are due within one year.

19 Obligations under Finance Lease

	The Group	
	31 December 2,001 $'000	**30 September 2,000 $'000**
2001	-	804
2002	-	804
2003	-	538
Total future minimum lease payments	-	2,146
Less future interest charges	-	(665)
Present value of minimum lease payments	-	1,481
	======	=======
Due from the date of the balance sheet as follows:		
Within 1 year	-	428

After 1 year	-	1,053
	-	1,481

20 Share Capital

	31 December 2001 $'000	30 September 2000 $'000
Authorised -		
Ordinary shares of $1 each	260,613	120,000
	========	========
Issued and fully paid -		
Ordinary stock units of $1 each	255,660	115,047
	========	========

During the period, the authorised share capital of the company was increased to $260,613,000 by the creation of an additional 140,613,376 ordinary shares of $1 each. In January 2001, shares totaling 140,613,376 units were issued to FirstLife Insurance Company Limited in pursuance of a scheme of reorganisation comprised in an Agreement for Exchange of Shares in consideration for FirstLife's 100% shareholding in Pan Caribbean Merchant Bank Limited.

21 General Reserve

The reserve has been created by the capitalisation of grants received from USAID and DEG for the purchase of equipment and other assets. The reserve is being written off to the profit and loss account by the amount of annual depreciation provided on the equipment.

The balance comprises:

	The Group		The Company	
	31 December 2001 $'000	30 September 2000 $'000	31 December 2001 $'000	30 September 2000 $'000
Balance brought forward 1 October	40,122	3,950	39,219	3,950
Additional grants capitalised	3,000	-	3,000	-
Transfer to retained earnings	(3,050)	(900)	(3,050)	(900)
Reserve for subsequent loss on disposal of subsidiary	-	36,169	-	36,169
Post acquisition profit in the subsidiary not recovered in sales proceeds	-	903	-	-

Reserve for loss on disposal of subsidiary utilised	(36,169)	-	(36,169)	-
Reserve for post acquisition profit in the subsidiary not recovered in sales proceeds utilised	(903)	-	-	-
	3,000	40,122	3,000	39,219

22 Reserve Fund

	The Group	
	31 December 2001	**30 September 2000**
	$'000	**$'000**
At beginning of period	3,160	3,001
Transfer from retained earnings	20,000	159
Eliminated on disposal of Trafalgar Commercial Bank Limited	(3,160)	-
At end of period	20,000	3,160

The fund is maintained in accordance with the Financial Institutions Act governing the licensing of the subsidiary which requires that a minimum of 15% of net profits, as defined by the Act, be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid up capital of the subsidiary and thereafter 10% of the net profits until the amount of the fund is equal to the paid up capital of the subsidiary.

23 Retained Earnings Reserve

Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

24.Dividends Proposed

	31 December 2001	**30 September 2000**
	$'000	**$'000**
Dividends proposed of $0.10 (2000 - $Nil) per stock unit-gross	25,566	-

25 Financial Instruments

(a) Fair values

Fair value represents an estimate of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the group's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Changes in interest rates are the main cause of changes in the fair value of the group's financial instruments. The majority of the group's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

The following tables set out the fair values of on-balance sheet financial instruments of the group and the company using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as fixed assets.

Fair values were estimated as follows:
The fair values of cash resources, sundry assets, cheques and other instruments in transit, customers' liability under guarantees and letters of credit, securities purchased/sold under agreements to resell/repurchase, lease receivables and sundry liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of investments is assumed to be equal to the estimated market value of investments. These values are based on quoted market prices, when available; when not available other valuation techniques are used. The estimated fair value of loans to customers is assumed to be the principal receivable less any provision for losses.

The estimated fair value of long term loan and due to financial and other institutions reflects changes in the general level of interest rates that have occurred since the transactions originated. The particular valuation methods used are as follows:

(i) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.

(ii) For match funded loans the fair value is assumed to be equal to their carrying value as gains and losses offset each other.

(iii) For all other loans, fair value is ascertained by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks. It is management's opinion that the existing rates are comparable to current rates that could be negotiated with the lenders.

The fair value of obligations under finance lease and deposits which are payable on demand or notice are assumed to be equal to their carrying values. The fair values of fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

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

	The Group			
	31 December 2001		**30 September 2000**	
	Carrying Amount $'000	**Fair Value $'000**	**Carrying Amount $'000**	**Fair Value $'000**
Financial Assets				
Cash resources	85,689	85,689	69,482	69,482
Investments	1,147,135	1,177,079	731,866	793,351
Long term loan	161,479	161,479	152,707	152,707
Loans and leases	1,086,219	1,086,219	1,518,628	1,518,628
Customers' liability under guarantees and letter of credits	260,529	260,529	26,468	26,468

Cheques and other instruments in transit	-	-	42,549	42,549
Securities purchased under agreement to resell	-	-	216,741	216,741
Sundry assets	126,455	126,455	133,607	133,607
	2,867,506	2,897,450	2,892,048	2,953,533
Financial Liabilities				
Deposits by customers	317,338	317,338	460,722	505,723
Due to financial and other institutions	1,355,825	1,355,825	1,305,319	1,305,319
Guarantees and letters of credit	260,529	260,529	26,468	26,468
Securities sold under agreement to repurchase	-	-	519,541	519,541
Sundry liabilities	134,908	134,908	63,420	63,420
Obligations under finance lease	-	-	1,481	1,481
	2,068,600	2,068,600	2,376,951	2,421,952

	The Company			
	31 December 2001		**30 September 2000**	
	Carrying Amount $'000	**Fair Value $'000**	**Carrying Amount $'000**	**Fair Value $'000**
Financial Assets				
Cash resources	16,248	16,248	8,496	8,496
Investments	640,495	641,120	378,702	378,702
Long term loan	161,479	161,479	152,707	152,707
Loans and leases	954,402	954,402	1,198,495	1,198,495
Sundry assets	93,078	93,078	81,866	81,866
	1,865,702	1,866,327	1,820,266	1,820,266
Financial Liabilities				
Due to financial and other institutions	1,171,523	1,171,523	1,288,641	1,288,641

Sundry liabilities	109,799	109,799	36,513	36,513
	1,281,322	1,281,322	1,325,154	1,325,154
	=========	=========	=========	=========

(b) Liquidity risk

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the group. It is unusual for financial institutions 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 losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost,interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

	The Group				
	Within 3 Months	**3 to 12 Months**	**1 to 4 Years**	**Over 4 Years**	**Total**
	2001	**2001**	**2001**	**2001**	**2001**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash resources	85,689	-	-	-	85,689
Investments	314,848	194,903	192,263	445,121	1,147,135
Long term loan	-	-	-	161,479	161,479
Loans and leases less provision for losses	191,842	157,262	502,417	234,698	1,086,219
Customers' liability under guarantees	239,729	5,100	-	15,700	260,529
Fixed assets	-	-	-	14,102	14,102
Other assets	28,892	17,977	80,125	-	126,994
Total Assets	861,000	375,242	774,805	871,100	2,882,147
Guarantees	239,729	5,100	-	15,700	260,529
Amounts due to					

other banks and financial institutions	308,441	266,784	321,883	458,717	1,355,825
Customers' deposits and savings accounts	208,289	8,089	100,960	-	317,338
Other liabilities	41,961	67,679	25,268	-	134,908
Total Liabilities	798,420	347,652	448,111	474,417	2,068,600
Net Liquidity Gap	62,580	27,590	326,694	396,683	813,547
Cumulative Liquidity Gap	62,580	90,170	416,864	813,547	-

	The Company				
	Within 3 Months 2001 $'000	**3 to 12 Months 2001 $'000**	**1 to 4 Years 2001 $'000**	**Over 4 Years 2001 $'000**	**Total 2001 $'000**
Cash resources	16,248	-	-	-	16,248
Investments	239,871	119,883	22,682	258,059	640,495
Long term loan	-	-	-	161,479	161,479
Loans and leases less provision for losses	180,033	143,580	426,408	204,381	954,402
Fixed assets	-	-	-	614	614
Other assets	8,329	20,875	63,874	-	93,078
Total Assets	444,481	284,338	512,964	624,533	1,866,316
Amounts due to Other banks and financial institutions	293,698	162,425	300,083	415,317	1,171,523
Other liabilities	16,852	67,679	25,268	-	109,799
Total Liabilities	310,550	230,104	325,351	415,317	1,281,322
Net Liquidity Gap	133,931	54,234	187,613	209,216	584,994
Cumulative Liquidity Gap	133,931	188,165	375,778	584,994	-

(c) 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.

The group and the company are exposed to interest rate risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial positions and cash flows.

The tables below summarise the group's and the company's exposure to interest rate risk. Included in the tables are the group's and the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group					
	Within 3 Months 2001 $'000	**3 to 12 Months 2001 $'000**	**1 to 4 Years 2001 $'000**	**Over 4 Years 2001 $'000**	**Non Interest Bearing 2001 $'000**	**Total 2001 $'000**
Cash resources	59,911	-	-	-	25,778	85,689
Investments	670,772	351,591	-	10,000	114,772	1,147,135
Long term loan	-	-	-	161,479	-	161,479
Loans and leases less provision for losses	203,877	178,808	499,153	204,381	-	1,086,219
Customers' liability under guarantees	-	-	-	-	260,529	260,529
Other assets	-	-	-	-	141,096	141,096
Total Assets	934,560	530,399	499,153	375,860	542,175	2,882,147
Guarantees	-	-	-	-	260,529	260,529
Amounts due to other banks and financial institutions	308,751	276,955	354,802	415,317	-	1,355,825
Customers' deposits and savings accounts	282,809	34,529	-	-	-	317,338
Other liabilities	-	-	-	-	134,908	134,908
Total Liabilities	591,560	311,484	354,802	415,317	395,437	2,068,600
Total interest rate sensitivity gap	343,000	218,915	144,351	(39,457)	146,738	813,547
Cumulative gap	343,000	561,915	706,266	666,809	813,547	-

The Company	Within 3 Months 2001 $'000	3 to 12 Months 2001 $'000	1 to 4 Years 2001 $'000	Over 4 Years 2001 $'000	Non Interest Bearing 2001 $'000	Total 2001 $'000
Cash resources	-	-	-	-	16,248	16,248
Investments	278,985	118,931	-	-	242,579	640,495
Longs term loan	-	-	-	161,479	-	161,479
Loans and leases less provision for losses	180,033	143,580	426,408	204,381	-	954,402
Other assets	-	-	-	-	93,692	93,692
Total Assets	459,018	262,511	426,408	365,860	352,519	1,866,316
Amounts due to other banks and financial institutions	293,698	162,425	300,083	415,317	-	1,171,523
Other liabilities	-	-	-	-	109,799	109,799
Total Liabilities	293,698	162,425	300,083	415,317	109,799	1,281,322
Total interest rate sensitivity gap	165,320	100,086	126,325	(49,457)	242,720	584,994
Cumulative gap	165,320	265,406	391,731	342,274	584,994	-

The tables below summarise the effective interest rate by major currencies for monetary financial instruments of the group and company at 31 December 2001.

The Group	J$	US$	EUR	Sterling
Assets				
Cash resources	-	1.50	-	-
Investments	17.48	9.51	10.19	5.00
Long term loan	-	-	6.00	-
Loans and leases less provisions for losses	16.96	11.12	-	-
Liabilities				
Customers' deposits and savings accounts	13.24	9.21	-	-
Amounts due to other banks				

and financial institutions	8.90	6.59	6.00	3.12

	The Company			
	J$	**US$**	**EUR**	**Sterling**
Assets				
Cash resources	-	1.50	-	-
Investments	16.46	7.25	10.19	5.00
Long term loan	-	-	6.00	-
Loans and leases less provisions for losses	14.00	11.03	-	-
Liability				
Amounts due to other banks and financial institutions	9.18	6.18	6.00	3.12

(d) Credit risk

The following tables summarise the credit exposure of the group and the company to individuals and businesses by sector:

	The Group				
	Long Term Loan	**Loans & Leases**	**Guarantees & letters of credit**	**Total 31 December 2001**	**Total 30 September 2000**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Agriculture	-	118,745	222	118,967	211,852
Mining, quarrying processing	-	84,368	-	84,368	-
Manufacturing	-	303,247	19,876	323,123	534,963
Construction, land development and real estate acquisition	-	117,900	82,790	200,690	-
Transport, storage and communication	-	12,782	-	12,782	37,375
Distribution	-	23,420	47,076	70,496	75,991
Tourism	-	616,325	100	616,425	608,743

Entertainment	-	17,279	600	17,879	-
Professional & other service	161,479	48,309	-	209,788	328,107
Personal	-	16,658	109,865	126,523	127,501
	161,479	1,359,033	260,529	1,781,041	1,924,532
Total Provision	-	(272,814)	-	(272,814)	(226,729)
	161,479	1,086,219	260,529	1,508,227	1,697,803

	The Company			
	Long Term Loan	**Loans & Leases**	**Total 31 December 2001**	**Total 30 September 2000**
	$'000	**$'000**	**$'000**	**$'000**
Agriculture	-	102,545	102,545	212,409
Mining, quarrying processing	-	78,424	78,424	-
Manufacturing	-	264,447	264,447	533,947
Construction, land development and real estate acquisition	-	114,973	114,973	-
Transport, storage and communication	-	11,737	11,737	-
Distribution	-	7,681	7,681	-
Tourism	-	583,872	583,872	606,803
Entertainment	-	5,062	5,062	-
Professional & other service	161,479	41,491	202,970	177,751
Personal	-	1,396	1,396	-
	161,479	1,211,628	1,373,107	1,530,910
Total Provision	-	(257,226)	(257,226)	179,708
	161,479	954,402	1,115,881	1,351,202

(e) Currency risk

The group and company incur foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The group and company ensure that the net exposure is kept to a minimum by monitoring currency positions and matching foreign assets with liabilities, where possible.

The net foreign currency exposure were as follows:

	The Group		The Company	
	31 December 2001 $'000	**30 September 2000 $'000**	**31 December 2001 $'000**	**30 September 2000 $'000**
Unites States Dollars (US$)	13,474	10,871	9,280	10,121
Canadian (Can$)	-	12	-	-
European currency (EUR)	955	-	955	-
Deutsche Mark (DM)	-	326	-	326
Sterling (£)	1,114	1,622	1,114	1,622
	=======	=======	=======	=======

26 Off Balance Sheet Activities

(a) Custody and Trust Assets

These are real estate, fixed income and equity investments which are not beneficially owned by the group and company. At balance sheet date, the book value of these assets were approximately $3,395,595,000 (2000 - $206,251,000).

Analysed as follows:

	31 December 2001 $'000	**30 September 2000 $'000**
Trafalgar German Fund 1	1,811	7,258
Trafalgar German Fund 11	77,449	66,720
Government of Jamaica Micro Investment Fund	205,039	132,273
The Company	284,299	206,251
Unit Trust Assets	2,002,223	-
Real Estate Investment Trust	178,729	-
Custody Assets	930,344	-
The Group	3,395,595	206,251
	=========	========

(b) Off Balance Sheet Investments

These are primarily Government of Jamaica fixed income securities or derivatives thereof funded by non-deposit client funds transacted through the subsidiary's

Primary Dealer Unit. At balance sheet date the book value of these assets were approximately $9,123,385,000 (2000 - $Nil).

(i) Remaining term to maturity of off balance sheet investments:

	The Group					
	Within 3 Months	3 to 12 Months	1 to 4 Years	Over 4 Years	Non Interest Bearing	Total
	2001	2001	2001	2001	2001	2001
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash resources	20,661	-	-	-	-	20,661
Investments	4,874,068	3,669,154	12,054	103,497	-	8,658,773
Interest and other receivable	-	-	-	-	443,951	443,951
Total Assets	4,894,729	3,669,154	12,054	103,497	443,951	9,123,385

(ii) Fair values

	The Group			
	31 December 2001		30 September 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Cash resources	20,661	20,661	-	-
Investments	8,658,773	8,748,005	-	-
Interest and other receivable	443,951	443,951	-	-
Total Assets	9,123,385	9,212,617	-	-

(iii) Foreign exchange risk

The foreign currency off balance sheet investments were as follows:

	The Group	
	31 December 2001	30 September 2000
	$'000	$'000

United States dollars (US$)	71,417	-
	=========	==========

(iv) Interest rate risk

The table below summarises the effective interest rate by major currencies for off balance sheet investments:

	The Group	
	31 December 2001 $'000	30 September 2000 $'000
J$	18.47	-
US$	11.00	-
	===========	===========

27 Commitments

(a) At 31 December 2001, there were undisbursed loan commitments for the company as follows:

J$24,000,000(2000 - J$59,400,000)
US$229,000(2000 - US$739,000)

(b) The subsidiary sold its motor vehicles and entered into operating lease arrangements. Commitments under the terms of operating contracts amounted to approximately $8,037,000 at 31 December 2001, and are scheduled for payment as follows:

	$'000
2002	2,352
2003	2,244
2004	1,749
2005	1,692
	=====

28 Related Party Transactions and Balances

Transactions and balances with connected parties are as follows:

	The Group		The Company	
	2001	2000	2001	2000

	$'000	$'000	$'000	$'000
Long term loans payable	266,419	295,906	266,419	295,906
Loans receivable	21,062	97,447	-	97,447
Long term receivable	161,479	152,707	161,479	152,707
Sundry assets	-	33,700	-	-
Deposits	14,860	64,285	-	-
Securities purchased under agreement to resell	-	35,000	-	-
Securities sold under agreement to repurchase	-	252,175	-	-
Lease payments to holding company	1,416	-	-	-
Rent and net lease recoveries paid to fellow subsidiary	5,266	-	-	-
Staff costs recharged to related company	2,280	-	-	-
Preference dividends receivable	-	-	15,000	-
Interest and other income earned	18,253	26,591	17,659	28,122
Interest and other expenses charged	21,505	39,317	21,122	27,633
	=======	=======	=======	=======

29 Contingent Liabilities

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

(b) The company's former subsidiary, Trafalgar Commercial Bank 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 unquantified damages for fraud and breach of contract.

The subsidiary has filed a defence to the claim, denied the allegations and counter-claimed for the debt owing. A trial date has not been set.

The former subsidiary's lawyers are unable to provide a meaningful opinion as to the prospects of success for the subsidiary, as it will depend on oral evidence given at the trial, and the judge's opinion as to the truth of that evidence.

30 Pension Scheme

The company participates in a pension scheme which is administered by First Life Insurance Company Limited. The scheme is open to all full-time employees and is funded by a basic employee contribution of 5% and a voluntary contribution up to a maximum of an additional 5%. Employer contributions are 5%. Retirement and death benefits are based on accumulated employer and employee contributions.

An actuarial review showed that the scheme was adequately funded, if the employer's contributions are treated as vested liabilities, as at 31 August 1998.

The subsidiary is one of a number of participating employers in a contributory pension plan administered by First Life Insurance Company Limited. Benefits under the plan are based on career earnings. The latest actuarial valuation, which was carried out as at 31 December 1999, indicated that the scheme was adequately funded as at that date.

31 Acquisition and Disposal of Subsidiaries

(a) On 1 January 2001 the company acquired 100% of the share capital of Pan Caribbean Merchant Bank Limited (PCMB). The shares were in pursuance of a scheme of reorganisation comprised in an Agreement for Exchange of Shares. First Life Insurance Company Limited transferred their entire shareholding in PCMB to the company in exchange for 140,613,376 ordinary shares of $1.00 each. The fair value of net assets approximated to book value of the net assets acquired.

Details of net assets acquired and reserve on consolidation are as follows:

	2001
	$'000
Cash resources	57,498
Investments	321,620
Loans and leases	139,858
Other assets	53,430
Customers' deposits	(167,309)
Due to financial and other institutions	(137,643)
Liabilities	(15,444)

Fair value of net assets acquired	252,010
Reserve on consolidation	(111,397)
Total purchase consideration	140,613
Discharged by shares issued	(140,613)
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Cash and cash equivalents in subsidiary acquired	57,498
Net cash inflow on acquisition	57,498

(b) In December 2000 the company sold its 51% shareholding in Trafalgar Commercial Bank Limited to Grace, Kennedy and Company Limited for $8,500,000. The sale agreement stipulated that $1,000,000 of the consideration was payable immediately with the balance due to be paid in equal instalments over five years.

The details of the net assets disposed are as follows:

	$'000
Cash resources	57,607
Investments	1,055,042
Loans and leases	367,135
Other assets	46,913
Customers' deposits	(1,152,870)
Due to banks	(227,640)
Liabilities	(62,941)
Goodwill	4,040
Minority interest	(40,790)
Fair value of net assets sold	46,496

The details of the disposal consideration and loss on disposal are as follows:

	2001
	$'000
Proceeds from disposal discharged by cash	2,500
Cash and cash equivalents in subsidiary sold	(57,607)
Net cash outflow on disposal	(55,107)
Disposal price	8,500
Net assets disposed	(46,496)

Net loss on disposal	(37,996)
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