FIRST JAMAICA INVESTMENTS LIMITED

ANNUAL REPORT 2005

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Notice of Annual General Meeting

Notice is hereby given that the thirty-fourth Annual General Meeting of First Jamaica Investments Limited will be held at The Terra Nova All Suite Hotel, 17 Waterloo Road, Kingston 10, on Tuesday, July 18, 2006 at 3:30 p.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended December 31, 2005 and the Reports of the Directors and Auditors thereon.

To consider and (if thought fit) pass the following Resolution:-

"THAT the Audited Accounts for the year ended December 31, 2005, together with the Reports of the Directors and the Auditors thereon be and are hereby adopted."

2. Dividend

To declare the interim dividends of 79.5 cents paid during the year, as final dividend for the year ended December 31, 2005.

To consider and (if thought fit) pass the following Resolution:-

"THAT the interim dividends of 16.5 cents, paid March 30, 2005, 16.5 cents paid June 24, 2005, 16.5 cents paid September 26, 2005 and special dividend of 13.5 cents paid June 24, 2005, making a total of 79.5 cents be declared as final dividend for the year ended December 31, 2005."

3. To elect Directors

The Directors retiring by rotation pursuant to Article 98 of the Articles of Association are Messrs. James E. Morrison and Donovan H. Perkins, who being eligible offer themselves for re-election.

To consider and (if thought fit) pass the following Resolutions: -

(a) "THAT the retiring Director Mr. James E. Morrison be re-elected."

(b) "THAT the retiring Director Mr. Donovan H. Perkins be re-elected."

4. To fix the remuneration of the Directors

To consider and (if thought fit) pass the following Resolution:-

"THAT the amount shown in the Accounts of the Company for the year ended December 31, 2005 as remuneration of the Directors be and is hereby approved."

5. To fix the remuneration of the Auditors or to determine the manner in which such remuneration is to be fixed.

To consider and (if thought fit) pass the following Resolution:-

"THAT the Directors be and are hereby authorized to fix the remuneration of the Auditors, PricewaterhouseCoopers, who have signified their willingness to continue in office."

6. To consider any other business of an Annual General Meeting.

By order of the Board

Gene M. Douglas
Secretary

Kingston, Jamaica
April 5, 2006

A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of him. Such proxy must be lodged at the Company's Registered Office not less than forty-eight hours before the meeting. A proxy need not be a member. A suitable form of proxy is enclosed.

Report of the Directors

To the Shareholders of First Jamaica Investments Limited

The Directors are pleased to present their report and audited accounts for the year ended December 31, 2005

	$'000
The Group profit before Taxation was	2,869,560
Taxation amounted to	(136,573)
Profit after Tax	2,732,987
Dividends Paid & Proposed	(239,696)
Unappropriated Profits brought forward	3,867,498
Transfers to reserves, net	(1,871,196)
Unappropriated Profits carried forward	4,489,593

DIVIDENDS

The Directors have recommended that the interim dividends paid to stockholders on March 30, 2005, June 24, 2005, September 26, 2005 December 19, 2005 and special dividend paid June 24, 2005 be declared as final dividend for the year ended December 31, 2005.

DIRECTORS

The Directors retiring by rotation are Messrs. James E. Morrison and Donovan H. Perkins, who being eligible offer themselves for re-election.

During the year, Messrs. A. Mark D. Hart and Norman E. Bingham resigned from the Board.

AUDITORS

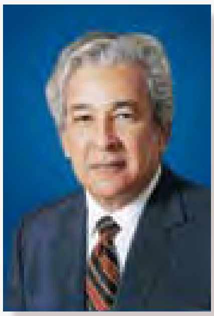
PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 153 of the Companies Act, 1965.

By order of the Board

Gene M. Douglas
Secretary
Kingston, Jamaica

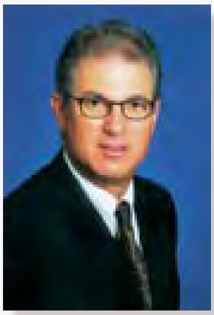
April 5, 2006

Board of Directors



Hon. Maurice W. Facey, O.J., J.P.

Hon. Maurice Facey has served as Chairman for First Jamaica Investment Ltd. since 2004. Best known as the Chairman of Pan-Jamaican Investment Trust Ltd. since 1966, the highly-respected pioneer in real estate development has long been credited with being a true catalyst for change. Today the Group continues to benefit and thrive under his leadership and entrepreneurial spirit. Mr. Facey is a founding Director of Jamaica Property Company, a main subsidiary of First Jamaica. He has served on several Boards over the years, and currently is the Chairman of Kingston Restoration Company.



Stephen B. Facey, M. Arch

As CEO of First Jamaica Investments Ltd., Mr. Stephen Facey brings over 25 years of business experience to the Board. An architect by training with substantial experience in real estate, he was appointed CEO of Jamaica Property Company Ltd. in 1990, an established property management company. Mr. Facey currently serves on the Boards of Pan-Jamaican Investment Trust Ltd., Life of Jamaica Ltd., Hardware & Lumber Ltd., Kingston Restoration Company, The New Kingston Civic Association and Kingston City Centre Improvement Company.

C. A. Lloyd Facey, F.P.S., J.P.

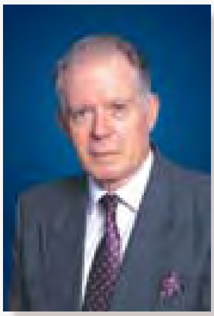
Mr. Lloyd Facey is Deputy Chairman of Pan-Jamaican Investment Trust Ltd. Following his initial career as a pharmacist, Mr. Facey has since spent a substantial portion of his time focusing on the Group's pioneering property business with Jamaica Property, for which he has been Chairman since 1990. Mr. Facey also serves on the Board of Pan-Jamaican Investment Trust Ltd., and remains a long-standing member of the management Boards of Nuttall Hospital and of The Wortley Residence.

Donovan H. Perkins, M.B.A.

Mr. Donovan Perkins has been CEO of Pan Caribbean Financial Services Ltd. since 1993. Under his leadership the Company has grown into a diversified financial services group. A former Vice President of the Jamaica Bankers Association and former Director of the Jamaica Export Association, he now serves on the Boards of the Pan-Jamaican Investment Trust Ltd, National Insurance Fund and the Jamaica Social Investment Fund and is Vice President of the Private Sector Organization of Jamaica.

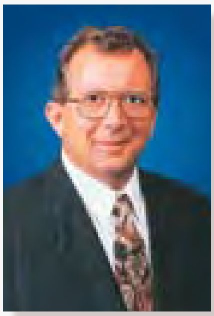
James E. Morrison, M.Sc.

Mr. James Morrison is the past Group Finance Director of both First Jamaica Investments Ltd. and Pan-Jamaican Investment Trust Ltd. A widely respected accounting and management consultant, he has, in the capacity of Director, brought his proven expertise to several other companies within the Pan-Jam group. In addition to Pan-Jam, Mr. Morrison sits on the Boards of several other commercial and statutory companies.



Roy Collister, B.A. (Com.), F.C.A.

Mr. Roy Collister has been a Director of First Jamaica Investment Ltd. since 1999. He is a retired partner in the Jamaican practice of Ernst & Young and a Fellow of the Institute of Chartered Accountants of Jamaica and Institute of Chartered Accountants in England and Wales. He currently sits on the Boards of Pan-Jamaican Investment Trust Ltd., Courts Jamaica Ltd., West Indies Alliance Insurance Company Ltd., CDC's West Indies Development Corporation Limited and University of the West Indies Development and Endowment Fund. He has also served on the Board of several other commercial companies and he remains active in public life serving on a number of committees and organizations.



W.G. Bryan Ewen, F.C.A.

Mr. Bryan Ewen is a past CEO of First Jamaica Investments Ltd. and past Vice President of Finance for Pan-Jamaican Investment Trust Ltd. A chartered accountant by training, the Pan-Jam group has benefited tremendously over the decades from his broad knowledge and experience in financial management, accounting and banking. Having served on several other boards, he currently sits on the Boards of Pan-Jamaican Investment Trust Ltd., Life of Jamaica Ltd., Hardware & Lumber Ltd. and Jamaica Property Company Ltd.

Corporate Data

BOARD OF DIRECTORS

Hon. Maurice W. Facey, O.J., J.P.
Chairman

Stephen B. Facey, M. Arch.
Chief Executive Officer

C. A. Lloyd Facey, F.P.S., J.P.

Donovan H. Perkins, M.B.A.

James E. Morrison, M.Sc.

Roy Collister, B.A. (Com.), F.C.A.

W. G. Bryan Ewen, F.C.A.

Senior Management

Stephen B. Facey, M.Arch.
Chief Executive Officer

Paul A. B. Facey M.B.A.
Vice President – Investments

Camelia Nelson, F.C.A.
F.C.C.A., F.L.M.I., A.C.S.
Director, Accounting Services

Secretary:

Gene M. Douglas, F.C.I.S., M.B.A.

Registered Office:

Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica

Bankers:

Pan Caribbean Merchant Bank Limited
The Bank of Nova Scotia (Jamaica) Limited
First Caribbean International Ja.) Ltd.

Auditors:

PricewaterhouseCoopers

Attorneys-at-Law

Myers, Fletcher & Gordon
Patterson, Mair, Hamilton
Nunes, Scholefield, DeLeon & Company
John G. Graham & Company

Group Structure

INVESTMENT MANAGEMENT AND FINANCIAL SERVICES

Portfolio Partners Limited
60 Knutsford Boulevard
Kingston 5

Property

Jamaica Property Company Limited
60 Knutsford Boulevard
Kingston 5

Jamaica Property Development Limited
60 Knutsford Boulevard
Kingston 5

Jamaica Property Management Limited
60 Knutsford Boulevard
Kingston 5

St. Andrew Developers Limited
60 Knutsford Boulevard
Kingston 5

Knutsford Holdings Limited
60 Knutsford Boulevard
Kingston 5

ASSOCIATED COMPANIES

Insurance & Banking

Life of Jamaica Limited
28-48 Barbados Avenue
Kingston 5

Pan Caribbean Financial Services Ltd.
60 Knutsford Boulevard
Kingston 5

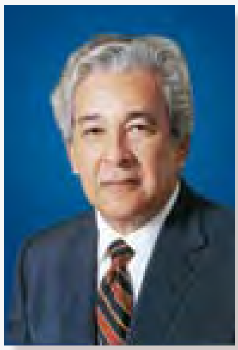
Pan Caribbean Merchant Bank Limited
60 Knutsford Boulevard
Kingston 5

Financial Highlights

Ten-Year Statistical Review ($'000)

	2005	Restated 2004	Restated 2003	Restated 2002	Restated 2001	2000	1999	1998	1997	1996
Total assets	8,394,227	8,617,625	23,713,120	18,723,053	16,512,450	5,083,811	4,435,092	3,268,015	2,943,920	7,741,935
Investments & other earning assets	7,982,337	7,492,220	20,741,295	16,346,203	14,404,034	3,577,983	3,030,176	2,470,469	2,530,446	2,325,101
Stockholders' equity (net worth)	7,642,174	5,277,636	3,453,192	2,736,458	2,494,935	1,960,846	1,707,510	1,650,406	1,586,814	1,516,294
Profit before tax	2,869,560	1,751,016	772,083	457,203	412,462	299,307	235,405	189,673	160,774	136,700
Net profit after tax	2,732,987	1,576,186	724,699	443,708	385,107	265,835	205,370	169,449	161,776	132,952
Dividends paid, gross	240,312	165,240	133,115	125,543	44,984	9,000	15,000	15,000	9,990	---
Retained earnings at year end	4,489,593	3,867,498	2,441,029	1,771,477	1,559,306	1,111,683	904,828	775,179	637,179	500,325
Number of stock units at year end	302,280	302,211	300,258	300,124	300,000	300,000	300,000	300,000	300,000	300,000
FINANCIAL RATIOS										
Net worth per stock unit	$25.28	$17.53	$11.50	$9.12	$8.32	$6.54	$5.69	$5.50	$5.28	$5.04
Earnings per stock unit	$9.04	$5.24	$2.41	$1.48	$1.28	$0.89	$0.68	$0.56	$0.54	$0.44
Price earnings ratio	4.76	8.68	5.73	7.42	5.55	4.50	2.20	2.00	1.94	3.30
Dividends paid per stock unit	$0.795	$0.546	$0.443	$0.418	$0.150	$0.030	$0.049	$0.049	$0.033	---
Dividend payout ratio (%)	8.8%	10.4%	18.4%	28.3%	11.7%	3.4%	7.3%	8.9%	6.2%	---
Return on average equity pre-tax (%)	44.4%	40.1%	25.0%	17.2%	18.5%	16.3%	14.0%	14.0%	16.5%	8.5%
Return on average equity (%)	42.2%	37.6%	23.4%	16.7%	17.3%	14.5%	12.2%	12.5%	16.5%	8.2%
Return on assets at year end (%)	32.6%	18.3%	0.3%	0.2%	0.2%	5.2%	5.6%	5.2%	5.5%	4.9%
OTHER DATA										
Stock price at year end	$43.00	$45.50	$13.81	$10.99	$7.10	$4.00	$1.50	$1.10	$1.05	$1.45
Price change from last year (%)	-5.5%	2.3%	25.6%	54.8%	77.5%	167.0%	36.0%	5.0%	-27.5%	---
JSE Index at yerar end	102,445	104,001	60,304	41,044	32,595	29,776	21,124	20,050	18,147	15,323
Change in JSE Index from last year (%)	-1.5%	72.5%	46.9%	25.9%	9.5%	41.0%	5.4%	10.5%	18.4%	-2.2%
Exchange rate J$1=US$	64.10	61.73	60.24	49.26	47.62	44.64	40.00	36.90	35.97	35.08
Inflation rate year over year (%)	15.9%	11.6%	14.1%	5.0%	7.6%	8.3%	6.4%	7.1%	9.4%	22.8%
Property, Investment & Management income	$749,868	$577,897	$452,595	$248,998	$320,804	$288,880	$245,124	$229,191	$222,944	$232,404

Joint Chairman and Chief Executive Officer Report



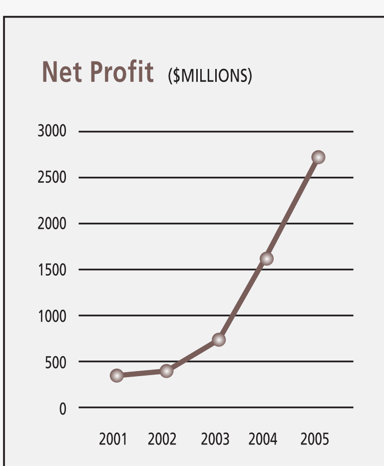
Hon. Maurice W. Facey,
O.J., J.P.
Chairman

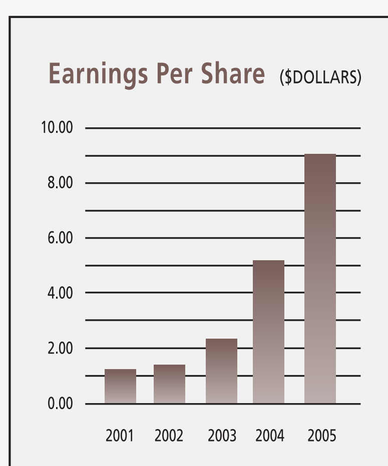
Stephen B. Facey, M. Arch.
Chief Executive Officer

The Directors are pleased to present our first Annual Report as First Jamaica Investments Limited and its subsidiaries for the year ended December 31, 2005. This name change from FirstLife Insurance Company Limited to First Jamaica Investments Limited became effective on May 13, 2005.

The financial statements have been prepared using International Financial Reporting Standards as recommended by the Institute of Chartered Accountants of Jamaica.

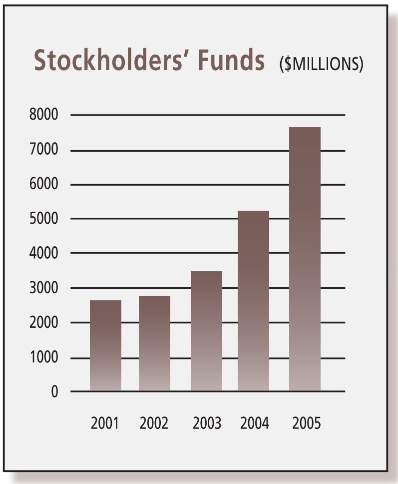
Net profit for the year ended December 31, 2005 rose to $2,732 million from $1,576 million, an increase of 73%. These results include a gain of $1,591 million attributable to the sale of the insurance and banking businesses to Life of Jamaica Limited (LOJ). Earnings per share on average stock units outstanding increased from $5.24 to $9.04, calculated on an average number of 302,280,000 stock units outstanding for the period.





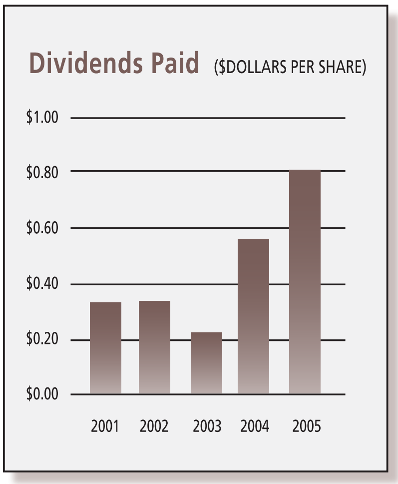
Effective April 1, 2005 the vesting order, signed by the Minister of Finance, approved the transfer of our insurance, pension management operations and our 37% holding in Pan Caribbean Financial Services Limited to Life of Jamaica Limited (LOJ). In exchange we received 919,227,731 of LOJ stock units, representing a holding of 24.73% of LOJ, as well as 1,250,000 Sagicor, Inc. shares and US$10.7 million. The consolidation of our interest with those of LOJ have strengthened our position in the market place. This is reflected in our share of results in associated companies profits increasing by 112% from $297 million in 2004 to $629 million in 2005.

At December 31, 2005 total assets decreased by 2% to $8,394 million; however, Stockholders' Equity per share increased by 44% from $17.53 to $25.28. In Using the market value of LOJ stock units as at December 31, 2005 the net worth per share would be $43.



DIVIDENDS

The Company's policy has been to pay dividends based on 20% of cash profits. With continued improvement in profits, your Directors authorized the payment of four interim dividends totalling $0.66 cents per share, and a special dividend of $0.135 cents per share. The total dividend for the year was $0.795 cents, an increase of 46% over the $0.545 cents paid in 2004.



JAMAICA PROPERTY COMPANY LTD.

We continue to be pleased with the performance of our main operating subsidiary, Jamaica Property Company Limited (JPCo), where occupancy levels averaged 93% for 2005. During the year two new clients were added to the impressive list of tenants: 3M International Inc., and Microsoft Inc.

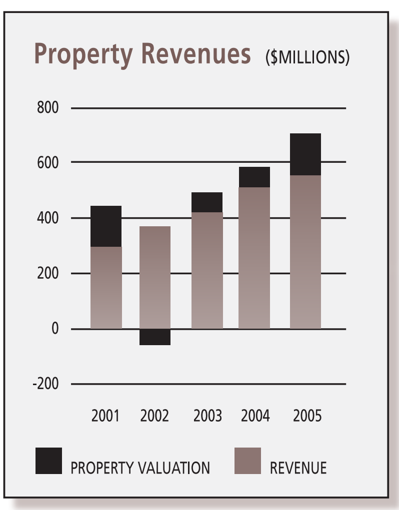
Net profit for the year ended 31 December 2005 rose to $2,732 million from $1,576 million, an increase of 73%.

Stockholders' equity per share increased by 44% from $17.53 to $25.28.

JPCO Revenues grew from $494 million in 2004 to $597 million in 2005, an increase of 21%.

JAMAICA PROPERTY COMPANY LTD. (Cont'd)

Revenues grew from $494 million in 2004 to $597 million in 2005, an increase of 21%. Contribution to group profits increased from $193 million in 2004 to $243 million in 2005. Our Investment Properties appreciated in value from $1,831 million in 2004 to $2,055 million in 2005, an increase of 12%. Whilst this increase in property value reflects the higher net rentals achieved during the year, it did not keep pace with the significant increases in replacement and development costs. Consequently, replacement costs now exceed current market values by over 50%.



The company's investment in insurance and banking gave an outstanding performance in 2005.

LIFE OF JAMAICA

The company's investment in insurance and banking gave an outstanding performance in 2005. Life of Jamaica registered strong growth in net profits and stockholders' equity through improved operational performance and three acquisitions:

- The purchase of 42.2% of Pan Caribbean Services Limited (PCFS) in January 2005 which increased LOJ's holding to 49% and subsequent purchases during the year resulted in a 53.17% holding at year-end.
- The purchase of our Insurance and Pension Management operations in April 2005 doubled LOJ's interests in this business sector and confirmed LOJ's position as the number one provider of these services in Jamaica.
- The acquisition of 51% of Cayman General Insurance, a leading property, casualty and health insurer in the Cayman Islands for many years.

Life of Jamaica's revenues in 2005 grew to $12,136 million (2004: $7,050 million), an increase of 72%. Expenses also increased by 61% to $8,647 million (2004: $5,359 million). The resulting net profit attributable to stockholders of $2,424 million represented record earnings for LOJ, and was an improvement of 70% over the $1,433 million of 2004. This represented basic earnings per share (EPS) of $0.71 for 2005 compared to $0.57 for 2004, calculated on an average number of 3,426,887 shares outstanding for the period. Stockholders' equity stood at $11,610 million as at December 31, 2005, an increase of 89% over the previous year and a 28% return on average equity. Total assets increased by 249% to reach $70,670 million in 2005 (2004: $20,274 million).

Pan Caribbean Financial Services Limited once again had a prosperous year, reporting net profits of $1,030 million, an increase of 22% over the $842 million recorded in 2004. Total assets marginally declined from $40,900 million in 2004 to $39,900 million in 2005, reflecting the company's shifting strategy from low margin investment assets to building its loan portfolio. As a result, investment assets declined 2.7% while credit assets grew by 31%.

INVESTMENTS

Currently our portfolio is heavily weighted in Government of Jamaica Securities at 70%, with equities representing 30%. Whilst we continue to manage our portfolio we are also looking for new investment opportunities globally.

OUTLOOK FOR 2006

As we are now an investment company with a strong presence in the real estate market and a major stakeholder in LOJ, our focus will be on property development and equity positions in "quality" companies.

Our continued success in 2005 would not have been possible without the support of our respected clients, and the dedication, commitment and efforts of our staff and fellow Directors.

Maurice W. Facey	Stephen B. Facey
Chairman	Chief Executive Officer

We are now an investment company with a strong presence in the real estate market and a major stakeholder in LOJ.

Our future will be focused on property development and equity positions in "quality" companies.

PRICEWATERHOUSECOOPERS

CELEBRATING 90 YEARS 1916-2006

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

10 April 2006

To the Members of
First Jamaica Investments Limited
(Formerly, First Life Insurance Company Limited)

Auditors' Report

We have audited the accompanying consolidated balance sheet of First Jamaica Investments Limited and its subsidiaries "the group" as at 31 December 2005 and the related consolidated statement of operations, statements of changes in stockholder' funds and cash flows for the year then ended, and the accompanying balance sheet of First Jamaica Investments Limited standing alone as at 31 December 2005. We have received all the information and explanations which we considered necessary. These financial statements set out on pages 13 to 93 are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the accompanying financial statements, which are in agreement therewith, give a true and fair view of the financial position of the group and the company as at 31 December 2005, and of the results of operations, changes in stockholders' funds and cash flows of the group for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Price Waterhouse Coopers
Chartered Accountants
Kingston, Jamaica

Consolidated Statement of Operations

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
Continuing Operations			
Income			
Investments	6	220,897	85,705
Property	7	597,803	494,648
Other	7	73,117	53,256
		891,817	633,609
Management expenses	8	(350,945)	(285,164)
Operating Profit		540,872	348,445
Interest expense		(20,749)	(5,800)
Gain on dilution of stockholding in subsidiary		-	351,913
Share of results of associated companies		629,108	297,437
Profit before Taxation	11	1,149,231	991,995
Taxation	10	(106,876)	(76,705)
Profit for the year from continuing operations		1,042,355	915,290
Discontinued Operations			
Profit for the year from discontinued operations	12	98,751	678,256
Gain on disposal of discontinued operations	13	1,591,881	-
		1,690,632	678,256
Profit for year		2,732,987	1,593,546
Attributable to:			
Equity holders of the company		2,732,987	1,576,186
Minority interest		-	17,360
		2,732,987	1,593,546
Earnings per stock unit attributable to equity holders of the company during year			
Basic	14		
Continuing operations		3.45	3.01
Discontinued operations		5.59	2.23
Fully diluted	14		
Continuing operations		3.45	2.95
Discontinued operations		5.59	2.18

Consolidated Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
ASSETS			
Cash and Bank Balances	15	36,065	296,778
Investments			
Short term deposits		111,554	128,373
Securities:			
Available-for sale	16	1,403,878	2,555,872
Loans and receivables	16	58,419	160,870
Securities purchased under agreements to resell	17	424,828	545,987
Lease receivables	18	-	21,159
Investment properties	19	2,055,533	1,831,024
Investment in associated companies	20	3,928,115	2,248,935
		7,982,327	7,492,220
Taxation recoverable		114,697	105,432
Deferred tax assets	21	226	2,547
Other assets	22	127,197	331,252
Due from related parties	33	30,627	1,031
Property, plant and equipment	23	72,506	87,835
Intangible assets	24	-	178,014
Retirement benefit assets	25	30,582	34,216
Segregated funds' assets	26	-	88,300
		8,394,227	8,617,625

Consolidated Balance Sheet (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to the Company's Equity Holders			
Stated capital	27	355,848	303,500
Share premium		-	52,348
Capital redemption reserve	28	3,000	3,000
Insurance and banking reserves		-	69,820
Investment and other reserves	29	2,809,307	997,044
Retained earnings		4,489,593	3,867,498
Treasury stock		(15,574)	(15,574)
		7,642,174	5,277,636
Liabilities			
Policyholders' Funds			
Segregated funds' liabilities	26	-	88,300
Insurance contracts	31	-	927,685
Investment contracts	32	-	1,191,490
		-	2,207,475
Bank overdraft		4,825	6,425
Taxation payable		76,796	110,014
Deferred tax liability	21	81,313	70,637
Due to related parties	33	135,154	19,036
Other liabilities	34	350,676	729,289
Long term loans	35	70,117	139,751
Retirement benefit liabilities	25	33,172	57,362
		8,394,227	8,617,625

Approved for issue by the Board of Directors on10 April 2006 and signed on its behalf by:

Maurice W. Facey Director

Roy Collister Director

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

		|-------------Attributable to Equity holders of the Company---------------|							
	Note	Share Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Investment and Other Reserves	Retained Earnings	Treasury Stock	Minority Interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004, as restated	40	300,258	49,917	3,000	346,254	(17,510)	2,441,029	(15,574)	235,756	3,343,130
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	582,739	-	-	-	582,739
Realised fair value gains transferred to Consolidated Statement of Operations		-	-	-	-	(82,578)	-	-	-	(82,578)
Net gains not recognised in the Consolidated Statement of Operations		-	-	-	-	500,161	-	-		500,161
Net profit for the year		-	-	-	-	-	1,576,186	-	17,360	1,593,546
Total recognised income for 2004		-	-	-	-	500,161	1,576,186	-	17,360	2,093,707
Dividends paid		-	-	-	-	-	(165,240)	-	-	(165,240)
Issue of stock units		3,242	2,431	-	-	-	-	-	-	5,673
Reclassification of reserves from dilution of shareholding in PCFS		-	-	-	(265,013)	265,013	-	-	-	-
Transfer from investment reserve		-	-	-	-	(4,102)	4,102	-	-	-
Transfer from special insurance reserve		-	-	-	(11,421)	-	11,421	-	-	-
Other movement in reserves in PCFS		-	-	-	-	253,482	-	-	-	253,482
Disposal of minority holding in PCFS		-	-	-	-	-	-	-	(253,116)	(253,116)
		3,242	2,431	-	(276,434)	514,393	(149,717)	-	(253,116)	(159,201)
Balance at 31 December 2004, as restated	40	303,500	52,348	3,000	69,820	997,044	3,867,498	(15,574)	-	5,277,636

Consolidated Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

		|--------------------Attributable to Equity holders of the Company---------------|							
	Note	Stated Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Investment and Other Reserves	Retained Earnings	Treasury Stock	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2004, as restated	40	303,500	52,348	3,000	69,820	997,044	3,867,498	(15,574)	5,277,636
Unrealised gains on available-for-sale investments		-	-	-	-	9,814	-	-	9,814
Realised fair value gains transferred to Consolidated Statement of Operations		-	-	-	-	(12,820)	-	-	(12,820)
Net gains not recognised in the Consolidated Statement of Operations		-	-	-	-	(3,006)	-	-	(3,006)
Net profit for the year		-	-	-	-	-	2,732,987	-	2,732,987
Total recognised income for 2005		-	-	-	-	(3,006)	2,732,987	-	2,729,981
Dividends paid		-	-	-	-	-	(239,696)	-	(239,696)
Transfer of share premium		52,348	(52,348)	-	-	-	-	-	-
Transfer from retained earnings		-	-	-	-	1,943,794	(1,943,794)	-	-
Transfer from investment reserve		-	-	-	-	(2,778)	2,778	-	-
Transfer from special insurance reserve		-	-	-	(69,820)	-	69,820	-	-
Share of reserves in associated companies		-	-	-	-	(125,747)	-	-	(125,747)
		52,348	(52,348)	-	(69,820)	1,815,269	(2,110,892)	-	(365,443)
Balance at 31 December 2005		355,848	-	3,000	-	2,809,307	4,489,593	(15,574)	7,642,174

Consolidated Statement of Cash Flows

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
Cash Flows from Operating Activities	36	360,976	820,275
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(46,889)	(53,098)
Acquisition of investment properties		(39,109)	-
Net cash inflow on disposal of insurance and employee benefits operations		378,886	-
Net cash outflow on dilution of subsidiary		-	(239,965)
Proceeds from disposal of property, plant and equipment		12,162	274
Dividends from associated company		119,500	-
Acquisition of investment securities, net		(854,108)	(35,476)
Acquisition of shares in associated company		-	(72,475)
Net cash used in investing activities		(429,558)	(400,740)
Cash Flows from Financing Activities			
Due (to)/from parent company and fellow subsidiaries		(35,847)	6,591
Loans received		41,000	100,881
Loans repaid		(98,228)	(144,644)
Dividends paid		(239,696)	(165,240)
Increase in share capital		-	5,673
Net cash used in financing activities		(332,771)	(196,739)
Effect of exchange rate changes on cash and cash equivalents		4,262	1,092
Net (decrease)/increase in cash and cash equivalents		(397,091)	223,888
Cash and cash equivalents at beginning of year		964,713	740,825
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	567,622	964,713

Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
ASSETS			
Cash and Bank Balances	15	34,431	284,242
Investments			
Short term deposits		-	4,542
Securities -			
Available-for sale	16	1,121,820	2,241,063
Loans and receivables	16	411,672	558,181
Securities purchased under agreements to resell	17	414,870	545,987
Lease receivables	18	-	25,699
Investment in subsidiaries	20	138,020	138,020
Investment in associated companies	20	3,566,104	433,856
		5,652,486	3,947,348
Taxation Recoverable		113,957	104,888
Other Assets	22	51,442	245,301
Due From Related Parties	33	43,129	17,868
Property, Plant and Equipment	23	-	9,126
Intangible Assets	24	-	178,014
Retirement Benefit Assets	25	3,667	5,948
Segregated Funds' Assets	26	-	88,300
		5,899,112	4,881,035

Balance Sheet (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Stated capital	27	355,848	303,500
Share premium		-	52,348
Capital redemption reserve	28	3,000	3,000
Insurance reserve		-	69,820
Investment and other reserves	29	3,492,638	53,816
Retained earnings		1,537,883	1,299,244
		5,389,369	1,781,728
Liabilities			
Policyholders' Funds			
Segregated funds' liabilities	26	-	88,300
Insurance contracts	31	-	927,685
Investments contracts	32	-	1,191,490
		-	2,207,475
Bank overdraft		-	17
Taxation payable		39,606	92,932
Deferred tax liabilities	21	7,363	1,975
Due to related parties	33	137,851	11,000
Other liabilities	34	301,621	687,633
Long term loans	35	-	49,047
Retirement benefit liabilities	25	23,302	49,228
		5,899,112	4,881,035

Approved for issue by the Board of Directors on 10 April 2006 and signed on its behalf by:

Maurice W. Facey — Director

Roy Collister — Director

Statement of Changes in Stockholders' Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Investment and Other Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004, as restated	40	300,258	49,917	3,000	81,241	(236,162)	838,157	1,036,411
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	376,658	-	376,658
Realised fair value gains transferred to statement of operations		-	-	-	-	(82,578)	-	(82,578)
Net gains not recognised in the Statement of Operations		-	-	-	-	294,080	-	294,080
Net profit for the year, as restated		-	-	-	-	-	610,805	610,805
Total recognised income for 2004		-	-	-	-	294,080	610,805	904,885
Issue of shares		3,242	2,431	-	-	-	-	5,673
Transfer from investment reserves		-	-	-	-	(4,102)	4,102	-
Transfer from special insurance reserve		-	-	-	(11,421)	-	11,421	-
Dividends paid		-	-	-	-	-	(165,240)	(165,240)
		3,242	2,431	-	(11,421)	(4,102)	(149,717)	(159,567)
Balance at 31 December 2004, as restated	40	303,500	52,348	3,000	69,820	53,816	1,299,244	1,781,728

Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Stated Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Investment and Other Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2004, as restated	40	303,500	52,348	3,000	69,820	53,816	1,299,244	1,781,728
Unrealised gains on available-for-sale investments		-	-	-	-	12,014	-	12,014
Realised fair value gains transferred to Statement of Operations		-	-	-	-	-	-	-
Net gains not recognised in the Statement of Operations		-	-	-	-	12,014	-	12,014
Net profit for the year		-	-	-	-	-	3,836,910	3,836,910
Total recognised income for 2005		-	-	-	-	12,014	3,836,910	3,848,924
Transfer from share premium		52,348	(52,348)					
Transfer from investment reserve		-	-	-	-	(2,778)	2,778	-
Transfer from special insurance reserve		-	-	-	(69,820)	-	69,820	-
Transfer of gain on sale on insurance operations		-	-	-	-	3,429,586	(3,429,586)	-
Dividends paid		-	-	-	-	-	(241,283)	(241,283)
		-	-	-	(69,820)	3,426,808	(3,598,271)	(241,283)
Balance at 31 December 2005		355,848	-	3,000	-	3,492,638	1,537,883	5,389,369

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

(a) First Jamaica Investments Limited ("the company"), formerly First Life Insurance Company Limited, is incorporated and domiciled in Jamaica. It is a 73% owned subsidiary of Pan-Jamaican Investment Trust Limited, which is also incorporated and domiciled in Jamaica.

The main activity of the company is the provision of investment management services. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

The company was registered under the Insurance Act, 2001. However it surrendered its licence effective 1 April 2005, following the sale of its insurance portfolio and employee benefits operations to Life of Jamaica Limited.

The company is listed on the Jamaica Stock Exchange.

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

		Proportion of issued equity capital held by	
	Principal Activities	**Company**	**Subsidiaries**
Subsidiaries			
Jamaica Property Company Limited	Office Rental	100%	
Jamaica Property Development Limited	Property Management		100%
Jamaica Property Management Limited	Property Management		100%
Portfolio Partners Limited	Investment Management	100%	
Associated Companies			
Life of Jamaica Limited	Insurance and Pension Management	25%	
St Andrew Developers Limited	Property Development	33 1/3%	33 1/3%
Impan Properties Limited	Office Rental		20%
Knutsford Holdings Limited	Office Rental	32%	28%

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

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

Effective 1 April 2005, this agreement was discontinued as the company sold its Individual Life portfolio and Employee Benefits business to Life of Jamaica Limited (Note 13).

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and investment properties.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement in complexity, or areas where assumptions or estimates are significant to the financial statements, are described in Note 4.

Standards, interpretations and amendments to published standards effective in 2005

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investment in Associates
IAS 32 (revised 2003	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IAS 40 (revised 2003)	Investment properties
IFRS 2 (issued 2004)	Share-based Payments
IFRS 3 (issued 2004)	Business Combinations
IFRS 4 (issued 2004)	Insurance Contracts
IFRS 5 (issued 2004)	Non-current Assets Held for Sale and Discontinued Operations
IFRIC Amendment to SIC 12 (issued 2004)	Scope of SIC 12 Consolidation – Special Purpose Entities

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The group continues to apply the same accounting policies for the recognition and measurement of obligations arising from insurance contracts, investment contracts and reinsurance contracts that it holds. The group developed its accounting policies for insurance contracts before the adoption of IFRS 4 and in the absence of a specific standard for insurance contracts. The Directors used their judgement in developing a set of accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts issued and reinsurance contracts held that provides the most useful information to users of the group's financial statements.

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 28, 32, 33 and 40 did not result in substantial changes to the group's accounting policies. In summary:

(i) IAS 1 (revised 2003) has affected the presentation of minority interest and other disclosures.
(ii) IAS 2, 8, 10, 16, 17, 28, 32 and 33 had no material effect on the group's policies.
(iii) IAS 21 (revised 2003) had no material effect on the group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as their measurement currency.
(iv) IAS 24 has affected the identification of related parties and some other related-party disclosures.
(v) IAS 27 affected the treatment of accounting for investment in subsidiaries and associated companies. These investments are now accounted for at cost.

IAS 39 has resulted in the fair value re-measurement of investment securities previously classified as originated loans.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Up until 31 December 2004, the provision of stock options to employees did not result in a charge in the statement of operations. Subsequent to this date, the group has charged the cost of stock options to the statement of operations. The adoption of IFRS 2 did not result in any substantial change to the group's financial statements, as all the options were vested and exercised as at 31 December 2004.

The adoption of the IFRIC Amendment to SIC 12 has resulted in a change in the accounting policy for the employee investment trust. Until 31 December 2004, the employee investment trust was treated as a stand alone entity. Subsequent to that date, the group has accounted for the employee investment trust as a part of its results and financial position. This has resulted in the group recognising stocks held by the ESOP scheme as treasury stocks.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The adoption of IFRS 3, IAS 36 and IAS 38 (revised 2004) resulted in a change in accounting policy for goodwill. Until 31 December 2004, goodwill was amortised on a straight line basis over a period of five years.

In accordance with the provisions of IFRS 3 (Note 2(o)):
-The group ceased amortisation of goodwill from 1 January 2005;
-Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
-From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this assessment.

IFRS 4 requires an assessment of the group's contracts with its policyholders to determine the existence of significant insurance risk. The extent of the insurance risk present will determine whether the contract is an insurance contract or an investment contract. For those insurance contracts containing significant insurance risk which also have a deposit component, IFRS 4 allows the option to unbundle the deposit component and account for it separately, but does not require that it be unbundled so long as the accounting policies of the company require that all liabilities resulting from the deposit component of these contracts are recognised.

Management has done the required assessment and ascertained that the products in issue which are classified as insurance contracts carry significant insurance risk and were therefore properly accounted for in accordance with the provisions of IFRS 4. Accordingly, the adoption of IFRS 4 did not have a significant impact on the financial statements and effective 1 April 2005, the group sold its insurance and employee business benefits operations and no longer operate in this business segment (Note 13).

Where done, changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the group require retrospective application other than IFRS 3 - prospectively after 31 March 2004.

The effects of adopting the new and revised standards on stockholders equity and net profit as previously reported are detailed in Note 40.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance sheet date, and which were not early adopted by the group. The group has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The group will apply this amendment from annual periods beginning 1 January 2006.

- IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through the profit or loss and restricts the ability to designate financial instruments as part of this category. The group believes that this amendment should not have a significant impact on the classification of financial instruments, as the group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The group will apply this amendment from annual periods beginning 1 January 2006.

- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the group's operations.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the profit and loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(ii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of operations, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group. In the company's unconsolidated balance sheet, investments in associates are shown at cost.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Income recognition

(i) Interest income and expenses

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

(ii) Premium income

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

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

(iii) Fee and commission income

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

(iv) Dividend income

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the group and the company's functional and presentation currency.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value and investment reserves in stockholders' equity.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of operations are translated at average exchange rates and

- all resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Taxation

Taxation expense in the statement of operations comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of operations except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity. Taxation on Jamaican life assurance business is charged on investment income less expenses allowable in earning that income at the rate of 15% and on gross taxable premium income at 3%. Taxation on other operations within the group and the company are based on profit for the year adjusted for taxation purposes at 33 1/3%.

(i) Current taxation

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

(ii) Deferred income taxes

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

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

Deferred tax is not recognised on changes in the fair values of investment properties in excess of cost, as it is management's intension to recover such surplus through the proceeds of sale, which is not subject to tax.

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Financial instruments

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

Financial assets

The Group's financial assets comprise investment securities, loans and receivables, cash and bank balances, other asset and securities purchased under agreements to resell. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

The Group's financial liabilities comprise trade and interest payables, bank and short term loans, long term loans and other liabilities. They are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

The fair values of the group's and the company's financial instruments are discussed in Note 35.

(g) Investments

(i) Investment securities

The group classifies its investment securities as available-for-sale and loan and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on settlement date – the date on which the an asset is delivered to or by the group. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Investments (continued)

(i) Investment securities (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of operations as other income. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment provisioning of trade receivables is described in Note 2(o).

(ii) Investment property

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

(iii) Securities purchased under agreements to resell

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Investments (continued)

(iv) Loans and allowances for impairment losses

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

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

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

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

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income.

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

(h) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(i) Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Leases

(i) As Lessee

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

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

(ii) As Lessor

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

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

(k) Other assets

(i) Prepaid commissions

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

(ii) Inventories

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

(l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of assets held at the beginning of the year over their expected useful lives.

The annual rates are as follows:

Leasehold improvements	over the period of the lease
Furniture and fixtures	10% & 12½%
Equipment	10%
Computer equipment	20%
Motor vehicles capitalised under finance leases	over the period of the lease
Motor vehicles	15% & 20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(l) Property, plant and equipment (continued)

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

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

(m) Employee benefits

(i) Pension obligations

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

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

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

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

(ii) Other post-retirement obligations

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

(iii) Annual leave entitlements

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

(iv) Equity compensation benefits

The group operated an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options was recognised as an expense. The total amount expensed over the vesting period was determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target) Non-market vesting conditions were included in assumptions about the number of options that were expected to become exercisable. At each balance sheet date, the group revised its estimates of the number of options that were expected to become exercisable. It recognised the impact of the revision of original estimates, if any, in the statement of operations, and a corresponding adjustment to equity over the remaining vesting period.

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

(v) Termination benefits

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

(n) Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on the acquisition of subsidiaries and insurance portfolios are calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Intangible assets (continued)

(i) Goodwill (continued)

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

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

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

(ii) Other intangible assets

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

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software is amortised over their expected useful life, which is deemed to be 3-5 years.

(p) Investment reserve

Unrealised gains and losses on quoted equities held by the company are classified as available-for-sale and are taken to stockholders' equity in accordance with IFRS.

(q) Provisions

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

(r) Dividends

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(s) Insurance and investment contracts

(i) Classification

The group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk as defined above.

(ii) Recognition and measurement

Insurance contracts and investment contracts issued by the group are summarised below:

(1.1) Short-term insurance contracts

These contracts are short-duration life and health insurance contracts.

Short duration life and health insurance contracts protect the group's customers from the consequences of events (such as sickness, death and disability) that would affect on the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For most of these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the group. The group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using statistical analyses for the claims incurred but not reported.

(iii) Amounts on deposit and deposit administration funds

These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The company earns administration fees on the management of these funds.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(s) Insurance and investment contracts (continued)

(ii)Recognition and measurement (continued)

(1.2)Long-term traditional insurance contracts -

These contracts are traditional participating and non-participating policies. The group's participating policies do not have a discretionary participation feature as the amount of additional benefits is not paid at the discretion of the group.

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

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

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the statement of operations.

Maturities and annuities are accounted for when due.

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

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(s) Insurance and investment contracts (continued)

(iii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the group's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the group for the related claim, the difference is amortised over the estimated remaining settlement period.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(iv) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of operations. The group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(t) Stated capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(u) Fiduciary activities

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

(v) Segment reporting

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

(w) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS (Note 40).

3. Responsibilities of the Appointed Actuary and External Auditors

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

3. Responsibilities of the Appointed Actuary and External Auditors (Continued)

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill
The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(o).

(ii) Income taxes
The group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(iii) Pension plan assets and post employment obligations

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the group considered the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post retirement benefits costs and credits are based in part on current market conditions.

5. Segmental Financial Information

The group is organised into three main business segments:

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

(b) Investment management services – This involves the management of our investments portfolio.

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

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	2005				
	Insurance and Pension Management Services	Investment Management Services	Property Management Services	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External operating revenue	490,803	206,503	685,314	-	1,382,620
Operating revenue from other segments	-	119,030	4,188	(123,218)	-
Operating revenue	490,803	325,533	689,502	(123,218)	1,382,620
Segment result	128,448	277,372	242,751	-	648,571
Share of results of associated companies					629,108
Profit before taxation					1,277,679
Taxation					(136,573)
Profit after taxation					1,141,106
Gain on disposal of discontinued operations (note 13)					1,591,881
Net profit					2,732,987
Segment assets	-	2,470,570	2,424,506	(428,964)	4,466,112
Associates					3,928,115
					8,394,227
Total assets					
Segment liabilities	-	546,906	634,111	(428,964)	752,053
Other segment items:					
Capital expenditure	-	-	46,889	-	46,889
Depreciation	1,307	171	2,301	168	3,947

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	2004					
	Insurance and Pension Management Services	Investment Management Services	Property Management Services	Banking and Other Financial Services	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External operating revenue	2,120,245	156,557	577,891	566,390	-	3,421,083
Operating revenue from other segments	-	117,886	5,236	915	(124,037)	-
Operating revenue	2,120,245	274,443	583,127	567,305	(124,037)	3,421,083
Segment result	683,541	149,519	193,126	75,480	-	1,101,666
Gain on dilution of stockholdings in subsidiary						351,913
Share of results of associated companies						297,437
Profit before taxation						1,751,016
Taxation						(157,470)
Profit after taxation						1,593,546
Minority interest						(17,360)
Net profit						1,576,186
Segment assets	2,787,833	1,685,752	2,258,578	-	(363,472)	6,368,691
Associates						2,248,934
						8,617,625
Total assets						
Segment liabilities	2,364,886	667,825	670,750	-	(363,472)	3,339,989
Other segment items:						
Capital expenditure	-	-	-	56,876	-	56,876
Depreciation	-	5,430	334	3,311	977	10,052
Amortisation	-	12,258	-	-	-	12,258

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

6. Investment Income

	2005	2004
	$'000	$'000
Income		
Government of Jamaica securities	113,352	40,210
Other	126,087	139,140
	239,439	179,350
Direct expenses		
Interest expense	6,374	12,488
Investment expense	12,168	81,157
	(18,542)	(93,645)
	220,897	85,705

7. Property and Other Income

	The Group	
	2005	2004
	$'000	$'000
Rental income	460,653	399,454
Fair value gains on property valuation	137,150	95,194
	597,803	494,648
Other		
Management fees	43,724	40,135
Miscellaneous income	29,393	13,121
	73,117	53,256

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

8. Management Expenses by Nature

	2005	2004
	$'000	$'000
Staff costs	56,380	162,188
Depreciation	3,947	10,053
Direct costs of property management	214,189	183,087
Amortisation of intangible asset	-	12,259
Office expenses	1,211	7,588
Courier services	512	-
Bank charges	1,155	-
Legal and professional fees	66,986	52,988
Stationery	133	-
Rent and lease	15,046	14,026
Subscriptions and donations	121	25
Travelling and motor	-	1,149
Repairs and maintenance	91	177
Advertising	2,238	4,901
Other	29,352	91,942
	391,361	540,383
Less: Allocated to discontinued operations (Note 12)	(28,248)	(174,062)
Less: Allocated to investment expenses (Note 6)	(12,168)	(81,157)
	350,945	285,164

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

9. Staff Costs

	The Company	
	2005	2004
	$'000	$'000
Wages and salaries	56,368	95,654
Payroll taxes	3,854	9,587
Pension costs (Note 25(a))	(45,400)	27,005
Other post retirement benefits (Note 25(b))	31,249	9,112
Redundancy costs	5,103	1,548
Other	5,206	19,282
	56,380	162,188

Number of employees at the end of the year:

	2005	2004
	No.	No.
Regular	20	77
Contract	-	3
	20	80

10. Taxation

(a) Composition of tax charge

The taxation charge for the year is comprised of:

	2005	2004
	$'000	$'000
Premium tax at 3%	3,525	13,257
Investment income tax at 15%	28,223	107,759
Current income tax at 33 1/3%	91,828	20,920
Overprovision in prior year	-	(1,370)
Deferred income taxes (Note 21)	12,997	16,904
	136,573	157,470
This is broken down as follows:		
Continuing operations	106,876	76,705
Discontinued operations (Note 12)	29,697	80,765
	136,573	157,470

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation (Continued)

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

	2005 $'000	2004 $'000
Premium tax		
Gross premium income	451,628	1, 745,478
Tax at 3%	13,549	52,364
Adjusted for the effects of:		
Income not subject to tax	(10,331)	(41,799)
Amounts on deposit	282	2,549
Premium tax on segregated funds deposits	25	143
	3,525	13,257
Investment income tax		
Gross investment income	155,326	1,184,202
Adjusted for the effects of:		
Tax at 15%	23,299	177,630
Deductible expenses	(48,321)	(187,637)
Expenses not deductible for tax purposes	11	43
Other income taxable at 15%	53,234	202,387
Effect of different tax regime applicable to life insurance operations	-	(85,520)
Increase in opening deferred taxes resulting from increase in tax rate	-	(933)
Net effect of other charges and allowances	-	2,831
	28,223	108,801
Current income tax		
Profit before tax	4,078,679	303,875
Adjusted for the effects of:		
Tax at 33 1/3%	1,359,560	101,292
Income not subject to tax	(1,256,419)	(66,276)
Expenses not deductible for tax purposes	1,576	3,005
Net effect of other charges and allowances	108	(1,239)
	104,825	36,782
Adjustment for prior year over provision	-	(1,370)
Income tax expense	136,573	157,470

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

11. Net Profit and Unappropriated Profits Attributable to Stockholders

This is stated after charging/(crediting):

	2005 $'000	2004 $'000
Directors' emoluments -		
Fees	1,905	366
Management remuneration (included in staff costs)	7,976	6,552
Auditors' remuneration -		
Current year	6,342	7,840
Prior year	-	3,499
Depreciation	3,947	10,053
Amortisation of goodwill	-	12,258
Gain on disposal of property, plant and equipment	(2,141)	(122)
Staff costs (Note 9)	56,380	162,188

12. Profit from Discontinued Operations

	The Group and The Company	
	2005	2004
Income	$'000	$'000
Gross premiums	451,628	1,745,478
Reinsurance	(8,360)	(23,908)
Net premiums	443,268	1,721,570
Investment income	45,660	870,558
Other income	1,875	195,346
	490,803	2,787,474
Expenses		
Policyholders' benefits and reserves	301,637	1,275,027
Commissions	32,470	123,134
Management expenses	28,248	174,062
	362,355	1,572,223
Operating Profit	128,448	1,215,251
Interest expense	-	(456,230)
Profit before Taxation	128,448	759,021
Taxation (Note 10)	(29,697)	(80,765)
Profit for the period/year from discontinued operations	98,751	678,256

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

13. Gain on Sale of Discontinued Operations

Effective 1 April 2005, the company and Life of Jamaica Limited signed and exchanged definitive agreements whereby the company sold to Life of Jamaica its Individual Life portfolio, Employee Benefits business and its 37% interest in Pan Caribbean Financial Services Limited (PCFS). The sale was settled by way of allotment of 919,227,731 stock units in Life of Jamaica, 1,250,000 equity shares in Sagicor Financial Corporation and US$10,692,075 in cash. On completion of these transactions, First Jamaica held 24.73% of the stock units in Life of Jamaica Limited.

These transactions have been approved by the Financial Services Commission and the Bank of Jamaica

Details of net assets sold were as follows:

	$'000
Consideration received	
Cash received	661,270
Fair value of individual life portfolio	120,000
Fair value of shares received – Life of Jamaica	3,493,065
Fair value of shares received – Sagicor Financial Corporation	166,575
	4,440,910
Direct costs relating to acquisition	(118,923)
	4,321,987
Fair value of net assets sold	(2,730,106)
Gain on disposal of discontinued operations	1,591,881
The assets and liabilities the subject of disposal were as follows:	
Goodwill	178,014
Investment in associates – PCFS	2,198,910
Investment securities	2,356,498
Other assets	277,848
Cash and bank balances	163,461
Insurance and other reserves	(2,256,852)
Other liabilities	(132,772)
Long term loans	(55,001)
	2,730,106
Cash proceeds from disposal	
Cash received, net of fees	542,347
Cash and cash equivalent sold	(163,461)
Net cash inflow on disposal	378,886

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

14. Earnings Per Stock Unit

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

	The Group	
	2005	**2004**
Net profit attributable to stockholders ($'000)		
Continuing operations	1,042,355	905,319
Discontinued operations	1,690,632	670,867
	2,732,987	1,576,186
Weighted average number of ordinary stock units (thousands)	302,280	300,991
Basic earnings per stock unit ($)		
Continuing operations	3.45	3.01
Discontinued operations	5.59	2.23
	$9.04	$5.24

For fully diluted earnings per stock unit, the weighted average number of ordinary stock units in issue is adjusted to assume conversion of all potentially dilutive ordinary stock units. The net profit is also adjusted to reflect the after tax effect of income arising from the conversion of such potential ordinary stock units.

	The Group	
	2005	**2004**
Net profit attributable to stockholders ($'000)		
Continuing operations	1,042,355	905,319
Discontinued operations	1,690,632	670,867
	2,732,987	1,576,186
Weighted average number of ordinary stock units (thousands)	302,280	300,991
Adjustment for conversion of share options	-	5,987
Weighted average number of ordinary stock units for fully diluted earnings per stock unit	302,280	306,978
Fully diluted earnings per stock unit ($)		
Continuing operations	3.45	2.95
Discontinued operations	5.59	2.18
	9.04	5.13

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

15. Cash and Cash Equivalents

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

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Cash at bank and in hand	36,065	296,778	34,431	284,242
Short term deposits	111,554	128,373	-	4,542
Securities purchased under agreements to resell (Note 17)	424,828	545,987	414,870	545,987
Less:				
Bank overdraft	(4,825)	(6,425)	-	-
	567,622	964,713	449,301	834,771

Security for the bank overdrafts includes certain specific securities and investment properties owned by the subsidiaries as well as the unlimited guarantee of the holding company. The effective interest rate on the overdraft facility was 18.75% (2004 – 20.75%).

16. Investment Securities

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Available-for-sale –				
Debt securities:				
Government of Jamaica	854,289	2,183,243	781,875	2,073,904
Equity securities:				
Quoted	378,464	201,755	174,729	2,230
Unquoted	171,125	170,874	165,216	164,929
	1,403,878	2,555,872	1,121,820	2,241,063
Loans and receivables				
Mortgage loans	-	11,381	-	11,381
Policy loans	-	38,406	-	38,406
Corporate debenture	17,994	17,994	-	17,994
Other	33,729	86,445	342,429	377,450
Interest receivable	6,696	6,644	69,243	112,950
	58,419	160,870	411,672	558,181

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment Securities (Continued)

Included in the available for sale securities above are interest receivable amounting to $36,553,000 and $96,201,000 (2004 - $68,399,000 and $173,144) for the Group and the company respectively.

Included in loans and receivables are corporate debenture investments with the parent company of $22,122,000 (2004 - $23,498,000).

Investments valued at US$3,000,000 (2004 - US$3,000,000) have been pledged as collateral for loans granted to the company (Note 32)

17. Securities Purchased under Agreements to Resell

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

Included in securities purchased under agreements to resell are $424,828,000 (2004 - $545,987,000), which are regarded as cash and cash equivalents for the purposes of the consolidated statement of cash flows.

18. Lease Receivables

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Gross investment in finance leases				
Not later than one year	-	10,500	-	11,121
Later than one year and not later than five years	-	15,034	-	22,405
Less: Unearned income	-	(4,375)	-	(7,827)
	-	21,159	-	25,699
Net investment in finance leases				
Not later than one year	-	7,509	-	10,665
Later than one year and not later than five years	-	13,650	-	15,034
	-	21,159	-	25,699

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

19. Investment Properties

	The Group	
	2005	2004
At 1 January	1,831,024	1,585,759
Acquired during the year	39,109	5,249
Transferred from capital work-in-progress	48,250	39,144
Transferred from property, plant and equipment under IAS 40	-	105,678
Fair value gains	137,150	95,194
At 31 December	2,055,533	1,831,024

Property income and direct expenses including repairs and maintenance that generated property income during the year in relation to investment properties are as follows:

	The Group	
	2005	2004
	$'000	$'000
Property income	460,018	404,568
Direct costs	(214,189)	(183,087)

The properties were valued at current market value as at 31 December 2005 by D.C. Tavares & Finson Realty Limited, qualified property appraisers and valuers.

20. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Subsidiary companies -				
At cost				
Jamaica Property Company Limited	-	-	123,020	123,020
Portfolio Partners Limited	-	-	15,000	15,000
	-	-	138,020	138,020

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

20. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Associated companies -				
Pan Caribbean Financial Services Limited				
Shareholding at cost	-	197,138	-	360,374
Share of profit	-	701,193	-	-
Share of reserves	-	1,215,239	-	-
Current account	-	444	-	444
	-	2,114,014	-	360,818
Life of Jamaica Limited				
Acquisition during year	3,493,066	-	3,493,066	-
Share of profit	507,281	-	-	-
Dividend received	(119,500)	-	-	-
Share of reserves	(108,499)	-	-	-
	3,772,348	-	3,493,066	-
St Andrew Developers Limited				
Shareholding at cost	266	266	133	133
Share of losses	(4,251)	(4,219)	-	-
Current account	1,752	1,375	733	733
	(2,233)	(2,578)	866	866
Impan Properties Limited				
Shareholding at cost	20	20	-	-
Share of profit	89	89	-	-
Share of capital reserve	7,945	7,945	-	-
Current account	(8,964)	(8,982)	-	-
	(910)	(928)	-	-
Knutsford Holdings Limited				
Shareholding at cost	2	2	61,325	61,325
Share of profit	141,072	120,034	-	-
Current account	17,836	18,391	10,847	10,847
	158,910	138,427	72,172	72,172
	3,928,115	2,248,935	3,566,104	433,856
Comprising:				
Share of net assets	3,027,038	2,248,935		
Goodwill	901,077	-		
	3,928,115	2,248,935		

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

21. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33 1/3% (2004 - 15%) for the company and 33 1/3% for the company's subsidiaries.

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance as at 1 January	(68,090)	(32,591)	(1,975)	(933)
Charged to statement of revenue and expenses	(12,997)	(16,904)	(5,388)	(1,042)
Deferred tax on dilution of subsidiary	-	(18,595)		-
Balance as at 31 December	(81,087)	(68,090)	(7,363)	(1,975)

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Deferred income tax assets				
Property, plant and equipment	-	675	-	675
Pensions and other post retirement benefits	3,291	2,711	-	-
Interest payable	307	269	-	-
Net lease obligations	710	804	-	-
Unutilised tax losses	226	-	-	-
Unrealised foreign exchange loss	2,959	-	2,959	-
Tax losses carried forward		3,076	-	-
	7,493	7,535	2,959	675
Deferred income tax liabilities				
Unrealised foreign exchange gain	10,322	2,650	10,322	2,650
Pensions and other post retirement benefits	8,972	9,423	-	-
Tax depreciation on investment property	67,642	61,865	-	-
Receivables	1,644	1,687	-	-
	88,580	75,625	10,322	2,650
	(81,087)	(68,090)	(7,363)	(1,975)

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

21. Deferred Income Taxes (Continued)

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unappropriated profits of subsidiaries, as such amounts are permanently reinvested. Such earnings totalled $1,971,020,000 at 31 December 2005 (2004 - $1,811,016,000).

The amounts shown in the balance sheet include the following:

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	3,291	2,711	-	-
Deferred tax assets to be recovered within 12 months	4,202	4,824	2,959	675
	7,493	7,535	2,959	675
Deferred tax liability to be settled after more than 12 months	76,614	70,837	-	-
Deferred tax liability to be settled within 12 months	11,966	4,788	10,322	2,650
	88,580	75,625	10,322	2,650
	(81,087)	(68,090)	(7,363)	(1,975)

22. Other Assets

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Due from salesmen	-	1,534	-	1,533
Inventories	2,077	515	-	-
Trade receivables	57,189	43,754	-	-
Other receivables	32,418	129,678	15,929	87,997
Premiums receivable	-	88,566	-	88,566
Reinsurance recoverable	-	27,133	-	27,133
Work-in-progress	35,513	40,072	35,513	40,072
	127,197	331,252	51,442	245,301

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

23. Property, Plant and Equipment

	The Group						
	Freehold Premises $'000	Leasehold Improvements $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles Capitalised under Finance Leases $'000	Motor Vehicles $'000	Capital Work in Progress $'000	Total $'000
At Cost -							
1 January 2004	142,494	15,310	77,161	8,257	11,310	34,462	288,994
Additions	11,157	-	579	2,390	-	42,750	56,876
Disposals	(116,476)	(15,291)	(28,656)	-	(9,951)	-	(170,374)
Adjustments	-	-	-	-	-	-	-
Transfers	2,130	-	-	242	(242)	(42,480)	(40,350)
31 December 2004	39,305	19	49,084	10,889	1,117	34,732	135,146
Additions	-	-	21	750	-	46,118	46,889
Disposals	-	-	-	(1,494)	-	-	(1,494)
Adjustments	-	(19)	(21,719)	-	-	-	(21,738)
Transfers	-	-	(19,520)	(465)	-	(49,420)	(69,405)
31 December 2005	39,305	-	7,866	9,680	1,117	31,430	89,398
Accumulated Depreciation							
1 January 2004	5,819	1,276	40,701	3,862	4,767	-	56,425
Charge for year	1,654	4	5,954	2,411	30	-	10,053
Relieved on	(5,389)	(1,271)	(8,827)	-	(3,680)	-	(19,167)
31 December 2004	2,084	9	37,828	6,273	1,117	-	47,311
Charge for year	168	1	2,274	1,504	-	-	3,947
Relieved on	-	-	(14,334)	(188)	-	-	(14,522)
Reclassification	-	-	-	-	-	-	-
Adjustments	-	(10)	(19,834)	-	-	-	(19,844)
31 December 2005	2,252	-	5,934	7,589	1,117	-	16,892
Net Book Value -							
31 December 2005	37,053	-	1,932	2,091	-	31,430	72,506
31 December 2004	37,221	10	11,256	4,616	-	34,732	87,835

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

23. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Improvements	Furniture & Fixtures	Computer Hardware & Software	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
At Cost -					
1 January 2004	18	283	40,952	902	42,155
Additions	-	-	-	-	-
Disposals	-	-	-	(902)	(902)
31 December 2004	18	283	40,952	-	41,253
Additions	-	-	-	-	-
Disposals	-	-	(19,516)	-	(19,516)
Write Offs	(18)	(283)	(21,436)	-	(21,737)
December 31, 2005	-	-	-	-	-
Accumulated Depreciation -					
1 January 2004	4	11	26,712	721	27,448
Charge for the year	4	12	5,384	30	5,430
Disposals	-	-	-	(751)	(751)
31 December 2004	8	23	32,096	-	32,127
Charge for the year	1	-	1,306	-	1,307
Write Offs	(9)	(23)	(19,068)	-	(19,100)
Disposals	-	-	(14,334)	-	(14,334)
31 December 2005	-	-	-	-	-
Net Book Value -					
31 December 2005	-	-	-	-	-
31 December 2004	10	260	8,856	-	9,126

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

24. Intangible Assets

	The Group		
	Goodwill $'000	Other Intangible $'000	Total $'000
At 31 December 2004			
Cost	242,002	-	242,002
Accumulated amortisation	(63,988)	-	(63,988)
Net book value	178,014	-	178,014
Year ended 31 December 2004			
Opening net book amount	190,272	14,098	204,370
Additions	-	-	-
Disposal	-	(14,098)	(14,098)
Amortisation charge	(12,258)	-	(12,258)
Closing net book value	178,014	-	178,014

	Goodwill $'000	Other Intangible $'000	Total $'000
At 31 December 2005			
Cost	-	-	-
Accumulated amortisation	-	-	-
Net book value	-	-	-
Year ended 31 December 2005			
Opening net book amount	178,014	-	178,014
Disposal	(178,014)	-	(178,014)
Amortisation charge	-	-	-
Closing net book value	-	-	-

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

24. Intangible Assets (Continued)

	The Company		
	Goodwill	Other Intangible	Total
	$'000	$'000	$'000
At 31 December 2004			
Cost	240,822	-	240,822
Accumulated amortisation	(62,808)	-	(62,808)
Net book value	178,014	-	178,014
Year ended 31 December 2004			
Opening net book amount	190,272	-	190,272
Additions	-	-	-
Amortisation charge	(12,258)	-	(12,258)
Closing net book value	178,014	-	178,014

	Goodwill	Other Intangible	Total
	$'000	$'000	$'000
At 31 December 2005			
Cost	-	-	-
Accumulated amortisation	-	-	-
Net book value	-	-	-
Year ended 31 December 2005			
Opening net book amount	178,014	-	178,014
Disposal	(178,014)	-	(178,014)
Amortisation charge	-	-	-
Closing net book value	-	-	-

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

25. Retirement Benefit Asset/Liability

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

The latest actuarial valuations were carried out as at 31 December 2005.

The amounts recognised in the balance sheet comprise:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Pension schemes (Note 25(a))	(30,582)	(34,216)	(3,667)	(5,948)
Other post-retirement obligations:				
Medical and life insurance (Note 25(b))	33,172	57,362	23,302	49,228

(a) Pension scheme

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Present value of funded obligations	93,977	152,633	40,554	106,920
Fair value of plan assets	(158,290)	(287,977)	(67,770)	(211,948)
	(64,313)	(135,344)	(27,216)	(105,028)
Unrecognised actuarial gains	(7,943)	15,587	(7,000)	18,339
Limitation on asset recognised	41,674	85,541	30,549	80,741
Asset in the balance sheet	(30,582)	34,216	(3,667)	(5,948)

Life of Jamaica Limited, an associated company, which manages the group's pension fund assets, has invested in ordinary stock units of the company with a fair value of $8,885,000 (2004 - $9,623,000).

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

25. Retirement Benefit Asset/Liability (Continued)

(a) Pension scheme (continued)

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current service cost	3,669	1,199	1,408	848
Interest cost	13,696	11,648	8,400	8,456
Expected return on plan assets	(23,585)	(27,542)	(14,304)	(19,998)
Net actuarial losses/(gains) recognised in year	4,687	(1,060)	4,686	(567)
Change in limitations on asset	(43,867)	42,760	(50,192)	52,836
Total, included in staff costs (Note 9)	(45,400)	27,005	(50,002)	41,575

The actual return on plan assets was $43,686,000 and $30,976,000 (2004 - $57,154,000 and $44,608,000) for the Group and the Company, respectively.

The movement in the asset recognised in the balance sheet:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Asset at 1 January	(34,216)	(59,340)	(5,948)	(44,675)
Total expense, as above	(45,400)	27,005	(50,002)	41,575
Upgrade of plan	53,456	-	53,456	-
Contributions paid	(4,422)	(5,920)	(1,173)	(2,848)
Curtailment	-	4,039	-	-
At 31 December 2005	(30,582)	(34,216)	(3,667)	(5,948)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2005 %	2004 %	2005 %	2004 %
Discount rate	12.5	12.5	12.5	12.5
Expected return on plan assets	12.5	12.5	12.5	12.5
Future salary increases	10	10.0	10.0	10.0
Future pension increases	3.5	3.5	4.0	3.5

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

25. Retirement Benefit Asset/Liability (Continued)

(b) Other Post-retirement Benefits

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

The latest actuarial valuations were carried out as at 31 December 2005. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 10.5% per year (2004 - 10.5%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Present value of unfunded obligations	28,347	91,080	17,984	82,356
Unrecognised actuarial (gains)/losses	4,825	(33,718)	5,318	(33,128)
Liability in the balance sheet	33,172	57,362	23,302	49,228

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current service cost	2,420	1,370	1,694	1,064
Interest cost	6,914	7,800	5,823	6,991
Recognised actuarial losses	-	-	21,915	41
Gain recognised due to curtailment	610	(58)	-	-
Staff Transfer	21,305	-	-	-
Total included in staff costs (Note 9)	31,249	9,112	29,432	8,096

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Liability at beginning of year	57,362	52,651	49,228	42,579
Total expense, as above	31,249	9,112	29,432	8,096
Transfer	(52,803)	-	(52,803)	
Contributions paid	(2,636)	(1,519)	(2,555)	(1,447)
Curtailment	-	(2,882)	-	-
Liability at end of year	33,172	57,362	23,302	49,228

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

26. Segregated Funds

(a) The group and the company manage accounts totalling approximately nil (2004 - $88,300,000) on behalf of certain life insurance policyholders under segregated funds. The assets are the property of the policyholders who share all the rewards and risks of the performance of the funds. During the year, the company sold its insurance and employee benefits operations and no longer manages these funds.

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

(b) Segregated Funds' Assets

	The Group and the Company		
	2004		
	Concord Equity Fund	Money Market Fund	Total
	$'000	$'000	$'000
Investments –			
Government of Jamaica securities	-	16,646	16,646
Quoted equities	62,978	-	62,978
Unquoted equities	39	-	39
Securities purchased under agreements to resell	-	1,255	1,255
	63,017	17,901	80,918
Other assets	218	7,164	7,382
	63,235	25,065	88,300

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

27. Stated Capital

		2004
Authorised:		$'000
Ordinary stock units of $1 each		347,000
"C" 8½% cumulative redeemable preference shares of $1 each		1,403
"D" 8½% cumulative redeemable preference shares of $1 each		1,597
		350,000
Issued and fully paid:		
303,500,000 ordinary stock units of no par value (2004 - $1 each)	355,848	303,500

Under the Companies Act 2004 (the "Act"), which became effective on 1 February 2005, all stock in issue are deemed to be stock without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its stock with a par value. The stated capital for 2005 is comprised of the sum of the original par value of stock units in issue and the share premium.

Stock options were granted to executive directors and senior employees of companies within the group. When these options were exercised fifty percent of the stock are sourced from new issue of stock with the balance being acquired on the Jamaica Stock Exchange. These stock were issued/acquired at exercise prices of $1.75 and $1.80, respectively. All the stock options were vested and exercised by 31 December 2004.

Movements in the number of stock options outstanding were as follows:

	2005	2004
	'000	'000
At 1 January	-	6,250
Additions	-	117
Exercised	-	(6,367)
	-	-

The following stock were issued during the year to certain executive directors and senior employees under the stock option scheme:

	2005	2004
	$'000	$'000
Ordinary stock - at par	-	3,242
Share premium	-	2,431
Proceeds	-	5,673

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

28. Capital Redemption Reserve

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

29. Investment and Other Reserve

These comprise:

	The Group		The Company	
	2005 $’000	2004 $’000	2005 $’000	2004 $’000
Fair value gains on investments	173,487	282,179	63,052	53,816
Capital reserves	2,210,284	266,490	3,429,586	-
Other reserves	425,536	448,375	-	-
	2,809,307	997,044	3,492,638	53,816
Capital reserves				
Realised gain on sale of ESOP shares	12,218	12,218	-	-
Realised gain on sale of insurance operations	1,591,881	-	3,429,586	-
Realised gain on dilution of holding in subsidiary	351,913	-	-	-
Other	254,272	254,272	-	-
	2,210,284	266,490	3,429,586	-

30. Dividends

	2005 $’000	2004 $’000
First interim dividends for 2005 at $0.165 (2004 - $0.12) per stock unit – gross	50,077	36,361
Second interim dividends for 2005 at $0.30 (2004 - $0.12) per stock unit – gross	91,050	36,370
Third interim dividend for 2005 at $0.165 (2004 - $0.14) per stock unit – gross	50,078	42,432
Final dividends for 2005 at $0.165 (2004 – $0.165) per stock unit – gross	50,078	50,077
Total dividends paid for year	241,283	165,240
Less Dividends received by ESOP scheme	(1,587)	-
	239,696	165,240

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

31. Insurance Contract Liabilities

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

	The Group and The Company	
	2005	2004
	$'000	$'000
Ordinary life	-	178,844
Annuities	-	148,188
Group life and health	-	308,212
Creditor and mortgage life	-	291,708
Other group life	-	2,733
	-	927,685

(b) Movement in insurance liabilities

	The Group and The Company						
	Ordinary Life	Annuities	Group Life and Health	Creditor and Mortgage Life	Other Life Funds	Total 2005	Total 2004
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	176,844	148,188	308,212	291,708	2,733	927,685	799,692
Increase in reserves	473	(7,243)	14,970	12,775	-	20,975	127,993
Reserves transferred on sale of portfolio	(177,317)	(140,945)	(323,182)	(304,483)	(2,733)	(948,660)	-
Balance at end of year	-	-	-	-	-	-	927,685

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

31. Insurance Contract Liabilities (Continued)

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

	2004				
	Ordinary Life	Annuities and Pensions	Group Operations	Other Liabilities, Surplus and Capital	Total
	$'000	$'000	$'000	$'000	$'000
Deposits and securities held under agreements to resell	43,675	134,854	336,500	319,742	834,771
Mortgages	2,461	8,920	-	-	11,381
Quoted equities	-	-	-	2,230	2,230
Unquoted equities	-	-	-	164,929	164,929
Government of Jamaica securities	215,947	657,343	677,702	522,912	2,073,904
Loans on policies	38,406	-	-	-	38,406
Other loans and leases	7,922	106,098	17,657	415,123	546,800
	308,411	907,215	1,031,859	1,424,936	3,672,421
Withholding tax recoverable	1,976	52,374	40,085	10,453	104,888
Other current assets	22,958	70,083	352,872	85,938	531,851
Non-current assets	-	-	-	571,875	571,875
	333,345	1,029,672	1,424,816	2,093,202	4,881,035

32. Investment Contract Liabilities

	The Group and The Company	
	2005	2004
	$'000	$'000
Deposit administration funds	-	771,097
Policyholders funds on deposit	-	400,776
Policy dividends on deposit	-	19,617
	-	1,191,490

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

32. Investment Contract Liabilities (Continued)

The investment funds were disposed of at 31 March 2005 at which time there were 87 (31 December 2004 – 87) contributors to the deposit administration fund. The average interest rates paid during the period/year were 13% for both the money market and long term funds (2004 –13%), while the interest rate at the period/year end was 13% for both funds (2004 – 13% for both funds). Interest paid to contributors was $19,268,000 (2004 - $90,455,000).

33. Related Party Transactions and Balances

(a) Year end balances arising from transactions with related parties:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Holding company:				
Current account	30,597	1,031	29,558	1,947
Fellow subsidiaries		-		
Scotts Preserves Limited	30	-	-	-
Portfolio partners Limited				770
ESOP scheme	-	-	13,571	15,151
	30,627	1,031	43,129	17,868
Subsidiaries:				
Portfolio Partners Limited	-	-	(2,743)	-
Pan Caribbean Merchant Bank Limited	-	-	-	-
Jamaica Property Company Limited	-	-	(2)	-
Jamaica Property Development Limited			(2,900)	-
Associated companies				
Life of Jamaica Limited	(132,206)	(11,000)	(132,206)	(11,000)
Related company	-			
Pan Caribbean Financial Services Limited	(2,948)	(8,036)	-	-
	(135,154)	(19,036)	(137,851)	(11,000)
Net asset/(liabilities)	(104,527)	(18,005)	(94,722)	6,868

Interest is payable on the Life of Jamaica Limited current account balance at 12.8% per annum.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Parent				
Interest income	5,212	6,806	5,212	6,806
Management fees paid	(14,300)	(13,000)	(8,457)	(7,688)
Interest paid	(585)	(365)	-	-
Expense allocation	(50,612)	(15,922)	(50,612)	(15,922)
Fellow subsidiaries				
Interest income	-	-	116,372	116,372
Management fees paid	-	-	(2,900)	-
Interest paid	-	-	(3,538)	(1,587)
Other	-	-	(4,188)	(3,984)
Associated companies				
Rental income	34,100	24,205	-	-
Interest paid	(9,241)		(9,241)	
Other related parties				
Interest and other income earned	62,529	79,699	50,914	70,548
Interest and other expenses paid	(12,808)	(16,765)	(12,808)	(16,765)
Other expenses	(3,953)	(2,894)	(3,353)	(2,649)

(c) Key management compensation:

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Salaries and other short-term employee benefits	18,031	19,817	4,700	7,183
Statutory contributions	1,588	1,341	371	554
	19,619	21,158	5,071	7,737
Directors emoluments				
Fees	1,905	366	1,905	366
Management compensation (included above)	7,976	6,552	-	-
	9,881	6,918	1,905	366

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Transactions and Balances (Continued)

(d) Loans from related parties:

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Loans from associates				
Balance at beginning of year	160,000	160,000	160,000	160,000
Loans advanced during year	-	-	-	-
Loans repayments received	(120,000)	-	(120,000)	-
Transfer to current account	(40,000)	-	(40,000)	-
Interest charged	7,890	32,000	7,890	32,000
Interest paid/transferred	(7,890)	(32,000)	(7,890)	(32,000)
	-	160,000	-	160,000
Total loans from related parties				
Balance at beginning of year	188,314	201,482	188,314	201,482
Loans advanced during year	41,000	18,000	41,000	18,000
Loans repayments received	(59,000)	(45,760)	(59,000)	(45,760)
Interest charged	12,808	16,765	12,808	16,765
Interest paid	(12,808)	(16,765)	(12,808)	(16,765)
Foreign exchange loss	7,899	14,592	7,899	14,592
	178,213	188,314	178,213	188,314

(i) A subsidiary has pledged certain of its freehold land and buildings as security for First Mortgage Debenture Stock totalling issued by the ultimate holding company under a joint trust deed. At 31 December 2005, the balance outstanding was $902,250 (2004 - $1,686,000).

34. Other Liabilities

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Premiums received in advance	-	2,884	-	2,884
Benefits payable to policyholders	-	10,144	-	10,143
Other liabilities and accrued expenses	136,144	305,412	83,498	258,884
Reinsurance payable	-	9,383	-	9,383
Short term loans (Note 35)	214,532	401,466	218,123	406,339
	350,676	729,289	301,621	687,633

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

35. Long Term Loans

	Currency	Rate	Repayable	The Group 2005	The Group 2004
		%		$'000	$'000
Secured					
(i) First Caribbean International Bank Limited	US$	LIBOR+2.875& LIBOR+3.65	2006	95,028	114,445
(ii) Pan Caribbean Financial Services Limited	US$	6.00	2006	178,213	188,314
Unsecured -					
(iii) Life of Jamaica Limited		20.00		-	160,000
(iv) Consortium loan	US$	8.25	2011	-	54,998
Consortium loan	US$	20.00	2006	5,335	19,108
				278,576	536,865
Interest payable				6,073	4,352
				284,649	541,217
Current portion				(214,532)	(401,466)
				70,117	139,751

	Currency	Rate	Repayable	The Company 2005	The Company 2004
		%		$'000	$'000
Secured					
(ii) Pan Caribbean Financial Services Limited	US$	6.00	2006	178,213	188,314
Unsecured -					
(iii) Life of Jamaica Limited		20.00		-	160,000
Consortium loan	US$	8.25	2011	-	54,998
(v) Portfolio Partners Limited		12.00		29,421	29,421
Other		20.00		5,335	19,108
				212,969	451,841
Interest payable				5,154	3,545
				218,123	455,386
Current portion				(218,123)	(406,339)
				-	49,047

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

35. Long Term Loans (Continued)

(i) The balance is made up of two demand loans issued by FirstCaribbean International Bank Limited. The first loan is a medium term demand loan for US$2,000,000. Interest is charged on this loan at 2.875 percentage points above the US$ 6-months LIBOR rate and is subject to annual review. The loan is repayable by way of twenty eight (28) equal quarterly installments plus interest and is secured by a first mortgage over commercial Lots 187-198 (inclusive) Grenada Crescent and a commercial parking garage located at 39 Barbados Avenue.

The second loan for US$500,000 was issued by FirstCaribbean International Bank Limited to assist with the upgrade and expansion of Hi-Lo Supermarket, Manor Park Plaza. The demand loan is subjected to annual reviews. Interest rate on this loan is computed on the basis of US$ 6-months LIBOR plus 3.65%. During the tenor of the loan facility there will be a half yearly interest rate reset on October and March. The loan is secured by first mortgage charge over commercial Lots 195 - 198 (inclusive) Grenada Crescent, New Kingston.

(ii) The balance is made up of two loans issued by Pan Caribbean Financial Services Limited. The first loan is for US$1,760,000. Interest is charged at 6% per annum repayable on demand. The loan is secured by a 10.5% Government of Jamaica indexed bond valued at US$3,000,000.

The second loan is for US$1,000,000. Interest is also charged at 6% per annum repayable on demand. The loan is unsecured.

(iii) The loan from Life of Jamaica Limited is as a result of certain terms and conditions of the joint venture agreement between these two companies (Note 1c). A portion of the debt was repaid during the year and the remaining balance was transferred to the current account in accordance with the sale agreement.

(iv) The consortium loan was transferred to Life of Jamaica Limited as part of the sale of the insurance portfolio and employee business operations (Note 13).

(v) The loan from Portfolio Partners Limited is unsecured, payable on demand and attracts interest at 12% per annum.

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

36. Cash Flows from Operating Activities

	2005 $'000	2004 $'000
Net profit	2,732,987	1,576,186
Adjustments to reconcile net profit to cash flows provided by operating activities:		
Depreciation of property, plant and equipment	3,947	10,053
Amortisation of intangible assets	-	12,258
Interest capitalized on loans	1,809	-
Gain disposal of discontinued operations	(1,591,881)	-
Interest income	(244,848)	(1,184,202)
Interest expense	35,695	614,624
Share of profit in associated companies	(629,108)	(297,437)
Gain on dilution of stockholding in subsidiary	-	(351,913)
Income tax expense	136,573	157,470
Change in retirement benefit asset/obligation	(20,556)	28,678
Gain on sale of property, plant and equipment	(2,141)	(122)
Write off of property, plant and equipment and investment	-	3,335
Fair value gains on investment property	(137,150)	(95,194)
Provision for doubtful debts	-	(15,819)
Unrealised gain on real estate fund	-	(815)
Unrealised gain on foreign currency denominated investment	(31,123)	(4,577)
Unrealised loss on foreign currency denominated loans	12,131	-
Gain on sale of investments	-	(225,098)
Minority interest	-	17,360
Change in policyholders' funds	44,054	150,313
	310,389	395,100
Changes in operating assets and liabilities:		
Other assets, net	(25,792)	(52,756)
Other liabilities, net	24,020	(106,985)
	308,617	235,359
Interest received	244,848	1,256,993
Interest paid	(35,695)	(603,061)
Income tax paid	(156,794)	(69,016)
Net cash provided by operating activities	360,976	820,275

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

37. Commitments

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

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

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Not later than 1 year	-	-	558	583
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	-	558	583

(b) Operating lease commitments – where the group/company is the lessor:

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

	The Group	
	2005 $'000	2004 $'000
Not later than 1 year	196,462	223,738
Later than 1 year and not later than 5 years	343,564	315,934
Later than 5 years	24,431	67,543
	564,457	607,215

Notes to the Financial Statements (Continued)

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(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury function which identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, and the Canadian dollar. Foreign exchange risk arises from transactions for purchases, recognised assets and liabilities and net investments in foreign operations.

The breakdown of the assets and liabilities of the group by currency were as follows:

	The Group			
	2005			
	Jamaican $	US$	Other	Total
	J$'000	J$'000	J$'000	J$'000
Assets				
Cash and bank balances	112,935	34,684	-	147,619
Investments (excluding investments in subsidiaries and associated companies)	930,361	784,276	172,488	1,887,125
Investment properties	2,055,533	-	-	2,055,533
Other	4,303,950	-	-	4,303,950
Total assets	7,402,779	818,960	172,488	8,394,227
Liabilities				
Other liabilities	456,996	10,408	-	467,404
Loans	11,532	273,117	-	284,649
Total liabilities	468,528	283,525	-	752,053
Net position (Stockholders' equity)	6,934,251	535,435	172,488	7,642,174

Notes to the Financial Statements (Continued)

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38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk

	2004			
Total assets	7,910,790	676,603	30,232	8,617,625
Total liabilities	2,990,520	339,076	10,393	3,339,989
Net position (Stockholders' equity)	4,920,270	337,527	19,839	5,277,636

	The Company			
	2005			
	Jamaican $	**US$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**
Assets				
Cash and bank balances	34,431	-	-	34,431
Investments (excluding investments in subsidiaries and associated companies)	994,137	781,737	172,488	1,948,362
Other	3,916,319	-	-	3,916,319
Total assets	4,944,887	781,737	172,488	5,899,112
Liabilities				
Other liabilities	291,618	-	-	291,619
Loans	40,953	177,171	-	218,124
Total Liabilities	332,571	177,171	-	509,743
Net position (Stockholders' equity)	4,612,316	604,566	172,488	5,389,369
	2004			
Total assets	4,290,084	560,719	30,232	4,881,035
Total liabilities	2,864,282	224,632	10,393	3,099,307
Net position (Stockholders' equity)	1,425,802	336,087	19,839	1,781,728

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Price risk

Price 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 instrument or its issuer or factors affecting all instruments traded in the market. The group is exposed to equity securities price risk because of investments held by the group and classified either on the consolidated balance sheet as available-for-sale or at fair value through the profit or loss. The group is not exposed to commodity price risk. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

(ii) Credit risk

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

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

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

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

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Government of Jamaica	854,289	2,183,243	781,938	2,073,904
Foreign government	-	4,542	-	4,542
Financial institutions	536,382	669,818	414,870	545,987
Foreign equities	172,488	-	172,488	-
Corporate equities	377,101	372,629	167,457	167,159
Mortgages	-	13,538	-	13,538
Policy loans	-	38,405	-	38,405
Other	58,419	130,086	411,609	531,937
	1,998,679	3,412,261	1,948,362	3,375,472

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The following tables summarise the net positive liquidity of the group and the company by analysing the assets and liabilities into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date:

	The Group 2005				
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and bank balances	147,619	-	-	-	147,619
Investments	546,172	25,564	296,049	1,019,341	1,887,126
Investment properties	-	-	2,055,533	-	2,055,533
Investments in associated companies	-	-	-	3,928,115	3,928,115
Other	-	196,026	179,808	-	375,834
Total assets	693,791	221,590	2,531,390	4,947,456	8,394,227
Liabilities					
Bank Overdraft	4,825	-	-	-	4,825
Other	128,302	433,301	185,625	-	747,228
Total liabilities	133,127	433,301	185,625	-	752,053
Net Liquidity (Stockholders' equity)	560,664	(211,711)	2,345,765	4,947,456	7,642,174
Cumulative Liquidity (Stockholders' equity)	560,664	348,953	2,694,718	7,642,174	

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	The Group				
	2004				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	1,303,609	847,317	1,338,204	5,128,495	8,616,594
Total liabilities	700,998	879,492	317,892	1,441,607	3,338,958
Net Liquidity (Stockholders' equity)	602,611	(32,175)	1,020,312	3,686,888	5,277,636
Cumulative Liquidity (Stockholders' equity)	602,611	570,436	1,590,748	5,277,636	

	The Company				
	2005				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	34,431	-	-	-	34,431
Investments	551,703	22,596	379,277	994,786	1,948,362
Investment in subsidiaries	-	-	-	138,020	138,020
Investments in associated companies	-	-	-	3,566,104	3,566,104
Other	-	208,528	3,667	-	212,195
Total assets	586,134	231,124	382,944	4,698,910	5,899,112
Liabilities					
Other	39,606	439,472	30,665	-	509,743
Total liabilities	39,606	439,472	30,665	-	509,743
Net Liquidity (Stockholders' equity)	546,528	(208,348)	352,279	4,698,910	5,389,369
Cumulative Liquidity (Stockholders' equity)	546,528	338,180	690,459	5,389,369	

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	The Company				
	2004				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	1,203,060	744,973	1,534,012	1,398,990	4,881,035
Total liabilities	676,477	767,107	290,923	1,364,800	3,099,307
Net Liquidity (Stockholders equity)	526,583	(22,134)	1,243,089	34,190	1,781,728
Cumulative Liquidity (Stockholders' equity)	526,583	504,449	1,747,538	1,781,728	

(iv) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The following tables summarise carrying amounts of balance sheet assets, liabilities and equity, in order to arrive at the group's and company's interest rate gap based on the earlier of contractual repricing or maturity dates.

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	The Group				
	2005				
	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	147,619	-	-	-	147,619
Investments	687,030	277,604	369,312	553,181	1,887,127
Investment properties	-	-	-	2,055,533	2,055,533
Investments in associated companies	-	-	-	3,928,115	3,928,115
Property, plant and equipment	-	-	-	72,506	72,506
Other	-	-	-	303,327	303,327
Total assets	834,649	277,604	369,312	6,912,662	8,394,227
Liabilities					
Policyholders' funds					
Bank overdraft	4,825	-	-	-	4,825
Other	249,299	70,419	-	427,510	747,228
Total liabilities	254,124	70,419	-	427,510	752,053
On balance sheet interest sensitivity (Stockholders' equity)	580,525	207,185	369,312	6,485,152	7,642,174
Cumulative interest sensitivity (Stockholders' equity)	580,525	787,710	1,157,022	7,642,174	

	2004				
	Up to 1 Year	One to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	1,724,466	1,068,508	469,475	5,355,176	8,617,625
Total liabilities	1,642,091	196,975	285,300	1,215,623	3,339,989
On balance sheet interest sensitivity (Stockholders' equity)	82,375	871,533	184,175	4,139,553	5,277,636
Cumulative interest sensitivity (Stockholders' equity)	82,375	953,908	1,138,083	5,277,636	

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	The Company				
	2005				
	Up to 1 Year	One to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	34,431	-	-	-	34,431
Investments	980,052	268,737	356,038	343,535	1,948,362
Investment in subsidiaries	-	-	-	138,020	138,020
Investments in associated companies	-	-	-	3,566,104	3,566,104
Other	-	-	-	212,195	212,195
Total assets	1,014,483	268,737	356,038	4,259,854	5,899,112
Liabilities					
Other	252,969	-	-	256,774	509,743
Total liabilities	252,969	-	-	256,774	509,743
On balance sheet interest sensitivity (Stockholders' equity)	761,514	268,737	356,038	4,003,080	5,389,369
Cumulative interest sensitivity (Stockholders' equity)	761,514	1,030,251	1,386,289	5,389,369	

	The Company				
	2004				
	Up to 1 Year	One to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	1,773,407	1,070,752	469,475	1,567,401	4,881,035
Total liabilities	1,641,363	106,271	285,300	1,066,373	3,099,307
On balance sheet interest sensitivity (Stockholders equity)	132,044	964,481	184,175	501,028	1,781,728
Cumulative interest sensitivity (Stockholders' equity)	132,044	1,096,525	1,280,700	1,781,728	

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	The Group		The Company	
	J$	US$	J$	US$
	%	%	%	%
Cash and balances	12.9	6.2	-	-
Investments	17.6	10.9	17.9	11.3
Securities purchased under agreements to resell	12.6	5.7	12.5	5.2
Other loans and leases	21.0	-	30.5	6.0
Liabilities				
Bank overdraft	18.8	-	-	-
Loans	15.0	7.3	14.0	6.0

(b) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets held by the group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The nominal value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

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

(a) Cash and deposits, receivables, payables and related party balances reflect their approximate fair values due to the short term nature of these instruments;

(b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices.

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

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans; and

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

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

38. Financial Risk Management (Continued)

The following table presents the fair value of financial instruments which are not reflected in the financial statements at fair value:

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2005	2005	2004	2004
Financial Assets	$'000	$'000	$'000	$'000
Investment in associates	3,928,115	9,219,345	2,248,935	6,739,044
Loan and lease receivables	58,419	57,420	182,029	172,624

	The Company			
	2005	2005	2004	2004
	$'000	$'000	$'000	$'000
Investment in associates	3,566,104	9,136,626	433,856	6,677,161
Loan and lease receivables	411,672	397,021	583,880	573,792

	The Group			
	2005	2005	2004	2004
Financial Liabilities	$'000	$'000	$'000	$'000
Long term loans (including current portion)	284,649	295,480	541,217	538,513

	The Company			
	2005	2005	2004	2004
	$'000	$'000	$'000	$'000
Long term loans (including current portion)	218,123	230,278	455,386	445,298

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

39. Litigation and Contingent Liabilities

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

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

There were no significant claims made against the group at year end.

40. Effects of the Adoption of Revised and New IFRS

Reconciliation of equity at 1 January 2004

		Group			Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and bank balances		238,583		238,583	81,087	-	81,087
Investments (a), (c), (d)		19,155,536	1,054,902	20,210,438	2,717,158	29,708	2,746,866
Investments in subsidiaries (b)		-	-	-	2,677,051	(2,176,280)	500,771
Investment in associated companies (b)		59,382	-	59,382	(3,698)	3,831	133
Investment property		1,585,759	-	1,585,759	-	-	-
Due from related parties		-	-	-	111,749	733	112,482
Other assets (d)		2,100,852	(1,511,017)	589,835	585,570	(274,773)	310,797
Property, plant and equipment		232,569	-	232,569	14,707	-	14,707
Intangible assets		204,370	-	204,370	190,272	-	190,272
Deferred tax assets		23,067	-	23,067	-	-	-
Retirement benefit assets		59,340	-	59,340	44,675	-	44,675
Segregated Funds' assets		53,662	-	53,662	53,662	-	53,662
		23,713,120	(456,115)	23,257,005	6,472,233	(2,416,781)	4,055,452

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

40. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 1 January 2004 (continued)

		Group			Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Stockholders' Equity							
Share capital		300,258	-	300,258	300,258	-	300,258
Share premium		49,917	-	49,917	49,917	-	49,917
Capital redemption reserve		3,000	-	3,000	3,000	-	3,000
Insurance and banking reserve		249,281	-	249,281	249,281	(168,040)	81,241
Loan loss reserve		96,973	-	96,973	96,973	(96,973)	-
Investment and other reserve (a), (b), (c)		312,734	(330,244)	(17,510)	312,734	(548,896)	(236,162)
Retained earnings		2,441,029	-	2,441,029	2,441,029	(1,602,872)	838,157
Minority interest		346,053	(110,297)	235,756		-	
Treasury stock (c)		-	(15,574)	(15,574)		-	
		3,799,245	(456,115)	3,343,130	3,453,192	(2,416,781)	1,036,411
Liabilities							
Policyholders' funds		1,878,407	-	1,878,407	1,878,407	-	1,878,407
Securities purchased under		13,718,164	-	13,718,164		-	
Taxation payable		29,401	-	29,401	25,994	-	25,994
Deferred tax liabilities		55,658	-	55,658	933	-	933
Other liabilities		3,825,773	-	3,825,773	816,895		816,895
Long term loans		300,159	-	300,159	200,571		200,571
Retirement benefit liabilities		52,651	-	52,651	42,579		42,579
Segregated funds' liabilities		53,662	-	53,662	53,662		53,662
		23,713,120	(456,115)	23,257,005	6,472,233	(2,416,781)	4,055,452

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

40. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 31 December 2004

		Group			Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and bank balances		425,151	-	425,151	288,784	-	288,784
Investments (a), (b), (d)		3,077,138	206,750	3,283,888	3,175,851	195,079	3,370,930
Investments in subsidiaries (b)		-	-	-	1,784,825	(1,646,805)	138,020
Investment in associated companies (b)		2,117,919	131,016	2,248,935	2,052,840	(1,618,984)	433,856
Investment properties		1,831,024	-	1,831,024	-	-	-
Due from related parties		1,031	-	1,031	88,890	(71,022)	17,868
Taxation recoverable		105,432	-	105,432	104,888	-	104,888
Other assets (d)		420,416	(89,164)	331,252	353,252	(107,951)	245,301
Property, plant and equipment		87,835	-	87,835	9,126	-	9,126
Intangible assets		178,014	-	178,014	178,014	-	178,014
Deferred tax assets		2,547	-	2,547	-	-	-
Retirement benefit assets		34,216	-	34,216	5,948	-	5,948
Segregated Funds' assets		88,300	-	88,300	88,300	-	88,300
		8,369,023	248,602	8,617,625	8,130,718	(3,249,683)	4,881,035

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

40. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 31 December 2004 (continued)

		Group			Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Stockholders' Equity							
Share capital		303,500	-	303,500	303,500	-	303,500
Share premium		52,348	-	52,348	52,348	-	52,348
Capital redemption reserve		3,000	-	3,000	3,000	-	3,000
Insurance and banking reserve		69,820	-	69,820	69,820	-	69,820
Investment and other reserve (a), (b), (c)		732,868	264,176	997,044	732,868	(679,052)	53,816
Retained earnings		3,867,498	-	3,867,498	3,867,498	(2,568,254)	1,299,244
Treasury stock (c)		-	(15,574)	(15,574)	-	-	-
		5,029,034	248,602	5,277,636	5,029,034	(3,247,306)	1,781,728
Liabilities							
Policyholders' funds		2,119,175	-	2,119,175	2,119,175	-	2,119,175
Bank overdraft		6,425	-	6,425	17	-	17
Taxation payable		110,014	-	110,014	92,932	-	92,932
Deferred tax liabilities		70,637	-	70,637	1,975	-	1,975
Other liabilities		729,289	-	729,289	690,010	(2,377)	687,633
Due to related parties		19,036	-	19,036	11,000	-	11,000
Long term loans		139,751	-	139,751	49,047	-	49,047
Retirement benefit liabilities		57,362	-	57,362	49,228	-	49,228
Segregated funds' liabilities		88,300	-	88,300	88,300	-	88,300
		8,369,023	248,602	8,617,625	8,130,718	(3,249,683)	4,881,035

Notes to the Financial Statements (Continued)

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

40. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of profit for the year ended 31 December 2004 (continued)

		The Group			The Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Income		3,421,083	-	3,421,083	2,293,855	-	2,293,855
Policyholders benefit and expenses		(1,857,387)	-	(1,857,387)	(1,560,994)	-	(1,560,994)
Operating Profit		1,563,696	-	1,563,696	732,861	-	732,861
Interest expense		(462,030)		(462,030)	-	-	-
Gain on dilution of shareholding in subsidiary (b)		351,913	-	351,913	351,913	(351,913)	-
Share of results of subsidiaries (b)		-	-	-	320,939	(320,939)	-
Share of results of associates (b)		297,437	-	297,437	292,529	(292,529)	-
Profit before Taxation		1,751,016	-	1,751,016	1,698,242	(965,381)	732,861
Taxation		(157,470)	-	(157,470)	(122,056)	-	(122,056)
Profit after taxation		1,593,546	-	1,593,546	1,576,186	(965,381)	610,805
Attributable to:							
Equity holders of the Company		1,576,186	-	1,576,186	1,576,186	(965,381)	610,805
Minority interest		17,360	-	17,360	-	-	-
		1,593,546	-	1,593,546	1,576,186	(965,381)	610,805

Group and Company

Standards, interpretations and amendments to published standards effective in 2005

(a) In accordance with IAS 39 revised, certain financial assets previously categorised as originated loans in the two preceding years are now categorised as available-for-sale. Consequently these assets are now carried at fair value and the fair value adjustment has been recognised in investment and other reserves.

(b) Investments in subsidiaries and associates that were previously accounted for using the equity method in the company's financial statements is stated at cost. As a result, the profit and share of reserves recognized in the company's financial statements have been reversed.

(c) The Employee Investment Trust is now consolidated as required by the IFRIC Amendment to SIC 12.

Reclassifications

(d) Interest receivable and payable previously included in receivables and payables are now included as part of the financial instruments to which they relate.

Interest of Directors and Major Shareholders

INTEREST OF DIRECTORS & MAJOR STOCKHOLDERS

Year Ended December 31, 2005

DIRECTORS' AND CONNECTED PARTY'S STOCKHOLDINGS

Name	Personal	Connected Parties
Roy Collister	Nil	140
W. G. Bryan Ewen	Nil	250,000
C. A. Lloyd Facey	Nil	6,261
Maurice W. Facey	Nil	808,000
Stephen B. Facey	640,000	168,000
James E. Morrison	10,518	1
Donovan H. Perkins	821,701	1,000

MAJOR STOCKHOLDERS

Name	Stockholdings
1. Pan-Jamaican Investment Trust Ltd.	221,415,858
2. Scotia Jamaica Investment Management Ltd. – A/C 542	12,865,095
3. Life of Jamaica Pooled Equity Fund No. 1	9,669,388
4. National Insurance Fund	7,664,047
5. Guardian Holdings Limited	3,662,548
6. Barita Investments Limited. – Nominee A/C	3,198,575
7. The Jamaica Development Bank Limited	1,900,000
8. West Indies Trust Company Ltd. - A/C WT109	1,836,337
9. Manchester Pension Trust Fund Ltd.	1,410,000
10. NCB Capital Markets Ltd. – A/C 2231	1,364,208

SENIOR MANAGERS

Name	Stockholdings
Camelia Nelson	Nil
Stephen B. Facey	640,000
Paul A. B. Facey	Nil

FORM OF PROXY

I/We ____

of ____

being a Member(s) of **FIRST JAMAICA INVESTMENTS LIMITED** hereby appoint

____

of ____

or failing him ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the said Company to be held on Tuesday, July 18, 2006 at 3:30 p.m. at The Terra Nova All Suite Hotel, 17 Waterloo Road, Kingston 10, or any adjournment thereof.

Signed this ____________________ day of _________________________ 2006

Signature __________________________________

If executed by a Corporation, the Proxy should be sealed.

Resolutions	For	Against
1		
2		
3(a)		
3(b)		
4		
5		

PLACE
$100
STAMP
HERE

N.B. The instrument appointing Proxy must be produced at the meeting or adjourned meeting at which it is to be used, and in default shall not be treated as valid. Proxy must be lodged at the Company's Registered Office not later than forty-eight hours before the meeting.