Annual Report

2005

Life of Jamaica
LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY-FIFTH ANNUAL GENERAL MEETING of the Company will be held at the LOJ Auditorium, 28-48 Barbados Avenue Kingston 5 on Wednesday, 31st day of May 2006 at 3:00 p.m. for the following purposes:

1. To receive the Report of the Directors and the Audited Accounts for the year ended December 31, 2005.

RESOLUTION:
"THAT the Report of the Directors and the Audited Accounts for the year ended December 31, 2005 now submitted to this meeting be and are hereby received."

2. To elect Directors

(a) In accordance with Article 97 (f) of the Company's Articles of Association which reads:
"The office of a Director shall be vacated if the Director attains the age of sixty-five years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or any other person who has attained the age of sixty-five years to be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Association,"

Whereas Messrs. David Allan, and J. Arthur Bethell, having both attained the age of sixty-five years and notwithstanding Article 97 (f), the Board of Directors has, by invitation asked them to continue in office as Directors for a period of three (3) years from the date of this AGM until the end of the next Board of Directors meeting scheduled for 2009.
To consider and if thought fit, pass the following resolutions:"

(i) "That DAVID ALLAN who retires by rotation and being eligible be and is hereby re-elected a Director of the Company" for a period of three (3) years".

(ii) "That Mr. J. ARTHUR BETHELL who retires by rotation and being eligible be and is hereby re-elected a Director of the Company" for a period of three (3) years".

(b) In accordance with Article 98 of the Company's Articles of Association, both Mr. Jeffrey Cobham and Dr. M. Patricia Downes-Grant will retire by rotation and being eligible, offer themselves for re-election.

To consider and if thought fit pass the following resolutions:

(i) "That Mr. JEFFREY COBHAM who retires by rotation and being eligible be and is hereby re-elected a Director of the Company".

(ii) "That Dr. M. PATRICIA DOWNES-GRANT who retires by rotation and being eligible be and is hereby re-elected a Director of the Company".

3. To fix the remuneration of the Directors.

RESOLUTION
"THAT the amount of Nine Million Seven Hundred and Seventy-Two Thousand Six Hundred and Ten Dollars (J$9,772,610.00) included in the Audited Accounts of the Company for the year ended December 31, 2005 as remuneration of the Directors for their services as Directors be and is hereby approved".

4. To authorize the Directors to fix the remuneration of the Auditors.

RESOLUTION
"THAT the Directors be and are hereby authorized to fix the remuneration of the Auditors, Pricewaterhouse Coopers who have signified their willingness to continue in office, at a figure to be agreed with them".

5. SPECIAL BUSINESS

As Special Business to consider the following Resolutions:
"THAT Messrs. Stephen Facey, Paul Facey and W.G. Bryan Ewen having been appointed by the Directors to the Board since the last Annual General Meeting retire and being eligible offer themselves for re-election".

To consider and (if thought fit) pass the following Resolutions:
'THAT retiring Director Stephen Facey, be re-elected".
THAT retiring Director Paul Facey, be re-elected".
THAT retiring Director W.G. Bryan Ewen be re-elected".

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member, Proxy forms must be lodged at the Company's Registered Office, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time of the meeting.
A Form of Proxy is enclosed for your convenience.
By Order of the Board

Donna M. Stephenson
Secretary
March 21, 2006
28-48 Barbados Avenue
Kingston 5, Jamaica.

Life of Jamaica Limited

FORM OF PROXY

$100 stamp to be affixed

I ..... of .....being a

member of Life of Jamaica Limited hereby appoint .....

of.....or failing him .....

of.....as my proxy to vote for me on my behalf at the Annual General Meeting of the company to be held on the 31st day of May 2006 and at any adjournment thereof.

The Proxy will vote on the undermentioned resolutions as indicated:

	Resolution	For	Against
1.	To receive the Directors' report and accounts for the year ended December 31, 2005	☐	☐
2.	To elect Directors		
	In accordance with Article 97 (f)		
	David Allan	☐	☐
	J. Arthur Bethell	☐	☐
	In accordance with Article 98		
	Jeffrey Cobham	☐	☐
	M. Patricia Downes-Grant	☐	☐
3.	To fix remuneration of Directors	☐	☐
4.	To authorize the Directors to fix the remuneration of the Auditors		
5.	As special business to consider and (if thought fit) pass the following Resolutions:		
	"That Directors Stephen Facey, W.G. Bryan Ewen and Paul Facey having been Appointed by the Board to fill a vacancy on the Board since the last Annual General Meeting retire and being eligible offer themselves for election".		
	"That retiring Director Stephen Facey be re-elected".	☐	☐
	"That retiring Director Paul Facey be re-elected".	☐	☐
	"That retiring Director W.G. Bryan Ewen be re-elected".	☐	☐

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand this .....day of 2006

Signature .....

.....

NOTE: (1) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.

(2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

Life of Jamaica
LIMITED

VISION

Sagicor Life Inc

To be a great Caribbean Company committed to improving the lives of the people in communities in which we operate.

MISSION

Life of Jamaica Limited

Life of Jamaica Limited is committed to the development of our staff, agents and the wider community that we serve, providing high quality financial solutions and outstanding service to our customers, while earning superior returns for our shareholders.

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Life of Jamaica
LIMITED

CORPORATE PROFILE

Life of Jamaica Limited (LOJ) is the foremost insurance company in Jamaica. The company commenced operations in 1970 as the first Jamaican-owned life insurance company and was the first life insurance company to be listed on the Jamaica Stock Exchange (JSE).

Since its inception, LOJ has gained a solid reputation as a pacesetter, innovator and leader in the Caribbean life insurance industry. The company has been the market leader among life insurance companies in Jamaica for 16 consecutive years.

In 2003, as part of a regional Group reorganization, LOJ and Island Life Insurance Company Limited, both owned by Sagicor Financial Corporation, were amalgamated to form one large Jamaican life insurance company.

During 2005, LOJ acquired the life insurance and employee benefits business of First Life Insurance Company Limited and a controlling interest in Cayman General Insurance Limited, through its subsidiary, Sagicor Life of the Cayman Islands Ltd. LOJ also diversified its business by obtaining a controlling interest in the Banking Group, Pan Caribbean Financial Services Limited.

At year-end 2005, LOJ'S Group equity, attributable to stockholders, stood at $11.6 billion and total assets under management were $106.7 Billion.

The company markets:

- An extensive range of ordinary long term and equity linked insurance products;
- Group life, group health and personal accident plans;
- Group pension plans, with a portfolio of over J$36 Billion under management, making LOJ the industry leader in the management of pension funds by life insurance companies in Jamaica.

Some of the company's other services include:

- Residential and commercial mortgages;
- Annuities
- Real estate development and management
- Investments management
- Lease financing

The subsidiaries of LOJ are:

- LOJ Property Management Limited - Property management
- Sagicor Life of the Cayman Islands Ltd. – Life Insurance;
- LOJ Pooled Investment Funds Limited – Pension funds management

- Employee Benefits Administrator Limited – Employee Benefits, marketing and administration
- Sagicor Re Insurance Limited (Cayman) – Property and casualty insurance
- Pan Caribbean Financial Services Limited –Investment Banking
- Cayman General Insurance Company Limited –Property, casualty and health insurance

The LOJ Group has an administration staff complement of 784 persons and employs approximately 383 agents strategically located in 10 branches island-wide. More than 200 of these agents are members of the life insurance industry's prestigious Million Dollar Round Table, an honour awarded to approximately 5% of all agents worldwide, in recognition of outstanding sales production and service to clients.

The LOJ Group is a majority owned subsidiary of the Sagicor Financial Corporation. The Sagicor Financial Group is a leading Caribbean financial services organization with operations in 22 countries including Latin America and the United States. It is rated A Excellent by AM Best based on its financial strength, strategic management and operating efficiency. Sagicor Financial Corporation is listed on the Barbados and on the Trinidad & Tobago Stock Exchanges.

More information about Sagicor can be seen at http://www.sagicor.com.
Information on LOJ can be found at http://www.life-of-ja.com.

CHAIRMAN'S REPORT

The year ended December 31, 2005 was an outstanding year for Life of Jamaica Limited (LOJ) and its stakeholders.

J. Arthur Bethell
Chairman

LOJ and its subsidiaries reported profits of $2.78 billion ($2.42 billion, attributable to stockholders), surpassing the $1.43 billion of the previous year. These results include the consolidation of our majority stake of 51% in Pan Caribbean Financial Services Limited (PCFS) for twelve (12) months, the insurance and pension business of First Life Insurance Company Limited (First Life) for nine (9) months and our 51% interest in Cayman General Insurance Company Limited (CGI) for the month of December.

We are particularly pleased with these results as they indicate strong core business performance in our major profit centers, individual life, employee benefits and as of 2005, investment banking.

With the completion of these acquisitions, LOJ has achieved one of its most important strategic objectives of diversifying its source of profits from mainly individual life insurance to include almost equal contributions from employee benefits and investment banking and to a lesser extent property and casualty insurance.

By virtue of the net profit from operations and shares issued to complete these acquisitions, LOJ's shareholders' capital increased dramatically during the year, moving from $6.15 billion at December 2004 to $11.61 billion at the close of 2005.

Despite intensified competition, LOJ continues to hold the leading market share in Jamaica in individual life, group health and life new business and pension assets under management. The sales representatives, our group portfolio managers and the broker community are to be congratulated for meeting and exceeding all our new business and retention targets for another year.

Economic Environment:

The economic and investment landscape for 2005 was characterized by a resurgence of inflation, continued low interest rates, a stable exchange rate and a less favourable outturn on the fiscal accounts.

Inflation was measured at 12.9% for the calendar year, driven mainly by the dramatic

increase in oil prices which had far reaching effects on all areas of the economy and by the impact of adverse weather conditions on domestic crop production. Despite this high inflation, interest rates trended downwards during 2005 and created negative real returns for investors in fixed income securities.

Inflows from the mining and tourism sectors, as well as from private remittances and transfers, continued to be strong during 2005 and combined with adept Bank of Jamaica's (BOJ) interventions in the foreign exchange market, kept the currency depreciation effect to 5% for the year. Growth in Gross Domestic Product (GDP) was a modest 1.8% and was severely affected by the impact of the very active hurricane season. Lower than budgeted tax revenues were somewhat offset by restrained operating and capital expenditure, but could not prevent a fiscal outturn that at December 2005 was approximately 2% less than expected.

Generally, the outlook for growth and stability in the Jamaican economy is positive, driven by the prospect of large foreign direct investment flows into the tourism and alumina sectors, both of which have begun to be manifested. We also remain confident of prudent fiscal management and a small fiscal deficit in the near term.

This positive outlook on Jamaica's economic future is what encouraged LOJ to invest over $4 Billion in 2005 in making the acquisitions in PCFS and the First Life portfolios.

Corporate Activities:

In January 2005, LOJ, which already owned 6.8% of the shares of PCFS, gained control of that company by acquiring a further 42.2% interest by way of a loan from LOJ's parent company Sagicor Financial Corporation (SFC). At various times during the year, LOJ purchased additional PCFS shares taking its interest to 53.17% by September 1, 2005.

On April 1, 2005 the Vesting Order, signed by the Minister of Finance which gave LOJ the rights to the assets and liabilities of the First Life's Insurance portfolios was received. LOJ subsequently issued 1,156,020,795 shares as part of its agreement to purchase the First Life's financial services business, which comprised a 50% interest in Employee Benefits Administrator Limited (EBA), and a 37% interest in PCFS. Shortly thereafter LOJ transferred the PCFS interest to its ultimate parent company, SFC, in order to liquidate the loan of J$2.5 billion which Sagicor had advanced to LOJ earlier in the year.

On November 30, 2005 LOJ acquired a 51% interest in Cayman General Insurance Company Ltd (CGI) a property, casualty and health insurance company which is based in the Cayman Islands.

During January 2005, 16,730,000 shares were also issued as part of the staff share purchase plan.

Corporate Governance

LOJ's Board of Directors is responsible for overseeing the direction, affairs and management of the Company. The Board was very active during 2005. There were eight (8) meetings of the Board and ten (10) meetings of the various Board Committees.

The Board of Directors and senior management of LOJ are committed to managing the business and affairs of the companies within the LOJ Group in such a manner as to ensure their soundness and the alignment of the interests of all stakeholders. We believe that good corporate governance is essential to the effective, efficient and prudent operations of the Company's business. An internal control environment with strong corporate governance structures and procedures has therefore been developed and is continually being strengthened.

Corporate Governance Training

One of the important facets of the new Corporate Governance environment is knowledge enhancement for our Directors and Officers, employees and sales representatives.

Accordingly, during 2005, the Directors and the Executive Management team participated in a Corporate Governance and training session while the Management, staff and agents will be taken through such training sessions during 2006. Training in Corporate Governance will also be a staple of our new staff Orientation Programme from 2006.

Code of Corporate Governance

The Company embraced a number of the principles of good Corporate Governance as set out in the Private Sector Organization of Jamaica's (PSOJ) Draft Code on Corporate Governance, which was recommended for listed companies on the Jamaica Stock Exchange.

The adoption of some of the principles from the PSOJ's Code on Corporate Governance demonstrates our commitment to good Corporate Governance but also to being one of the leading companies promoting Corporate Governance standards in Jamaica.

The Board looks forward to the implementation of the PSOJ's final draft Code on Corporate Governance.

Board Charter

In 2005 the Board developed a Board Charter which elaborates on the Corporate Governance principles and practices of LOJ and which will be provided to all shareholders, employees, major business partners and customers.

Board Committees

The LOJ Board of Directors maintains five committees which were all active during 2005:

Audit Committee ***Chairman: Mr. Jeffrey Cobham***

The Audit Committee is comprised of four Non-Executive Directors.

The Audit Committee monitors the adequacy and effectiveness of the Company's systems of risk management and control, the Business Risk Assurance function and external auditors. It reviews the Company's annual audited financial statements and quarterly interim unaudited financial statements. It monitors and reviews the effectiveness of the Company's internal audit function as well as the external auditor's independence, objectivity and effectiveness.

Conduct Review Committee: ***Chairman, Dr. the Hon. R. D. Williams***

One of the most important functions of the Conduct Review Committee is Corporate Governance.

The Committee is comprised of four Non-Executive Directors.

The Conduct Review Committee is empowered to investigate and take decisions including making recommendations to the Board, in respect of any related parties transaction matters which have the potential to reflect negatively on LOJ and its subsidiaries. It also has the power to approve or decline transactions between LOJ and its subsidiaries and related parties.

Another important function of the committee is to establish and ensure adherence to procedures designed to identify potential conflicts of interest, preventing conflicts of interest and resolving them, if they occur.

The Conduct Review Committee also reviews

quarterly Reports from the Management's Contracts' Review Committee.

This Committee has been very pro-active since 2003 in facilitating Corporate Governance Training for Directors of the Company and as a result, Directors have participated in various courses in Corporate Governance in order to keep abreast of current issues and best practices.

Finance & Investments Committee: ***Chairman, Dr. M. Patricia Downes-Grant***

The Finance & Investment Committee is comprised of five Non-Executive Directors.

The Finance and Investment Committee is charged with reviewing, approving and monitoring of the company's investments portfolios' performance, investment projects, financial targets, budget and capital plans. It also approves the Company's investment risk management policy including authority limits, asset class limits and asset liability management.

The Committee also reviews and approves any specific investment beyond the limits set for the management and reviews recommendations and reports from the Asset Liability Management (ALM) Committee.

Human Resources & Executive Compensation Committee: ***Chairman, Mr. J. Arthur Bethell***

This Committee is comprised of three Non-Executive Directors.

This Committee has the responsibility for monitoring the performance and compensation for Corporate Executives including the President & CEO. It reviews Executive Bonus and Stock Option plans and actuarial valuations of the Company's Pension Plans. The Committee also approves Executive Management appointments. The Committee reviews and recommends to the Board of Directors, staff remuneration levels and performance incentive programmes. It also develops and reviews the succession plan for the President & CEO and senior management.

Nomination Committee: ***Chairman, Mr. J. Arthur Bethell***

This Committee is comprised of three non-executive Directors.

The Committee makes recommendations to the Board concerning appointments to the Board of Independent Directors, having regard to the balance and structure of the Board and the required blend of skills and experience.

The Committee developed, maintained and executed an annual process of Board self-evaluation. The results of the self-evaluation are discussed annually in a Board meeting and most of the recommendations to improve Board performance have been and are being implemented.

Board of Directors' Remuneration

Directors' fees were increased in 2005. The current levels are as follows:-

Board

- The Board Chairman is paid retainer fees of Four Hundred Thousand dollars (J$400,000.00) per annum.

- The Directors are paid retainer fees of Two Hundred and Fifty Thousand (J$250,000.00) per annum, with Forty Thousand $40,000 per meeting attended.

Committees

- The Committee Chairmen are paid retainer fees of One Hundred and Fifty Thousand dollars (J$150,000) per annum.

- The Directors are paid retainer fees of Seventy-Five Thousand dollars (J$75,000.00) per annum and Twenty Thousand dollars (J$20,000.00) per meeting attended.

The table below illustrates the total remuneration paid to the Executive Directors and non-Director members of the Executive Committee during the year, as set out in bands:

Dollars (Millions)	No. of Executives
Under $8M	5
$8M - $10M	-
$10M and over	5

Corporate Citizenship

LOJ is committed to participation in initiatives and developments that will enhance the long-term quality of life for all Jamaicans. These include developments in the areas of health, education, community outreach and sports, with special focus on the youth. In 2005 contributions totalling over $11.6 million were disbursed in various forms to over seventy five (75) organizations.

We pledged extended support for various associations and continued our partnerships with the Jamaica Sickle Cell Trust, Jamaica Medical Foundation, the Addiction Alert Organization, the Jamaica under 21 Football Team, The Golden Age Home and Ward Theatre Foundation.

Involvement with other worthy causes included a contribution of $775,000 to the Jamaica Athletic Association for our team to attend the World Games in Helsinki. This team was the most successful team to have participated in the World Games. Support of $500,000 was also given to the National under 16 Netball Team to participate in the Caribbean Championships. This team has won the competition each year it participated. Contributions were also made to the Jamaica Cancer Society.

Of course LOJ continued its support of the beautification efforts in our city with the maintenance of LOJ Sculpture Park at the corner of Lord Nelson Way and Trafalgar Road.

Board and Management changes:

Consequent on the issuance of 1,156,020,795 shares to First Jamaica Investments Limited (FJI) formerly First Life Insurance Company Limited (First Life), the LOJ Board of Directors was joined in November, by Messrs. Stephen Facey the CEO of FJI, W. G. Bryan Ewen and Paul Facey. We welcome these Directors and look forward to their vigorous participation in discussions at the Board.

In closing, I wish to recognize the dedication and commitment of my fellow Directors, staff, management and sales representatives of LOJ for their hard work during 2005 and I extend my heartiest congratulations on yet another milestone year of achievement.

I also wish to thank our policyholders and shareholders for their continued support during the year. With your enduring confidence in the company, we look forward to maintaining LOJ as a premier financial services company contributing to the development of Jamaica and the Caribbean.

J. Arthur Bethell
Chairman

March 24, 2006

BOARD OF DIRECTORS

Mr. J. Arthur Bethell
Chairman[2,3]

Mr. J. Arthur Bethell, Chairman of LOJ, is the non-executive Chairman of Sagicor Financial Corporation and was until 2002 the Chief Executive Officer (CEO) of the Mutual Group, forerunner to the Sagicor Financial Corporation.

Mr. Bethell joined the Barbados Mututal Society (The Mutual) as a Sales Representative in 1965 and subsequently held positions as Superintendent of Agencies, Sales Manager, Vice President, Marketing and Chief Executive of Capital Life Insurance Company Limited (Bahamas).

The American Friends of the University of the West Indies (AFUWI) recently recognized Mr. Bethell among a group of distinguished individuals from the Caribbean, described as "Caribbean Luminaries who have left their indelible mark on the Caribbean region and the world."

As a sports enthusiast for more than 30 years, Mr. Bethell represented Barbados as a cricketer and also served in advisory capacities that had an impact on that sport nationally and internationally. Mr. Bethell is also an ardent golfer.

Mr. David W. Allan[2]

Mr. David Allan is a former President and Chief Executive Officer of The Mutual now Sagicor Group, a position he held for 23 years.

He joined the Mutual Group in 1956 and was elected Director of The Barbados Mutual Society now Sagicor Life Inc. in 1986. He is a Director of Sagicor Financial Corporation and also serves as Director of Sagicor Group Subsidiaries and is a Director of Barbados registered Exempt Insurance Companies.

Mr. Allan is also a former West Indies Cricketer and he has represented Barbados in football, golf and swimming. One of his favourite pastimes is fishing.

Richard O. Byles, BSc, MSc.
President & Chief Executive Officer[2]

Mr. Byles is President and CEO of Life of Jamaica Limited since 2004 and previously, he was CEO of Pan Jamaican Investment Trust Ltd.

While at Pan Jamaican Trust Ltd., he was Chairman of its trading, banking and insurance subsidiaries – all listed on the stock exchange. Under his leadership, the company actively pursued mergers, acquisitions and divestments that have profoundly transformed the Group during a difficult economic environment, resulting in the creation of one of Jamaica's most profitable companies today.

Mr. Byles is the Chairman at Pan Caribbean Financial Services Ltd. (PCFS) a director of Pan Jam and Red Stripe. He is also Chairman of the National Water Commission and Harmonisation Limited, a Government owned resort development company.

Mr. Byles is a former Vice President of the Private Sector Organization of Jamaica (PSOJ) and currently represents that organization on the country's Development Council.

He holds a Bachelor's degree in Economics from the University of the West Indies (UWI) and a Masters in National Development from the University of Bradford, England.

1. Audit Committee 2. Finance & Investment Committee 3. Conduct Review Committee

Mrs. Marjorie Chevannes-Campbell, B.Sc. M.Sc.[1,3]

Mrs. Marjorie Chevannes-Campbell is President & CEO of the Urban Development Corporation (UDC). She is a Management Executive with over twenty (20) years experience including over fifteen (15) years in Finance and Accounting at the Executive Management level.

Mrs. Chevannes-Campbell is a graduate of the University of the West Indies with a B.Sc. and a M.Sc. in Accounting. She is a member of the Institute of Chartered Accountants of Jamaica and the International Association of Hospitality Financial and Technology professionals.

Mrs. Chevannes-Campbell is a director of several companies including: The Jamaica Pegasus Limited, Montego Freeport Limited, Runaway Bay Water Company Limited, Caymanas Development Limited, Portmore Commercial Development Company Limited and Sagicor Financial Corporation.

Mr. Jeffrey C. Cobham, B.A.[1,3]

Mr. Jeffrey Carl Cobham is a business consultant with over thirty years experience in the financial industry. He is a former Managing Director of National Commercial Bank Jamaica Limited.

Mr. Cobham holds a B.A. Hons. and a Diploma in Management Studies from the University of the West Indies.

He has served as second Vice President of the Jamaica Bankers' Association and is currently the Chairman of the Edna Manley College for the Visual and Performing Arts, Deputy Chairman of the National Dance Theatre Company of Jamaica, Council Member of the Institute of Jamaica and Chancellor's Representative, University of the West Indies Mona Campus Council.

Mr. Cobham currently serves as a Director on a number of the LOJ Group Subsidiaries.
His hobby is the guitar. He has taught classical guitar at the School of Music and at the UWI Creative Arts Centre and was for many years a guitarist with the National Dance Theatre Company.

Dr. M. Patricia Downes-Grant, BA, MA, MBA, DBA. Phd[1,2]

Dr. Patricia Downes-Grant is the Chief Operating Officer (COO) of the Sagicor Financial Corporation, having been appointed to this position in January 2003.

She is responsible for the day to day operations of the entire Sagicor Group. She joined the Group in 1991 and held several senior positions including Executive Vice President responsible for Investments and Treasurer and Chief Financial Officer of the Group, before being appointed Chief Operating Officer.

Dr. Downes-Grant holds a B.A. and M.A in Economics, an MBA in Finance in Economics and a Doctorate in Business & Administration from the University of Bradford, England.

Dr. Downes-Grant, a former Chairman of the Barbados Stock Exchange, sits on the Board of a number of companies within the Sagicor Group.

Mr. W.G. Bryan Ewen, FCA

Mr. Ewen is a Director of Pan-Jamaican Investment Trust where he has worked since 1973 and where he was also the Finance Director until he retired in 2005. He is also a Director of First Jamaica Investments Limited, Hardware & Lumber Limited and Jamaica Property Company Limited.

Mr. Ewen is a founding director of both First Life Insurance Company Limited and Pan Caribbean Financial Services Limited, positions which he held until 2005.

A Chartered Accountant by training, he gained his qualifications in the United Kingdom.

Mr. Ewen brings considerable knowledge in Financial Management, Corporate Finance, Accounting and Banking as a result of his broad experience.

Mr. Ewen is an avid golfer.

Mr. Paul A.B. Facey, B.Sc., MBA

Mr. Facey was appointed Vice President Investments at Pan-Jamaican Investment Trust Ltd., in 2004. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

Previously, he was a member of the Board of Directors of H&L True Value Limited from 2000-2004 and also a Manager of the company's flagship store up to August 2000. He has also served as member of the Board of Directors of Scott's Preserves Limited and Busha Browne's Company Limited.

He holds a B.Sc. in Marketing and Management at the University of South Florida and an MBA in Finance from Florida International Business School.

Mr. Stephen B. Facey, B.A., M. Arch.

Mr. Stephen Facey, the CEO of Pan Jamaican Investment Trust since 2004, is a graduate of Rice University and also holds a Master of Science in Architecture from the University of Pennsylvania.

He has substantial experience in real estate and became CEO of Jamaica Property Company Ltd., in 1990, one of the most successful property management companies today.

He is a Director of Pan Jamaican Investment Trust Ltd., First Jamaica Investments Limited, Hardware & Lumber Limited, and the Kingston Restoration Company Ltd.
As President of the New Kingston Civic Association he has spearheaded many initiatives that have enhanced the business atmosphere in the New Kingston environment including the establishment of a Police Post in the area.

Mr. Facey is also a devoted sailor.

Michael A. Fraser, CLU, JP
Deputy CEO & Chief Marketing Officer, LOJ
President & CEO, Sagicor Life of the Cayman Islands Ltd.

Mr. Michael Fraser is an experienced insurance professional who has been in management since 1966 having entered the Life Insurance business as a Sales Representative in 1962. He is a former President of the Life Underwriters Association of Jamaica (LUAJ).

He spent five (5) years in Branch Management with North American Life Insurance company in Canada returning to Life of Jamaica in 1982 as Vice President, Marketing.

On February 1, 2000, he was appointed President and Chief Executive Officer (CEO) of Island Life Insurance Company Limited and upon the merger of that company with LOJ, Mr. Fraser was appointed to the Board of Directors of the new Life of Jamaica. He is currently Deputy CEO and Chief Marketing Officer as well as the President and CEO of Sagicor Life of the Cayman Islands Ltd., a subsidiary of LOJ.

He is a Chartered Life Underwriter (CLU) and a 1987 graduate of the Western Executive Business Programme of the University of Western Ontario. Mr. Fraser is currently Vice-Chairman of the Jamaica Cancer Society and is a Justice of the Peace.

Mr. Dodridge D. Miller, CA, MB, LLM

Mr. Dodridge Miller is the President & Chief Executive Officer of the Sagicor Group of Companies formerly the Mutual Group since July 1, 2002.

He joined the Mutual in 1989 and has held a number of positions with the group including Treasurer, Vice President, Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer.
He spearheaded a number of strategic initiatives within the Group, such as the establishment of The Mutual Bank of the Caribbean and CariCard Services Inc. and led the Group's re-entry into Jamaica along with the development of Sagicor's international business portfolio.

He is an UK trained Chartered Certified Accountant who holds a MBA in Finance. He has over 20 years' experience in the insurance and financial services industries, spanning auditing, accounting, banking, investments and insurance.

Mr. Miller was elected a Director of Sagicor Group Inc. in 2001 and is Chairman and Director of many subsidiaries within the group. He is also a Director of Cable & Wireless (Barbados) Limited and the University of the West Indies, Cave Hill Campus.

He is a cricket enthusiast having played in domestic competition in Barbados for many years.

Dr.The Hon. R. D. Williams, OJ, CD, Hon. LLD,JP[1,2,3]

Dr. R. Danvers (Danny) Williams has had a distinguished career in the life insurance industry spanning some 49 years which saw him achieving international recognition for management of North American's Life's Jamaica operations. In 1970, he became the founding father, President & CEO of Life of Jamaica Limited, the first local Life Insurance Company to be listed on the Jamaica Stock Exchange.

He served the Government of Jamaica for three (3) years from 1977 to 1980 s Senator, Minister of State and Minister of Industry and Commerce respectively.

He is well known for his considerable service to the wider Jamaican community and in 1993 was conferred with the Order of Jamaica (OJ) by the Government of Jamaica. In 2005 he received an honorary Doctorate of Laws (LLD) from the University of the West Indies.

Dr. Williams is Chairman of the Board of Jamaica Broilers Group and Jamaica College. He also currently serves on the Board of several other Jamaican companies, organizations and foundations.

Miss. Donna M. Stephenson, LLB, FLMI
Vice-President
Corporate Secretary

Ms. Donna Stephenson is Corporate Secretary for LOJ since 2003. An Attorney-at-Law for 26 years she has gathered much experience and expertise in Corporate Governance and responsibilities.

She was formerly Assistant Vice-President, Corporate Secretary and Legal Counsel at Island Life Insurance Company Limited (Island Life). In that capacity, she had significant involvement with the integration and merger processes which facilitated the merging with LOJ to become one entity within the Sagicor Group.

Miss Stephenson entered the general insurance industry in 1991 and later joined the life sector where she has been since 1993. Over these many years, she has served on many industry committees which have influenced policies and programmes within the Insurance Industry.

She hold a Company Director's Course Certificate and is a Fellow of the Life Management Institute (FLMI). She is a member of the Jamaican Bar Association, the Insurance Institute of Jamaica and a Director of the board of the Edna Manley College of the Visual & Performing Arts.

DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2005. The Financial Statements reflect the consolidated results of Life of Jamaica Limited and its subsidiaries.

Operating Results:

• Group Profit before tax	3,489,023
• Taxation	708,686
• Profit after Tax	2,780,337
• Attributable to:	
- Stockholders of the Company	2,424,329
- Minority interest	356,008

Retained Earnings:

• Retained Earnings brought forward	1,978,599
• Net Profit attributable to stockholders	242,4329
• Transfers to reserves net	(49,648)
• Adjustment between regulatory loan provisioning and IFRS	20,341
• LOJ Dividends paid	(739,287)
• Retained Earnings carried forward	3,634,334

DIRECTORS

The Directors retiring at the Annual General Meeting by rotation, Messrs. David Allan, J. Arthur Bethell, Jeffrey Cobham and Dr. M. Patricia Downes-Grant and being eligible, offer themselves for re-election.

Messrs Stephen Facey and W.G. Bryan Ewen, having been appointed by the Directors to the Board since the last Annual General Meeting, retire and being eligible offer themselves for re-election.

AUDITORS

The retiring auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office will do so in accordance with the provisions of Section 153 of the Companies Act. A resolution authorizing the Directors to fix the remuneration of the auditors will be presented at the Annual General Meeting.

On behalf of the Board of Directors

J. Arthur Bethell
CHAIRMAN
March 24, 2006

Life of Jamaica
LIMITED

EXECUTIVE MANAGEMENT TEAM

Richard O. Byles, BSc, MSc.
President & Chief Executive Officer[2]

Mr. Byles is President and CEO of Life of Jamaica Limited since 2004 and previously, he was CEO of Pan Jamaican Investment Trust Ltd.

While at Pan Jamaican Trust Ltd., he was Chairman of its trading, banking and insurance subsidiaries – all listed on the stock exchange. Under his leadership, the company actively pursued mergers, acquisitions and divestments that have profoundly transformed the Group during a difficult economic environment, resulting in the creation of one of Jamaica's most profitable companies today.

Mr. Byles is the Chairman at Pan Caribbean Financial Services Ltd. (PCFS) a director of Pan Jam and Red Stripe. He is also Chairman of the National Water Commission and Harmonisation Limited, a Government owned resort development company.

Mr. Byles is a former Vice President of the Private Sector Organization of Jamaica (PSOJ) and currently represents that organization on the country's Development Council.

He holds a Bachelor's degree in Economics from the University of the West Indies (UWI) and a Masters in National Development from the University of Bradford, England.

Michael A. Fraser, CLU, JP
Deputy CEO & Chief Marketing Officer, LOJ President & CEO, Sagicor Life of the Cayman Islands Ltd.

Mr. Michael Fraser is an experienced insurance professional who has been in management since 1966 having entered the Life Insurance business as a Sales Representative in 1962. He is a former President of the Life Underwriters Association of Jamaica (LUAJ).

He spent five (5) years in Branch Management with North American Life Insurance company in Canada returning to Life of Jamaica in 1982 as Vice President, Marketing.

On February 1, 2000, he was appointed President and Chief Executive Officer (CEO) of Island Life Insurance Company Limited and upon the merger of that company with LOJ, Mr. Fraser was appointed to the Board of Directors of the new Life of Jamaica. He is currently Deputy CEO and Chief Marketing Officer as well as the President and CEO of Sagicor Life of the Cayman Islands Ltd., a subsidiary of LOJ.

He is a Chartered Life Underwriter (CLU) and a 1987 graduate of the Western Executive Business Programme of the University of Western Ontario. Mr. Fraser is currently Vice-Chairman of the Jamaica Cancer Society and is a Justice of the Peace.

Errol McKenzie, BSc, MBA, FLMI, JP
Executive Vice President, Employee Benefits

Mr. Errol McKenzie joined Life of Jamaica Limited in 1975, and served the company in various capacities in the Investment, Internal Audit, and Employee Benefits Divisions.

He is currently Executive Vice President of the Employee Benefits Division of LOJ with direct responsibility for the management of Group Life and Health Insurance programs and Pension Services Business, a Division which he has managed since 1994.

Mr. McKenzie holds both a Bachelor of Science (B.Sc.) and a Masters of Business Administration (MBA) from the Howard University District of Columbia, Washington D.C. He is a Fellow of the Life Management Institute (FLMI), a certified member of the Health Insurance Association of America and he is a Justice of the Peace.

He is a member of the Jamaica Golf Association management committee with active involvement in training high school students in the disciplines of golf.

Mrs. Janet Sharp, M.A.S., F.S.A., M.A.A.A.
Executive Vice President Resident Actuary

Mrs. Janet Sharp, Executive Vice President and Resident Actuary of LOJ, has over twenty (20) years experience in the Life Insurance industry. She currently has responsibility for corporate actuarial functions and administration of the Corporate Actuarial Department.

She started with Island Life Insurance Company Limited where she served in several actuarial positions for 15 years during which time she developed wide experience and expertise in the areas of product development, pricing, valuations and other actuarial disciplines. She was appointed Vice-President and Resident Actuary of Island Life in 2000.

A graduate of the Wharton School of Business, University of Pennsylvania, she is a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries.

Mr. Ivan B. O'B Carter, FLMI, MBA
Senior Vice President Finance & I.T.

Mr. Ivan Carter is Senior Vice President Finance and Information Technology for Life of Jamaica Limited. (LOJ) Before joining LOJ in July 2003, he served at the Sagicor Group in Barbados where he held many senior positions within the Finance Division, rising to the post of Vice President, Finance and Assistant Treasurer.

Mr. Carter has extensive knowledge and experience in Life Insurance Accounting and Finance and has played leading roles in numerous corporate projects over the years, including many mergers and acquisitions.

In his capacity of Chief Financial Officer (CFO) of Life of Jamaica, Mr. Carter is responsible to the President and the Board of Directors for the accounting function, financial reporting, use of technology and the strategic financial management of the organization.

He has completed numerous Accounting and Financial Management training programmes including the CPA. He is a Fellow of the Life Management Institute (FLMI) and holds an MBA degree from the University of the West Indies.

Mrs. Sharon Lake, B.A.
Senior Vice-President Insurance Operations

Mrs. Sharon Lake is an Insurance and Information Technology professional with over twenty nine years cumulative experience in the areas of Life and Health Insurance, Pensions Administration, Information Technology and Business Process Re-engineering. She joined Life of Jamaica Limited in 2003, after being contracted as a Consultant, to oversee the operations of the Individual Life business and to assist with the integration of LOJ and Island Life.

Her areas of direct responsibilities are New Business, Underwriting, Customer Service, Premium Accounts and Facilities Management.

She holds a BA in Mathematics from Georgian Court College, New Jersey and is an Associate of the British Computer Society (AMBCS). Her affiliations include being a Fellow of the Life Management Institute, Associate Member British Computer Society, Member British Institute of Management, Jamaica Computer Society and the Jamaica Environment Trust.

Janice Grant Taffe, LLB
Vice President, Legal Counsel

Mrs. Grant Taffe is an Attorney-at-Law with over 15 years experience in the insurance industry specializing in the areas of insurance, commercial, property and company law.

She was the Life Insurance Companies Association's representative to the Joint Select Committee of Parliament to present submissions from the Insurance Industry on the changes in beneficiary designations in 1995. Mrs Grant Taffe has written several articles and made presentations on the topic from time to time.

She is also recognized for her work in bringing about legislative changes in the Insurance Act, resulting in the Insurance Act 2004.

She is a member of the Jamaican Bar Association, Soroptimist Club of Kingston and a member of the Board of Directors of the Insurance Employees Co-Op Credit Union.

Mrs. Bernita Locke, M.B.A.
Vice President, Human Resources

Mrs. Bernita Locke joined Life of Jamaica in 1995 as Senior Administrative Manager, Human Resources, was appointed Assistant Vice President in 1996 and Vice President of Human Resources in January 2005.

In 2001, she was presented with the Jamaica Employers Federation (JEF) Award for Excellence for Human Resources and Employee Relations Practice.

In 2005, she was the recipient of a Fellowship, through the Jamaica Employers Federation, sponsored by the Italian Ministry of Foreign Affairs and held in Turin, Italy and in Geneva, Switzerland. She also participated in the Programme on International Labour Standards, Equality in Employment and Workers with Family Responsibilities presented by the International Labour Organisation (ILO).

She is a member of the Board of Directors of the JEF, the Insurance Employees Credit Union and is Chairman of Life Insurance Companies Association Human Resource Practices Committee.

She holds an MBA from the University of the West Indies Executive Management Programme of Studies with specialization in Strategic Human Resources Management.

Anthony Roberts, B.Sc
Vice President, Corporate Actuary

Mr. Anthony Roberts joined Life of Jamaica Limited in February 2003, having previously worked with Island Life Insurance Company Limited from 1994. His expertise, over some forty years is primarily in the field of Life Insurance.

Prior to joining Island Life, Mr. Roberts worked in senior management positions with several companies in the United Kingdom and Belgium.

His major responsibilities at Life of Jamaica are product development, pricing and expense monitoring.

He holds a B.Sc. in Mathematics from Manchester University in England and has been a Fellow in the Institute of Actuaries since 1972.

He is a member of the Rotary Club of Kingston since March 1997 and is a Paul Harris Fellow. An experienced bridge player, he represented Jamaica in the Commonwealth Games Bridge Tournament held in Manchester, England in 2002.

Miss. Donna M. Stephenson, LLB, FLMI
Vice-President Corporate Secretary

Ms. Donna Stephenson has been the Corporate Secretary for LOJ since 2003 and is an Attorney-at-Law for over 26 years, with experience and expertise in matters of Corporate Governance and Directors' responsibilities.

She was formerly Assistant Vice-President, Corporate Secretary and Legal Counsel at Island Life Insurance Company Limited (Island Life). In that capacity, she had significant involvement with the integration and merger processes which facilitated the merging with LOJ to become one entity within the Sagicor Group.

Miss Stephenson entered the general insurance industry in 1991 and later joined the life sector where she has been since 1993. Over these many years, she has served on many industry committees which have influenced policies and programmes within the Insurance Industry.

She holds a Company Director's Course Certificate and is a Fellow of the Life Management Institute (FLMI). She is a member of the Jamaican Bar Association, the Insurance Institute of Jamaica and a Director of the Board of the Edna Manley College of the Visual & Performing Arts.

Life of Jamaica Limited (LOJ) had an impressive year in 2005. The company registered strong growth in net profits and shareholders' equity through improved operational performance and three acquisitions.

Richard O. Byles, BSc, MSc.
President & Chief Executive Officer

Firstly, in January, the purchase of an additional 42.2% of Pan Caribbean Financial Services Limited (PCFS), which along with the 6.8% already owned, increased LOJ's holding to 49%. Small purchases later in the year brought our interest to 53.17% by year-end. PCFS brings synergistic advantages to the LOJ Group a $6 Billion equity base and a strong earnings capacity. Secondly, in April, LOJ finally received the Vesting Order to complete the purchase of the interests in Group Life and Health insurance and pension management of First Life Insurance Company Limited (First Life). This acquisition effectively doubled LOJ's interests in these business sectors and confirmed its position as the number one provider of these services in Jamaica. Thirdly, at the end of November, LOJ acquired 51% of Cayman General Insurance Company Limited (CGI), a leading property, casualty and health insurer in the Cayman Islands. These three acquisitions have considerably diversified and enhanced LOJ's earnings capacity.

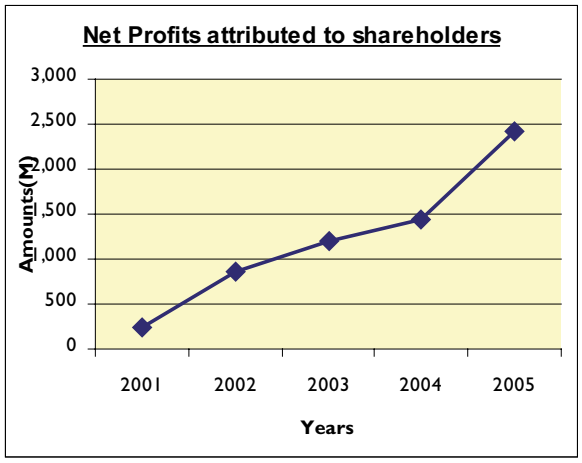
Group Operating Results

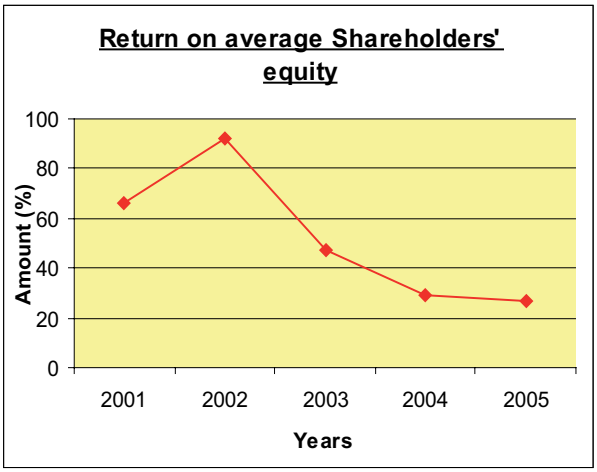
The principal business segments of LOJ are, long-term individual life insurance, annuities, annually renewable group life, health and personal accident insurance, pension administration and asset management and since 2005, investment banking and property and casualty insurance. LOJ operates principally in Jamaica and to a lesser extent in the Cayman Islands.

Business Segment Profit Contributions

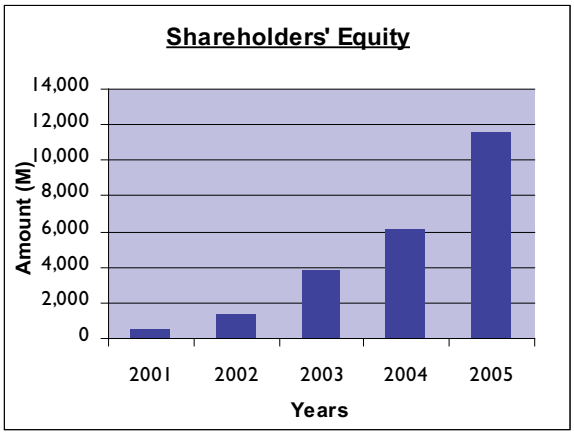
Business Segment	2005	2004	2003
Individual Life	852	903	821
Group Services	927	615	384
Investment Banking	309	0	0
Other	336	(84)	4
Total	2,424	1,434	1,209

The 2005 net profit attributable to shareholders of $2.42 billion represents record consolidated earnings for LOJ and was an improvement of 69.2% over the $1.43 billion of 2004. This represented basic earnings per share (EPS) of $0.71 for 2005 compared to $0.57 for 2004. On a fully diluted basis, the EPS was $0.70 for 2005 and $0.56 for the prior year. The basic earnings per stock unit were calculated on an average number of 3,426,887,000 shares outstanding for the period. All primary lines of business contributed positively to the results. Stockholders' equity stood at $11.6 billion at the year-end, an increase of 88.8% over the previous year and a 27.3% return on average equity.



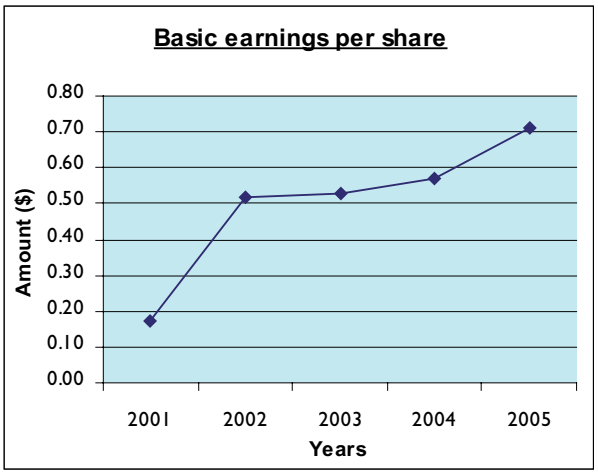


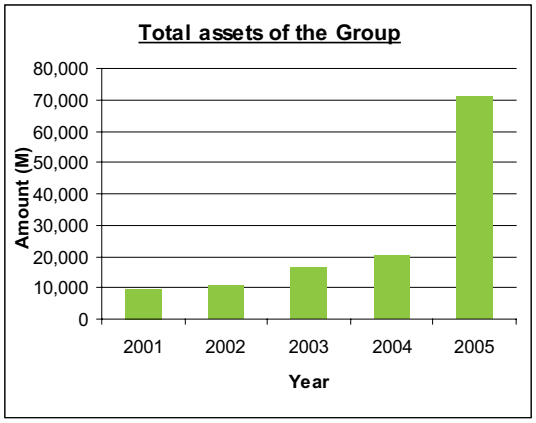
These solid results are the product of our strategy of diversifying the sources of LOJ's profitability, maintaining the competitive advantages of being market leader and the most cost efficient supplier of life and health insurance and pension management services, continuing to build a motivated workforce and constantly improving our customer service standards.

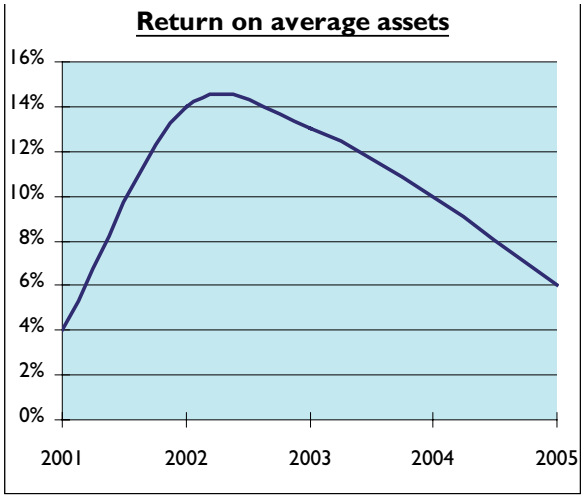


Asset Growth

Total assets of the LOJ Group increased by 247.8% to reach $70.7 billion in 2005 (2004:$20.3 million). The Balance Sheet growth resulted from the acquisitions, particularly that of PCFS, the increased business activity, limited borrowings and the strong earnings performance. Total assets under management which include pension fund assets amount to $106.7 billion compared to $47.1 billion in 2004.







Revenues

The net profits of $2.78 billion were generated on revenues of $12.1 billion and were driven principally by:

- Excellent new business in the Individual Life and Employee Benefits Divisions
- Containment of operating expenses within actuarial expectations.
- Acquisition of PCFS and the First Life's Financial Services business
- Realized capital gains of $277 million on the equity and fixed income portfolios
- Realized gain of $430 million on the sale of 97 million PCFS shares to the ultimate parent company.

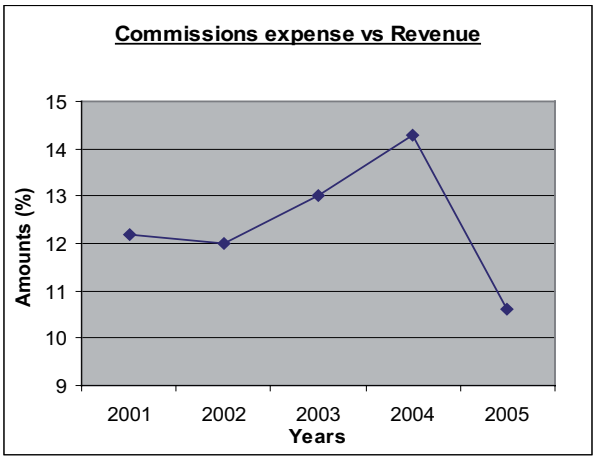
Net Premium Income and Annuity Contributions were $7.5 billion, an increase of 45% over 2004. Of the $7.5 billion, Life Insurance premiums accounted for $4.1 billion, Health Insurance premiums, $2.8 billion.

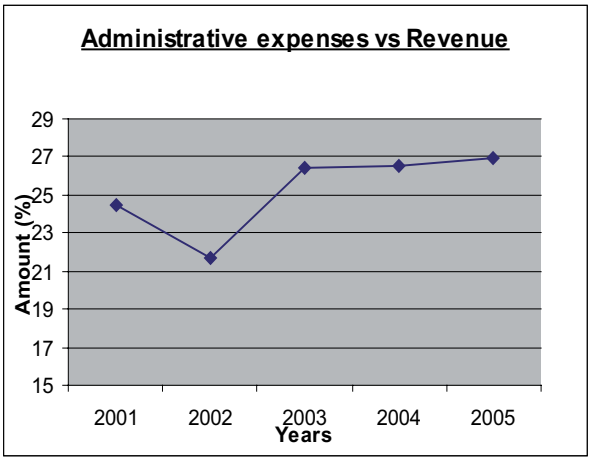
Net Investment Income stood at $3.0 billion considerably higher than the $1.3 billion recorded in 2004, largely as a result of the consolidation of PCFS. When PCFS is excluded the comparable figure to 2004 is $1.3 billion compared to $1.3 billion the previous year. This was a creditable performance given the lower average interest rates in 2005, the weak performance of the stock market and the cash deployed in the acquisition of PCFS and the construction of the Winchester project. The return on invested assets for 2005 was 9.6%.

The other main source of revenue is fee income from the provision of administration and investment services to Group Insurance, Pension, and banking clients. These fees are included in other revenue and amounted to $1.2 billion compared to $555 million in 2004.

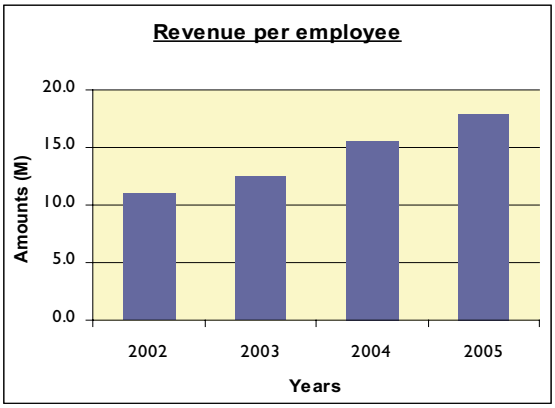
Expenditures

In terms of expenditures, a total of $3.7 billion was paid out to policyholders and beneficiaries an increase of $1.4 billion or 59% over 2004. Health claims were $1.9 billion, 76% higher than 2004 primarily because of the acquisition of the First Life business. Death benefits at $902 million were 57% higher than the prior year for the same reason. Surrenders and maturities were $493 million up 46% on 2004.





Administrative Expenses before amortization of intangibles were $2.9 billion, up from $1.9 billion and reflects the consolidation of PCFS in the accounts, increased staff related costs and other operating expenses. The ratio of administrative expense to revenue increased marginally, moving from 26.5% in 2004 to 26.9 % in 2005. With the diversification of revenue streams during the year, we saw the ratio of commissions to total revenue moving from 14.3% in 2004 to 10.6% in 2005. At the same time, revenue per full time employee moved from $15.6 million in 2004 to $17.9 million in 2005.



In the 2005 accounts the tax payable by PCFS is consolidated. Total tax cost therefore increased to $709 million, up from $257 million in 2004. The change in actuarial liabilities included in the Statement of Operations was $382 million.

Expenditures also include an amortization charge of $414 million (LOJ's share being $236.9 million) on intangibles acquired through the acquisitions done during the year. These intangibles included the fair value of customer relationships, trade names and technology which carry useful lives ranging from two (2) years to twenty-five (25) years.

Returns to Shareholders

During the year, 1,156,020,795 new shares were issued as part of the agreement to purchase the First Life's financial services business which included a 37% interest in PCFS. Shares totalling to 16,730,000 were also issued to staff as part of the Employee Share Purchase Plan, taking the number of shares in issue to 3,716,449,925. Market capitalization at the year-end was $36.6 billion, 27% more than 2004 making LOJ the 5th most valuable company listed on the Jamaica Stock Exchange.

In 2005, two interim dividends of $0.10 and $0.13 per share amounting to $739 million or 30% of net profit after tax, attributable to shareholders were paid to shareholders. This represents an increase of $484.6 million.

Financial Strength and Solvency

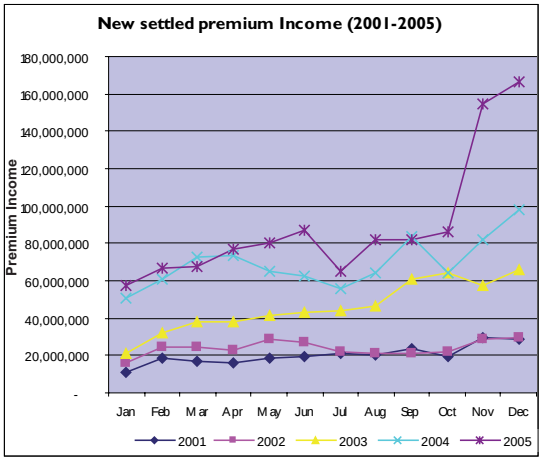
The Jamaican Insurance Act and Regulations require Life Insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) of at least 110% by the end of the 2005 financial year. The MCCSR measures the ratio of available surplus to required surplus and for LOJ at December 2005 that ratio was 178.6%, down from 240.3% at December 2004. This decline reflects the cost to LOJ's available surplus of the PCFS acquisition, a non-life financial services company. The policy within the Sagicor Group is that our MCCSR should not fall below 150% which is the internationally accepted standard for financially strong companies.

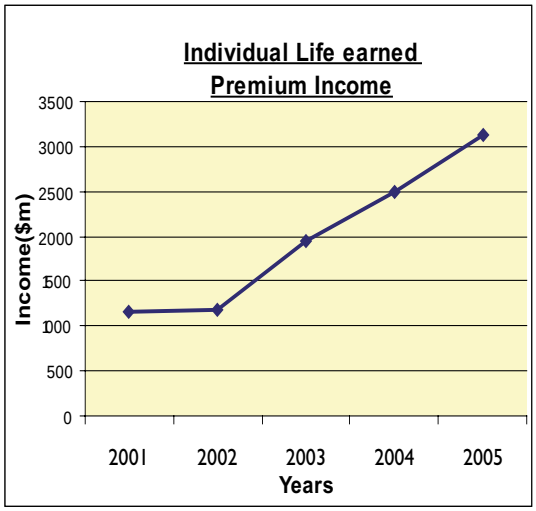
Division & Subsidiary Performance

Individual Life Division

LOJ's Individual Life Division produced a record level of new sales for 2005 resulting in the Company retaining its position as the market leader in this business segment.

New Annualized Premiums at year end stood at $1,066,672 a 29% increase over the previous year, allowing LOJ to achieve a 42% market share of the new annualized premiums written industry-wide compared to its 36% in 2004.

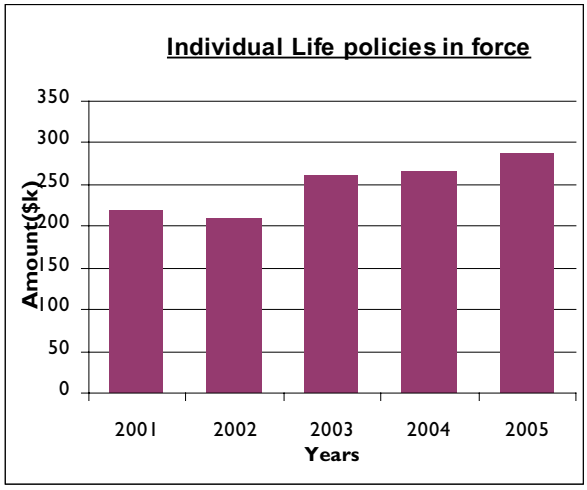




New cases issued totaled 34,660 representing a 7% increase over the previous year. This production came with a conservation rate of 90%. Of significance is the increasing level of New Business being generated by our Brokers. New Premiums from this source was $83.6M representing a 69% increase over the previous year. The leading Broker was Spectrum Insurance Brokers.

The Division generated earned premium income of $3.5 billion, a 24% increase over 2004. This represents a 31% market share and the industry leadership position in this respect also. Notwithstanding this outstanding revenue performance, expenses did rise beyond plan with consequent reserve increases reducing the contribution to profit to $898 million a 5% reduction over 2004. Management feels comfortable that this problem has been corrected.

During the year, innovative product enhancements were made to two of our plans Purple Shield and Solid Investor and in November we launched a new Savings and Investment Product, "The Platinum Investor". This new plan was very well received by the market.



Pursuing a strategy aimed at increased productivity per Agent, the Division focused on continuous

training for Sales Managers and Agents. The highlight in this area was the graduation of fifty-one (51) LOJ sales representatives, the first in the world, with the designation "Master Financial Advisor" (MFA) from the global industry organization, Life Insurance Management and Research Association (LIMRA). Eight (8) Sales Managers completed the Life Insurance Agency Management Course (AMTC), bringing the total to twenty-three (23) of twenty-four (24) having completed this industry standard.

Two hundred and two (202) Agents qualified for the prestigious Million Dollar Round Table representing 66% of the total Sales Force including 16 at the Court of the Table level. These achievements represent the highest number of such qualifications achieved by any company in Jamaica and the Caribbean.

A very positive working relationship exists between the Field Agents' Association, the Agents' Production Club and Head Office where regular meetings take place during the year, to discuss market changes, new products and any shared concerns which may exist. These meetings provide a valuable forum for open and fruitful communication throughout the year and contributed to the strong team relationship between sales and administrative staff.

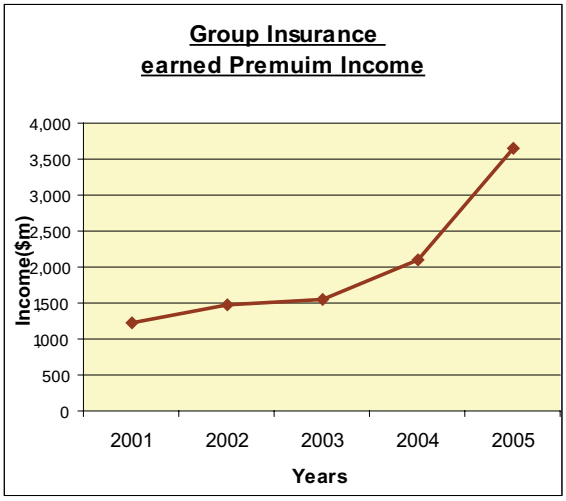
LOJ continued its emphasis on providing world class service to our internal and external clients, and several service related initiatives were implemented in 2005. This was endorsed by the results of a customer survey commissioned which revealed a satisfaction level above the international benchmark. Despite the positive results, all areas of weaknesses identified from the survey will be addressed in 2006.

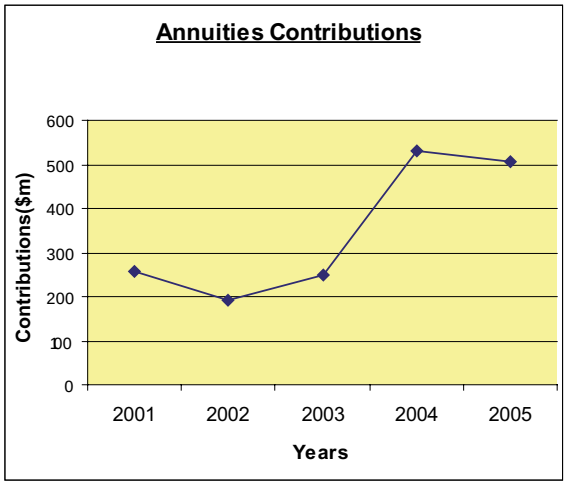
Employee Benefits Division

In 2005 the merger of the First Life & LOJ employee benefits business was completed making LOJ the market leader in employee benefits in each product line, group life, health, annuities, personal accident and pension fund management. This has led to a significant competitive advantage as the most efficient provider of these services.

Group insurance earned premiums grew strongly in 2005 moving to $3.8 billion from $2.1 billion an increase of 81%. Annuity contributions were reduced marginally to $529 million in 2005 compared to $551 million in 2004. This was as a result of the uncertainty surrounding the tax liability of annuity payments by the carrier.

In 2005 the LOJ Employee Benefits Division contributed $856 million or 35% of the Group's net profit compared to $615 million and 43% in 2004. The contribution of each product line to the overall profitability of the Division surpassed the performance of last year. In spite of new and intense competition, the Group Insurance business performed exceptionally in maintaining positive results for conservation, premium collection and loss ratios, the three main performance variables that influence profitability for this business.





In 2005 the Division wrote $600m of new business across all product lines.

We continue to support the introduction of the Pension Act as a vital component in developing confidence in Pension Schemes generally. Our contribution included positive support through timely and detailed responses to the draft documents produced by the Ministry of Finance and the Financial Services Commission with formal recommendations for amendments through our membership in the Insurance Association of Jamaica (IAJ) and our association through our professional staff in the Caribbean Actuarial Association.

The preparation process to assist our pension clients to become compliant with the requirements of the law and regulations is substantially complete. The completion of the legislative process is expected in early 2006.

By year end the initiative to install WEB Access to employee benefits systems was completed and is being rolled out to corporate clients. The system will allow pension and group insurance clients, direct web access (online enquiry) to their files, allow online update of member and claim records plus a number of other functionalities. The end result is improved efficiency both in our corporate clients' offices as well as our own operations.

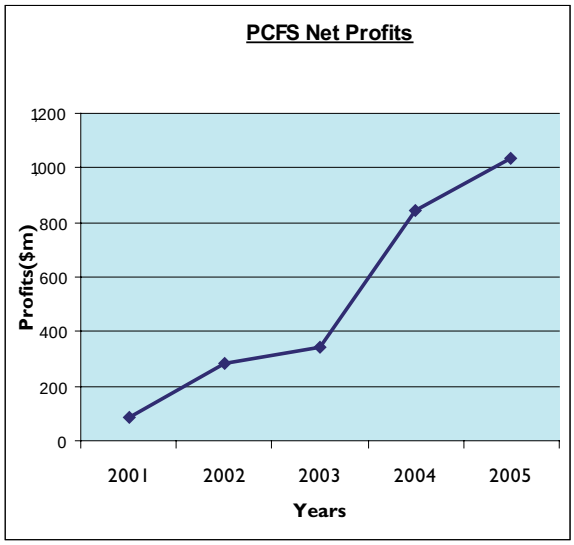
The other significant initiative launched was the Preferred Provider Network of healthcare providers that will provide services to insured members on a preferred basis. This was implemented on January 3, 2006. We expect this to create substantial competitive advantage and should give us some leverage in staying ahead of the competition.

Pan Caribbean Financial Services Limited

In January 2005 LOJ acquired a 42.2% shareholding in PCFS which combined with the 6.8% it already owned gave it is a 49% interest. Additional purchases of PCFS shares later in the year brought our interest to 53.17% by year end.

This investment was made for two fundamental reasons. First, LOJ sees PCFS as a profitable, well managed asset that currently produces a good return on equity and will continue to do so far into the future. Second, LOJ views PCFS as an entity in related financial services, some of which overlap with LOJ and therefore provide an opportunity for cost efficiencies, and others that are complimentary and allow for synergies and revenue enhancement. We are confident that the relationship between PCFS and LOJ will inure to the benefit of both entities.

PCFS had a satisfactory year, reporting net profits of $1.03 Billion, an increase of 22.6% over the $842 Million record in 2004. Net interest income was flat at $1.3 Billion and was the most significant source of earnings, benefiting from improved interest margins in the first half of the year but tightening in the last two quarters. Non interest income improved dramatically, rising by 73% from $434 Million to $751 Million though fewer trading opportunities presented themselves in the later half of the year.



In 2005 PCFS invested heavily in training and development of its key staff and technology to improve efficiency and meet client expectations. As a result non-interest expenses rose by 12%. PCFS's efficiency ratio at 33% is an improvement on the prior year's 36% and compares very favorably with industry standards.

The balance sheet of PCFS reported assets of $39.9 Billion slightly less than
the $40.9 Billion reported in 2004. This reduction reflects the company's strategy shifting from low margin investment assets to building the credit book. As a result investment assets declined 2.7% while credit assets grew by 31%.

Cayman General Insurance Company Limited

On November 30, 2005 LOJ acquired a 51% shareholding in Cayman General Insurance Company Limited (CGI). CGI has been a profitable property, casualty and health insurer in Cayman for many years. Like all insurance companies involved in general insurance in the Cayman Islands, CGI experienced an unprecedented level of claims resulting from Hurricane Ivan. The shareholders of CGI recapitalized the company in 2005 to its former level of approximately US$10 million.

In view of the intrinsic profitability of CGI, new business growth prospects, the substantial upgrade of the 2005 reinsurance program, the strengthening of the general insurance regulatory framework in Cayman, the injection of new capital into the company, the opportunity for business synergies and following a full due diligence review, the LOJ Board of Directors approved the purchase through its wholly-owned Cayman subsidiary, Sagicor Life of the Cayman Islands Ltd.(Sagicor Cayman).

LOJ sees this acquisition as an opportunity for growth and to diversify earnings streams in the Cayman Islands. Sagicor Cayman has the capital strength to fund such an acquisition with net equity presently in excess US$24 million and an MCCSR of almost 341.74%.

For the year ended September 2005, CGI made profits of US$3.4 million. For LOJ's 2005 accounts, the first month of consolidation was December and CGI generated profits of US$0.4 million.

Sagicor Life of the Cayman Islands Ltd.

For Sagicor Cayman, 2005 was a year of reorganization and recovery from Hurricane Ivan.

The organizational structure was changed and streamlined in order to strengthen the administrative and monitoring capacity of the Company. Improved internal controls and greater accountability now exist and lay the foundation for more positive results in the future.

In terms of new sales, the results were excellent with 783 cases being issued representing a 50%

increase over 2004. Annualized Premiums were C.I.$834,183, this represented a 88% increase over the previous year.

The conservation rate at year end stood at 87% vs 80% in the previous year. The strategic plan calls for 20% increase in sales for 2006 with a conservation rate of 90%.

With the new ownership position of 51% in CGI finalized in November of 2005, it is expected that there will be marketing opportunities that will be explored that will redound to the benefit of both organizations.

Profits for the year stand at J$104.7 million and have been consolidated into the results of LOJ.

Sagicor Re

Sagicor Re, our captive general insurance company in the Cayman Islands, realized a small net profit of J$11.7 million compared to a loss of $3 million for 2004.

Investment Division

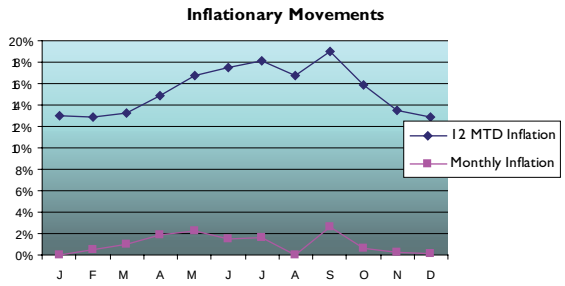
The Financial Markets

The economic and investment landscape for 2005 was shaped by an overall lowering of interest rates within the context of high inflation, a declining stock market, a relatively stable currency and an active real estate market.

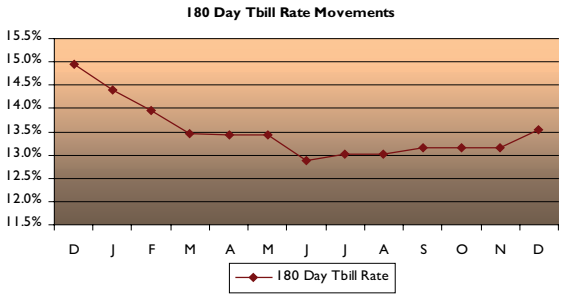
The Government of Jamaica, in its effort at fiscal restraint in order to balance the budget by 2006, followed policies aimed at containing inflation at single digit levels and reducing interest rates thereby lowering the country's debt servicing costs. Inflation, however, was significantly affected by external factors, the two main drivers being:

i. Increasing oil prices worldwide which impacted all areas of the economy.
ii. Adverse weather conditions which affected agricultural production and prices.

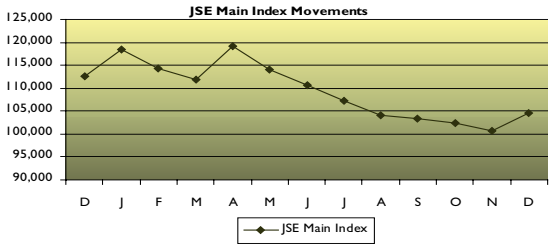
Significant inflationary spikes were experienced in May and September, with the year ending at 12.9%.



Interest rates decreased steadily for the first half of the year, where 180 day Treasury Bill rates went as low as 12.88 % in June. This, however created a negative real returns gap for investors in fixed income markets, and resulted in marginal interest rate increases for the rest of the year. In spite of this, the overall trend for the year has been a downward one, with 180 day Treasury Bill rates ending the year at 13.55% representing a decline of 139 basis points since the start of the year.



The main index of the Jamaica Stock Market reflected positive growth for only three months of the year in 2005, these were in January, April and December. The market suffered a sustained decline between April and November despite the strong performance of some listed companies, and was suggestive of a generally overvalued market and a loss of investor confidence. This trend changed in mid November, with more buyers and sellers entering the market, and this resulted in an upward movement in the Index of 3.8%. Despite this small recovery, the overall performance of this Index stood at -7.23% for the year (2005: 104,510 .38;2004:112,655.51).



The Bank of Jamaica maintained a strong and consistent presence in the foreign currency market throughout the year, in an attempt to stabilize the value of the J$ versus the US$. Depreciation for the year stood at 4.8%, with the NIR remaining strong at US$2b. This has been supported through inflows from Mining and Tourism, inflows from remittances and transfers, and successful Global Bond issues at favorable rates.

Investment Performance

The investment operations of LOJ can be segmented into three main groups:

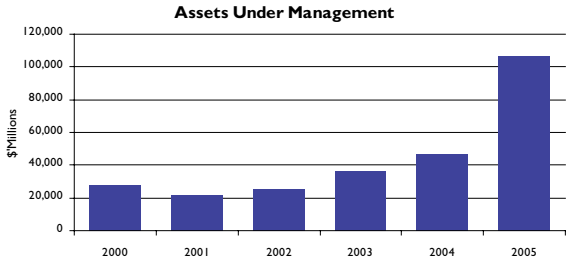
- Shareholders' Funds
- Pension Funds
- Policyholders' Funds

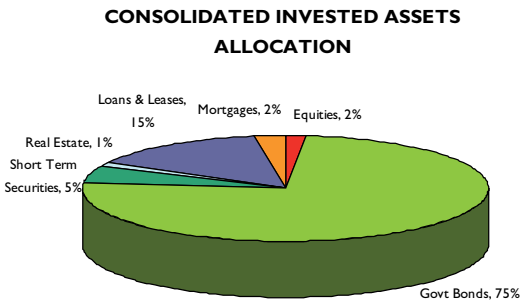
Total Assets under Management as at December 2005 were $106 billion, a 128% increase over $47 billion in 2004. The increase is a result of organic growth and recent acquisitions with PCFS client deposits making up over 30% of assets under management.

In October 2005 LOJ completed the conversion of its asset management system to FlexCube a platform on which PCFS has successfully operated its investment and banking business for two years. In addition, LOJ entered into an outsourcing arrangement with PCFS to provide the LOJ Group member companies with transaction processing, accounting and safe keeping services relating to investment securities. PCFS also provides these services for LOJ's pension funds under management.

The services are provided at competitive market prices and the LOJ's accounting records are maintained separately from PCFS's business. The various Boards of Directors and Conduct Review Committees of the entities involved have approved the new structure and the administrative service agreement.

Our strategy is to realize operating efficiencies across the Group where common functions are being carried out by more than one company. We are seeking to create single centers of excellence within the Group, where practical.





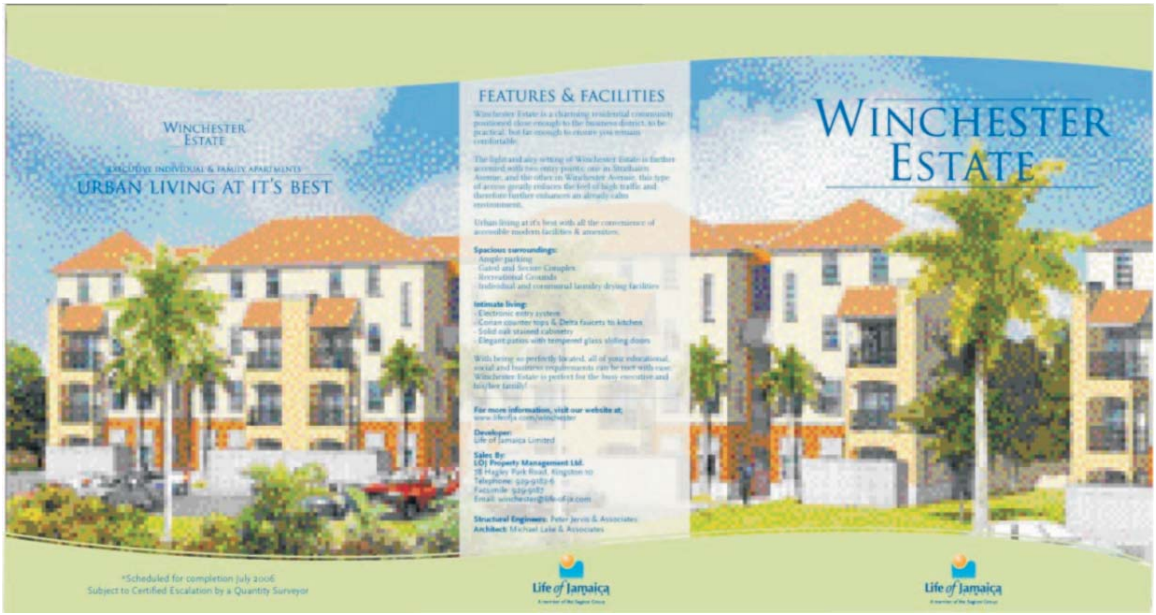
fixed income securities. The diversification of our investment portfolio is central to our investment strategy and albeit at a gradual pace our exposure to equities and real estate has increased as the interest rate on fixed income assets declined. This is to ensure that we are well positioned to take advantage of any shift in performance across the asset classes, while maintaining consistency in investment income.

Shareholders' Funds

The recent acquisitions by LOJ has resulted in an increase in shareholders' assets by over $5.5 billion and totaled $11.6 billion at December 31, 2005. The asset mix of shareholders' funds is weighted toward sovereign debt of varying maturities in line with our liability profile. During 2005 long-dated fixed income securities outperformed most other asset classes as interest rates declined along all segments of the yield curve. The decline in interest rate had a positive effect on our investment reserves while causing a reduction in the yield from

LOJ acquired over 4 acres of prime real estate on lands located at 15 Hope Road in 2004 as part of its strategy to diversify its revenue stream and to take advantage of opportunities in the real estate market. The land, with access from Hope Road, Winchester Road and Strathairn Avenue, is being developed in two phases.

The residential phase, Winchester Estate, consist of 60 up-market apartments; twenty 600 square foot Super Studios, thirty 800 square foot deluxe 1-bedroom units and ten 1,400 square foot 3-bedroom penthouse units.



The commercial phase, Winchester Business Centre, is an office/retail/warehouse complex of 48 units and over 100,000 square feet of business space.

Construction commenced on both the residential and commercial phases in 2005 and Winchester Estate is expected to be completed by July 2006 and the Business Centre by November 2006. Both developments have been well received by the market.

Pension Funds

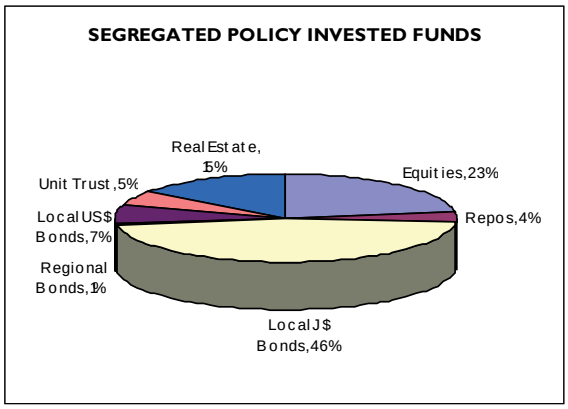
The number of unitized Pooled Pension Funds managed by LOJ has increased to eight (8) and the number of Segregated Self-Directed Pension plans to nine (9) with Net Assets of $31.2 billion and $5.7 billion respectively at December 2005. Our Equity Fund returned negative 1.3% against a stock market which declined by over 7%. The four funds dominated by fixed income securities all produced positive real return despite inflation of 12.9%. The blended funds of equities, real estate and fixed income were also impacted negatively by the falling stock market but were still able to produce positive returns and remained in the top tier for 2005 due mainly to the diversification across and within the asset classes.

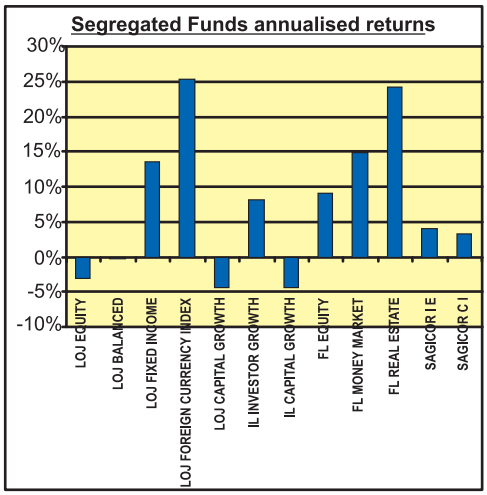
FUNDS	NET ASSET VALUE $M	RETURNS
LOJPIF EQUITY	8,754	-1.3%
LOJPIF MORTGAGE & REAL ESTATE	5,789	9.8%
LOJPIF FIXED INCOME	8,893	25.6%
LOJPIF MONEY MARKET	1,355	15.4%
LOJPIF FOREIGN CURRENCY	1,487	14.5%
IL DIVERSIFIED INVESTMENT	2,038	8.8%
FL POOLED LONG TERM	900	10.5%
FL POOLED MONEY MARKET	1,029	13.0%
INFLATION		12.9%
SEGREGATED SELF-DIRECTED (9)	5,746	

Segregated Policy Investment Funds

The number of Segregated Policyholders' Investment Funds has also increased to twelve (12) with Net Asset Value of over $5.1 billion. The funds provide diversity across all the assets classes and include funds denominated in US and Cayman dollars. The local equity funds out-performed their benchmark, the JSE Main Index, while the real estate and foreign currency funds were the top performers with yield in excess on 20%. The fixed income funds too out-performed their benchmarks, inflation for the longer term fund and 180 day T-bill for the money market fund. The blended funds had their yields reduced by the performance of the stock market.

FUNDS	NET ASSET VALUE $'M	RETURNS
LOJ EQUITY	323	-3.0%
LOJ BALANCED	3,186	-0.2%
LOJ FIXED INCOME	997	13.6%
LOJ FOREIGN CURRENCY INDEXED	2	25.3%
LOJ CAPITAL GROWTH	166	-4.4%
IL INVESTOR GROWTH	45	8.1%
IL CAPITAL GROWTH	68	-4.4%
FL EQUITY	54	9.0%
FL MONEY MARKET	20	14.8%
FL REAL ESTATE	19	24.2%
SAGICOR INTERNATIONAL EQUITY	55	4.1%
SAGICOR CAYMAN INVESTMENT	124	3.2%





Risk Management

LOJ's primary risk management objective is to ensure that it is able to meet its long-term obligations to its clients, to meet the expectations of shareholders and regulators, and to safeguard its reputation and capital.

The Company has established risk management policies covering all aspects of operations. The Board of Directors has approved these policies and is responsible for approving changes to the policies.

The Audit, Conduct Review, Finance & Investment and Asset Liability Management (ALM) Committees oversee the risk management of the company. These committees approve and monitor compliance with all key risks, policies and limits and the ongoing effectiveness of risk management practices.

Business units across the organization own and take accountability for the risks assumed within their operations. Thus, head of divisions/ operational managers are responsible for ensuring that business strategies are aligned with the corporate risk philosophy and culture.

Internal Audit independently assesses the effectiveness of risk management policies and internal controls. Our Compliance unit assesses the effectiveness of Regulatory compliance processes and business practices against potential legal and reputational risks. The Appointed Actuary opines on the adequacy of actuarial liabilities, the

adequacy of capital for solvency purposes and the future financial condition of the company via the Dynamic Capital Adequacy Testing (DCAT) report, a stress test required by the Regulators which incorporates adverse scenarios.

Annually, the Company assesses its risk exposure to determine the extent to which various risks are expected to impact the business on an on-going basis and the extent to which more active management is required. This assessment is submitted to the Board Audit Committee for their approval.

In the ordinary course of business, the company is exposed to varying types of risks and will be influenced by factors both internal and external to the business. The risks and control practices used to manage the risks may be broadly grouped in four categories:

1. Insurance Risks
2. Market Risks
3. Operational Risks
4. Other Risks

Insurance Risks

The nature of insurance products involves a transfer of risk from a policyholder to the insurer whereby the insurer promises to pay the policyholder a benefit if an event such as death or disability occurs at some uncertain time in the future. In order to provide protection and profitability, the insurer must design and price products to ensure that premiums received, and investment income earned on those premiums will be sufficient to pay future claims and expenses. This requires the insurer, in pricing products and establishing policy liabilities, to make assumptions regarding expected levels of income and expenses. Particular attention is given to the following:

Morbidity and Mortality Risks: Insurance products provide benefits in the event of death, longevity, disability, or sickness. LOJ utilizes effective underwriting policies to control the selection of risks as well as reinsurance strategies to transfer insured risks, in excess of the Company's retention limits, to third party re-insurers. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing risk assessment process. Our product design, pricing and re-pricing policies allow us to incorporate as far as possible, changes in the actual experience arising from these risks.

Lapsation and Withdrawal Risks: Products are priced and valued to reflect the expected duration of contracts. The lapsation risk affects different products in different ways. Increases in lapsation may increase the profitability of one product but decrease the profitability of another. Lapsation is an important assumption for expense recovery to the extent that higher costs are incurred in the early contract years and need to be recouped.

Expense Risk: This is the risk that expense levels will rise beyond that expected and priced for in our insurance and annuity products. LOJ has a tightly managed expense reporting and control process and our practice is to quickly respond to inflationary changes through product pricing, re-pricing and cost containment.

Market risks

LOJ manages portfolios of assets to produce risk-adjusted returns in support of policyholders' obligations and corporate profitability. The Board of Directors approves the company's Investment and Lending Policies, Procedures and Guidelines. Significant market risks associated with the business are outlined below:

Interest Rate Risk: This risk refers to the exposure that the Company has to changes in either the level

or term structure of interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and on its cash flows. LOJ actively manages this risk using Asset Liability Management (ALM) strategies which involve regularly measuring our interest rate exposures and rebalancing the portfolios within established risk limits.

Investment Yield: Products are priced and valued based on the investment returns available on the assets that support the policy liabilities. Investments are made in accordance with investment policies approved by the Board of Directors. These policies provide guidance on the allowable mix of assets.

Equity Risk: This risk refers to the exposure to fluctuations in equity market returns. In managing this risk LOJ concentrates on quality and diversification by industry and by geographic region. We invest in the equities of "blue-chip" companies which we consider to be well-managed and which are expected to demonstrate strong earnings growth. Along with this our strategy of industry-wide and geographic diversification serves to mitigate the risk of equity downturn in one market versus another. In addition, because of our large fund management services, equity risk exposes LOJ to volatility in our investment management fee income. This is managed through diversification across asset classes, where we expect that declines in equity returns will be compensated for by growth in other asset yields.

Foreign Exchange Risk: This risk refers to the exposure to changes in the relative value of foreign currencies. In managing this risk, LOJ liabilities which are denominated in a foreign currency are backed by assets denominated in the same foreign currency. Excess foreign currency assets not required to support foreign currency liabilities are allocated to surplus and shareholders' funds. The Company's Investment Policy requires that a maximum of 20% of total assets be held in foreign currencies other than Jamaican dollars to protect against the risk of depreciation of the Jamaican currency relative to foreign currency.

Credit Risk: Credit risk is the risk that a borrower will not perform in accordance with its obligations. Credit risk for the company arises mainly through mortgages and other loans. LOJ manages these risks by way of its corporate credit policies and limits that are approved by the Board of Directors.

Liquidity Risk: Liquidity risk can be best described as the risk of a funding crisis. This could be associated with unexpected events resulting in large claims due to natural catastrophes, and massive requests for policy withdrawals and surrenders due to changing interest rates, loss of confidence or a legal crisis. The company manages this risk through its Asset Liability Management process. Liquidity ratios and net cash flow analyses are monitored on a monthly basis. A comprehensive report is presented to the Board on a quarterly basis.

Counterparty Risk: Counterparty risk refers to the Company's exposure to the failure of a business partner and the risk of default on a promised future payment from that third party. LOJ is exposed to this risk by virtue of its relationships with reinsurers, and foreign and local securities brokers and financial institutions with whom it does business. LOJ manages this risk by limiting the exposure to any single entity and on a secured basis. The appropriateness of these limits must be reviewed regularly and managed properly in view of the global environment and the lessons learnt from the WorldCom and Enron crises.

Operational Risks

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems. The Company manages and mitigates internal operational risk

through integrated and complementary policies, procedures, processes and practices. The company's processes and controls are monitored by the business units and periodically reviewed by the Company's Internal Audit staff. Financial reporting processes and controls are further examined by external auditors. The Company applies a robust project management discipline to all significant initiatives.

Other Risks

Legal and Regulatory Risk: The Company monitors compliance with the legal and regulatory requirements and assesses trends in legal and regulatory change to keep business areas current and responsive.

Reputational Risk: In the course of normal business activities, the Company may be exposed to the risk that some actions may lead to damage to the Company's reputation. These actions may include unauthorized activities by its employees or persons associated with the Company. The Company manages these risks through ongoing controls to limit unauthorized activities of such persons. It also reacts to address situations that may escalate to a level giving rise to damages to the Company's reputation.

Human Resources

As at December 31, 2005, the LOJ Group of Companies employed 784 administrative staff and 383 sales representatives and independent agents.

We remain committed to the investment in our human resources. We want every employee to take pride in their job, to view LOJ as a company where their career aspirations can be met, where performance, reward and recognition work in tandem. By achieving this objective, we will attract and maintain the most talented workforce.

In 2005, we made a valiant effort to draw closer to this goal.

We conducted a comprehensive Employee Opinion Survey, administered through LOMA and benchmarked with 35 insurance companies worldwide drawn from their database. The result showed that our employees' opinion of the Company's image and outlook exceeded the benchmarked companies and provided us with a platform for developing programmes for the year. The major areas of focus were ongoing and included open communication with all staff groupings, reward and recognition, review and adjusting our compensation packages to reflect industry standards, education assistance programme to facilitate learning and growth and introduction of an After School facility.

The After School Facility hosts our employees' children in the afternoon hours and involves recreation and homework supervision. This programme has greatly reduced the number of man hours spent on the road by our employees who pick up and take home their children after school.

During the year under review, 44 children of employees received scholarships under the Group Staff Education Fund sponsored by the Company.

LOJ also invested in excess of $16 million on employee benefit programmes to maintain and enhance our tradition of a rich culture and a highly motivated workforce. These programmes included a variety of sporting activities, fun day, cultural events and service recognition. The Long Service Awards ceremony, which was held during our annual Staff Achievement and Appreciation Week (SAAW), recognised 270 employees for service ranging from 5 to 35 years.

We strengthened our alliance with the Insurance Employees Cooperative Credit Union (IECCU) to

process staff loans and over $28 million were disbursed through that Institution. Our Mortgage Department paid out $69 million on behalf of our employees, making them proud home owners.

During the year over 17 million LOJ Shares were allocated to employees under the Staff Share Purchase Scheme on a deferred payment scheme over 11 months, further cementing their commitment to the Company.

In the area of all the sports teams: football, netball, dominoes, basketball, cricket represented LOJ in the. Business House Leagues. Of special note, our Football Team won the Tank Weld Business Five-A-Side Competition.

We continued to invest heavily in staff training and encouraged our employees to pursue development programmes. We witnessed the historical graduation of 51 Financial Advisors, the first company in the world to attain the designation of Master Financial Advisors (MFA). In the area of industry-related programmes, 14 employees attained Associate, Customer Service (ACS), Fellow, Life Management Institute (FLMI), Professional Customer Service (PCS), Health Insurance Associate (HIA), Health Care Anti Fraud Associate (HCAFA) and Managed Healthcare Professional (MHP) designations. In 2005, four employees graduated with the BBA designation from the University of Technology (UTECH), three with a BSc. in Actuarial Science and two with a BSc. Accounting and Economics from the University of the West Indies (UWI) and one with an MBA from the Mona School of Business (MSB).

During 2005, Life of Jamaica received recognition from external organizations for our contributions to their ongoing development. The Company received the Jamaica Employers Federation (JEF) award for Outstanding Support and the Human Resources Management Association of Jamaica's (HRMAJ) Distinguished Partner Gold Award.

Corporate Citizenship

In 2005 LOJ continued its participation in initiatives and developments that will enhance the long-term quality of life for all Jamaicans. The company's focus included developments in the areas of health, education, community outreach and sport. Contributions totalling over $11 million were disbursed to over seventy five (75) organizations.

The company assisted numerous health care organizations including the Jamaica Cancer Society with its Relay for Life to fund programs of education, the Jamaica Cancer Society cancer screening and emotional support, the Jamaica Medical Foundation, HOPE Worldwide Jamaica to assist with medical operations in Jamaica and The Jamaica Sickle Cell Trust. The Company also contributed to The Addiction Alert Organization and the National Blood Transfusion Services through the Sigma Fun Run.

The future of any country is embedded in education and assistance was given to a number of educational initiatives. LOJ provided copies of Children's Own Newspaper to 100 schools throughout Jamaica to assist with reading development, the Career Awareness Expo at the University of the West Indies, the Mona High School to assist with an innovative violence prevention programme and the Garvey Maceo High School to help acquire a school bus.

We provided assistance to a variety of sporting activities including a contribution of $775,000 to the Jamaica Athletic Association for our team to attend the World Games in Helsinki. This team was the most successful team to have participated in the World Games. Also we provided $500,000 to the National Under 16 Netball Team to participate in the Caribbean Championships. This team has won the competition each year it has participated.

A number of community outreach projects were

Top Producers

assisted including a contribution of $500,000 to the Golden Age Home for upgrading facilities at Cluster A which has been adopted by LOJ for a number of years, $1m to the Ward Theatre Foundation to assist with restoration of that noted Jamaican cultural landmark and the Area 4 Police Civic Committee in its quest to raise funds to help upgrade as many as possible of the 29 Corporate Area Police Stations.

Overall, throughout 2005, LOJ's image as a good corporate citizen was enhanced as a result of the variety of areas in which assistance was rendered.

Conclusion and Outlook

For LOJ, 2005 has been a satisfying year. The Company met and surpassed all its most important measures of performance, a risk adjusted rate of return on equity of 22%, record new business underwritten, very good conservation rates and better administrative unit costs. In addition, morale in the Company amongst the sales and the administrative staff remains high and is improving each year. We are keenly aware that the performance of LOJ will encourage new and fierce competition. We know that continued success requires the commitment of management, staff and our sales force to constantly challenge paradigms and stretch for higher achievements.

My sincere appreciation is extended to my colleagues in management, administration and the sales force for a job well done. On their behalf I thank all our clients and shareholders for their loyalty and support.

Looking to the future, LOJ has set itself four strategic goals:-

- to remain the most cost efficient provider of services in all the business segments in which it participates,
- to build a high performance workforce that operates on the most advanced

technological platform and that is committed and motivated,

- to make our company the most respected and loved by customers and
- to provide shareholders with a competitive risk-adjusted rate of return.

To achieve these goals, LOJ shall continue to bring new and innovative products to the market, will seek to increase the products per customer count, will continue to search for acquisitions in related financial services, will seek to augment our traditional channels of product distribution will embark on a process of converting our workforce to productivity based emoluments and will constantly strive to raise customer service standards.

Richard O Byles
President and Chief Executive Officer
March 24, 2006.


Life of Jamaica
Life of Jamaica
TROPHY


A member of the Sagicor Group


Jamaica
LIMITED
Sagicor Group


Life of Jamaica


Gold

Life of Jamaica
LIMITED

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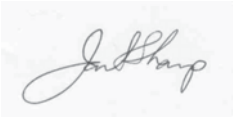
A member of the Sagicor Group

I have valued the policy actuarial liabilities of Life of Jamaica Limited for the consolidated balance sheet, at December 31, 2005, and the change in the consolidated statement of operations, for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of the Life of Jamaica business was conducted using the Policy Premium Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Actuarial Regulations, 2001. The valuation has been carried out in accordance with the International Financial Reporting Standard 4, Insurance Contracts and the results satisfy the liability adequacy tests as required by this standard. I have also performed the valuation of Sagicor Life of the Cayman Islands Limited, a fully-owned subsidiary of Life of Jamaica. I did not perform the valuation for the liabilities of Sagicor Re Insurance Limited, a fully-owned property and casualty insurance subsidiary of Life of Jamaica, nor did I perform any liability valuation calculations for Cayman General Insurance Limited, the 51% owned subsidiary of Sagicor Life of the Cayman Islands Limited.

In my opinion, the amount of policy actuarial liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.



JANET SHARP, FSA, MAAA
APPOINTED ACTUARY FOR LIFE OF JAMAICA

MARCH 24, 2006

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PRICEWATERHOUSECOOPERS

CELEBRATING 90 YEARS 1916-2006

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

24 March 2006

To the Members of
Life of Jamaica Limited

Auditors' Report

We have audited the accompanying consolidated balance sheet of Life of Jamaica Limited, its subsidiaries and associate ("the group") as of 31 December 2005 and the related consolidated statement of operations, consolidated statement of changes in stockholders' equity and consolidated statement of cash flows for the year then ended, and the accompanying balance sheet of Life of Jamaica Limited standing alone as of 31 December 2005, and the related statement of operations, statement of changes in stockholders' equity and statement of cash flows for the year then ended. We have received all the information and explanations which we considered necessary. These financial statements set out on pages 52 - 188 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' equity and cash flows of the group and the company 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 applicable to insurance companies.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica

GROUP BALANCE SHEET

As at December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
ASSETS			
Cash Resources	6		
Cash and bank		365,058	334,552
Amounts due from other financial institution		1,060,774	-
		1,425,832	334,552
Investments			
Short term deposits	6	777,316	63,123
Financial assets at fair value through profit or loss	7	717,697	-
Available-for-sale securities	8	41,325,217	8,304,544
Loans and receivables	8	2,425,477	2,131,582
Government securities purchased under resale agreements	9	2,000,132	710,476
Investment properties	10	556,382	585,780
Associated company	11	2,725	2,725
		47,804,946	11,798,230
Loans, after Allowance for Impairment Losses	13	5,004,388	-
Lease Receivables	14	39,947	-
Taxation Recoverable		713,554	201,947
Due from Parent Company		37,985	79,932
Due from Ultimate Parent Company		19,231	115,600
Cash Reserve at Bank of Jamaica	15	56,587	-
Reinsurance Contracts	16	1,172,698	89,516
Other Assets	17	2,759,122	969,976
Property, Plant and Equipment	18	694,074	467,626
Deferred Income Taxes	19	21,729	47,576
Intangible Assets	20	5,845,623	1,070,325
Retirement Benefit Assets	21	16,705	1,496
Segregated Funds' Assets	22	5,057,466	5,096,916
		70,669,887	20,273,692

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

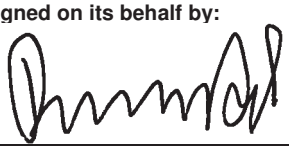
As at December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to the Company's Stockholders'			
Share capital	24	371,644	254,369
Share premium	24	7,173,360	2,749,812
Capital reserve	25	2,675	2,675
Investment and fair value reserves	26	(53,404)	742,006
Currency translation reserve	27	389,839	317,078
Other reserves	28	92,030	106,888
Retained earnings		3,634,334	1,978,599
		11,610,478	6,151,427
Minority Interest		4,278,996	-
		15,889,474	6,151,427
Liabilities			
Government Securities Sold under Repurchase Agreements		29,228,380	-
Customer Deposits	30	4,203,475	-
Other Liabilities	31	4,189,499	1,710,575
Due to Ultimate Parent Company	33	14,624	129,149
Due to Banks and other Financial Institutions	35	1,678,765	-
Taxation Payable		361,815	254,373
Deferred Income Taxes	19	217,271	-
Retirement Benefit Obligations	21	287,698	265,210
Policyholders' Funds			
Segregated funds' liabilities	22	5,057,466	5,096,916
Insurance contracts	36	4,882,483	3,529,015
Investment contracts	37	4,658,937	3,137,027
		14,598,886	11,762,958
		70,669,887	20,273,692

Approved for issue by the Board of Directors on 24 March 2006 and signed on its behalf by:

J. Arthur Bethell — Chairman



Richard Byles — Director

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

GROUP STATEMENT OF OPERATIONS

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
Net Revenue			
Gross premium revenue	38	8,031,557	5,612,675
Insurance premium ceded to reinsurers	38	(556,041)	(455,484)
Net premium revenue		7,475,516	5,157,191
Investment income	39	6,640,317	1,573,140
Interest expense	40	(3,596,541)	(294,701)
Net interest income		3,043,776	1,278,439
Gains on sale of shares to ultimate parent company	56	429,940	-
Fee income -			
Administration	41	629,332	384,169
Other	41	167,140	132,339
		796,472	516,508
Co-insurance distribution	42	19,906	-
Other operating income		371,168	97,970
		12,136,778	7,050,108
Benefits and Expenses			
Insurance benefits	43	4,176,165	2,427,005
Insurance claims and loss adjustment expenses recovered from reinsurers		(81,664)	(42,121)
		4,094,501	2,384,884
Impairment losses on loans	13	(3,282)	-
Administration expenses		1,718,242	982,048
Commission and sales expenses	45	1,288,361	1,008,124
Co-insurance distribution	42	-	100,896
Salaries, pension contributions and other staff benefits	45	1,549,933	883,205
		8,647,755	5,359,157
Profit before Taxation		3,489,023	1,690,951
Taxation	47	(708,686)	(257,161)
NET PROFIT		2,780,337	1,433,790
Attributable to:			
Stockholders' of the company		2,424,329	1,433,790
Minority interest		356,008	-
		2,780,337	1,433,790
Earnings per stock unit for profit attributable to the stockholders' of the company during the year			
Basic	48	$0.71	$0.57
Fully diluted	48	$0.70	$0.56

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended December 31, 2005

·- N, 5- 99- (⇒ ≒ ' A9K! (9 ' 2HKOK⇒ K! (' JK59 A! J 99 ' ≒ - 5 ⇒9- 9=K= (¾

		\----------Attributable to Stockholders' of the Group----------\								
	Note	Share Capital	Share Premium	Capital Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
%KJK! "- K9 K=¨ HK! AK5 ¯¡ ¡ ½¢K9 5- 9=K= (	Vi	¯V¯q i p	¯d i Vd¼¯	¯d bV	·Vi pc¯i \ ¾	¯p½¢ ¶¡	\ ½¢½p\	\ ¯bd ¡ ¡	j	¶d¶¶bq ¡ \
G! 5- KJ9- (6K⇒ 9 ' ! 5 EKJAK⇒ ! ' 2' I ! - 5' ""A, > (, 5 , - 5⇒ 9		j	j	j	b¯d ¡ ¯	j	j	j	j	b¯d ¡ ¯
+ A55- ! " =5K! 9JK⇒ ! (⇒22 5- ! "- 9		j	j	j		¯¶q ½	j	j	j	¯¶q ½
G! 5- KJ9- (6K⇒ 9 ' ! KEK⇒JKPJ j 2 5 9KJ 9- "A5⇒ 9		j	j	j	¨ dbVi dbV¶	j	j	j	j	¨ dbVi dbV¶
< K⇒ 9 5- " "J (≐ 5- E- ! A- ' ! (⇒9, ' 9KJK! (OK=A5= ' 2KEK⇒JKPJ j 2 5 9KJ 9- "A5⇒ 9		j	j	j	·¯i \ q p¶¾	j	j	j	j	·¯i \ q p¶¾
* - =6K⇒ 9 ! ' =5- "' 6! ⇒9- (⇒ ≒ - 9=K= O- ! =' 2' , - 5K⇒ ! 9		j	j	j	¨ d/½/c¯\ ¯	¯¶q ½	j	j	j	¨ dVi i d¶¨ ¡
* - =, 5 2=		j	j	j	j	j	j	¨ d/¶¶dbp¡	j	¨ d/¶¶dbp¡
C' =KJ5- "' 6! ⇒9- (⇒"' O- 2 5¯¡ ¡ ½¢K9 5- 9=K= (	Vi	j	j	j	¨ d/½/c¯\ ¯	¯¶q ½	j	¨ d/¶¶dbp¡	j	¶q ¡ ¯c¨ ¡ ¡
C5K! 92 5≐ 9, - "=KJ⇒ E- 9=O- ! =5- 9- 5E-	¯i ·K¾	j	j	j	j	j	½¯d¶p¯	·½¯d¶p¯¾	j	j
C5K! 92 5≐ 5- =K⇒ - (- K5 ⇒ 69	¯·A¾	j	j	j	·¯¨ ¶qbi ¾	j	j	¯¨ ¶qbi	j	j
D9A- ' 29: K5- 9	¯½	¯c¯i ¡	\ ½¢½ ¡	j	j	j	j	j	j	\ \ d p¡
0 ⇒E{ - ! (9	¯p	j	j	j	j	j	j	·¯V½¢¶\ p¾	j	·¯V½¢¶\ p¾
Balance at 31 December 2004, as restated	Vi	¯V½¢¶\ p	¯db½pd ¨ ¯	¯d bV	b½¯q ¡ \	¶¨ bq bi	¨ ¡ \ d i i	¨ qbi dVpp	j	\ c¨ V¨ d½¯b

C: - K"'"' O, K! ⇒ 6 ! ' = 9 ' ! , K6- 9 66 - 188 2 5O K! ⇒ = 65KJ, K5=' 2≒ - 9- 2⇒ K! "=KJ9=K= O - ! =9q

GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended December 31, 2005

·- N¸ 5- 99- (>- =; ' A9K! (9 ' 2HKO K>Ù K! (' JJK59 A! J- 99 ' =; - 5! >9- 9=K= (¾

	Note	Attributable to Stockholders' of the Group								
		Share Capital	Share Premium	Capital Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
%KJK! "- K=¨ HK! AK5 ¯¡ ¡ VcK9 5- 9=K= (	Vi	¯V½¢¶\ p	¯db½pd ¨¯	¯d\ bV	b½¯q ¡ \	¶¨ bq bi	¨ ¡ \ d i i	¨ qpbi dVpp	j	\ c¨ V¨ d½¯b
G! 5- KJ9- (6K>- 9 ' ! 5- EKJAK=; ! ' 2' I ! - 5¡ ' "" A, > (, 5 , - 5> 9		j	j	j	¯bd ¡ p	j	j	j	j	¯bd ¡ p
+ A55- ! " =5K! 9JK=; ! (>22 5- ! " - 9		j	j	j	j	b¯db\ ¨	j	j	j	b¯db\ ¨
; - E- 59KJ' 2A! 5- KJ9- (2K<5 EKJA- 6K>- 9 ' ! K" 1A5- (9AP9>{ >K5		j	j	j	·i \ ¨ c¯¯¯¾	j	j	j	j	·i \ ¨ c¯¯¯¾
G! 5- KJ9- (6K>- 9 ' ! KEK<3KPJ j 2 5¡ 9KJ 9- " A5>> 9		j	j	j	¶\ Vqpi \	j	j	j	·¨ b¶d½ \ ¾	¨ p¯dVi ¡
< K>- 9 5- " " J (= 5- E- ! A- ' ! (>9, ' 9KJK! (OK=A5= ' 2KEK<3KPJ j 2 5¡ 9KJ 9- " A5>> 9		j	j	j	·¶b¯c¨ ½ ¾	j	j	j	j	·¶b¯c¨ ½ ¾
* - =6K>- 9y J 99- 9¾ ' =5 "' 6! >9- (>- =; - 9=K= O- ! =' 2' , - 5K=; ! 9		j	j	j	·i ¶pdVbV¾	b¯db\ ¨	j	j	·¨ b¶d½ \ ¾	·p½ d¶¡ ¡ ¾
* - =, 5 2=		j	j	j	j	j	j	¯d½ ½¢¶¯p	¶\V\ q ¡ i	¯dbi ¡ d¶¶b
C' =KJ>- "' O- y- N¸ - ! 9- ¾5 "' 6! >9- (2 5¯¡ ¡ V		j	j	j	·i ¶pdVbV¾	b¯db\ ¨	j	¯d½ ½¢¶¯p	¨ i ¯dV¯	¨ d ½ q ¶b
C5K! 92 5= 9, - " >KJ>- E- 9=O- ! =5- 9- 5E=	¯i ·K¾	j	j	j	j	j	Vd½ ¶	·Vd½ ¶¾	j	j
C5K! 92 5= 5- =K>- (- K5 >- 69	¯·A¾	j	j	j	½½¢¨ \ V	j	j	·½½¢¨ \ V¾	j	j
(ÐA9=O- ! =P- = - - ! 5- 6AJK= 5 J K! , 5 E9>- ! >- 6 K! (Ð; ?		j	j	j	j	j	·¯¡ d¶½¨ ¾	¯¡ d¶½¨	j	j
$ >- ' 5= >- = 5- 9=! - =K99- =9 ' 2K" 1A5- (9AP9>{ >K5> 9		j	j	j	j	j	j	j	½¢½¯¨ dVbi	½¢½¯¨ dVbi
* - =O' E- O- ! =>- 5- 9- 5E- 9 2 5O>- ' 5= >- = 5- 9=		j	j	j	j	j	j	j	·¯¨ bc¯¨ V¾	·¯¨ bc¯¨ V¾
Ð9A- ' 29: K5- 9	¯½	¨ ¨ bc¯bV	½¢½¯¶dV½	j	j	j	j	j	j	½¢V½ d ¯¶
0 >E{ - ! (, K{ = O>- ' 5>> 9		j	j	j	j	j	j	j	·¨ ¡ bd i p¾	·¨ ¡ bd i p¾
0 >E{ - ! (9	¯p	j	j	j	j	j	j	·b¶pc¯i b¾	j	·b¶pc¯i b¾
Balance at 31 December 2005		¶b¨ d ½½	bc¨ b¶c¶\ ¡	¯d\ bV	·V¶d½ ½¾	¶i pd ¶p	p¯q ¶¡	¶d\ ¶½¢¶¶½	½¢¯bi qpp\	¨ Vd i pd½b½

C: - K" "' O, K! >- 6 ! ' = 9 ' ! , K6- 9 66 - 188 2 5O K! >- = 65KJ, K5=' 2=; - 9- 2>- K! " >KJ9=K= O - ! =9q

Year ended December 31, 2005

·- N, 5- 99- (⇒ ⇒ ' A9K! (9 ' 2HKOK⇒K! (' JK59 A! J- 99 ' ⇒ - 5 ⇒9- 9=K= (¾

		- ;8, 39, 7, 3C, 7		
	) &;,	=+, "⇒ H B C, 7;M, ! ; 9, 7, 3C,	&I ! &77 9, 7, 3C,	A&;I H
%KJK! "- K=¨ HK! AK5 ¯¡¡½		\ ½⇒¼p\	j	\ ½⇒¼p\
C5K! 92- 52⇒ O 5- =K⇒ - (- K5 ⇒ 69	¯¡ ·K¾	½¯ ¢¶p¯	j	½¯ ¢¶p¯
$ I HI ! ", I ; e` . , ", MN, 3c^^g		¨¡ \ ¢ i i	j	¨¡ \ ¢ i i
C5K! 92- 52⇒ O 5- =K⇒ - (- K5 ⇒ 69		V¢½ ¶	j	V¢½ ¶
(BA9=O - ! =P- ⇒ - - ! 5- 6AJK⇒ 5 J K! , 5 E9⇒ ! ⇒ 6 K! (B3; ?	¯¡ ·P¾	j	·¯¡ ¢¶½ ¾	·¯¡ ¢¶½ ¾
$ I HI ! ", I ; e` . , ", MN, 3c^^P		¨¨¯¢¶b¨	·¯¡ ¢¶½ ¾	p¯q ¶¡

C: - K"" ' O, K! ⇒ 6 ! ' = 9 ' ! , K6- 9 66 - 188 2 5O K! ⇒ = 65KJ, K5=' 2⇒ - 9- 2⇒ K! " ⇒KJ9=K= O - ! =9q

GROUP STATEMENT OF CASH FLOWS

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
Cash Flows from Operating Activities			
Net profit		2,780,337	1,433,790
Adjustments for:			
Depreciation	18	89,422	56,147
Interest income	39	(5,814,279)	(1,164,171)
Interest expense	40	3,596,541	321,232
Income tax expense	47	708,686	257,161
Gain on disposal of investments		(216,989)	(330,420)
Gain on disposal of shares to ultimate parent company	56(b)	(429,940)	-
Impairment charge on investments, loans and other assets		(151,037)	-
Gain on revaluation of investment properties	10	(22,531)	(27,221)
(Gain)/loss on sale of investment property		(739)	2,000
Loss/(gain) on disposal of property, plant and equipment		715	(8,480)
Amortisation of intangible assets	20	444,653	82,142
Increase in policyholders' funds		226,429	133,661
Changes in policyholders' funds	36	303,705	29,060
Retirement benefit obligations		17,987	(41,426)
Effect of exchange gain on foreign balances		(529,129)	(55,218)
		1,003,831	688,257
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		29,155	-
Loans		(1,217,151)	-
Lease receivables		(983)	8
Due from ultimate parent company		(18,172)	50,701
Due from parent company		41,947	(9,335)
Reinsurance contracts		(769,141)	(42,493)
Other assets, net		629,550	(341,050)
Customer deposits		780,498	-
Other liabilities, net		(170,993)	252,970
		308,541	599,058
Interest received		4,822,317	1,218,416
Interest paid		(3,551,793)	(343,964)
Income tax paid		(736,742)	(90,090)
Net cash provided by operating activities		842,323	1,383,420

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
Cash Flows from Operating Activities (Page 7)		842,323	1,383,420
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired		(3,110,009)	(295,326)
Purchase of investment securities		(5,341,784)	(2,846,820)
Proceeds on sale of investment securities		4,861,887	2,579,133
Purchase of investment property	10	(108,978)	(182,839)
Proceeds from sale of investment property		1,952	30,000
Securities purchased under resale agreement		6,010,563	(190,979)
Purchase of property, plant and equipment	18	(118,847)	(111,653)
Proceeds from sale of property, plant and equipment		4,205	72,242
Purchase of computer software	20	(111,341)	(1,421)
Net cash provided by/(used in) investing activities		2,087,648	(947,663)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(724,221)	(405,622)
Dividends paid to minority interest		(107,889)	-
Securities sold under repurchase agreements		209,770	-
Loan from Sagicor Inc.		2,809,037	-
Loans from banks and other financial institutions		830,367	-
Repayments of loans to financial institutions		(672,567)	-
Issue of ordinary shares	24	147,944	66,690
Net cash used in financing activities		2,492,441	(338,932)
Effect of exchange rate on cash and cash equivalent		285,645	3,798
Net increase in net cash and cash equivalents		5,708,057	100,623
Cash and bank overdraft at beginning of year		277,776	177,153
CASH AND BANK OVERDRAFT END OF YEAR	6	5,985,833	277,776

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

As at December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

		2005	Restated 2004
ASSETS			
Cash and Bank	6	267,644	206,733
Investments			
Short term deposits	6	22,281	22,247
Available-for-sale	8	9,022,388	6,668,239
Loans and receivables	8	2,063,117	1,749,136
Government securities purchased under resale agreements	9	359,259	710,476
Investment properties	10	324,934	382,071
Subsidiaries	12	5,041,462	890,348
Associated company	11	2,725	2,725
		16,836,166	10,425,242
Lease Receivables		25,176	2,662
Taxation Recoverable		273,043	198,806
Due from Parent Company		37,985	38,720
Due from Ultimate Parent Company		2,948	7,973
Reinsurance Contracts	16	137,558	86,383
Other Assets	17	2,340,185	735,333
Property, Plant and Equipment	18	506,933	461,742
Deferred Income Taxes	19	13,019	44,631
Intangible Assets	20	2,499,642	782,976
Segregated Funds' Assets	22	4,878,552	4,946,461
		27,818,851	17,937,662

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

As at December 31, 2005

.- N 5- 99- (⊁ ⊹ ' A9K! (9 ' 2H-KOK⊁K! (' JJK59 A! J 99 ' ⊹ - 5I ⊁9- 9⊹K⊹ (¾

	Note	2005	Restated 2004
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
?: K5- "K, ⊁⊹KJ	¯½	¶b¨ d ½½	¯V½¶\ p
?: K5- , 5- O⊁⊹AO	¯½	bc¨ b¶d¶\ ¡	¯db½pd ¨ ¯
+K, ⊁⊹KJ5- 9- 5E-	¯V	¯d bV	¯d bV
DE- 9⊹O- ! =K! (2K⊁5EKJA- 5- 9- 5E- 9	¯\	¨ ¨ Vd i ¯	\ \ i qp½V
?, - "⊹KJ⊁ E- 9⊹O- ! =5- 9- 5E-	¯i	¨ ¨ ¯d¶b¨	¨ ¡ \ d i i
; - ⊹K⊁ - (- K5I ⊁ 69		¶q bVd½bV	¨ d ¡ ¯q V¨
		¨ ¡ d V¨ d¼ b	VdVi ½db½
Liabilities			
Government Securities Sold under Repurchase Agreements		Vi ¯d¶\ ¡	j
Other Liabilities	¶¨	¯c ¡ Vq p¯	¨ d¶p¯qp¡ b
Due to Ultimate Parent Company	¶¶	¨ ¯d ¨ i	¨ ¯i q VV
Due to Fellow Subsidiary	¶½	¶¯bdV¯i	j
Due to Banks and other Financial Institutions	¶V	¶¯¨ qp¡ ¶	j
Taxation Payable		¶¶½d ¯p	¯V¶d½p
Retirement Benefit Obligations	¯¨	¯b\ dVb¯	¯\ ¡ d½ p
Policyholders' Funds			
?- 65- 6K⊹ (2A! (9° JKP⊁⊹⊁ 9	¯¯	½d bi dVV¯	½qp½ d½ ¨
D 9A5K! "- "' ! ⊹5K" ⊹9	¶\	¶qp¡ ¡ qpV¶	¯d ¶\ d \ \
DE- 9⊹O- ! ="' ! ⊹5K" ⊹9	¶b	½c¯ ¡ bc¯¶b	¯db¶½qp¨ V
		¨ ¯qpi \ db½¯	¨ ¡ d¶¨ i q ½¯
		¯bd ¨ i d V¨	¨ bqp¶bd \ ¯

Approved for issue by the Board of Directors on 24 March 2006 and signed on its behalf by:

Htq 5⊹ A5% ⊹ - JI + : K⊁5OK! ; ⊁: K5(% J 9 0 ⊁5- "⊹ 5

C: - K"'" O, K! ⊁ 6 ! ' ⊹ 9 ' ! , K6- 9 66 - 188 2 5O K! ⊁ ⊹ 65KJ, K5⊹' 2⊹ - 9- 2⊁ K! "⊹KJ9⊹K⊹ O - ! ⊹9q

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	) &;,	c^^P	9 , 7;I ;, ' c^^g
) , ; 9 , C, ! ?,			
Gross premium revenue	38	7,286,319	5,133,585
Insurance premium ceded to reinsurers	38	(296,399)	(230,992)
Net premium revenue		6,989,920	4,902,593
Investment income	39	1,637,280	1,399,127
Interest expense	40	(435,395)	(280,713)
		1,201,885	1,118,414
Gain on sale of shares to ultimate parent company	56	429,940	-
Fee income -			
Administration	41	497,177	388,346
Other	41	43,055	68,481
		540,232	456,827
Co-insurance distribution	42	19,906	-
Other operating income		163,406	11,026
		9,345,289	6,488,860
$, ! , 0;7 I ! ' 2L+, ! 7, 7			
Insurance benefits	43	3,860,652	2,300,146
Insurance claims and loss adjustment expenses recovered from reinsurers		(58,893)	(39,718)
		3,801,759	2,260,428
Administration expenses		814,858	844,431
Commission and sales expenses	45	1,220,932	964,828
Co-insurance distribution	40	-	100,896
Salaries, pension contributions and other staff benefits	45	1,095,611	803,355
		6,933,160	4,973,938
13&0; N, 0&3, AI LI ;<&!		2,412,129	1,514,922
Taxation	47	(349,770)	(257,680)
) 2A 19- 6BA		2,062,359	1,257,242

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

Life of Jamaica Limited

COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended December 31, 2005

·- N, 5- 99- (⇒ ⇒ ' A9K! (9 ' 2HKO K⇒ K! (' JJK59 A! J- 99 ' ⇒ - 5 ⇒9- 9⇒K⇒ (¾

	Note	Share Capital	Share Premium	Capital Reserve	Investment and Fair Value Reserves	Special Investment Reserve	Retained Earnings	Total
%KJK! "- K9 K⇒ ¨ HK! AK5 ¯ ¡ ¡ ½£K9 5- 9⇒K⇒ (	Vi	¯V¯q i p	¯d i Vd¼ ¯	¯d bV	·Vi pc¯i \ ¾	\ i d \ ¡	\ ¯¶c¯¶\	¶q ½¯qpb\
G! 5- KJ9- (6K⇒ 9 ' ! 5- EKJAK⇒ ! ' 2' I ! - 5 ' "'A, > (, 5 , - 5⇒ 9		j	j	j	b¯d ¡ ¯	j	j	b¯d ¡ ¯
G! 5- KJ9- (6K⇒ 9 ' ! KEK⇒KPJ j 2 5 9KJ 9- "A5⇒ 9		j	j	j	¨ d i Vd p¯	j	j	¨ d i Vd p¯
< K⇒ 9 5- " "J (⇒ 5- E- ! A- ' ! (⇒, ' 9KJK! (OK⇒A5⇒ ' 2KEK⇒KPJ j 2 5 9KJ 9- "A5⇒ 9		j	j	j	·¯i \ q p¶¾	j	j	·¯i \ q p¶¾
* - =6K⇒ 9yJ 99- 9¾ ' =5- "' 6! ⇒9- (⇒ ⇒ - 9⇒K⇒ O - ! =' 2' , - 5K⇒ ! 9		j	j	j	¨ d½b¯c¯¡ ¨	j	j	¨ d½b¯c¯¡ ¨
* - =, 5 2⇒cK9 5- 9⇒K⇒ (	Vi	j	j	j	j	j	¨ c¯Vbc¯½¯	¨ c¯Vbc¯½¯
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Balance at 31 December 2004, as restated	Vi	¯V½£¶\ p	¯db½pd ¨ ¯	¯d bV	\ \ i qp½V	¨ ¡ \ d i i	¨ d ¡ ¯q V¨	VdVi ½db½¡
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Balance at 31 December 2005		¶b¨ d ½½	bc¨ b¶d¶\ ¡	¯d bV	¨ ¨ Vd i ¯	¨ ¨ ¯d¶b¨	¶q bVd½bV	¨ ¡ d V¨ d½ b

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COMPANY STATEMENT OF CASH FLOWS

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	) &;,	c^^P	9 , 7;l ;, ' c^^g
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Net profit		2,062,359	1,257,242
Adjustments for:			
Depreciation	18	61,971	53,133
Interest income	39	(1,267,687)	(1,007,706)
Interest expense	40	435,395	280,713
Income tax expense	47	349,770	257,680
Gain on disposal of investments		(174,715)	(277,757)
Gain on disposal of shares to ultimate parent company		(429,940)	-
Impairment charge on loans and other assets	39	24,798	-
Gain on revaluation of investment properties		(17,969)	(42,276)
(Gain)/loss on sale of investment property		(739)	2,000
Loss/(gain) on disposal of property, plant and equipment		1,271	(8,480)
Amortisation of intangible assets	20	53,837	61,380
Increase in policyholders' funds		159,932	93,400
Changes in policyholders' funds	36	337,081	49,230
Retirement benefit obligations		16,103	(40,020)
Effect of exchange gain on foreign balances		(113,418)	(36,589)
		1,498,049	641,950
Changes in operating assets and liabilities:			
Lease receivables		(22,514)	8
Due from ultimate parent company		(110,412)	144,755
Due from parent company		735	(806)
Other assets, net		(981,694)	(263,291)
Other liabilities, net		367,176	197,166
		751,340	719,782
Interest received		1,190,293	1,058,363
Interest paid		(423,306)	(308,002)
Income tax paid		(244,248)	(91,014)
Net cash provided by operating activities		1,274,079	1,379,129

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

Year ended December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2005	Restated 2004
Cash Flows from Operating Activities (Page 13)		1,274,079	1,379,129
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired		(1,098,583)	-
Purchase of investment securities		(2,266,896)	(2,801,782)
Proceeds on sale of investment securities		836,620	2,229,843
Purchase of investment property	10	(108,978)	(182,839)
Proceeds from sale of investment property		1,952	30,000
Purchase of securities purchase under resale agreement		924,286	(190,979)
Purchase of property, plant and equipment	18	(78,656)	(109,359)
Proceeds from sale of property, plant and equipment		3,220	72,284
Purchase of computer software	20	(67,769)	(945)
Net cash used in investing activities		(1,854,804)	(953,777)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(724,221)	(405,622)
Loan from fellow subsidiary		327,791	-
Loan from financial institution		824,263	-
Issue of ordinary shares	24	147,944	66,690
Net cash used in financing activities		575,777	(338,932)
Effect of exchange rate on cash and bank overdraft		2,806	1,007
Net(decrease)/increase in net cash and bank overdraft		(2,142)	87,427
Cash and bank overdraft at beginning of year		128,693	41,266
CASH AND BANK OVERDRAFT AT END OF YEAR	6	126,551	128,693

The accompanying notes on pages 66 - 188 form an integral part of these financial statements.

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1. Identification and Activities

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Subsidiaries	Principal Activities	Incorporated In	Holding	Financial Year End
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(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification and Activities (Continued)

(b) (Continued)

Subsidiaries of Pan Caribbean Financial Services Limited	Principal Activities	Holding	Financial Year End
Pan Caribbean Merchant Bank Limited	Merchant banking	100%	31 December
Pan Caribbean Asset Management Limited	Unit trust management	100%	31 December
Manufacturers Investments Limited	Inactive	100%	31 December
Pan Caribbean Investments Limited	Inactive	100%	31 December
Pan Caribbean Securities Limited	Inactive	100%	31 December
Associated company			
St. Andrew Developers Limited	Inactive	33⅓%	31 December

(c) LOJ Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2005, the audited assets totalled approximately $25,328,752 (2004 - $21,654,322). At 31 December 2005, the unaudited assets totalled approximately $26,277,321 (2004 - $23,483,251).

(d) The company also operates a number of pension funds of behalf of client as follows:

(i) Life of Jamaica Limited Diversified Investment Fund holds assets in trust, on behalf of pension funds. At 31 December 2005, the unaudited assets totalled approximately $2,038,358 (2004 - $2,011,070).

(ii) Life of Jamaica Limited Pooled Long Term Fund (formerly First Life Pooled Long Term Fund) holds assets in trust, on behalf of pension funds. At 31 December 2005, the unaudited assets totalled approximately $1,028,974 (2004 - $843,110).

(iii) Life of Jamaica Limited Pooled Money Market Fund (formerly First Life Pooled Money Market Fund) holds assets in trust, on behalf of pension funds. At 31 December 2005, the unaudited assets totalled approximately $900,162 (2004 - $855,662).

(e) In July 2002, the company and First Jamaica Investment Limited (First Jamaica)(formerly First Life Insurance Company 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 the value of $160,000 at a rate of 20% per annum.

During the year, the company acquired the Employee Benefits business of First Jamaica outright (Note 56(b)), and the agreement was therefore terminated.

1. Identification and Activities (Continued)

(f) On 1 October 2002, the company and First Jamaica entered into an agreement for the administration of the individual life portfolio of First Jamaica.

During the year, the company acquired the individual life portfolio of First Jamaica Investment Limited (Note 56(c)).

(g) Effective 1 April 2005, the company acquired First Jamaica's Employee Benefits business and their 37% interest in Pan Caribbean Financial Services Limited (PCFS). The acquisition was settled by way of the allotment of the company's shares based on the relative values of the company's and First Jamaica's businesses at the valuation date. The company would have had to issue 1,156,020,795 of its shares to First Jamaica. However, First Jamaica opted to limit their interest in the company to 25% and renounced the extra 236,793,064 shares to Sagicor Financial Corporation, the company's ultimate parent company. On completion of these transactions, the major stockholders in the company are Sagicor Financial Corporation, 59.9% and First Jamaica, 24.73%.

These transactions have been approved by the Financial Services Commission, Bank of Jamaica and the Jamaica Stock Exchange.

On 1 April 2005, both the company and First Jamaica obtained a Vesting Order from the Ministry of Finance to facilitate the transfer of ownership of First Jamaica's insurance assets and liabilities and the obligations for the management on trust of the segregated funds and other funds on behalf of First Jamaica to the company.

On 19 May 2005, the company sold its 37% interest in PCFS acquired through the First Jamaica acquisition to Sagicor Inc, a subsidiary of Sagicor Financial Corporation.

(h) In addition to the above, effective 1 January 2005, the company acquired 226,208,971 shares of PCFS by private treaty which represent a 42.2% interest in that company. Combined with a previous 6.77%holding in PCFS, and subsequent purchases during the year, the company increased its interest to 53.17% (Note 56(a)).

Included in the subsequent purchases are 14,571,353 shares that were repurchased from Sagicor Inc.

(i) Effective 1 December 2005, one of the company's subsidiaries, Sagicor Life of the Cayman Islands Limited acquired 51% of the ordinary shares of Cayman General Insurance Company Limited, a company located in Cayman Islands (Note 56(d)).

(j) During the year, PCFS disposed of 75% of its interest in one of its subsidiaries, Manufacturers Credit and Information Services Limited (Note 56(c)).

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) which includes International Accounting Standards (IAS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of Jamaica dollars, rounded to the nearest thousands, unless otherwise stated.

Standards, interpretations and amendments to published standards effective in 2005

Certain new standards interpretations and amendments to existing standards have been published that came into effect 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 accounts 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)	Investments in Associates
IAS 32 (revised 2003)	Financial Instruments, Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement
IAS 40 (revised 2003)	Investment Property
IFRS 2 (issued 2004)	Share-based Payment
IFRS 3 (issued 2004)	Business Combinations
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IFRS 4 (issued 2004)	Insurance Contracts

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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In accordance with IFRS 4, The Group continues to apply the same accounting policies for the recognition and measurement of obligations arising from insurance contracts and investment contracts that it issues (other intangible assets for insurance contracts and 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 1,2,8,10,16,17,21,24,27,32,33,38, 39 and 40 did not result in substantial changes to the Group accounting policies. In summary:

- IAS 1 has affected the presentation of minority interest in the income statement and in the statement of changes in stockholders' equity and other disclosures.
- IAS 2,8,10,16,17,28,32,33 had no material effect on the Group's policies.
- IAS 21 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.
- IAS 24 has affected the identification of related parties and some other related-party disclosures.
- IAS 27 has affected the treatment of accounting for investment in subsidiaries.
- The Group reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

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 share 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 share options to the statement of operations (Note 24).

The adoption of IFRS 3, IAS 36 and IAS 38 resulted in a change in the accounting policy for goodwill. In all years ended on or prior to 31 December 2004, goodwill was:
- Amortised on a straight line basis over a period ranging from five to fifteen years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3:
- 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; and
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indicators of impairment.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

IFRS 4 has affected the disclosures and classification with respect to insurance contracts issued, reinsurance contracts held and investment contracts.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- IAS 16: The exchange of property, plant and equipment is accounted for at fair value prospectively;
- IAS 21: prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- IAS 39: the de-recognition of financial assets is applied prospectively;
- IFRS 2: retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2004.
- IFRS 3: applied prospectively after 31 March 2004.
- IFRS 4: retrospective application of the disclosure requirements of this standard except for disclosures required about accounting policies, and recognised assets, liabilities, income and expense. The Group has restated all comparative information for the full impact of the standard.

The effects of adopting the new and revised standards on stockholders' equity and net profit as previously reported are detailed in Note 58.

Standards, interpretations and amendments to published standards that is 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 the Group did not early adopt. The Group has assessed the relevance of all such new standards, interpretations and amendments, 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 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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- **B69 B gT . , ;, 3M<4 <4 4 G8, ;8, 3 I ! 33I ! 4, M, ! ; "&! ;I <4 7 I , I 7,** (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) fulfilment 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.

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(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that 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 statement of operations.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

·⊁¾ 99' "⊁K= 9

99' "⊁K= 9 K5- KJJ - ! =⊁> 9 ' E- 5 I : ⊁ : ≒ - < 5 A, : K9 9⊁6! ⊁2⊁ K! = ⊁ 2JA- ! " - PA=! ' ="' ! =5 J: 6- ! - 5KJJ K"" ' O, K! ⊁ 6 K 9: K5- : ' J(⊁ 6 ' 2 P- ⊣ - - ! ¯¡ ¢ K! (V¡ ¢ ' 2 ≒ - E ⊁ 6 5⊁6: =9q D E- 9=O - ! =9 ⊁ K99' "⊁K= 9 K5- K" "' A! = (2 5P ≒ - - 1A⊁ O - ≒ ' (' 2K" "' A! ⊁ 6 K! (K5- ⊁ ⊁KJJ 5- "' 6! ⊁9- (K="' 9=q

C: - < 5 A, °9 ⊁ E- 9=O - ! = ⊁ K99' "⊁K= 9 ⊁ " JA(- 9 6' ' (I ⊁J ·! - = ' 2 K! K" " AOAJK= (⊁O, K⊁5O - ! = J 99¾ ⊁(- ! =⊁2⊁ (' ! K" 1A⊁9⊁> ! q

C: - < 5 A, °9 9: K5- ' 2 ⊁9 K99' "⊁K= 9°, ' 9=¡K" 1A⊁9⊁> ! , 5 2⊁9 ' 5 J 99- 9 ⊁9 5- "' 6! ⊁9- (⊁ ≒ - 9=K= O - ! = ' 2' , - 5K⊁ ! 9cK! (⊁9 9: K5- ' 2, ' 9=¡K" 1A⊁9⊁> ! O' E- O - ! =9 ⊁ 5- 9- 5E- 9 ⊁9 5- "' 6! ⊁9- (⊁ 5- 9- 5E- 9qC: - " AOAJK=E- , ' 9=¡K" 1A⊁9⊁> ! O' E- O - ! =9 K5- K(BA9= (K6K⊁ 9= ≒ - " K55 ⊁ 6 KO' A! =' 2 ≒ - ⊁ E- 9=O - ! =q Q : - ! ≒ - < 5 A, °9 9: K5- ' 2 J 99- 9 ⊁ K! K99' "⊁K= - 1AKJ9 ' 5 - N' - - (9 ⊁9 ⊁ = 5- 9= ⊁ ≒ - K99' "⊁K= c ⊁ " JA(⊁ 6 K! ' ≒ - 5A! 9- " A5- (5- " - ⊁EKPJ- 9c ≒ - < 5 A, (' - 9 ! ' =5- "' 6! ⊁9- 2A5= - 5 J 99- 9cA! J- 99 ⊁ ≒: K9 ⊁ " A55- (' PJ6K⊁ ! 9 ' 5 O K(- , K O - ! =9 ' ! P- : KJ2' 2 ≒ - K99' "⊁K= q

G! 5- KJ9- (6K⊁ 9 ' ! =5K! 9K" ⊁ ! 9 P- ⊣ - - ! ≒ - < 5 A, K! (⊁9 K99' "⊁K= 9 K5- - JKO ⊁ K= (± ≒ - - N= ! = ' 2 ≒ - < 5 A, °9 ⊁ = 5- 9= ⊁ ≒ - K99' "⊁K= 9qG! 5- KJ9- (J 99- 9 K5- KJ9' - JKO ⊁ K= (A! J- 99 ≒ - =5K! 9K" ⊁ ! , 5 E{ - 9 - E{ - ! " - ' 2K! ⊁O, K⊁5O - ! =' 2 ≒ - K99- = =5K! 92- 5- (q " " ' A! ⊁ 6 , ' J⊁ > 9 : KE- P- - ! ": K! 6- (I : - 5- ! - " - 99K5 ± - ! 9A5- "' ! 9⊁9= ! " I ⊁: ≒ - , ' J⊁ > 9 K(' , = (P ≒ - < 5 A, q

(c) Segment reporting

%A9⊁ - 99 9- 6O - ! =9 , 5 E{ - , 5 (A" =9 ' 5 9- 5E⊁ - 9 ≒ K= K5- 9APB" = ± 59F9 K! (5- =A5 9 ≒ K= K5- (⊁22 5- ! = 25 O ≒ ' 9- ' 2' ≒ - 5 PA9⊁ - 99 9- 6O - ! =9q < - ' 65K, : ⊁ KJ9- 6O - ! =9 , 5 E{ - , 5 (A" =9 ' 5 9- 5E⊁ - 9 I ⊁: ⊁ K , K5⊁ AJK5 - "' ! ' O⊁ - ! E⊁5 ! O - ! = ≒ K= ⊁9 9APB" = ± 59F9 K! (5- =A5 9 ≒ K= K5- (⊁22 5- ! = 25 O ≒ ' 9- ' 2"' O, ' ! - ! =9 ⊁ ' ≒ - 5- "' ! ' O⊁ - ! E⊁5 ! O - ! =9q

(d) Foreign currency translation

·¾ 8A! " ⊁ ! KJK! (, 5- 9- ! =K⊁ ! " A55- ! "

D⊁ O 9 ⊁ " JA(- (⊁ ≒ - 2⊁ K! " ⊁KJ 9=K= O - ! =9 ' 2 - K": ' 2 ≒ - < 5 A, °9 - ! =⊁> 9 K5- O - K9A5- (A9⊁ 6 ≒ - " A55- ! " ' 2 ≒ - , 5 O K5 - "' ! ' O⊁ - ! E⊁5 ! O - ! = ⊁ I : ⊁ : ≒ - - ! ⊁: ' , - 5K= 9 ·≒ - 2A! " ⊁ ! KJ " A55- ! " ¾ C: - 2⊁ K! " ⊁KJ 9=K= O - ! =9 K5- , 5- 9- ! = (⊁ HKOK⊁K! (' JK59c I : ⊁ : ⊁9 ≒ - < 5 A, K! (≒ - "' O, K! °9 2A! " ⊁ ! KJK! (, 5- 9- ! =K⊁ ! " A55- ! " q

·⊁¾ C5K! 9K" ⊁ ! 9 K! (PKJK! " - 9

8' 5- ⊁6! " A55- ! " =5K! 9K" ⊁ ! 9 K5- =5K! 9JK= (⊁ ± ≒ - 2A! " ⊁ ! KJ " A55- ! " A9⊁ 6 ≒ - - N' : K! 6- 5K= 9 , 5- EK⊁J⊁ 6 K= ≒ - (K= 9 ' 2 ≒ - =5K! 9K" ⊁ ! 9q 8' 5- ⊁6! - N' : K! 6- 6K⊁ 9 K! (J 99- 9 5- 9AJ⊁ 6 25 O ≒ - 9- = J O - ! = ' 2 9A": =5K! 9K" ⊁ ! 9 K! (25 O ≒ - =5K! 9JK⊁ ! K= - K5j - ! (- N' : K! 6- 5K= 9 ' 2 O' ! - =K5 K99- =9 K! (JKP⊁J⊁> 9 (- ! ' O⊁ K= (⊁ 2 5- ⊁6! " A55- ! " > 9 K5- 5- "' 6! ⊁9- (⊁ ≒ - 9=K= O - ! =' 2' , - 5K⊁ ! 9q

C5K! 9JK⊁ ! (⊁22 5- ! " - 9 ' ! ! ' ! jO' ! - =K5 ⊁: O 9c 9A": K9 - 1A⊁> 9 : - J(K= 2K⊁5 EKJA- ≒ 5 A6: , 5 2⊁= ' 5 J 99cK5- 5 , ' 5= (K9 , K5= ' 2 ≒ - 2K⊁5 EKJA- 6K⊁ ' 5 J 99qC5K! 9JK⊁ ! (⊁22 5- ! " - 9 ' ! ! ' ! jO' ! - =K5 ⊁: O 9c 9A": K9 - 1A⊁> 9 " JK99⊁2⊁ (K9 KEK⊁JKPJ j 2 5j 9KJ- 2⊁ K! " ⊁KJ K99- =9c K5- ⊁ " JA(- (⊁ ≒ - 2K⊁5 EKJA- K! (⊁ E- 9=O - ! =5- 9- 5E- 9 ⊁ 9± " F: ' J(- 5⊁° - 1A⊁ q

·- N, 5- 99- (⇒ ⇒ ' A9K! (9 ' 2HKOK⇒ K! (' JJK59 A! J- 99 ' ⇒ - 5 ⇒9- 9=K= (¾

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

·¾ 8A! "⇒ ! KJK! (, 5- 9- ! =K⇒ ! "A55- ! "
D= O 9 ⇒ "JA(- (⇒ ⇒ - 2⇒ K! "=KJ 9=K= O - ! =9 ' 2 - K": ' 2 ⇒ - < 5 A, °9 - ! ⇒⇒ 9 K5- O - K9A5- (A9⇒ 6 ⇒ - "A55- ! " ' 2 ⇒ - , 5=O K5 - "' ! ' O⇒ - ! E=5 ! O - ! = ⇒ I : ⇒ : ⇒ - - ! ⇒= ', - 5K= 9 ·⇒ - 2A! "⇒ ! KJ "A55- ! " ¾(C: - 2⇒ K! "=KJ 9=K= O - ! =9 K5- , 5- 9- ! = (⇒ HKOK⇒ K! (' JJK59c I : ⇒ : ⇒9 ⇒ - < 5 A, K! (⇒ - "' O, K! °9 2A! "⇒ ! KJK! (, 5- 9- ! =K⇒ ! "A55- ! " q

·⇒¾ C5K! 9K"⇒ ! 9 K! (PKJK! "- 9
8' 5- ⇒6! "A55- ! " =5K! 9K"⇒ ! 9 K5- =5K! 9JK= (⇒ ± ⇒ - 2A! "⇒ ! KJ "A55- ! " A9⇒ 6 ⇒ - - N': K! 6- 5K= 9 , 5- EK⇒ 6 K= ⇒ - (K= 9 ' 2 ⇒ - =5K! 9K"⇒ ! 9q 8' 5- ⇒6! - N': K! 6- 6K⇒ 9 K! (J 99- 9 5- 9AJ⇒ 6 25 O ⇒ - 9- =J O - ! = ' 2 9A": =5K! 9K"⇒ ! 9 K! (25 O ⇒ - =5K! 9JK⇒ ! K= - K5j - ! (- N': K! 6- 5K= 9 ' 2 O' ! - =K5 K99- =9 K! (JKP⇒⇒ 9 (- ! ' O⇒ K= (⇒ 2 5- ⇒6! "A55- ! " > 9 K5- 5- "' 6! ⇒9- (⇒ ⇒ - 9=K= O - ! =' 2', - 5K⇒ ! 9q

C5K! 9JK⇒ ! (⇒22- 5- ! "- 9 ' ! ! ' ! jO' ! - =K5 ⇒= O 9c 9A": K9 - 1A⇒⇒ 9 : - J(K= 2K⇒5 EKJA- ⇒ 5 A6: , 5 2⇒ ' 5 J 99c K5- 5- , ' 5= (K9 , K5=' 2 ⇒ - 2K⇒5 EKJA- 6K⇒ ' 5 J 99qC5K! 9JK⇒ ! (⇒22- 5- ! "- 9 ' ! ! ' ! jO' ! - =K5 ⇒= O 9c 9A": K9 - 1A⇒⇒ 9 "JK99⇒⇒ (K9 KEK⇒JKPJ j 2 5 j 9KJ 2⇒ K! "=KJ K99- =9c K5- ⇒ "JA(- (⇒ ⇒ - 2K⇒5 EKJA- K! (⇒ E- 9=O - ! =5- 9- 5E- 9 ⇒ 9± "F: ' J(- 59° - 1A⇒= q

·⇒¾ < 5 A, "' O, K! > 9
C: - 5- 9AJ⇒9 K! (2⇒ K! "=KJ, ' 9⇒⇒ ! ' 2KJJ ⇒ - < 5 A, - ! ⇒⇒ 9 ⇒ K=: KE- K 2A! "⇒ ! KJ "A55- ! " (⇒22- 5- ! =25 O ⇒ - , 5- 9- ! =K⇒ ! "A55- ! " K5- =5K! 9JK= (⇒ ± ⇒ - , 5- 9- ! =K⇒ ! "A55- ! " K9 2 JJ I 9x

- 99- =9 K! (JKP⇒⇒ 9 2 5 - K": PKJK! "- 9: - - =, 5- 9- ! = (K5- =5K! 9JK= (K= ⇒ - "J 9⇒ 6 5K= K= ⇒ - (K= ' 2 ⇒ K=PKJK! "- 9: - - =

- D "' O- K! (- N, - ! 9- 9 2 5 - K": 9=K= O - ! =' 2', - 5K⇒ ! 9 K5- =5K! 9JK= (K= KE- 5K6- - N': K! 6- 5K= 9 K! (

- JJ5- 9AJ⇒ 6 - N': K! 6- (⇒22- 5- ! "- 9 K5- 5- "' 6! ⇒9- (K9 K 9- , K5K= "' O, ' ! - ! =' 29± "F: ' J(- 59° - 1A⇒= ⇒ ⇒ - "A55- ! " =5K! 9JK⇒ ! 5- 9- 5E- q

/ ! "' ! 9' J(K⇒ ! c - N': K! 6- (⇒22- 5- ! "- 9 K59⇒ 6 25 O ⇒ - =5K! 9JK⇒ ! ' 2 ⇒ - ! - =⇒ E- 9=O - ! =⇒ 2 5- ⇒6! - ! ⇒⇒ 9 K! (P' 5 I ⇒ 69 K5- =KF- ! ± 9± "F: ' J(- 59° - 1A⇒= q Q : - ! K 2 5- ⇒6! ', - 5K⇒ ! ⇒9 9' J(c 9A": - N': K! 6- (⇒22- 5- ! "- 9 K5- 5- "' 6! ⇒9- (⇒ ⇒ - 9=K= O - ! =' 2', - 5K⇒ ! 9 K9 , K5=' 2 ⇒ - 6K⇒ ' 5 J 99 ' ! 9KJ q

< ' ' (I ⇒JJK! (2K⇒5 EKJA- K(BA9=O - ! =9 K59⇒ 6 ' ! ⇒ - K"1A⇒9⇒⇒ ! ' 2K 2 5- ⇒6! - ! ⇒= K5- =5- K= (K9 K99- =9 K! (JKP⇒⇒ 9 ' 2 ⇒ - 2 5- ⇒6! - ! ⇒= K! (=5K! 9JK= (K= ⇒ - "J 9⇒ 6 5K= q

(e) Cash and cash equivalents

8' 5 ⇒ - , A5, ' 9- ' 2 ⇒ - "K9: 2J I 9=K= O - ! =c "K9: K! ("K9: - 1A=EKJ ! =9 "' O, 59- "K9: K! (PK! F PKJK! "- 9c (- , ' 9⇒9 : - J(' ! "KJJ I ⇒= PK! F9c PK! F ' E- 5(5K2=PKJK! "- 9 K! ("- 5=K⇒ 9: ' 5 = = 5O ⇒ E- 9=O - ! =9 I : ⇒ : O K=A5- I ⇒= ⇒ ! ⇒ - = (K 9 25 O ⇒ - (K= 9 ' 2K"1A⇒9⇒⇒ ! q

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(f) Investments

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale and financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets at fair value through profit or loss
This category includes financial assets held for trading. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(iii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivate financial assets that are either designated in this category or not classified in any other category.

Purchases and sales of financial assets held for trading and available-for-sale are recognised at the settlement date – the date on which an asset is delivered to or by the Group. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are included in the statement of operations in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised directly in stockholders' equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of operations as net realised gains/losses on financial assets.

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

The fair values of quoted investments are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. Where fair value cannot be measured reliably they are recognised at cost less impairment.

Investments in subsidiaries are stated in the company's financial statements at cost.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(g) Investment property

Property held for long-term rental yields that is not occupied by the companies within the Group is classified as investment property.

Investment property comprises freehold land and building and is carried at fair value, representing open market value determined annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the statement of operations.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes the cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of operations. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of operations.

(h) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability is included in amounts due to banks and other financial institutions, customer deposits, or securities sold under agreements to repurchase.

(i) Loans and allowance for impairment losses

Loans are stated net of unearned income and allowance for impairment losses.

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 are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(i) Loans and allowance for impairment losses (continued)

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

(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 recognised 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) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as commitments off the balance sheet.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of issuers or debtors in the Group or national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for loan loss account and the amount of the loss is recognised in the statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's credit process that considers asset type, industry, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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fHh BM+I <3M, ! ; &0I 77, ;7 f"&! ;<4 ?, ' h

(i) Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed by adjusting the provision for loss account. The amount of the reversal is recognised in the statement of operations.

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

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

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.

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the statement of operations – is removed from equity and recognised in the statement of operations. Impairment losses recognised in the statement of operations on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of operations, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

(iii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 (cash-generating units).

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(m) Offsetting financial instruments

A number of reinsurance financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the statement of operations.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 33⅓%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on 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 renewals are charged to the statement of operations when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(o) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value.

(p) 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 is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

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.

(ii) Contractual customer relationships – rights to receive investment management fees

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered.

The asset represents the Group's contractual right to benefit from providing asset management services and is amortised on a straight line basis over the period in which the Group expects to recognise the related revenue. The costs of securing the right to provide asset management services do not include transaction costs relating to the origination of the investment contract.

(iii) Contractual customer relationships acquired as part of a business combination

As a result of certain acquisitions of investment contracts and the application of purchase accounting, the Group carries a customer contract intangible asset representing the value of business acquired (VOBA). VOBA is determined by estimating the net present value of future cash flows from the contract in force at the date of acquisition. The Group amortises VOBA on a straight line basis over the estimated life of the acquired contracts. The estimated life is re-evaluated regularly.

The accounting policy in respect of intangibles assets arising from insurance contracts acquired in a business combination and portfolio transfer is also described in Note (2 (x)).

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(iv) Trademark and licences

Trademark and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(v) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

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(i) Pension obligations

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

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the 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 in accordance with IAS 19. The pension obligation is measured at the present value of the estimated future cash outflows using estimated discount 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (continued)

(ii) Other post-retirement obligations

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

(iii) Annual leave

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

(iv) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is 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 are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises 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.

Employees, agents and sales managers of the company are eligible to purchase shares in the company under a share purchase plan. In addition share options are granted to management as part of a performance incentive scheme.

Under the performance incentive scheme, options are granted at a 25% discount of the last sale price on the trading day prior to the grant date and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of five years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(v) Profit sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (continued)

(vi) 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 separation. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

(r) Segregated funds

The Group manages a number of segregated funds on behalf of policyholders. The investment returns on these unitised funds accrue directly to the policyholders, with the Group assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Group. Income earned from fund management fees is included in other income in the consolidated statement of operations. Investments held in segregated funds are carried at their fair values. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

(s) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(i) Share issue costs

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

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved.

(t) Special investment reserve

Unrealised gains on investment properties are recorded in the statement of operations under IFRS. Regulatory reserve requirements are met through the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at 10%.

(ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(u) Transfers to retained earnings

Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

(ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of operations over the period of the borrowings using the effective interest method.

(w) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

(x) 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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(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 casualty, property and short-duration life and health insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damages suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) 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 (1.3) 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.

(1.3) Long-term insurance contracts without fixed terms and discretionary participation features (DPF) -

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based:
    - The performance of a specified pool of contracts or specified type of contract; and
    - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - The profit or loss of the company, fund or other entity that issues the contract.

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(ii) Recognition and measurement (continued)

(1.3) Long-term insurance contracts without fixed terms and discretionary participation features (DPF) (continued) -

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

A unit-linked insurance contract is an insurance contract with embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fee deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the statement of operations.

(1.4) Investment contracts without discretionary participatory feature (DPF) -
The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the statement of operations.

Valuation techniques are used to establish the fair value at inception and each reporting date.

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the balance sheet date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(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 and investment fees on the management of these funds.

(iv) Derivatives embedded in insurance contracts and investment contracts

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through income.

(v) Value of business acquired

On acquisition of a portfolio of insurance and investment contracts, either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the value of business acquired (VOBA).

(vi) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related VOBA assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of operations initially by writing off VOBA and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(vii) 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(viii) 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.

(y) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if 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.

(z) Revenue recognition

(i) Premium income

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and 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.

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iii) Interest income

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

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that 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. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(aa) Interest expense

Interest expense is recognised in the statement of operations on an accrual basis using the effective yield method.

Amounts paid under contracts with principally financial risk are recorded directly to the balance sheet as an adjustment to policyholders' funds on deposit. The interest credited to these funds is recorded as an interest expense.

(bb) Commissions

Commissions are expensed in the year incurred. Should the policies lapse, the amounts are recovered from agents. Commissions recovered on lapsed policies are included in the statement of operations.

(cc) 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.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred 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.

(dd) 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(ee) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under resale agreement, other assets, and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 50.

(ff) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, comparatives have been adjusted to take into account the adoption of the new and revised IFRS (Note 58).

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made no significant judgements on the amounts recognised in the financial statements

(b) Key sources of estimation uncertainty

(i) The ultimate liability arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significantly exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $363,494.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by ½% for ten years from management's estimates, the insurance liability would increase by $1,368,088.

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Where the actual lapse experience differs by 200% or 50% of expected lapse experience the liability would increase by $1,195,767.

(iv) Fair value of investment contracts

The Group issues investment contracts that are designated at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques include prospective discounting models as well as retrospective accumulation models. The value of the investment contracts at the balance sheet date is $9,716,403 (2004 - $8,233,943) for the Group and $9,085,789 (2004 - $7,681,376) for the company.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(v) Pension and post-retirement benefits

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 assumption 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 investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimates future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

If the expected return on plan assets were to change by 1% the net expense would change by $20,000 for the Group. If the discount rate changed by 1% then the expense would change by $23,000 for the Group and $18,000 for the company.

(vi) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilisation of valuation techniques. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisers to assist management in determining the recognition and measurement of these assets.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(vii) Estimated impairment of intangible assets

Goodwill
The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and or the Group as a whole.

Other intangible assets
The assessment of impairment of other intangible assets involves the determination of the intangible asset's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible asset's value in use, estimates are required of future cash flows generated because of the assets.

(viii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax 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.

4. Responsibilities of the Appointed Actuary and External Auditors

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

The 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 International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

5. Segmental Financial Information

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into five primary business segments:

(a) Individual Life Services - This includes provision of life insurance services to individuals.

(b) Employee Benefits Services – This includes group and creditor life, personal accident, group annuities, , pension funds investment and the administration of trust accounts.

(c) General Insurance Services – This includes property and casualty insurance.

(d) Banking and Asset Management – This includes development banking, merchant banking and asset management.

(e) Other Services – This comprises property management and stockholders cost.

Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation, retirement benefit assets and obligations and borrowings.

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

	The Group						
	2005						
	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other	Eliminations	Group
External revenues	4,270,018	5,054,985	45,884	2,067,621	268,330	-	11,706,838
Revenue from other segments	-	-	-	12,000	-	(12,000)	-
Total revenues	4,270,018	5,054,985	45,884	2,079,621	268,330	(12,000)	11,706,838
Benefits and expenses	(3,247,486)	(3,907,698)	(24,982)	(691,212)	(343,724)	12,000	(8,233,871)
Net amortisation of intangibles	-	(41,728)	(2,682)	(400,243)	-	-	(444,653)
Profit/(loss) before tax	1,022,532	1,105,559	18,220	988,166	(75,394)	-	3,059,083
	-	-	-	-	-	-	429,940
Income tax expense	(171,017)	(178,762)	-	(363,777)	4,870	-	(708,686)
Net profit/(loss)	851,515	926,797	18,220	624,389	(70,524)	-	2,780,337
Segment assets -							
Intangible assets	1,259,755	1,541,005	469,602	2,575,221	40	-	5,845,623
Other assets	18,753,506	8,561,123	2,289,328	39,139,984	3,062	(3,963,898)	64,783,105
	20,013,261	10,102,128	2,758,930	41,715,205	3,102	(3,963,898)	70,628,728
Unallocated assets -							
Investments in associates (Note 11)							2,725
Deferred income taxes (Note 19)							21,729
Retirement benefit assets (Note 21)							16,705
							70,669,887
Segment liabilities	12,982,498	6,627,893	1,542,487	33,770,226	24,769	(672,429)	54,275,444
Unallocated liabilities -							
Deferred income taxes (Note 19)							217,271
Retirement benefit obligations (Note 20)							287,698
							54,780,413
Other segment items -							
Depreciation (Note 18)							89,422
Capital expenditure (Note 18)							118,847

5. Segmental Financial Information (Continued)

	The Group				
	2004				
	Individual Life Services	Group Services	Other	Eliminations	Group
External revenues	3,543,642	3,353,311	153,155	-	7,050,108
Revenue from other segments	18,984	-	-	(18,984)	-
Total revenues	3,562,626	3,353,311	153,155	(18,984)	7,050,108
Benefits and expenses	(2,558,822)	(2,581,940)	(237,379)	18,984	(5,359,157)
Profit/(loss) before tax	1,003,804	771,371	(84,224)	-	1,690,951
Income tax expense	(100,555)	(156,201)	(405)	-	(257,161)
Net profit/(loss)	903,249	615,170	(84,629)	-	1,433,790
Segment assets	15,987,951	4,413,062	163,100	(1,315,282)	19,248,831
Unallocated assets -					
Investments in associates					2,725
Retirement benefit assets					1,496
Goodwill					1,020,640
					20,273,692
Segment liabilities	9,882,747	3,955,063	109,722	(90,477)	13,857,055
Unallocated liability -					
Retirement benefit obligations					265,210
					14,122,265
Other segments items:					
Depreciation (Note 18)					56,147
Capital expenditure (Note 18)					118,847

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

The Group's secondary format for segment information is geographic:

	2005		
	Jamaica	**Grand Cayman**	**Total**
Revenue	11,496,857	639,918	12,136,778
Total assets	63,858,782	6,811,105	70,669,887
	2004		
Revenue	6,842,482	536,546	7,379,028
Total assets	17,151,611	3,122,081	20,273,692

The company is managed on a matrix basis, reflecting line of businesses. The company is organised into three primary business segments:

(a) Individual Life Services - This includes provision of life insurance services to individuals.

(b) Employee Benefits Services – This includes group and creditor life, personal accident, group annuities, pension funds investment and the administration of trust accounts.

(c) Other - This comprise stockholders cost.

December 31, 2005

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(expressed in thousands of Jamaican dollars unless otherwise stated)

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Revenues	3,721,751	3,043,638	3,000	6,768,389
Operating expense	(2,955,030)	(2,183,820)	(114,617)	(5,253,467)
Profit before taxation	766,721	859,818	(111,617)	1,514,922
Income tax expense	-	-	-	(257,680)
Net profit/(loss)	766,721	859,818	(111,617)	1,257,242
Segment assets	11,848,551	4,413,062	-	16,261,656
Unallocated assets -				
Investments in associates (Note 11)				2,725
Investment in subsidiaries (Note 12)				890,348
Intangible assets				782,976
				17,937,662
Segment liabilities	8,137,390	3,955,063	-	12,092,453
Unallocated liability -				
Retirement benefit obligations (Note 21)				260,469
				12,352,922
Depreciation (Note 18)	50,480	8,672	-	59,152
Capital expenditure (Note 18)	75,200	35,104	-	110,304

Segment assets consist primarily of investments that match insurance liabilities, intangible insurance assets such as, receivables and operating cash. They exclude deferred taxation for the Group.

Segment liabilities comprise financial liabilities arising mainly from insurance and investment contracts. They exclude items such as taxation for the Group.

(expressed in thousands of Jamaican dollars unless otherwise stated)

6. Cash and Cash Equivalents

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Balances with banks payable on demand	1,406,354	334,005	267,526	206,621
Cash in hand	19,478	547	118	112
	1,425,832	334,552	267,644	206,733
Short term deposits	777,316	63,123	22,281	22,247
Trading securities	717,697	-	-	-
Investment securities (Note 8)	3,255,755	35,044	-	35,044
	6,176,600	432,719	289,925	264,024

Cash and bank overdrafts include the following for the purposes of the cash flow statement –

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Cash and cash equivalents	6,176,600	432,719	289,925	264,024
Bank overdraft	(190,767)	(154,943)	(163,374)	(135,331)
	5,985,833	277,776	126,551	128,693

7. Financial Assets at Fair Value through Profit or Loss

These represent investments in Government of Jamaica securities. Financial assets at fair value through profit or loss were designated to the category at initial recognition.

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2005	Carrying Value 2004
Available-for-sale -						
Government of Jamaica	11,813,224	6,668,896	6,822,498	11,369,433	36,674,051	5,916,190
Foreign governments	-	-	189,472	137,998	327,470	195,131
Corporate debentures	-	-	1,113,142	1,025,176	2,138,318	-
Other	-	-	-	-	-	18,908
Interest receivable	1,241,474	-	-	-	1,241,474	181,336
	13,054,698	6,668,896	8,125,112	12,532,607	40,381,313	6,311,565
Quoted shares					446,805	1,667,700
Unit trusts					312,421	325,128
Unquoted shares					184,646	126
Other					32	25
					41,325,217	8,304,544
Loans and receivables -						
Corporate debentures	2,407	-	-	195	2,602	579
Mortgage loans	30	498	18,828	1,267,854	1,287,210	1,130,421
Promissory notes	257,994	-	160,000	-	417,994	364,978
Term deposits	-	-	-	-	-	6,944
Interest receivable	67,889	-	-	-	67,889	31,448
	328,320	498	178,828	1,268,049	1,775,695	1,534,370
Policy loans					649,782	597,212
					2,425,477	2,131,582

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables (Continued)

	The Company					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2005	Carrying Value 2004
Available-for-sale -						
Government of Jamaica	141,077	197,465	1,529,556	6,019,219	7,887,317	4,774,658
Corporate debentures	-	-	271,257	155,103	426,360	-
Interest receivables	187,234	-	-	-	187,234	143,255
	328,311	197,465	1,800,813	6,174,322	8,500,911	4,917,913
Quoted equities					209,024	1,425,047
Unit trusts					312,421	325,128
Unquoted equities					-	126
Other					32	25
					9,022,388	6,668,239
Loans and receivables -						
Corporate debentures	2,407	-	-	195	2,602	579
Mortgage loans	30	498	18,828	1,219,810	1,239,166	1,044,091
Promissory notes	257,994	-	160,000	-	417,994	364,978
Term deposits	4,260	-	-	-	4,260	4,149
Interest receivables	49,304	-	-	-	49,304	28,254
	313,995	498	178,828	1,220,005	1,713,326	1,442,051
Policy loans					349,791	307,085
					2,063,117	1,749,136

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables (Continued)

(a) The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks with a face value of $62,000 for one of the company's subsidiaries, Pan Caribbean Financial Services Limited, against possible shortfalls in the operating account.

(b) Included in investments are Government of Jamaica Local Registered Stocks with a face value of $12,100 (2004 - $9,500) which have been pledged as security for overdraft facilities with the National Commercial Bank Jamaica Limited and The Bank of Nova Scotia Jamaica Limited.

(c) Included in investments are Government of Jamaica Local Registered Stocks with a face value of $297,000 (2004 - $182,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(d) Included in investments are term deposits with a face value of US$750 (2004 -$750) which have been pledged by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Limited with the regulators in the Cayman Island.

(e) Included in investments are Government of Jamaica Local Registered Stocks with a face value of $45,000 (2004 – nil) which have been pledged as security for a US$1,400 loan facility taken out by Pan Caribbean Financial Services Limited with Citibank.

(f) Included in investments is Government of Jamaica Local Registered Stocks with a face value of $83,000 which has been pledged as security for a US$1,000 loan facility with Pan Caribbean Financial Services Limited.

(g) Included in investments is Government of Jamaica Local Registered Stocks with a face value of J$303,400 and US$1,120 which have been pledged as security for a US$5,000 loan facility with Dehring Bunting and Golding Limited.

(h) Assets pledged as security, by one of the company's subsidiaries, Pan Caribbean Financial Services Limited include $12,007 which represents the total of those assets pledged for which the transferee has the right by contract or custom to see or repledge the collateral.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

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Debt securities with an original maturity of less than 90 days (Note 6)	3,255,755	35,044	-	35,044

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The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligation. These securities mature within three months.

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At beginning of year	585,780	360,234	382,071	188,956
Assumed on acquisition:				
Capital Life Insurance Company Limited	-	43,875	-	-
Acquired during the year	108,978	182,839	108,978	182,839
Transferred to real estate developed for resale (Note 17)	(182,871)	-	(182,871)	-
Disposed during the year	(1,213)	(32,000)	(1,213)	(32,000)
Exchange differences	23,177	3,611	-	-
Fair value gains	22,531	27,221	17,969	42,276
At end of year	556,382	585,780	324,934	382,071

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

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Rental income	5,815	13,610	4,392	4,376
Repairs and maintenance	(1,494)	(9,852)	(672)	(3,737)

The properties were valued at current market value as at 31 December 2005 by Allison Pitter and Company Limited, Deloitte & Touche Property Management (Grand Cayman), Easton Douglas & Company Limited, D.C. Tavares Realty Limited and Clinton Cunningham & Associates, qualified property appraisers and valuers.

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11. Investment in Associated Company

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	2005	**2004**
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12. Investment in Subsidiaries

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13. Loans, after Allowance of Impairment Losses

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(expressed in thousands of Jamaican dollars unless otherwise stated)

14. Lease Receivables

	The Group		The Company	
	2005	2004	2005	2004
Gross investment in finance leases -				
Not later than one year	5,321	-	4,941	887
Later than one year and not later than five years	49,172	-	28,106	2,477
Less: Unearned income	(15,019)	-	(8,015)	(702)
Net investment in finance leases	39,474	-	25,032	2,662
Net investment in finance leases -				
Not later than one year	5,600	-	3,405	780
Later than one year and not later than five years	33,874	-	21,627	1,882
	39,474	-	25,032	2,662
Interest receivable	473	-	144	-
	39,947	-	25,176	2,662

15. Cash Reserve at Bank of Jamaica

A prescribed minimum of 23% of deposit liabilities is required to be maintained by one of the company's subsidiaries, Pan Caribbean Merchant Bank Limited in liquid assets, which must be maintained as cash reserves with the Bank of Jamaica. They are not available for investment, lending or other use by the Group.

Effective 15 January 2003, the Merchant Bank is required by the Bank of Jamaica (BOJ) under Section 28A of the Bank of Jamaica Act, to maintain with the BOJ, a special deposit wholly in the form of cash, representing 1% of the prescribed liabilities. This special deposit earns interest at a rate of 6% per annum.

16. Reinsurance Contracts

	The Group		The Company	
	2005	2004	2005	2004
Reinsurers share of insurance liabilities (a)	310,155	25,926	51,341	25,927
Reinsurance recoverable (b)	862,543	63,590	86,217	60,456
	1,172,698	89,516	137,558	86,383

(a) Amounts due from reinsurers in respect of claims that are not yet paid by the Group on the contracts that are reinsured.

(b) Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured.

(expressed in thousands of Jamaican dollars unless otherwise stated)

17. Other Assets

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Broker receivables	30,987	201,632	1,758	88,232
Current account with First Jamaica Investment Limited	252,890	101,446	252,890	101,446
Due from agents	269,679	162,945	237,466	165,184
Real estate developed for resale (a) -				
Transferred from investment properties (Note 10)	182,871	-	182,871	-
Additions during the year	165,368	-	165,368	-
	348,239	-	348,239	-
Premiums due and unpaid	771,163	142,048	450,773	115,209
Related party balances (b)	693,689	33,160	875,743	102,243
Other receivables	392,475	328,745	173,316	163,019
	2,759,122	969,976	2,340,185	735,333

(a) Real estate developed for sale relates to the construction of residential and small commercial offices.

(b) Related party balances includes balances receivable from the company's segregated funds and its' Pooled Investment Fund (Note 23).

(expressed in thousands of Jamaican dollars unless otherwise stated)

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	) &;,					
Cost or Valuation-						
At 1 January 2004						
Balance as previously stated		10,446	231,201	1,005,682	40,801	1,288,130
Transferred to intangible assets	20	-	-	(62,760)	-	(62,760)
		10,446	231,201	942,922	40,801	1,225,370
Cost of acquired assets		-	-	465	-	465
Revaluation adjustments		-	52,505	8,228	-	60,733
Additions		23,603	-	84,425	3,625	111,653
Disposals		(876)	(59,206)	(747,255)	(5,188)	(812,525)
Translation adjustment		-	-	234	-	234
At 31 December 2004		33,173	224,500	289,019	39,238	585,930
Acquired assets	56	32,650	-	139,383	5,428	177,461
Revaluation adjustments		-	27,809	-	-	27,809
Additions		42,189	3,150	70,865	2,643	118,847
Disposals		(375)	-	(8,189)	(5,821)	(14,385)
Translation adjustment		-	-	289	-	289
At 31 December 2005		107,637	255,459	491,367	41,488	895,951
Accumulated Depreciation -						
At 1 January 2004						
Balance as previously stated		2,128	12,589	801,867	13,754	830,338
Transferred to intangible assets	20	-	-	(8,239)	-	(8,239)
		2,128	12,589	793,628	13,754	822,099
Depreciation on acquired assets		-	-	355	-	355
Revaluation adjustment		-	(11,869)	-	-	(11,869)
Charge for the year		2,373	5,878	40,170	7,726	56,147
Relieved on disposals		(1,029)	(2,224)	(740,601)	(4,789)	(748,643)
Translation adjustment		-	-	215	-	215
At 31 December 2004		3,472	4,374	93,767	16,691	118,304
Charge for the year		5,548	9,068	64,587	10,219	89,422
Relieved on disposals		(79)	-	(2,681)	(3,147)	(5,907)
Translation adjustment		-	-	58	-	58
At 31 December 2005		8,941	13,442	155,731	23,763	201,877
Net Book Value -						
31 December 2004		29,701	220,126	195,252	22,547	467,626
31 December 2005		98,696	242,017	335,636	17,725	694,074

December 31, 2005

(expressed in thousands of Jamaican dollars unless otherwise stated)

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Cost or Valuation-						
At 1 January 2004 -						
Balance as previously stated		8,861	231,201	975,087	34,976	1,250,125
Transferred to intangible assets	20	-	-	(56,452)	-	(56,452)
		8,861	231,201	918,635	34,976	1,193,673
Revaluation adjustments		-	52,505	8,229	-	60,734
Additions		23,331	-	82,403	3,625	109,359
Disposals		-	(59,206)	(733,409)	(4,394)	(797,009)
At 31 December 2004		32,192	224,500	275,858	34,207	566,757
Acquired on acquisition	56	-	-	5,187	-	5,187
Revaluation adjustments		-	27,809	-	-	27,809
Additions		28,846	3,150	46,660	-	78,656
Disposals		-	-	(4,938)	(3,980)	(8,918)
At 31 December 2005		61,038	255,459	322,767	30,227	669,491
Accumulated Depreciation -						
At 1 January 2004 -						
Balance as previously stated		787	12,589	773,644	11,571	798,591
Transferred to intangible assets	20	-	-	(1,931)	-	(1,931)
		787	12,589	771,713	11,571	796,660
Revaluation adjustment		-	(11,869)	-	-	(11,869)
Charge for the year		2,276	5,878	38,259	6,720	53,133
Relieved on disposals		-	(2,223)	(726,607)	(4,079)	(732,909)
At 31 December 2004		3,063	4,375	83,365	14,212	105,015
Charge for the year		5,472	4,584	45,539	6,376	61,971
Relieved on disposals		-	-	(2,072)	(2,356)	(4,428)
At 31 December 2005		8,535	8,959	126,832	18,232	162,558
Net Book Value -						
31 December 2004		29,129	220,125	192,493	19,995	461,742
31 December 2005		52,503	246,500	195,935	11,995	506,933

(expressed in thousands of Jamaican dollars unless otherwise stated)

18. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2005 by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to $27,809 (2004 - $72,602), has been credited to investment and fair value reserves (Note 26).

If revalued assets were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2005	**2004**
Cost	175,145	171,995
Accumulated depreciation	(20,828)	(16,244)
Net book value	154,317	155,751
Carrying value of revalued assets	259,396	230,261

19. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

(a) 15% for the company; and
(b) 33⅓% for Pan Caribbean Financial Services Limited and LOJ Property Management Limited.

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Deferred income tax assets	(21,729)	(47,576)	(13,019)	(44,631)
Deferred income tax liabilities	217,271	-	-	-
	195,542	(47,576)	(13,019)	(44,631)

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Balance as at 1 January	(47,576)	(28,701)	(44,631)	(26,275)
Acquisition of subsidiaries (Note 56(a))	240,413	-	-	-
Transferred on disposal (Note 56(e))	60	-	-	-
Charged/(credited) to statement of operations (Note 47)	225,424	(18,875)	31,612	(18,356)
Charged to stockholders' equity	(222,779)	-	-	-
Balance as at 31 December	195,542	(47,576)	(13,019)	(44,631)

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

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	c^^P	c^^g	c^^P	c^^g
Deferred income tax assets -				
Property, plant and equipment	(117)	(880)	-	-
Pensions and other post-retirement benefits	(42,567)	(37,984)	(41,486)	(36,903)
Tax losses unused	(24,006)	(984)	-	-
Other	(10,559)	(15,617)	(7,799)	(15,617)
	(77,249)	(55,465)	(49,285)	(52,520)
Deferred income tax liabilities -				
Property, plant and equipment	7,399	5,635	785	5,635
Available-for-sale investments	189,410	-	-	-
Impairment losses on loans	31,253	-	-	-
Interest receivable	35,490	-	35,481	-
Pensions and other post-retirement benefits	2,701	-	-	-
Other	6,538	2,254	-	2,254
	272,791	7,889	36,266	7,889
Deferred income liability/(asset)	195,542	(47,576)	(13,019)	(44,631)

These balances include the following:

	A8, : 3&?+		A8, * &M+I !	
	c^^P	c^^g	c^^P	c^^g
Deferred tax assets to be settled after more than 12 months	50,647	28,246	41,486	36,903
Deferred tax liabilities to be recovered after more than 12 months	161,315	1,734	645	4,027

Deferred income taxes liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled $1,024,338 (2004- $484,727).

(expressed in thousands of Jamaican dollars unless otherwise stated)

20. Intangible Assets

		The Group				
	Note	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
At 1 January 2004:						
Cost -						
Balance as previously stated		830,410	-	-	-	830,410
Transferred from property, plant and equipment	18	-	-	-	62,760	62,760
		830,410	-	-	62,760	893,170
Accumulated amortisation -						
Balance as previously stated		(41,520)	-	-	-	(41,520)
Transferred from property, plant and equipment	18	-	-	-	(8,239)	(8,239)
Net Book Value		788,890	-	-	54,521	843,411
Acquisition of insurance portfolio		302,949	-	-	-	302,949
Additions		-	-	-	1,421	1,421
Exchange adjustment		4,686	-	-	-	4,686
Amortised during the year		(75,885)	-	-	(6,257)	(82,142)
At 31 December 2004		1,020,640	-	-	49,685	1,070,325
Acquired on acquisition	56(a)	-	-	-	25,961	25,961
Intangible assets identified on acquisition -						
Pan Caribbean Financial Services Limited	56(a)	-	1,801,882	1,092,188	-	2,894,070
First Jamaica Investment Company Limited employee benefits portfolio	56(a,b)	414,924	1,164,519	-	3,291	1,582,734
First Jamaica Investment Company Limited individual life portfolio	56(c)	-	120,000	-	-	120,000
Cayman General Insurance	56(d)	45,999	292,352	65,142	70,026	473,519
Additions		-	-	-	111,341	111,341
Exchange adjustment		13,573	(894)	(170)	(183)	12,326
Amortised during the year		-	(135,701)	(273,047)	(35,905)	(444,653)
At 31 December 2005		1,495,136	3,242,158	884,113	224,216	5,845,623
Cost		1,612,541	3,377,859	1,157,160	273,844	6,421,404
Accumulated amortisation		(117,405)	(135,701)	(273,047)	(49,628)	(575,781)
Net book amount		1,495,136	3,242,158	884,113	224,216	5,845,623

(expressed in thousands of Jamaican dollars unless otherwise stated)

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At 1 January 2004					
Cost -					
Balance as previously stated		830,410	-	-	830,410
Transferred from property, plant and equipment	18	-	-	56,452	56,452
		830,410	-	56,452	886,862
Accumulated amortisation -					
Balance as previously stated		(41,520)	-	-	(41,520)
Transferred from property, plant and equipment		-	-	(1,931)	(1,931)
Net Book Value		788,890	-	54,521	843,411
Additions		-	-	945	945
Amortised during the year		(55,361)	-	(6,019)	(61,380)
At 31 December 2004		733,529	-	49,447	782,976
Acquisition of First Jamaica Investment Company Limited employee benefits portfolio	56	414,924	1,164,519	3,291	1,582,734
Acquisition of First Jamaica Investment Company Limited individual life portfolio	56	-	120,000	-	120,000
Additions		-	-	67,769	67,769
Amortised during the year		-	(41,481)	(12,356)	(53,837)
At 31 December 2005		1,148,453	1,243,038	108,151	2,499,642
Cost		1,245,334	1,284,519	128,457	2,658,310
Accumulated amortisation		(96,881)	(41,481)	(20,306)	(158,668)
Net book amount		1,148,453	1,243,038	108,151	2,499,642

Amortisation charges of $444,653 and $53,837 have been included in administration expenses for the Group and the company respectively. Customer relationships are amortised over 20 – 25 years, trade names are not amortised as it is assumed to have infinite lives and computer software are being amortised over 2-10 years, which is estimated to be their useful lives.

Subsequent to the valuation of the PCFS' trade name, the Board of the ultimate parent company, Sagicor Financial Corporation made a strategic decision to expand PCFS throughout the Caribbean and consequently PCFS will be re-branded using the Sagicor name. This resulted in the trade name being amortised over four years when the re-branding is expected to be completed.

The individual life portfolio is being amortised over 15 years which is estimated to be the average life of the policyholders' in the portfolio.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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The Group operates the following pension plans:

(a) Life of Jamaica Limited operates a defined contributory plans for eligible sales agents. There is also a contributory defined benefit plan for eligible administrative staff. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2003) was 98%. The company is paying contributions at the level recommended in the latest actuarial valuation so that a solvency level of 100% can be attained over three years.

The plan is valued annually in line with IAS 19 by a qualified actuary and reviewed by an independent actuary. The latest actuarial valuation was done as at 31 December 2005.

(b) Sagicor Life of the Cayman Islands Limited participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.

(c) Pan Caribbean Financial Services Group has 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 trustee administered funds. 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.

	A8,:3&?+		**A8,*&M+I!**	
	c^^P	**c^^g**	**c^^P**	**c^^g**
Retirement benefit assets -				
Pension scheme	16,705	1,496	-	-
Retirement benefit obligations -				
Pension scheme	85,301	107,016	85,301	107,016
Other post-retirement benefits	202,397	158,194	191,271	153,453
	287,698	265,210	276,572	260,469

Pension schemes comprised the following -

	A8,:3&?+		**A8,*&M+I!**	
	c^^P	**c^^g**	**c^^P**	**c^^g**
Retirement benefit assets	(16,705)	(1,496)	-	-
Retirement benefit obligations	85,301	107,016	85,301	107,016
	68,596	105,520	85,301	107,016

21. Retirement Benefits (Continued)

(a) Pension schemes

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Present value of funded obligations	2,296,102	1,847,495	2,176,045	1,819,166
Fair value of plan assets	(2,482,795)	(1,945,090)	(2,346,033)	(1,915,265)
	(186,693)	(97,595)	(169,988)	(96,099)
Unrecognised actuarial gains	249,860	203,115	255,289	203,115
Limitation of asset due to uncertainty of future benefits	5,429	-	-	-
Liability in the balance sheet	68,596	105,520	85,301	107,016

The Pooled Investment Fund Limited, which manages the Group's pension plan, has assets including property occupied by the Group, with a market value of approximately $1,050,000 (2004 - $900,000).

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Current service cost	100,671	31,124	91,146	30,642
Interest cost	226,821	145,261	215,534	143,588
Expected return on plan assets	(252,288)	(130,111)	(238,326)	(127,046)
Net actuarial losses/(gains) recognised in year	861	(11,792)	(990)	(16,252)
Total, included in staff costs (Note 45)	76,065	34,482	67,364	30,932

The actual return on plan assets was $177,661 (2004- $634,558) and $175,854 (2004- $626,882) for the Group and company, respectively.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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(a) Pension schemes

Movement in the liability recognised in the balance sheet:

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	c^^P	**c^^g**	**c^^P**	**c^^g**
At 1 January	105,520	183,190	107,016	182,148
Assumed on acquisition (Note 56(a))	(14,073)	-	-	-
Total expense – as above	76,065	34,482	67,364	30,932
Contributions paid	(98,916)	(112,152)	(89,079)	(106,064)
At 31 December	68,596	105,520	85,301	107,016

The principal actuarial assumptions used were as follows:

	A8, : 3&?+ I ! ' A8, * &M+I !	
	c^^P	**c^^g**
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	10.0%	10%
Future pension increases	3.5%	3.5%
Average expected remaining working lives (years)	14	12

(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.

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%).

(expressed in thousands of Jamaican dollars unless otherwise stated)

21. Retirement Benefits (Continued)

(b) Other post-retirement benefits

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Present value of unfunded obligations	293,466	170,038	280,992	165,956
Unrecognised actuarial losses	(91,069)	(11,844)	(89,721)	(12,503)
Liability in the balance sheet	202,397	158,194	191,271	153,453

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Current service cost	22,843	10,845	22,264	10,464
Interest cost	20,859	28,990	20,349	28,275
Net actuarial (gains)/losses recognised in year	(18)	3,854	-	3,818
Total included in staff costs (Note 45)	43,684	43,689	42,613	42,557

Movements in the amounts recognised in the balance sheet:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Liability at beginning of year	158,194	121,950	153,453	118,341
Assumed on acquisition (Note 56(a))	3,365	-	-	-
Total expense, as above	45,633	43,689	42,613	42,557
Contributions paid	(4,795)	(7,445)	(4,795)	(7,445)
Liability at end of year	202,397	158,194	191,271	153,453

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22. Segregated Funds

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	The Group		The Company	
	2005	**2004**	**2005**	**2004**
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	The Group		The Company	
	2005	**2004**	**2005**	**2004**
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(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Related Party Balances and Transactions

The Group is controlled by The Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 59.9% of the ordinary stock units and First Jamaica Investment Limited owns 24.73%. The remaining 15.37% of the stock units is widely held.

Related parties include the Pooled Investment Funds and the segregated funds managed by the Group.

Related companies include ultimate parent company, parent company and fellow subsidiaries.

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Current accounts –				
Ultimate parent company	25,086	115,600	37,985	38,720
Parent company	37,985	79,932	10,793	7,973
Fellow subsidiaries	-	-	300,535	104,323
Segregated funds	353,384	(10,162)	353,384	(10,162)
Pooled Investment Fund	221,623	(8,235)	221,623	(8,235)
Other	1,480	8,135	8,135	(2,139)
Directors and key management personnel -				
Loans	18,744	-	-	-
Securities purchased under resale agreements	9,780	-	-	-
Investment securities	63,952	-	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

	A8, : 3&?+		A8, * &M+l!	
	c^^P	c^^g	c^^P	c^^g
Parent company -				
Investment income	-	10,030	-	10,030
Shared services fees	54,558	20,264	54,558	20,264
Fellow subsidiaries -				
Administration fee income	-	-	4,307	-
Management fee income	-	-	9,440	43,632
Premium income	-	-	6,934	8,471
Shared services fees	-	-	13,500	4,433
Segregated funds -				
Administration fees income	23,215	9,742	23,215	9,742
Management fee income	88,743	79,495	88,743	79,495
Pooled Investment Fund -				
Lease rental expense	117,560	108,330	117,560	108,330
Management fees income	189,506	191,177	189,506	191,177
Administration fees income	76,542	78,269	76,542	78,269
Directors and key management personnel -				
Interest expense	9,780	-	-	-
Other related parties -				
Interest and other income earned	8,036	-	-	-
Interest and other expenses paid	37,573	-	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Related Party Balances and Transactions (Continued)

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Key management compensation -				
Salaries and other short term benefits	237,674	135,789	134,178	135,789
Share based payments	29,995	-	9,575	-
Post-employment benefits	6,142	3,876	3,899	3,876
	273,811	139,665	147,652	139,665
Directors' emoluments -				
Fees	8,801	510	4,914	510
Other expenses	4,935	4,219	4,935	4,219
Management remuneration (included above)	44,237	55,081	44,237	55,081
	57,973	59,810	54,086	59,810

24. Share Capital and Share Premium

	The Group and The Company	
	2005	**2004**
Authorised:		
13,598,340 (2004 – 13,598,340)		
Ordinary shares of $0.10 each	1,359,834	1,359,834
Issued and fully paid:		
3,716,449 (2004 – 2,543,698)		
Ordinary shares of $0.10 each	371,644	254,369

Issued and fully paid:

	Share Capital		Share Premium
	No.		
At 31 December 2004	2,543,698	254,369	2,749,812
Employee Share Purchase Plan (a) -			
Proceeds from shares issued	16,730	1,673	146,271
Shares issued in relation to acquisition of First Jamaica portfolio (b) (Note 56(b))	1,156,021	115,602	4,277,277
At 31 December 2005	3,716,449	371,644	7,173,360

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24. Share Capital and Share Premium (Continued)

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·K¾ ?± "F ' , ⇒ ! , JK!

C: - "' O, K! ' 22- 59 9: K5- ' , ⇒ ! 9 ± 9- ! ⇒ 5 - N- "A⇒E- 9 I : ' : KE- "' O, J ⇒ (⇒ - O ⇒ ⇒O AO - J6⇒P⇒J⇒ , - 5⇒ (' 2 - O, J O - ! = ' 2 ' ! - - K5 ·⇒ - - J6⇒PJ , - 5⇒ (¾q C: - "' O, K! : K9 9- = K9⇒(- ¨ V¡ q ¡¡ ' 2 ⇒ - KA⇒ ' 59- (PA= A! j ⇒99A- (9: K5- 9 ' 2z¡ q¨¡ - K": 2 5⇒ - 9± "F ' , ⇒ ! , JK! q

C: - - N- "A⇒E- 9 K5- - ! ⇒⇒J (c PA=! ' =' PJ6- (c± , A5": K9- ⇒ - "' O, K! 9± "F K=K , 5- j9, - "⇒2⇒ (, 5⇒ - K=9' O- 2A⇒A5- (K= q C: - 9± "F ' , ⇒ ! I ⇒JE- 9=' E- 5 ⇒O - K! (OK P- - N- "A= (2 5 K J⇒O ⇒ (⇒O - c 6⇒E- ! ' E- 5 ⇒ - ! - N= 2 A5 - K59 K! (- N- 5' ⇒9KPJ 2 5 K! ⇒O - I ⇒ ⇒ ⇒ - ! - N= ⇒ ' - K59 ⇒ - 5- K2= 5q C: - 9± "F ' , ⇒ ! 5- I K5(9 , K9= , - 52 5O K! "- PA= ⇒9 KJ⇒' K! ⇒ "- ! ⇒E- 2 52A⇒A5- , - 52 5O K! "- (A5⇒ 6 ⇒ - E- 9 ⇒ 6 K! (- N- 5' ⇒9KPJ , - 5⇒ (q

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G, ' ! 5- 9⇒6! K⇒ ! c 5- ⇒5- O - ! ⇒c (⇒9KP⇒J⇒ ' 5 (- K⇒ c ⇒ - - N- "A⇒E- ' 5 : ⇒9y - 5 - 9 ⇒K= I ⇒JJ: KE- ⇒ - 56: = = ± - N- 5' ⇒9- ⇒ - E- 9 ⇒ (PA=A! - N- 5' ⇒9- (' , ⇒ ! 9q / ! (⇒9O ⇒99KJ⇒c ⇒ - - N- "A⇒E- I ' AJ(2 52- ⇒: ⇒9 56: = = ± - N- 5' ⇒9- : ⇒9 ' , ⇒ ! ' E- 5K! E- 9 ⇒ (PA=A! - N- 5' ⇒9- (' , ⇒ ! 9q

0 - ⇒K⇒J⇒ ' 2 ⇒ - 9: K5- ' , ⇒ ! 9 ' A⇒9⇒K! (⇒ 6 K5- K9 2 JJ I 9x

	The Group			
	2005		2004	
	Options (thousands)	Average exercise price in $ per share	Options (thousands)	Average exercise price in $ per share
=P- 6⇒ ! ⇒ 6 ' 2 - K5	¨ ½pVp	Vq¨ ¶	¨ ¨ q \ V	¶q¶p
< 5K! = (	½q¡ i \	pq¡ \	¶c¯p½	¨ ¨ q¶¡
4 N- 5' ⇒9- (	j	j	j	j
K, 9- (	j	j	j	j
=- ! (' 2 - K5	¨ pq ½A/	\ q¨ ½	¨ ½pVp	Vq¨ ¶
4 N- 5' ⇒9KPJ K= ⇒ - - ! (' 2 ⇒ - , - 5⇒ (	¶qb¶p	pq¡ \	¯qp¨ \	¨ ¨ q¶¡

(expressed in thousands of Jamaican dollars unless otherwise stated)

24. Share Capital and Share Premium (Continued)

(a) Stock option plan (continued)

The breakdown of the fair value of the options is as follows:

Fair value of options granted	
Expensed in 2003	-
Expensed in 2004	-
Expensed in 2005	10,000
Amount to be expensed in future periods	9,045

Share options outstanding at the end of the year have the following expiry date and exercise price:

	2005	**2004**
2006	-	8,570
2007	12,091	3,521
2008	5,932	1,846
2009	1,022	1,022
	19,045	14,959

For options outstanding at the end of the year, exercise prices range from $2.70 to $11.30 (2004 - $2.70 to $11.30). The weighted average remaining contractual term is four years (2004 – three years).

The weighted average share price at the date of exercise for options exercised during the year was $9.86.

The share options reserve balance at the year end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options at the year end determined using the Black-Scholes valuation model was $9,575. The significant inputs into the model were weighted average share prices of $2.70 at the grant date, exercise price shown above, standard deviation of expected share price returns of 34%, option life disclosed above, and annual risk free interest rate of 13%. The expected volatility is based on statistical analysis of daily share prices over three years.

The Group and the company recognised total expenses of $29,995 and $9,575 (2004 - $Nil) as share options expense.

(b) Shares issued in relation to acquisition of First Jamaica portfolio

The Group issued 1,156,021 shares on 1 April 2005 to the stockholders of First Jamaica Investment Limited as part of the purchase consideration for the its 37% interest in PCFS and 50% of Employee Benefits Administration (Note 56(b)). The ordinary shares issued have the same right as the other shares in issue. The fair value of shares issued amounted to $4,392,879 ($3.80 per share).

(expressed in thousands of Jamaican dollars unless otherwise stated)

25. Capital Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares.

26. Investment and Fair Value Reserves

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed.

	The Group		The Company	
	2005	2004	2005	2004
Owner-occupied properties	100,441	72,602	100,441	72,602
Unrealised gains, net of transfers and recycled gains and losses	(153,845)	669,404	15,471	596,343
	(53,404)	742,006	115,882	668,945

27. Currency Translation Reserve

This represents the unrealised foreign exchange gain or loss on the translation of the overseas subsidiaries, Sagicor Life of the Cayman Islands Limited and Sagicor Re Insurance Limited.

28. Other Reserves

(a) Special Investment Reserve

This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(t)).

(b) Loan Loss Reserve

This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

29. Dividends Declared

	The Group and The Company	
	2005	2004
First interim dividends - 10 cents per share (2004 - 10 cents per share)	256,089	254,369
Second interim dividends - 6 cents per share	483,198	-
	739,287	254,369

30. Customer Deposits

Deposits mainly represent balances on US dollar 366 day 'A' accounts. At the year end approximately $3,338,808 of these deposits were hypothecated against loans made by one of the company's subsidiaries, Pan Caribbean Merchant Bank Limited.

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31. Other Liabilities

	The Group		The Company	
	2005	2004	2005	2004
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"""5A- (EK"K=> !	c ½b	¨ ½½½	d¶b½	¨ ½½½
! ! A>> 9 , K KPJ-	i ½	¡	i ½	¡
%K! F ' E- 5(5K2=	¨ p¡ db\ b	¨ V½qp½¶	¨ \ ¶d¶b½	¨ ¶Vd¶¶¨
%- ! - 2=9 , K KPJ- = , ' J> : ' J(- 59	¨ dV dVV¡	b¶ dVi ½	i Vi q \ ½	\ bpd ½
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; - JK= (, K5= PKJK! "- 9	¶¡ db¡ V	j	½Vqp½p	j
; - >: 9A5K! "- , K KPJ-	¼ q V¡	i c ½½	¨ ¡ i c ¡ \	½ q V¨
	½£ i pd½pp	¨ db ¡ dVbV	c ¡ Vq p	¨ d¶p qp¡ b

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32. Provision

	The Group		The Company	
	2005	2004	2005	2004
=P- 6>! >: 6 ' 2 - K5	bi qp¨	Vpd Vi ¶	bi qp¨	Vpd Vi ¶
35 E{ - ((A5> 6 =: - - K5	bbc \ b	bi qp¨	bbc \ b	bi qp¨
G=>J9- ((A5> 6 =: - - K5	·bi qp¨ ¾	·Vpd Vi ¶¾	·bi qp¨ ¾	·Vpd Vi ¶¾
=- ! (' 2 - K5	bbc \ b	bi qp¨	bbc \ b	bi qp¨
+' O, 59> 6 j				
35 E9> ! 2 5 ¡ ¡ ½	j	bi qp¨	j	bi qp¨
35 E9> ! 2 5 ¡ ¡ V	bbc \ b	j	bbc \ b	j
	bbc \ b	bi qp¨	bbc \ b	bi qp¨

(expressed in thousands of Jamaican dollars unless otherwise stated)

33. Due to Ultimate Parent Company

This represents amounts due to Sagicor Life Inc. and has no specific repayment terms.

34. Due from Fellow Subsidiary

This represents a promissory note due to Sagicor Life of the Cayman Islands and includes interest payable of $3,310. This loan is unsecured and has no specific repayment terms. The loan attracts interest of 4.89%.

35. Due to Banks and Other Financial Institutions

	Currency	%	The Group 2005	The Company 2005
Long Term Loans -				
Development Bank of Jamaica Limited (DBJ) -				
Repayable over varying periods from 24 to 96 months	J$	various	52,199	-
Repayable over varying periods from 48 to 96 months	US$	various	145,539	-
Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) -				
Repayable in one amount on 30 December 2009 (Loan #1)	J$	6	22,660	-
GOJ/World Bank Loan in association with Jamaica Exporters Association (JEA) -				
Draw-down commencing May 1996 to November 2000 Repayable within 5 years of the date of each draw-down	US$	nil	10,450	-
European Investment Bank (EIB) -				
Repayable in 5 annual instalments commencing March 2011 and ending March 2015	J$	2	23,583	-
Repayable in 1 instalment on 31 December 2007	J$	2	24,854	-
Repayable in 1 instalment on 31 December 2007	J$	Nil	15,361	-
Repayable in 1 instalment on 31 December 2007	J$	Nil	24,640	-
Repayable in 1 instalment on 31 December 2007	J$	3½	31,133	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10	23,556	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	9.571	59,600	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	US$	3½	24,143	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10	75,121	-
			532,839	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Due to Banks and Other Financial Institutions (Continued)

	Currency	%	The Group 2005	The Company 2005
Balance brought forward (page 80)			532,839	-
Long Term Loans (continued)				
Development Bank of Jamaica Limited (DBJ) -				
Repayable over varying periods from 24 to 48 months	US$&J$	various	246,742	-
The National Export-Import Bank of Jamaica Limited -				
Repayable over varying periods ending 31 December 2005	J$	6½-9	52,500	-
First Jamaica Investments Limited -				
Repayable over varying periods from 24 to 48 months	J$	18½-25	1,904	-
European Investment Bank (EIB) -				
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10	50,767	-
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10	24,209	-
Repayable in 7 equal annual installments commencing on 5 December 2008	J$	10	75,879	-
			984,840	-
Short Term Loans -				
Dehring, Bunting and Golding			321,903	321,903
Citibank N.A				
Repayable in one installment on 20 December 2006	US$	7½	128,761	-
Repayable in one installment on 20 December 2006	US$	10¼	228,848	-
			1,664,352	321,903
Interest payable			14,413	-
			1,678,765	321,903

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35. Due to Banks and Other Financial Institutions (Continued)

(a) Development Bank of Jamaica Limited (DBJ)

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8 A! (9 (⇒9PA59- (⇒ ⇒ - "' O, K! P- K5 ⇒ ⇒ 5- 9 = K= 0 %H9 J- ! (⇒ 6 5K⇒ , 5- EK⇒J⇒ 6 K= ⇒ - (K⇒ ' 2 K, , 5 EKJ ' 2 - K": (⇒9PA59- O - ! = A! J- 99 ' ⇒ - 5 ⇒9- EK5⇒ (P 0 %Hq

(b) Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG)

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' K! r¨ j 0 $ bq¡¡q¡¡ (⇒9PA59- (¨pp¡q

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' K! r¨ j 0 $ bc¡¡q¡¡ (⇒9PA59- (¨pp¶q

C: ⇒9 J K! ⇒9 5- , K KPJ- ⇒ 2 5- ⇒6! "A55- ! " q C: - ⇒ = 5- 9 = 5K⇒ ' 2 \ ¢ , - 5 K! ! AO "' ! 9⇒9⇒9 ' 2 K! j, ' 5⇒ ! K! (K %j, ' 5⇒ ! q C: - j, ' 5⇒ ! 9: KJJP- ¡¢V¢ , - 5 K! ! AO K! (9: KJJP- 5- O⇒ (⇒ 0 $ ⇒ 0 4 < q C: - %j, ' 5⇒ ! 9: KJJP- , K{ ⇒ K 9, - "⇒KJ2A! (⇒ 5O - (kC: - C5K2KJ6K5 < - 5O K! 8 A! (DDq C: - 2A! (⇒9 ⇒ P- A9- (, 5OK5⇒J 2 5 ⇒ - "' E- 5K6- ' 2 2 5- ⇒6! - N': K! 6- J 99- 9 ⇒ "A55- (P ⇒ - "' O, K! 9: ' AJ[⇒ - 9- 2A! (9 P- "' ! E- 5 ⇒ (⇒ HKOK⇒K! (' JJK59cK! (2 5' ⇒ - 5 ⇒ ": ! ⇒ KJJK99⇒9⇒K! "- q

(c) Jamaica Exporters' Association (JEA)

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(expressed in thousands of Jamaican dollars unless otherwise stated)

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f' h 2 ?3&+, I ! B C, 7;M, ! ; $ I ! Df2B$ h

The company has three facilities with the EIB.

Facility # 1

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

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

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

Facility # 2

(a) A facility was established in the amount of EUR 5,000,000. The loan was disbursed to the company in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed. To date total disbursement stands at approximately EUR 2,106,000.

Facility # 2

(b) In 1999, an additional facility was established in the amount of EUR 3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. The outstanding loan balance is repayable in one installment on 31 December 2007. In the event of a solvent liquidation of the beneficiary, the company shall pay over to EIB only the net proceeds from the liquidation, or a portion thereof, after deduction of any amounts repaid in respect of the equity participation.

Facility # 3

(c) A facility was established in the amount of EUR 4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to the company in tranches. The draw downs may be done in US$ of J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal installments commencing 5 December 2008.

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Due to Banks and Other Financial Institutions (Continued)

(e) Dehring, Bunting and Golding

This loan attracts interest at 6.5% and is repayable January 2006. The loan is secured by Government of Jamaica securities totaling US$1,120 and J$606,800.

36. Insurance Contract Liabilities

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Group annuities	2,482,303	2,017,013	2,382,099	1,960,570
Group insurance	1,046,636	349,793	1,050,927	352,182
Individual insurance	1,353,544	1,162,209	467,927	323,914
	4,882,483	3,529,015	3,900,953	2,636,666

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36. Insurance Contract Liabilities (Continued)

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	The Group				
	2005				
	Group Annuities	Individual Insurance	Group Insurance	General Insurance	Total
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	2004				
	Group Annuities	Individual Insurance	Group Insurance	General Insurance	Total
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%KJK! " - K=- ! (' 2 - K5	¯q ¨ bq ¨ ¶	¨ c¨ \ ¯c¯¡ p	¶½pcbp¶	j	¶c√¯pq ¨ V

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Company			
	2005			
	Group Annuities	Individual Insurance	Group Insurance	Total
Balance as previously stated	1,970,100	504,745	352,182	2,827,027
Transferred to investment contracts on acquisition of IFRS 4	(9,530)	(180,831)	-	(190,361)
Balance as restated	1,960,570	323,914	352,182	2,636,666
Life insurance portfolio assumed	140,757	159,680	626,769	927,206
Normal changes in policyholders' liabilities	280,772	(15,667)	71,976	337,081
	2,382,099	467,927	1,050,927	3,900,953
	2004			
Balance as previously stated	1,685,330	787,794	286,668	2,759,792
Transferred to investment contracts on acquisition of IFRS 4	(9,574)	(166,005)	-	(175,579)
Balance as restated	1,675,756	621,789	286,668	2,584,213
Assumed on amalgamation	-	3,223	-	3,223
Normal changes in policyholders' liabilities	284,814	(301,098)	65,514	49,230
	1,960,570	323,914	352,182	2,636,666

(expressed in thousands of Jamaican dollars unless otherwise stated)

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(c) Investment and other assets supporting policyholders' and other liabilities:

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Quoted securities	-	-	-	-	759,226	759,226
Investment properties	-	-	-	-	556,382	556,382
Securities	4,055,595	4,745,751	-	-	30,341,095	39,142,441
Mortgages	247,372	87,418	-	-	952,420	1,287,210
Other assets	649,740	-	-	10,701,848	12,476,124	23,827,712
Segregated fund assets	5,096,916	-	-	-	-	5,096,916
	10,049,623	4,833,169	-	10,701,848	45,085,247	70,669,887
	c^^g					
Quoted securities	-	-	-	-	1,992,828	1,992,828
Investment properties	-	-	-	-	585,780	585,780
Securities	2,878,631	3,235,195	21,706	45,212	296,134	6,476,878
Mortgages	713,618	270,327	-	-	146,476	1,130,421
Other assets	594,610	-	-	1,897,649	2,498,610	4,990,869
Segregated fund assets	5,096,916	-	-	-	-	5,096,916
	9,283,775	3,505,522	21,706	1,942,861	5,519,828	20,273,692

(expressed in thousands of Jamaican dollars unless otherwise stated)

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(c) Investment and other assets supporting policyholders' and other liabilities (continued):

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Quoted securities	-	-	-	521,445	521,445
Investment properties	-	-	-	324,934	324,934
Securities	3,245,670	4,497,635	-	990,968	8,734,273
Mortgages	247,372	117,512	-	889,562	1,254,446
Other assets	349,791	-	4,110,921	7,644,489	12,105,201
Segregated fund assets	4,878,552	-	-	-	4,878,552
	8,721,385	4,615,147	4,110,921	10,371,398	27,818,851
	c^^g				
Quoted securities	-	-	-	1,750,175	1,750,175
Investment properties	-	-	-	382,071	382,071
Securities	1,873,260	3,046,052	45,212	1,074,128	6,038,652
Mortgages	713,618	264,383	-	66,090	1,044,091
Other assets	307,085	-	1,623,013	1,846,114	3,776,212
Segregated fund assets	4,946,461	-	-	-	4,946,461
	7,840,424	3,310,435	1,668,225	5,118,578	17,937,662

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group				
	2005				
	Annuities	Group Insurance	Individual Insurance	General Insurance	Total
Change in assumed investment yields and inflation rate	(135,659)	-	(196,307)	-	(331,966)
Foreign currency translation	4,073	(174)	40,227	-	44,126
Change due to the issuance of new policies and decrements on inforce policies	429,050	70,248	67,750	-	567,048
Change due to other actuarial assumptions	27,069	-	119,985	-	147,054
	324,533	70,074	31,655	-	426,262
	2004				
Change in assumed investment yields and inflation rate	(194,043)	-	38,962	-	(155,081)
Foreign currency translation	1,588	(3)	14,903	105	16,593
Change due to the issuance of new policies and the decrements on inforce policies	527,947	62,320	85,509	21,601	697,377
Change due to other actuarial assumptions	(36,567)	-	(496,579)	-	(533,146)
	298,925	62,317	(357,205)	21,706	25,743

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Insurance Contracts Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions (continued).

	The Company			
	2005			
	Annuities	Group Insurance	Individual Insurance	Total
Change in assumed investment yields and inflation rate	(137,491)	-	(191,980)	(329,471)
Change due to the issuance of new policies and decrements on inforce policies	389,265	71,976	45,141	506,382
Change due to other actuarial assumptions	26,672	-	133,498	160,170
	278,446	71,976	(13,341)	337,081
	2004			
Decrease in assumed investment yields and inflation rate	(191,818)	-	(18,296)	(210,114)
Change due to the issuance of new policies and the decrements on inforce policies	516,466	65,514	9,795	591,775
Change due to other actuarial assumptions	(39,835)	-	(292,596)	(332,341)
	284,813	65,514	(301,097)	49,230

36. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(i) Best estimate assumptions

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

(ii) Mortality and morbidity

The assumptions are based on past group and industry experience. For individual life policies the group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 1983 Individual Annuitant male and female basic mortality tables with projection scale G for improvements in mortality.

(iii) Investment yields

The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 1.3% and 2.6%.

(iv) Lapses and persistency

Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 12% and 25% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 5% and 8% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

(v) Policy expenses

Policy maintenance expenses are derived from the group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on calendar year inflation and declines over the life of the policies such that real returns after 30 years are between 1.3% and 2.6%.

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicates that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Insurance Contracts Liabilities (Continued)

(f) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under long term insurance contracts, changes in assumptions will cause a change to the amount of the liability. The table below indicates the liability adjustment required as a result of deterioration in the variable.

	The Group		
		2005	2004
Variable	**Change in Variable**	**Change in Liability**	**Change in Liability**
Worsening of mortality/morbidity	+3% for 5 yrs	363,494	118,993
Improvement in annuitant mortality	-3% for 5 yrs	58,233	42,878
Lowering of investment return	-½% for 10 yrs	1,368,088	689,220
Worsening of base renewal expense inflation rate	+5% for 5 yrs	736,335	395,641
Worsening of lapse rate	x2 or x0.5	1,195,767	409,479

	The Company		
		2005	2004
Variable	**Change in Variable**	**Change in Liability**	**Change in Liability**
Worsening of mortality/morbidity	+3% for 5 yrs	329,741	118,993
Improvement in annuitant mortality	-3% for 5 yrs	57,316	42,878
Lowering of investment return	-½% for 10 yrs	1,203,869	689,220
Worsening of base renewal expense inflation rate	+5% for 5 yrs	729,737	395,641
Worsening of lapse rate	x2 or x0.5	1,070,050	409,479

(expressed in thousands of Jamaican dollars unless otherwise stated)

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Fair value -				
Segregated funds (unit-linked)	5,057,466	5,096,916	4,878,552	4,946,461
Amortised cost -				
Amounts on deposit	2,031,671	1,476,529	1,788,758	1,266,424
Deposit administration fund	2,351,237	1,389,064	2,233,747	1,278,130
Fair value -				
Other investment contracts	276,029	271,434	184,732	190,361
	4,658,937	3,137,027	4,207,237	2,734,915
	9,716,403	8,233,943	9,085,789	7,681,376

The benefits offered under the Group's unit-linked investment contract are based on the return of the segregated funds assets. The Group communicates the performance of these contracts to its policyholders' at their policy anniversaries.

All financial liabilities at fair value through profit and loss are designated by the Group to be in this measurement category.

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

37. Investment Contract Liabilities (Continued)

Deposit Administration Funds

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Balance at the beginning of the year	1,389,064	1,441,379	1,278,130	1,348,760
Pension funds assumed on acquisition (Note 56(b))	792,303	23,372	792,303	-
Deposits received	226,596	140,941	226,596	138,835
Interest earned	240,664	158,208	234,256	151,859
Service charges	(15,076)	(7,367)	(14,625)	(7,367)
Transfers to Pooled Investment Fund	(149,337)	(181,914)	(149,337)	(181,914)
Withdrawals	(138,615)	(187,503)	(133,576)	(172,043)
Revaluation adjustment	5,638	1,948	-	-
	2,351,237	1,389,064	2,233,747	1,278,130

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 216 (2004 - 127) clients. The average interest rate paid during the year was 11.5% (2004 – 10%).

(expressed in thousands of Jamaican dollars unless otherwise stated)

38. Net Premium Income

(a) Gross premiums by line of business:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Group insurance -				
Group creditor life	190,162	3,722	188,115	3,722
Group health	2,878,173	1,548,428	2,794,001	1,544,862
Group life	720,183	473,360	678,003	452,050
Other	38,730	103,896	38,730	103,896
	3,827,248	2,129,406	3,698,849	2,104,530
Individual life	3,580,336	2,845,705	3,078,231	2,498,888
Annuities and pensions	534,342	551,101	509,239	530,167
Property and casualty	89,631	86,463	-	-
	8,031,557	5,612,675	7,286,319	5,133,585

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Group insurance -				
Group health	28,825	15,874	19,370	15,718
Group life	72,703	23,669	54,321	20,257
Other	21,255	30,971	21,255	30,970
	122,783	70,514	94,946	66,945
Individual life	259,393	319,833	201,453	164,047
Property and casualty	173,865	65,137	-	-
	556,041	455,484	296,399	230,992
Net Premiums	7,475,516	5,157,191	6,989,920	4,902,593

(expressed in thousands of Jamaican dollars unless otherwise stated)

38. Net Premium Income (Continued)

(c) Premiums by geography:

	The Group	
	2005	**2004**
Jamaica	6,989,920	4,902,593
Grand Cayman	485,596	254,598
	7,475,516	5,157,191

39. Investment Income

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Interest income -				
Bank deposits	4,899	3,367	1,848	2,501
Corporate debentures	54,792	61	52,677	61
Investment securities	5,029,610	843,871	985,226	766,421
Less: Impairment provision	(104,617)	-	(24,798)	-
	4,924,993	843,871	960,428	766,421
Loans	662,004	109,411	126,743	101,950
Policy loans	88,646	100,465	54,552	70,317
Government securities purchased under resale agreements	57,115	66,456	54,564	66,456
Other	21,830	-	16,875	-
	5,814,279	1,123,631	1,267,687	1,007,706
Dividends – ordinary shares	29,855	10,465	135,609	5,573
Net foreign exchange income	121,437	50,813	37,162	50,507
Net gains on investment securities	640,508	358,305	174,715	320,880
Other investment income	34,238	29,926	22,107	14,461
	6,640,317	1,573,140	1,637,280	1,399,127

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40. Interest Expense

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
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41. Fee Income

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
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42. Co-Insurance Distribution

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(expressed in thousands of Jamaican dollars unless otherwise stated)

43. Insurance Benefits and Claims

Insurance benefits

	The Group		The Company	
	2005	2004	2005	2004
Short term insurance contracts -				
Death benefits	2,001,078	1,111,087	1,951,381	1,109,008
Movement in liabilities (Note 36)	70,248	62,320	71,976	65,514
	2,071,326	1,173,407	2,023,357	1,174,522
Long term insurance -				
Death, maturities and surrender benefits	1,792,950	1,323,003	1,572,191	1,141,907
Movement in liabilities (Note 36)	311,889	(69,404)	265,104	(16,283)
	2,104,839	1,253,598	1,837,295	1,125,624
	4,176,165	2,427,005	3,860,652	2,300,146

44. Investment Contract Benefits

Benefits from unit linked investment contracts for $1,338,771 (2004 - $1,208,856) are accrued to the account of the policyholder as the fair value the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

(expressed in thousands of Jamaican dollars unless otherwise stated)

45. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Wages and salaries	1,150,942	732,709	817,605	661,271
Payroll taxes	111,769	62,038	76,653	62,038
Pension costs (Note 21)	76,065	34,482	67,364	30,932
Other post retirement benefits (Note 21)	45,633	43,689	42,613	42,557
Stock option expense (Note 24)	29,995	-	10,000	-
Other	135,529	10,287	81,376	6,557
	1,549,933	883,205	1,095,611	803,355

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
	No.	**No.**	**No.**	**No.**
Number of employees at year end -				
Full - time administrative	677	453	489	414
Part - time administrative	107	78	90	72
	784	531	579	486

(b) Contractors – sales agents

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Commissions and bonuses	1,288,361	1,008,124	1,220,932	964,828
	No.	**No.**	**No.**	**No.**
Number of insurance sales agents at year end	383	331	370	318

(expressed in thousands of Jamaican dollars unless otherwise stated)

46. Expenses by Nature

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Actuarial fees	489	5,755	489	5,755
Amortisation of intangible assets (Note 20)	444,653	82,142	53,837	61,380
Auditors' remuneration -				
Current year	27,516	15,887	14,475	10,718
Prior year	-	4,768	-	4,768
Co-insurance distribution	-	100,896	-	100,896
Depreciation (Note 18)	89,422	56,147	61,971	53,133
Directors' emoluments -				
Fees and other expenses (Note 23)	13,736	3,709	9,849	4,729
Impairment losses on loans and bad debts	43,143	-	-	-
Insurance contracts	4,094,501	2,384,884	3,801,759	2,260,428
Marketing and public relation expenses	199,716	169,872	151,815	165,653
Office supplies	103,935	53,646	64,463	52,976
Operating lease rentals	118,754	111,580	118,754	111,580
Rent	77,891	60,980	52,155	57,652
Repairs and maintenance expense	46,102	21,046	40,180	18,719
Postage, telephone and fax	84,090	52,690	61,719	44,496
Professional fees	67,917	76,541	52,265	70,181
Salaries, pension contributions and other staff benefits (Note 45) -				
Employees	1,549,933	883,205	1,095,611	803,355
Contractors (Note 45)	1,288,361	1,008,124	1,220,932	964,828
Other expenses	397,596	267,285	132,886	182,691
	8,647,755	5,359,157	6,933,160	4,973,938

Expenses by nature include the total of benefits and expenses.

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47. Taxation

·K¾ CKN>9 "' O, A= (K9 2 JJ I 9x

	The Group		The Company	
	2005	2004	2005	2004
+ A55- ! = - K5=KNK=> ! j				
35- O>AO =KNU ¶¢	¨ V½£¨ Vi	¨ ¯ ¡ q p¨	¨ V½£¨ Vi	¨ ¯ ¡ q p¨
D E- 9=O - ! =>"' O- =KNU ¨ V¢	¨ \ ½¢ ¡ ¡	¨ VVqp½V	¨ \ ½¢ ¡ ¡	¨ VVqp½V
D"' O- =KNK=¶¶ ⅓¢	¨ \ Vc¨ ¡ ½	j	j	j
	½ ¶c¯ \ ¯	¯ b\ q ¶\	¶¨ i c¨ Vi	¯ b\ q ¶\
0 - 2 55- (>"' O- =KN·* ' = ¨ p¾				
0 - 2 55- (=KN": K56- 5- JK=> 6 ± =- ' 56>K=> ! K! (5- E- 59KJ' 2= O, ' 5K5 (>22 5- ! "- 9	¯¯ Vc½¯ ½	bc¼ ¡	¶¨ d ¨ ¯	bqp¨ p
0 - 2 55- (=KN>"' O- 5- 9AJ>6 23 O >"5- K9- >- =KN5K=	j	·¯ \ c¯ bV¾	j	·¯ \ c¯ bV¾
	¯¯ Vc½¯ ½	·¨ i d bV¾	¶¨ d ¨ ¯	·¨ i c¶V\ ¾
	b¡ i d i \	¯ Vbc¨ \ ¨	¶½pdbb¡	¯ Vbd i ¡

·¾ 35- O>AO =KN": K56- 9 2 5=- < 5 A, >"JA(- =KN ' ! (- , ' 9>9 5- JK=>6 ± =- 9- 65- 6K= (2A! (9 ± =KJ>6 z¨ q \ ¡ d ¶¶ ·¯ ¡ ¡ ½j zp½½d bV¾qC: - >"' O- 23 O =- 9- 2A! (9 >9 ! ' =>"JA(- (>- =- 2> K! "=KJ9=K= O - ! =9 ' 2 =- "' O, K! q C: - "' O, K! 5-"' E- 59 =- 9- ": K56- 9 = 5 A6: , 5- O>AO >"' O- ": K56- (± =- 2A! (9 2 5 =- , 5 E9>! ' 2J2 >9A5K! "- "' E- 5K6- q

·¾ D"' O- =KN K= ¶¶⅓¢ >9 , K KPJ- ' ! >"' O- - K5 - (P / H 35 , - 5= $ K! K6- O - ! = >O= (K! (3K! + K5PP- K! 8>K! "=KJ? - 5E>' - 9 >O= (q

·¾ ?APB "= ± =- K65- - O - ! = ' 2 =- CKN, K - 5 A(>= K! (99- 99O - ! = 0 - , K5=O - ! = c J 99- 9 ' 2 ' ! - ' 2 =- "' O, K! °9 9AP9{ =K5> 9c / H 35 , - 5= $ K! K6- O - ! = >O= (cKEK<JKPJ- 2 59- =' 22K6K>9=2A=A5- =KNKPJ- , 5 2>9 KO' A! = ± K, , 5 N9O K= J z¨ ¯ qp¡ b ·¯ ¡ ¡ ½j z¯ qpV¨ ¾q

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. Taxation (Continued)

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Premium tax -				
Gross premium income	8,031,557	5,612,675	7,268,319	5,133,585
Tax at 3%	240,947	168,380	218,050	154,008
Adjusted for:				
Income not subject to tax	(128,138)	(82,533)	(105,241)	(68,161)
Premium income relating segregated funds	31,819	28,340	31,819	28,340
Reinsurance premium not deductible	9,530	5,904	9,530	5,904
	154,158	120,091	154,158	120,091
Investment income tax -				
Gross investment income	6,640,317	1,573,140	1,673,280	1,399,127
Tax at 15%	996,048	235,971	250,992	209,869
Adjusted for:				
Deductible expenses	(31,328)	(29,730)	(31,328)	(29,730)
Income not subject to tax	(121,005)	(119,015)	(66,971)	(92,913)
Net investment income not subject to investment tax	(691,022)	-	-	-
Premium income relating segregated funds	41,479	65,322	41,479	65,322
Expenses not deductible for tax purposes	975	2,175	975	2,175
Increase in opening deferred taxes resulting from increase in tax rate	-	(26,275)	-	(26,275)
Net effect of other charges and allowances	465	9,141	465	9,141
	195,612	137,589	195,612	137,589
Income tax -				
Profit before taxation	3,489,023	1,690,951	-	-
Tax at 33⅓%	1,163,008	563,650	-	-
Adjusted for:				-
Premium and investment income not subject to income tax	(734,482)	(564,186)	-	-
Income not subject to tax	(106,878)	-	-	-
Expenses not deductible for tax	37,993	163	-	-
Adjustment for tax losses	(5,698)	-	-	-
Net effect of other charges and allowances	4,973	(146)	-	-
	358,916	(519)	-	-
Income tax expense	708,686	257,161	349,770	257,680

(expressed in thousands of Jamaican dollars unless otherwise stated)

48. Earnings Per Stock Unit

Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Net profit attributable to stockholders	2,424,329	1,433,790
Weighted average number of ordinary stock unit in issue	3,426,887	2,539,423
Basic earnings per share	$0.71	$0.57

The diluted earnings per stock unit are calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) The Group established an Employee Share Ownership Plan for which 2% of the company's authorised share capital has been allocated.

(b) Effective 1 May 2003, the Group instituted a share based plan for executives. Shares amounting to 150,000,000 or 5% of the authorised share capital of $0.10 each have been set aside for this plan.

	2005	2004
Net profit attributable to stock unit	2,424,329	1,433,790
Weighted average number of ordinary stock unit in issue	3,426,887	2,539,423
Adjusted for -		
Share option and share based plans	36,855	41,965
Weighted average number of ordinary stock unit for diluted earnings per stock unit	3,463,742	2,581,388
Fully diluted earnings per stock unit	$0.70	$0.56

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Reinsurance Ceded

The group entered into reinsurance agreements with the following companies:

Swiss Re and Munich Re	Individual life policies
Munich Re	Group life and personal accident
Munich Re	Group health

The retention rates for life insurance and annuity blocks of contracts range between 0 - 37.5% on policy liabilities.

The retention limits or maximum exposure on insurance policies is as follows for the company and the Group:

	2005 & 2004	
	Jamaican dollars	**United States dollars**
Individual life policies	$5,000	$100
Group life	$5,000	-
Group health	$1,000	-

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50. Fair Values of Financial Instruments

8 K<5 EKJA- >9 =: - KO' A! = 2 5 I : >ª: K! K99- = "' A,[P- - N': K! 6- (c ' 5 K JKP>J= 9- =J (c P- =: - - ! F! ' I J (6- KPJ c I >JI 6 , K5> 9 >: K! K5O ª9 J ! 6 = =5K! 9K" =>! q$ K5F- =, 5ª - >9 A9- (± (- = 5O >: - 2K<5 EKJA- I : - 5- K! K" =E- OK5F- = - N9=9 K9 >= >9 =: - P- 9= - E{ - ! " - ' 2 =: - 2K<5 EKJA- ' 2K 2: K! " >KJ >: 9=5AO - ! =q@ I - E- 5c OK5F- =, 5ª - 9 K5- ! ' = KEK>JKPJ 2 5 K 9>6! >2ª K! =! AO P- 5 ' 2 =: - 2: K! " >KJ K99- =9 K! (JKP>J>> 9 : - J(K! (>99A- (P =: - 65 A, qC: - 5- 2 5- c 2 5 2: K! " >KJ >: 9=5AO - ! =9 I : - 5- ! ' OK5F- =, 5ª - >9 KEK>JKPJ c =: - 2K<5 EKJA- 9 , 5- 9- ! = (: KE- P- - ! - 9=OK= (A9>: 6 , 5- 9- ! = EKJA- ' 5' =: - 5- 9=OK=>! K! (EKJAK=>! = ": ! >1A- 9 PK9- (' ! OK5F- = "' ! (>>! 9 - N9=> 6 K=PKJK! " - 9: - - =(K= 9q

C: - EKJA- 9 (- 5E- (25 O K, , J >: 6 =: - 9- = ": ! >1A- 9 K5- 9>6! >2ª K! =J K22 " = (P =: - A! (- 5J >: 6 K99AO, =>! 9 A9- ("' ! " - 5I >: 6 P' =: =: - KO' A! =9 K! (=O >: 6 ' 2 2A=A5- " K9: 2J I 9 K! (=: - (>9" ' A! = 5K= 9q C: - 2 JJ I >: 6 O- =: ' (9 K! (K99AO, =>! 9 : KE- P- - ! A9- (x

·K¾ 8 >: K! " >KJ >: E- 9=O - ! =9 " JK99>2> (K9 KEK>JKPJ j 2 5 j 9KJ K5- O - K9A5 (K= 2K<5 EKJA- P 5- 2 5- ! " - ± 1A' = (OK5F- =, 5ª - 9 I : - ! KEK>JKPJ q[D21A' = (OK5F- =, 5ª - 9 K5- ! ' = KEK>JKPJ c =: - ! 2K<5 EKJA- 9 K5- - 9=OK= (' ! =: - PK9>9 ' 2 , 5ª >: 6 O' (- JI ' 5 ' =: - 5 5- " ' 6! >9- (EKJAK=>! = ": ! >1A- 9 9A": K9 ' P=K: >: 6 >(ª K=E- P{ 9 25 O K 5K! 6- ' 2 >: E- 9=O - ! = =5K(- 5I K! (A9>: 6 =: - KE- 5K6- ' 2 =: ' 9- P{ 9

·P¾ C: - 2K<5 EKJA- ' 2 J1A{ K99- =9 K! (' =: - 5 K99- =9 OK=A5>: 6 I >= >: ' ! - - K5 >9 K99AO - (± K, , 5 N=OK= =: - >5 " K55 >: 6 KO' A! = qC: >9 K99AO, =>! >9 K, , J> (± J1A{ K99- =9 K! (=: - 9: ' 5j = 5O - J O - ! =9 ' 2 KJJ' =: - 5 2: K! " >KJ K99- =9 K! (2: K! " >KJJKP>J>> 9

·"¾ C: - 2K<5 EKJA- ' 2 (- OK! ((- , ' 9>=9 K! (9KE>: 6 9 K" " ' A! =9 I >= ! ' 9, - " >2ª OK=A5> >9 K99AO - (± P- =: - KO' A! =, K KPJ ' ! (- OK! (K== - PKJK! " - 9: - - =(K= K! (

·(¾ C: - 2K<5 EKJA- ' 22N- (5K= J K! 9 >9 - 9=OK= (P " ' O, K5>: 6 OK5F- =>: = 5- 9=5K= 9 I : - ! =: - J K! 9 I - 5- 65K! = (I >= " A55 - ! = OK5F- = 5K= 9 ' 22 5- (' ! 9>O >JK5 J K! 9q 8' 5 OK=ª : j 2A! (- (J K! 9 =: - 2K<5 EKJA- >9 K99AO - (± P- - 1AKJ ± =: - >5 " K55 >: 6 EKJA- c K9 6K>: 9 K! (J 99- 9 ' 2J9- = - K" : ' =: - 5q + : K! 6- 9 >: =: - " 5- (>= 1AKJ= ' 2 J K! 9 I >= >: =: - , ' 5-2 J> K5- ! ' = =KF- ! >: ± K" " ' A! = >: (- = 5O >: >: 6 65 99 2K<5 EKJA- 9 K9 =: - >O, K" = ' 2 " 5- (>= 5>9F >9 5- " ' 6! >9- (9- , K5K= J P (- (A" =>: 6 =: - KO' A! = ' 2 =: - , 5 E9> ! 9 2 5 " 5- (>= J 99- 9 25 O P' =: P' ' F K! (2K<5 EKJA- 9q

0 >22- 5- ! " - 9 P- =: - ! - - ! =: - 2K<5 EKJA- 9 K! (=: - " K55 >: 6 EKJA- 9 K5- K" " ' A! = (2 5 >: (- = 5O >: >: 6 =: - KO' A! = ' 2 , ' Jª : ' J(- 5ª JKP>J>> 9 =: K= O A9= P- 9- = K9>{ - - K" : - K5q

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest risk, equity price risk, currency risk and credit risk.
These positions arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Group primarily faces due to the nature of its investments and liabilities is interest rate risk.

Management seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(a) Insurance risk

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

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Long term contracts

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk, delays in implementing increases in charges and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

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51. Financial Risk Management (Continued)

(a) Insurance risk (continued)

' ! 6 ⊰ 5O "' ! ⊰5K" ⊰9 ·"' ! ⊱ A- (¾

·¾85- 1A- ! " K! (9- E- 5⊰ ' 2" JK⊱O 9 ·"' ! ⊱ A- (¾

C: - < 5 A, OK! K6- 9 ⊰ - 9- 59F9 ⊰ 5 A6: ⊱9 A! (- 5I 5⊱ 6 9⊰5K⊰ 6 K! (5- ⊱ 9A5K! "- K5⊰5K! 6- O - ! ⊰9q

C: - A! (- 5I 5⊱ 6 9⊰5K⊰ 6 ⊱9 ⊱ ⊰ ! (- (± - ! 9A5- ⊰ K⊰⊰ - 59F9 A! (- 5I 5⊱ ! K5- I - JI(⊱E- 5I⊱2⊱ (⊱ ⊰ 5O 9 ' 2 ⊰ , - ' 2 59F K! (⊰ - J- E- J' 2 ⊱ 9A5- (P- ! - 2⊱9q C: - < 5 A, 5- ⊱ 9A5- 9 ⊰ - - N' - 99 ' 2 ⊰ - ⊱ 9A5- (P- ! - 2⊱ ' E- 5 zVq ¡ ¡ 2 5 9⊰K! (K5(59F9 A! (- 5 K! - N' - 99 ' 2 J 99 5- ⊱ 9A5K! "- K5⊰5K! 6- O - ! ⊰q $ - (⊱ KJ ⊱O, K⊱5- (JE- 9 K5- 5- ⊱ 9A5- (K⊰J I - 5 J- E- J9q C: - < 5 A, (' - 9 ! ' ⊰, JK" - K! 5- ⊱ 9A5K! "- 2 5"' ! ⊰5K" ⊰9 ⊰ K⊰⊱ 9A5- 9A5⊰E⊱EKJ59Fq

D 9A5K! "- 59F 2 5 "' ! ⊰5K" ⊰9 ⊱9 KJ9' K22 "⊰ (P ⊰ - , ' J⊱ : ' J(- 59° 56: ⊰ ± , K 5- (A" - (' 5 ! ' 2A⊰A5- , 5- O ⊱AO 9c ± ⊰ 5O ⊱ K⊰ ⊰ - "' ! ⊰5K" ⊰"' O, J ⊰ J c ' 5 ± - N- 5' ⊱9- K 6AK5K! ⊰ - (K! ! A⊱ ' , ⊱ ! q 9 K 5- 9AJc ⊰ - KO' A! ⊰' 2 ⊱ 9A5K! "- 59F ⊱9 KJ9' 9APB "⊰ ± ⊰ - , ' J⊱ : ' J(- 5 P- : KE⊱ A5q / ! ⊰ - K99AO, ⊱ ! ⊰ K⊰⊰ - , ' J⊱ : ' J(- 59 I ⊱JI O KF- (- "⊱ ! 9 5K⊰ ! KJJ c ' E- 5KJJ 59F "K! P- K99AO - (± P- K66 5KEK⊰ (P 9A": P- : KE⊱ A5q

C: - < 5 A, : K9 2K" ± 5- (⊰ - ⊱O, K" ⊰' 2 , ' J⊱ : ' J(- 59 P- : KE⊱ A5 ⊱ ± ⊰ - K99AO, ⊱ ! 9 A9- (± O - K9A5- ⊰ - 9- JKP⊱3⊱ ⊱ 9q

·⊱¾?' A5' - 9 ' 2A! "- 5⊰K⊱ ⊰ ⊱ ⊰ - - 9⊰O K⊰ ! ' 22A⊰A5- P- ! - 2⊱, K O - ! ⊰9 K! (, 5- O ⊱AO , K O - ! ⊰9

G! "- 5⊰K⊱ ⊰ ⊱ ⊰ - - 9⊰O K⊰ ! ' 2 2A⊰A5- P- ! - 2⊱, K O - ! ⊰9 K! (, 5- O ⊱AO 5- "- ⊱ ⊰9 2 5 J ! 6 ⊰ 5O ⊱ 9A5K! "- "' ! ⊰5K" ⊰9 K59- 9 2⊱ O ⊰ - A! , 5 (⊱ ⊰KP⊱3⊱ ' 2 J ! 6 ⊰ 5O ": K! 6- 9 ⊱ ' E- 5KJJ J- E- J9 ' 2 O' 5⊰KJ⊱ K! (⊰ - E⊰K5⊰KP⊱3⊱ ⊱ ⊰ - , ' J⊱ : ' J(- 5 P- : KE⊱ A5q

C: - < 5 A, A9- 9 K, , 5 , 5⊰K⊰ PK9- ⊰KPJ 9 ' 2 9⊰K! (K5(O' 5⊰KJ⊱ K" "' 5(⊱ 6 ± ⊰ - ⊰, - ' 2 "' ! ⊰5K" ⊰ P- ⊱ 6 I 5⊱ ! q ! ⊱ E- 9⊰6K⊰ ! K9 ± ⊰ - K" ⊰AKJ- N, - 5⊱ ! "- ' 2 ⊰ - < 5 A, ⊱9 "K55⊱ (' A⊰cK! (9⊰K⊰9 ⊱ KJO - ⊰ ' (9 K5- A9- (± K(BA9 ⊰ ⊰ - "5A(- O' 5⊰KJ⊱ 5K⊰ 9 ± , 5 (A" - K P- 9 ⊰ - 9⊰O K⊰ ' 2- N, - "⊰ (O' 5⊰KJ⊱ 2 5 ⊰ - 2A⊰A5- q

?: ' 5⊰(A5K⊰ ! J2 ⊱ 9A5K! "- "' ! ⊰5K" ⊰9

·¾85- 1A- ! " K! (9- E- 5⊰ ' 2" JK⊱O 9

C: - 9- "' ! ⊰5K" ⊰9 K5- OK⊱ J ⊱99A- (± - O, J - 59 ± ⊱ 9A5- ⊰ - ⊱5"' O O ⊱O - ! ⊰9 ± ⊰ - ⊱5- O, J - - 9 ⊱ ⊰ 5O 9 ' 2 ⊰ - ⊱5, - ! 9⊱ ! 2A! (K! (' ⊰ - 5 - O, J - - P- ! - 2⊱, JK! 9q C: ⊱9 59F ⊱9 K22 "⊰ (P ⊰ - ! K⊰A5- ' 2 ⊰ - ⊱ (A9⊰5 ⊱ I : ⊱: ⊰ - - O, J - 5 ', - 5K⊰ 9q C: - 59F ' 2(- K⊰ K! ((⊱9KP⊱3⊱ I ⊱JIEK5 P ⊱ (A9⊰5 qG! (A- "' ! " - ! ⊰5K⊰ ! ' 2 59F P ⊱ (A9⊰5 I ⊱JI ⊰ - 5- 2 5- ⊱ " 5- K9- 9 ⊰ - 59F ' 2K ": K! 6- ⊱ ⊰ - A! (- 5J ⊱ 6 KE- 5K6- O' 5⊰KJ⊱ ' 5O' 5P⊰(⊱ ' 2- O, J - - 9 ⊱ K 6⊱E- ! ⊱ (A9⊰5 cI ⊱ ⊰ 9⊱6! ⊱2⊱ K! ⊰ - 22 "⊰9 ' ! ⊰ - ' E- 5KJJ ⊱ 9A5K! "- 59Fq

D 9A5K! "- 59F A! (- 5 (⊱9KP⊱3⊱ "' ! ⊰5K" ⊰9 ⊱9 KJ9' (- , - ! (- ! ⊰' ! - "' ! ' O⊱ "' ! (⊱⊱ ! 9 ⊱ ⊰ - ⊱ (A9⊰5 q C: - < 5 A, K⊰ O, ⊰9 ± OK! K6- ⊰ ⊱9 59F ⊰ 5 A6: ⊱9 A! (- 5I 5⊱ 6c "JK⊱O 9 : K! (J⊱ 6 K! (5- ⊱ 9A5K! "- , ' J⊱ q 4 N' - 99 ' 2 J 99 5- ⊱ 9A5K! "- "' ! ⊰5K" ⊰9 : KE- P- - ! , A5' : K9- (P ⊰ - < 5 A, ± JO ⊱ ⊰ - O KN⊱O AO J 99 ' ! K! ' ! - J2 ± zVq ¡ ¡ q

51. Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(b) Cash flow and fair value interest rate risk

Cash flow 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 company 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 Asset and liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The Group only bears financial risk in relation to the guaranteed benefits payable under these contracts. These benefits increase as supplemental benefits that are declared are distributed to policyholders.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimates of mortality and voluntary terminations.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

·- N¸ 5- 99- (›› =- ' A9K! (9 ' 2HKOK›› K! (' JJK59 A! J- 99 ' =- 5I ›9- 9=K= (¾

51. Financial Risk Management (Continued)

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

·›¾ ' ! 6 = 5O ›› 9A5K! "- "' ! =5K"=9 K! (›› E- 9=O- ! ="' ! =5K"=9 I ›› ' A=2›N- (= 5O 9
8' 5A! ›› ¡J›› F- ("' ! =5K"=9 =- < 5 A, OK=" : - 9 KJJ= - K99- =9 ' ! I : ›› : =- A! ›=, 5›› - 9 K5- PK9- (I ›› K99- =9 ›› =- , ' 5=2 J›› q C: - 5- ›9 ! ' , 5›› - c" A55- ! " c" 5- (›› c' 5 ›› = 5- 9=5K= 59F 2 5 =- 9- "' ! =5K"=9q

C: - < 5 A, °9 , 5O K5 - N¸ ' 9A5- ›› 2›› K! " ›› KJ 59F 2 5 =- 9- "' ! =5K"=9 ›9 =- 59F ' 2 E JK=›› ›› K99- = OK! K6- O- ! =2 - 9 (A- ›› =- ›O, K" =' 2 ›› = 5- 9=5K= K! (OK5F- =, 5›› - O' E- O- ! =9 ' ! =- 2K›5 EKJA- ' 2 =- K99- =9 : - J(›› =- J›› F- (2A! (9c' ! I : ›› : ›› E- 9=O- ! =OK! K6- O- ! =2 - 9 K5- PK9- (q

(- "5- K9- ' 2¨ ¡ ¢ ›› =- EKJA- ' 2 =- K99- =9 I ' AJ(5- (A" - =- K99- =OK! K6- O- ! =2 - 9 P z¶bd ¡ ¡ , - 5 K! ! AO ·¯ ¡ ¡ ½ j z¶Vd \ i ¾q

G! ›› ¡J›› F- (K! (›› = 5- 9=¡9- ! 9›› E- A! ›› E- 59KJJ2 =, - "' ! =5K"=9 : KE- - OP- ((- (9A55- ! (- 5' , ›› ! 9q C: - 9- - OP- ((- ((- 5EK=›› E- 9 EK5 ›› 5- 9, ' ! 9- ›› =- ": K! 6- ›› K 2›› K! " ›› KJ EK5KPJ ·9A": K9 - 1A›= , 5›› - 9 K! (›› = 5- 9=5K= 9¾q = - K5 - ! (c KJJ- OP- ((- ((- 5EK=›› E- 9 I ›› ›› ›› 9A5K! "- JKP›› ›› 9 I - 5- "J 9- J 5- JK= (›› =- : ' 9="' ! =5K"=K! ((›› (! ' =5- 1A›5- 9- , K5K=›› ! q

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8' 5 9: ' 5= = 5O ›› 9A5K! "- "' ! =5K"=9c =- < 5 A, : K9 OK=" : - (=- ›› 9A5K! "- JKP›› ›› 9 I ›› K , ' 5=2 J›› ' 2 (- P=9- "A5›› 9q C: - 2›› K! " ›› KJK99- =9 ›› =- ›9 , ' 5=2 J›› K5- ": K5K"= 59- (P ›› = 5- 9=5K= 59Fq

?: ' 5= = 5O JKP›› ›› 9 K5- ! ' = (›› 5- "=J 9- ! 9›› E- ›› =- J E- J ' 2 OK5F- = ›› = 5- 9= 5K= 9c K9 =- K5- A! (›9"' A! = (K! ("' ! =5K"=AKJJ ! ' ! j ›› = 5- 9=P- K5›› 6q

C: - 2 JJ I ›› 6 =KPJ 9 9AOOK59- "K5 ›› 6 KO' A! =9 ' 2 PKJK! "- 9: - - = K99- =9c JKP›› ›› 9 K! (- 1A›= ›› ' 5(- 5 ›› K55E- K= = =- < 5 A, °9 K! (=- "' O, K! °9 ›› = 5- 9=5K= 6K, PK9- (' ! - K5›› 5' 2"' ! =5K"=AKJ5 , 5›› ›› 6 ' 5 OK=A5= (K= 9q

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

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

	The Group						
	2005						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Assets							
Cash resources	1,405,240	-	1,114	-	-	19,478	1,425,832
Financial assets at fair value through profit or loss	-	-	-	716,700	997	-	717,697
Short term deposits	777,316	-	-	-	-	-	777,316
Available-for-sale securities	6,255,287	6,799,411	6,668,896	8,125,112	12,532,607	943,904	41,325,217
Loans and receivables securities	-	328,320	498	178,828	1,268,049	649,782	2,425,477
Government securities purchased under resale agreements	1,759,389	185,814	54,929	-	-	-	2,000,132
Investment properties	-	-	-	-	-	556,382	556,382
Associates company	-	-	-	-	-	2,725	2,725
Loans	724,575	569,677	1,158,207	1,372,071	1,179,858	-	5,004,388
Lease receivables	-	-	-	-	39,947	-	39,947
Taxation recoverable	-	-	-	-	-	713,554	713,554
Due from parent company	-	-	-	-	-	37,985	37,985
Due from ultimate parent company	-	-	-	-	-	19,231	19,231
Reinsurance contracts	-	-	-	-	-	1,172,698	1,172,698
Cash reserve at Bank of Jamaica	33,909	-	-	-	-	22,678	56,587
Other assets	-	30,987	252,890	-	-	2,475,245	2,759,122
Property, plant & equipment	-	-	-	-	-	694,074	694,074
Deferred income taxes	-	-	-	-	-	21,729	21,729
Intangible assets	-	-	-	-	-	5,845,623	5,845,623
Retirement benefit asset	-	-	-	-	-	16,705	16,705
Segregated funds' assets	12,964	1,424,606	468,747	151,557	863,379	2,136,213	5,057,466
Total assets	10,968,680	9,338,815	8,605,281	10,544,268	15,884,837	15,328,006	70,669,887

·- N¸ 5- 99- (>: =: ' A9K! (9 ' 2H-KO K>³ K! (' JJK59 A! J 99 ' =: - 5I >9- 9=K= (¾

51. Financial Risk Management (Continued)

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

	The Group						
	2005						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Liabilities							
< ' E- 5I O- ! =9- " A5>> 9 9' J(A! (- 5 5- , A5' : K9- K65- - O- ! =9	¨ \ d ¯ bd½¯	bq ¨ ¯ q \ b	½½¶½b½	¶d¶p¶	pV¡ db¶¡	j	¯pc¯¯ i d¶i ¡
+ A9= O- 5(- , ' 9>9	b¯½½b¶	¼½½¯¯¶	¨ d \ ¡ d¶¡ p	i V¶qpi	V¨ ¡ d½b¯	j	½¯ ¡ ¶d½bV
/ =: - 5 JKP>J>> 9	¨ p¡ db\ b	j	¨ pbd¶¯V	j	j	¶d ¡ ¨ d¼ b	½¯ i pd½pp
0 A- = AJ=OK= , K5- ! =" ' O, K!	j	j	j	j	j	¨ ½d ¯½	¨ ½d ¯½
0 A- = PK! F9 K! (' =: - 52> K! " >KJ >: 9=>A=> ! 9	¶½¯d¼ \	¯¨ ¨ qp¡ V	¨ i bdb¶i	¼½¨ d¼ \	½ Vd¶¨ ¡	j	¨ d bi db\ V
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0 - 2 55- (>: " ' O- =KN- 9	j	j	j	j	j	¯¨ bc¯b¨	¯¨ bc¯b¨
; - =5- O- ! =P- ! - 2=' PJ6K=> ! 9	j	j	j	j	j	¯i bd pi	¯i bd pi
? - 65- 6K= (2A! (9° JKP>J>> 9	j	p¶db\ \	¯¯bq V½	V¶\ q ¶¯	½£¯ ¡ ¡ d ¨ ½	j	Vq Vbd¼ \
D 9A5K! " - " ' ! =5K" =9	j	¨ ¡ ¶	¨ q i ¨	¯¡ dbi V	¶d ¨ ¶d bi	¨ q ¼ d ¶\	½d i ¯d½ ¶
D E- 9=O- ! =" ' ! =5K" =9	j	¶½¶q b¨	i ¯bd¼ ¶	¨ ¯d b\	¶d½bVdbi b	j	½d Vi qp¶b
C' =KJJKP>J>> 9	¨ i q i Vq i i	i d¨ ¨ Vd¨ ¶V	bdV¶Vd Vi	¨ d bi c¯p¡	¨ ¶d½¶\ dbp¨	Vdb¯pd½V	V½bi ¡ d½ ¶
On balance sheet interest sensitivity gap	·bd¨ ¨ \ d¼ i ¾	¨ c¯¯¶d ¡	¨ q \ pd ¯¶	i d \ Vqbi	¯d½½ q ¼	pdVpi dVV	¨ Vd i pd½b½
Cumulative interest sensitivity gap	·bd¨ ¨ \ d¼ i ¾	·Vd p¯db¯i ¾	·½d ¯¶d¨ ¡ V¾	¶d ½¯d b¶	\ c¯p¡ qp¨ p	¨ Vd i pd½b½	
	2004						
C' =KJK99- =9	i \ \ qp¯b	¶q Vi dV¯p	V\ \ d¨ i ½	i ¶pd½¯½	\ c¯¶½d¶¨ ¶	i db¡ i d¶¨ V	¯¡ c¯b¶d p¯
C' =KJJKP>J>> 9	Vp¯dV¶¯	¯c¯i bc¯V¡	Vp¨ db¨	¶\ ¯d½¶V	bdb¶½¨ ½	¯dVV½¨ V\	¨ ½¨ ¯¯c \ V
On balance sheet interest sensitivity gap	¯b½d¶pV	bb¨ c¯bp	·¯VdV\ b¾	½b\ qpi p	·¨ d½ppd ¯i ¾	\ d¨ V½¨ Vp	\ d¨ V¨ d½¯b
Cumulative interest sensitivity gap	¯b½d¶pV	¨ q ¼Vd b½	¨ q ¯¡ d¨ ¡ b	¨ d½pbq p\	·¯db¶¯¾	\ d¨ V¨ d½¯b	

51. Financial Risk Management (Continued)

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

	The Company						
	2005						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Assets							
Cash and bank	267,526	-	-	-	-	118	267,644
Short term deposits	22,281	-	-	-	-	-	22,281
Available-for-sale securities	-	328,860	197,465	1,800,813	6,173,773	521,477	9,022,388
Loans and receivables	-	372,563	10,498	18,828	1,311,437	349,791	2,063,117
Government securities purchased under resale agreements	343,964	15,295	-	-	-	-	359,259
Investment properties	-	-	-	-	-	324,934	324,934
Investments in subsidiaries	-	-	-	-	-	5,041,462	5,041,462
Investment in associate	-	-	-	-	-	2,725	2,725
Lease receivables	-	-	-	-	-	25,176	25,176
Reinsurance contracts	-	-	-	-	-	137,558	137,558
Property, plant & equipment	-	-	-	-	-	506,933	506,933
Deferred income taxes	-	-	-	-	-	13,019	13,019
Intangible assets	-	-	-	-	-	2,499,642	2,499,642
Other assets	-	1,758	252,890	-	-	2,399,513	2,654,161
Segregated funds' assets	9,589	1,244,194	449,653	331,269	722,189	2,121,658	4,878,552
Total assets	643,360	1,962,670	910,506	2,150,910	8,207,399	13,944,006	27,818,851
Liabilities							
Government securities sold under repurchase agreements	502,360	-	-	-	-	-	502,360
Due to fellow subsidiary	-	-	-	-	327,528	-	327,528
Due to banks and other financial institution	321,903	-	-	-	-	-	321,903
Retirement benefit obligations	-	-	-	-	-	276,572	276,572
Other liabilities	163,374	-	197,326	-	-	2,191,639	2,552,339
Segregated funds' liabilities	-	93,766	227,055	536,032	4,021,699	-	4,878,552
Insurance contracts	-	103	312	1503	2,848,108	1,050,927	3,900,953
Investment contracts	-	343,071	827,403	12,676	3,024,087	-	4,207,237
Total liabilities	987,637	436,940	1,252,096	550,211	10,221,422	3,519,138	16,967,444
On balance sheet interest sensitivity gap	(344,277)	1,525,730	(341,590)	1,600,699	(2,014,023)	10,424,868	10,851,407
Cumulative interest sensitivity gap	(344,277)	1,181,453	839,863	2,440,562	426,539	10,851,407	
	2004						
Total assets	700,232	3,016,301	468,303	758,449	4,336,086	8,658,291	17,937,662
Total liabilities	560,104	1,747,250	501,727	345,782	6,946,328	2,251,731	12,352,922
On balance sheet interest sensitivity gap	140,128	1,269,051	(33,424)	412,667	(2,610,242)	6,406,560	5,584,740
Cumulative interest sensitivity gap	140,128	1,409,179	1,375,755	1,788,422	(821,820)	5,584,740	

(expressed in thousands of Jamaican dollars unless otherwise stated)

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The table summaries the average effective yields by the earlier of the contractual repricing or maturity dates:

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	–	–	–	–	–	–
Cash resources	3.00	-	-	-	-	3.00
Investments (1)	19.14	24.33	14.49	14.42	15.97	17.67
Mortgages (2)	11.60	11.60	11.60	11.60	11.60	11.60
Policy loans	17.53	17.53	17.53	17.53	17.53	17.53
Investment contracts	8.00	8.00	8.00	8.00	8.00	8.00
Bank overdraft	26.75	-	-	-	-	26.75
Deposits	6.01	6.34	7.01	8.45	8.98	7.30
Amounts due to banks and other financial institution	10.42	10.50	7.50	7.00	6.00	8.44

	c^^g					
	BMM, ' <I ;, H 3I ;, 7, ! 7<;<C,	O<;8<I e # &! ;87	e ;&`c # &! ;87	` ;&P (, I 37	- C, 3P (, I 37	O, <I 48;, ' C, 3I 4,
	–	–	–	–	–	–
Cash resources	3.50	-	-	-	-	3.5
Investments (1)	11.20	9.25	4.50	16.54	15.95	13.75
Mortgages (2)	18.30	18.30	18.30	18.30	18.30	18.30
Policy loans	17.53	17.53	17.53	17.53	17.53	17.53
Bank overdraft	65.00	-	-	-	-	65.00
Investment contracts	10.25	10.25	10.25	10.25	10.25	10.25

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

(c) Credit risk

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

Key areas where the Group is exposed to credit risk are:

(a) Reinsurers' share of insurance liabilities.
(b) Amounts due from reinsurers in respect of claims already paid.

Reinsurance is used to manage insurance risk. This does not however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group limits the loss on any one policy by reinsuring certain levels of risk with other insurers. The Group selects reinsurers with high credit ratings.

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

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

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

	The Group		The Company	
	2005	**2004**	**2005**	**2004**
Government of Jamaica	36,674,051	5,916,190	7,887,317	4,774,658
Foreign government	327,470	195,131	-	-
Financial institutions	5,381,220	1,459,735	1,394,827	1,062,604
United States Dollar equities	191,871	287,729	90,347	45,076
Corporate equities	432,547	1,380,097	118,677	1,380,097
Mortgages	1,287,210	1,130,421	1,239,166	1,044,091
Policy loans	649,782	597,212	349,791	307,085
Promissory notes	417,994	364,978	417,994	364,978
Other	32	-	32	-
	45,362,177	11,331,493	11,498,151	8,978,589
Interest receivable	1,309,363	212,784	236,538	171,509
	46,671,540	11,544,277	11,734,689	9,150,098

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

(d) Liquidity risk

This is the risk that the Group will have difficulty raising funds to meet commitments. The Group is exposed to daily call on its available cash resources mainly from claims arising from short term insurance contracts. Certain of the Group's policies have features that allow them to be terminated at short notice creating a potential liquidity exposure. In the normal course of business, as far as is possible, the group matches the maturity of invested assets to the maturity of policy liabilities as far as possible.

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

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

·- N¸ 5- 99- (>: =: ' A9K! (9 ' 2H-KOK³ K! (' JJK59 A! J- 99 ' =: - 5I >9- 9=K= (¾

51. Financial Risk Management (Continued)

(d) Liquidity risk (continued)

	The Group					
	2005					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Assets						
+ K9: 5- 9' A5' - 9	¨ ¢½ Vd ¶ ¯	j	j	j	j	¨ ¢½ Vd ¶ ¯
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EK>3KPJ- j 2 5 9KJ- 9- " A5>> 9	¨ ¶q V½d pi	\ d \ i d p\	i c¨ ¯ Vc¨ ¨ ¯	¨ ¯ dV¶ ¯ d ¡ b	p¼¶qp ¡ ½	½ d¶ ¯ Vc¨ ¨ b
' K! 9 K! (5- " - >EKPJ- 9 9- " A5>> 9	¶ ¯ i d¶ ¯ ¡	½pi	¨ bi d ¯ i	¨ c ¯ \ i q ½p	\ ½pdbi ¯	¯ ¢½ Vd½bb
< ' E- 5I O - ! =9- " A5>> 9 , A5' : K9- (A! (- 55- 9KJ- K65- - O - ! =9	¨ qp½Vc ¯ ¡ ¶	V½pp ¯ p	j	j	j	¯ q ¡ ¡ c¨ ¶ ¯
D E- 9=O - ! =, 5 , - 5> 9	j	j	j	j	VV\ d¶i ¯	VV\ d¶i ¯
99' " >K= 9 " ' O, K!	j	j	j	j	¯ db ¯ V	¯ db ¯ V
' K! 9	¨ c ¯ p½c V ¯	¨ c¨ Vi c ¯ ¡ b	¨ d¶b ¯ q b¨	¨ c¨ bpd Vi		Vq ¡ ½d¶i i
- K9- 5- " - >EKPJ- 9	j	j	j	j	¶pqp½b	¶pqp½b
CKNK=> ! 5- " ' E- 5KPJ-	b¨ ¶dVV½	j	j	j	j	b¨ ¶dVV½
0 A- 2I O , K5- ! =" ' O, K!	j	j	j	j	¶bqpi V	¶bqpi V
0 A- 2I O AJ>OK= , K5- ! =" ' O, K!	j	j	j	j	¨ pc ¯ ¶¨	¨ pc ¯ ¶¨
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+ K9: 5- 9- 5E- 9 K=%K! F ' 2H-KOK³ K	¶¶qp ¡ p	j	j	j	¯¯ d bi	V\ dVi b
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3 5 , - 5= c, JK! =© - 1A>; O - ! =	j	j	j	j	\ p½q b½	\ p½q b½
0 - 2 55- (>: " ' O- =KN- 9	j	¯¨ db ¯ p	j	j	j	¯¨ db ¯ p
D =K! 6>PJ- K99- =9	j	j	j	Vd ½Vd ¯ ¶	j	Vd ½Vd ¯ ¶
; - =5- O - ! =P- ! - 2=K99- =	j	j	j	¨ \ db¡ V	j	¨ \ db¡ V
? - 65- 6K= (2A! (9° K99- =9	¯ q ¡ pd V¶	j	¯ ¶d ½	i i bdbVp	¯ c¨ ¶\ c ¯¨ ¶	Vq Vbd½ \
C' =KJK99- =9	¯ ¶d½ ¡ d ¡ b	pqp½bdb\ ½	¨ ¡ ¢½ \ dbpb	¯¨ db¶¨ dVpi	Vc¨ ¡ ¯ qp ¯¨	b¡ d \ pd i b

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

(d) Liquidity risk (continued)

	The Group					
	2005					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Liabilities						
Government securities sold under repurchase agreements	23,997,423	4,276,778	3,449	950,730	-	29,228,380
Customer deposits	1,178,697	1,660,309	853,997	510,472	-	4,203,475
Other liabilities	1,960,070	2,161,090	10,605	57,734	-	4,189,499
Due to ultimate parent company	-	-	-	-	14,624	14,624
Due to banks and other financial institutions	557,715	189,517	454,801	476,732	-	1,678,765
Taxation payable	361,815	-	-	-	-	361,815
Deferred income taxes	-	217,271	-	-	-	217,271
Retirement benefit obligations	-	-	-	287,698	-	287,698
Segregated funds' liabilities	93,766	227,055	536,032	4,200,613	-	5,057,466
Insurance contracts	103	1,080	20,785	4,860,515	-	4,882,483
Investment contracts	343,071	827,403	12,676	3,475,787	-	4,658,937
Total liabilities	28,492,660	9,560,503	1,892,345	14,820,281	14,624	54,780,413
On balance sheet interest sensitivity gap	(5,031,853)	387,261	8,534,452	6,911,317	5,088,297	15,889,474
Cumulative interest sensitivity gap	(5,031,853)	(4,644,592)	3,889,860	10,801,177	15,889,474	-
	2004					
Total assets	3,609,231	2,024,998	20,408	8,999,332	5,619,723	20,273,692
Total liabilities	1,764,208	622,650	1,681,269	10,054,138	-	14,122,265
On balance sheet interest sensitivity gap	1,845,023	1,402,348	(1,660,861)	(1,054,806)	5,619,723	6,151,427
Cumulative interest sensitivity gap	1,845,023	3,247,371	1,586,510	531,704	6,151,427	-

·- N¸ 5- 99- (>: =: ' A9K! (9 ' 2H-KO K>¸ K! (' JJK59 A! J- 99 ' =: - 5I >9- 9=K= (¾

51. Financial Risk Management (Continued)

(d) Liquidity risk (continued)

	2005					
	The Company					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Assets						
+K9: K! (PK! F	¯\ bd ½½	j	j	j	j	¯\ bd ½½
?: ' 5==5O (- , ' 9>9	¯¯c¯i ¨	j	j	j	j	¯¯c¯i ¨
EK>JKPJ j2 5j9KJ 9- "A5>> 9	¶¯i d¶¨ ¨	¨ pbd½ V	¨ d ¡ ¡ d ¨ ¶	\ d¨ b½d¶¯¯	V¯¨ d½bb	pq ¯¯d¶i i
' K! 9 K! (5- "- >EKPJ 9	¶¨ ¶qppV	½pi	¨ bi d ¯i	¨ c¯¯ ¡ q ¡ V	¶½pdbp¨	¯q \ ¶d¨ ¨ b
< ' E- 5I O- ! =9- "A5>> 9 , A5' : K9- (A! (- 5 5 9KJ K65- - O- ! =9	¶½¶qp\ ½	¨ Vc¯pV	j	j	j	¶Vpc¯Vp
D E- 9=O- ! =, 5 , - 5>> 9	j	j	j	j	¶¯½qp¶½	¶¯½qp¶½
D E- 9=O- ! =9 >: 9AP9>{ >K5> 9	j	j	j	j	Vq ½ d½¯	Vq ½ d½¯
D E- 9=O- ! =>: K99' "=K=	j	j	j	j	¯db¯V	¯db¯V
- K9- 5- "- >EKPJ 9	j	j	j	¯Vd¨ b\	j	¯Vd¨ b\
; - >: 9A5K! "- "' ! =5K" =9	j	¨ ¶bdVi	j	j	j	¨ ¶bdVi
3 5 , - 5= c, JK! =© - 1A>; O- ! =	j	j	j	j	Vi \ qp¶¶	Vi \ qp¶¶
0 - 2 55- (>: "' O- =KN 9	j	¨ ¶q ¨ p	j	j	j	¨ ¶q ¨ p
D =K! 6>PJ K99- =9	j	j	j	¯d½ppd ½¯	j	¯d½ppd ½¯
/ =: - 5K99- =9	¨ db¯bqpb½	p¯½d ¨ ¯	j	j	¨ d¶bV	¯d V½d ¨ \ ¨
?- 65- 6K= (2A! (9° K99- =9	¨ qpb½d ¨ i ¶	j	j	bi ¯db¨ ¨	¯d¨ ¯¨ d Vi	½d bi dVV¯
C' =KJK99- =9	½pbi d¶V¯	¨ c¯i i d ½b	¨ qpbpd ½	¨ ¡ db¡ ¨ d V\	i d b¡ d¶VV	¯bd ¨ i d V'
Liabilities						
< ' E- 5I O- ! =9- "A5>> 9 9' J(A! (- 5 5 , A5' : K9- K65- - O- ! =9	Vi ¯d¶\ i	j	j	j	j	Vi ¯d¶\ i
0 A- ≠ 2 JJ I 9AP9>{ >K5	¶dVb¶	j	j	j	¶¯½£¯¨ i	¶¯bdbp¨
0 A- ≠ PK! F9 K! (' =: - 52>: K! "=KJ >: 9=>=A=>: !	¶¯¨ qpi ¶	j	j	j	j	¶¯¨ qpi ¶
; - =5- O- ! =P- ! - 2=' PJ6K=>: ! 9	j	j	j	¯b\ dVb¯	j	¯b\ dVb¯
/ =: - 5JKP>J>> 9	¨ d¶i i d½ i	¨ d¨ \ ¶dVp\	j	j		¯dVV¯q b\
?- 65- 6K= (2A! (9° JKP>J>> 9	p¶db\ \	¯¯bq VV	V¶\ q ¶¯	½q ¯¨ d pp	j	½d bi dVV¯
D 9A5K! "- "' ! =5K" =9	¨ i ¶	¶¨ ¯	¨ dVi ¶	¶d ppq ¶V	j	¶qpi i qpV¶
D E- 9=O- ! ="' ! =5K" =9	¶½¶q b¨	i ¯bd¼ ¶	¨ ¯d b\	¶q ¯½q i b	j	½£¯i bc¯¶b
C' =KJJKP>J>> 9	¯d V¶c¯V\	¯c¯¨ i d¶\ \	VVi c¯¨ ¨	¨ ¨ c¯¯¨ d¶p¶	¶¯½£¯¨ i	¨ \ qp\ bd½½
On balance sheet interest sensitivity gap	¯d¶¯Vq p\	·p¯pdb¨ p¾	¨ d½¯pd½¶i	·V¨ pdV¶b¾	i dV½ d¨ ¶b	¨ i d V¨ d¼ b
Cumulative interest sensitivity gap	¯d¶¯Vq p\	¨ d¶pVd¶bb	¯d ¯½d i b	¯d¶i Vc¯b i	¨ i d V¨ d¼ b	j
	2004					
C' =KJK99- =9	¶q V½dVb\	¯q ¨ ½dV\ ½	¨ d¶i ¯dV\ ¨	VdbV\ d ¶\	Vdb¯pd¨ ¯V	¨ bqp¶bd \ ¯
C' =KJJKP>J>> 9	¨ dbpi d¨ pp	¨ d¨ ½ qpV¯	i ¶i qpp\	i dVi ¯dbbV	j	¨ ¯d¶V¯qp¯¯
On balance sheet interest sensitivity gap	¨ c¯\ ½d¶bb	i \ Vd ¨ ¯	VV¨ dV\ V	·¯d ¯Vqp¶p¾	Vdb¯pd¨ ¯V	VdVi ½db¼
Cumulative interest sensitivity gap	¨ c¯\ ½d¯bb	¯d¨ ¯pqpi p	¯d i ¨ dVV½	·¨ ½½d¶i V¾	VdVi ½db¼	j

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

(e) Market risk

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

(f) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group operations in the Cayman Islands create two additional sources of currency risk:

(i) The operating results of the Group foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.

(ii) The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's and the company's assets and liabilities at carrying amounts categorised by currency.

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Financial Risk Management (Continued)

(f) Currency risk (continued)

	2005			
	The Group			
	Jamaican $	US$	Other	Total
Assets				
Cash resources	435,846	972,291	17,695	1,425,832
Financial assets at fair value through profit or loss	717,697	-	-	717,697
Short term deposits	28,134	749,182	-	777,316
Available-for-sale securities	24,793,136	16,058,407	473,674	41,325,217
Loans and receivables	1,491,335	934,142	-	2,425,477
Government securities purchased under resale agreements	345,405	1,653,815	912	2,000,132
Investment properties	324,934	231,448	-	556,382
Investment in associated company	2,725	-	-	2,725
Loans, after allowance for impairment losses	1,390,051	3,614,337	-	5,004,388
Lease receivables	39,947	-	-	39,947
Taxation recoverable	713,554	-	-	713,554
Due from parent company	37,985	-	-	37,985
Due to ultimate parent company	2,948	16,283	-	19,231
Reinsurance contracts	170,103	1,002,595	-	1,172,698
Cash reserve at Bank of Jamaica	27,480	28,895	212	56,587
Other assets	2,062,618	691,750	4,754	2,759,122
Property, plant and equipment	605,648	88,426	-	694,074
Deferred income taxes	21,729	-	-	21,729
Intangible assets	5,075,235	770,388	-	5,845,623
Retirement benefit assets	16,705	-	-	16,705
Segregated funds' assets	4,869,343	188,123	-	5,057,466
Total assets	43,172,558	27,000,082	497,247	70,669,887
Liabilities				
Government securities sold under repurchase agreements	15,037,324	14,191,056	-	29,228,380
Customer deposits	652,288	3,551,187	-	4,203,475
Other liabilities	3,133,505	1,054,592	1,402	4,189,499
Due to ultimate parent company	14,624	-	-	14,624
Due to banks and other financial institutions	756,525	690,390	231,850	1,678,765
Taxation payable	361,815	-	-	361,815
Deferred income taxes	217,271	-	-	217,271
Retirement benefit obligations	287,698	-	-	287,698
Segregated funds' liabilities	4,878,552	178,914	-	5,057,466
Insurance contracts	3,499,766	1,382,717	-	4,882,483
Investment contracts	3,943,464	715,473	-	4,658,937
Total liabilities	32,782,832	21,764,329	233,252	54,780,413
Net position	10,389,726	5,235,753	263,995	15,889,474
	2004			
Total assets	12,509,108	7,583,969	180,615	20,273,692
Total liabilities	11,883,261	2,239,004	-	14,122,265
Net position	625,847	5,344,965	180,615	6,151,427

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51. Financial Risk Management (Continued)

(f) Currency risk (continued)

	2005			
	The Company			
	Jamaican $	US$	Other	Total
Assets				
+K9: K! (PK! F	¯½ d V\	¯¡ qi i	j	¯\ bd ½½
?: ' 5== 5O (- , ' 9>9	¯¯c¯i ¨	j	j	¯¯c¯i ¨
EK>JKPJ j2 5 9KJ 9- "A5>> 9	bc¨ i ¯q ¡ ¨	¨ db bq ¶¡	V¶c¶Vb	pq ¯¯c¶i i
' K! 9 K! (5 "- >EKPJ 9	¨ d ¯¶c¨ ¯¶	¯¶pqp½	j	¯q \ ¶c¨ ¨ b
<' E- 5 O- ! =9- "A5>> 9 , A5": K9- (A! (- 55 9KJ K65 - O- ! =9	\ ¯c¶b¯	¯pVqbV	p¨ ¯	¶Vpc¯Vp
DE- 9=O- ! =, 5 , - 5> 9	¶¯½qp¶½	j	j	¶¯½qp¶½
DE- 9=O- ! =9 > 9AP9>{ >K5> 9	½¨ ¶\ db¼	p¡ ½db¯¯	j	Vq ½¨ c½ ¯
DE- 9=O- ! => K99' "K=	¯db¯V	j	j	¯db¯V
- K9- 5 "- >EKPJ 9	¯Vc¨ b\	j	j	¯Vc¨ b\
; - > 9A5K! "- "' ! =K"=9	¨ ¶bdVi	j	j	¨ ¶bdVi
35 , - 5= c, JK! =© - 1A>, O- ! =	Vi \ qp¶¶	j	j	Vi \ qp¶¶
0 - 2 55 (> "' O- =KN 9	¨ ¶q ¨ p	j	j	¨ ¶q ¨ p
D=K! 6>PJ K99- =9	¯c½ppd ½¯	j	j	¯c½ppd ½¯
/ =- 5K99- =9	¯d V½£¨ \ ¨	j	j	¯d V½£¨ \ ¨
?- 65 6K= (2A! (9° K99- =9	½i \ pc¶½¶	pc¯¡ p	j	½i bi dVV¯
C' =KJK99- =9	¯½Vi \ d \ ½	¶c¯Vbqp¨ i	V½£¯\ p	¯bd ¨ i d V'
Liabilities				
<' E- 5 O- ! =9- "A5>> 9 9' J(A! (- 55 , A5": K9- K65 - O- ! =9	Vi ¯c¶\ i	j	j	Vi ¯c¶\ i
0 A- = 2 JJ I 9AP9>{ >K5	j	¶¯bdp¨	j	¶¯bdp¨
0 A- = PK! F9 K! (' =- 52 K! "KJ 9=>A> !	j	¶¯¨ qi ¶	j	¶¯¨ qi ¶
; - =5 O- ! =P- ! - 2=' PJ6K> ! 9	¯b\ dVb¯	j	j	¯b\ dVb¯
/ =- 5JKP>J>> 9	¯dVV¯q b\	j	j	¯dVV¯q b\
?- 65 6K= (2A! (9° JKP>J>> 9	½i bi dVV¯	j	j	½i bi dVV¯
D 9A5K! "- "' ! =K"=9	¶dVp\ q ¡ i	¶¡ ½qp½V	j	¶qp¡ ¡ qV¶
DE- 9=O- ! ="' ! =K"=9	¶qp½¶c½ ½	¯\ ¶dbb¶	j	½£¯¡ bc¯¶b
C' =KJJKP>J>> 9	¨ Vdb½pq ¶¯	¨ c¯¨ i c½¯	j	¨ \ qp\ bc½½
Net position	i dbVbd ¶¯	¯q ¶pdVi \	V½£¯\ p	¨ ¡ d V' c¼ b
	2004			
Total assets	¨ ¨ d V¶dVi ½	\ c¨ ¡ ¶dV½¶	¨ i ¡ d ¨ V	¨ i q \ ¨ d \ V
Total liabilities	¨ ¨ d b½c¶½V	½bi dVbb	j	¨ ¯c½bbc¨ ¯V
Net position	·¯¯¡ d ½ ¾	Vd ¯½qp\ \	¨ i ¡ d ¨ V	VdVi ½db¼

·- N, 5- 99- (>- =- ' A9K! (9 ' 2HKOK>-K! (' JJK59 A! J- 99 ' =- - 5I >9- 9=K= (¾

52. Commitments

, , 5 EKJ 2 5"' OO>O- ! =9 ± P- >-"A55- (' E- 5 =- ! - N= - K5 2 5 I : >: ! ' , 5 E9>! : K9 P- - ! OK(- >- =- 9- 2>K! "KJ9=K= O- ! =9 >9 K9 2 JJ I 9x

	The Group		The Company	
	2005	2004	2005	2004
·K¾+ K, >KJ- N, - ! (>A5- j				
A= ' 59- (K! (! ' ="' ! =5K"= (2 5	¯φ¯V	Vd V¶	¯φ¯V	Vd V¶
A= ' 59- (K! ("' ! =5K"= (2 5	\ ¨ \ q \ b	j	\ ¨ \ q \ b	j
	\ ¨ i φp¯	Vd V¶	\ ¨ i φp¯	Vd V¶
·P¾+ ' OO>O- ! =9 ± - N= ! ("5- (>j				
/ 56>K= (= 5O ± OK=A5= ' 2O' 5-				
= K! ' ! - - K5	pbq b¯	\ pc¯¶¨	pbq b¯	\ pc¯¶¨
·"¾< AK5K! = - 9 K! (- = 59 ' 2+ 5- (>=	¯¨ bd¶¯	j	j	j

53. Assets Under Administration

+ - 5K> 9AP9>{ >K5> 9 >- =- < 5 A, , 5 E{ - "A9= (c =5A9= - c "' 5, ' 5K= K(O>- >9=5K=> ! c >- E- 9=O- ! = OK! K6- O- ! =' 5 K(E9' 5 9- 5E>- 9 ± =- >5(, K5> 9 I : >: >- E' JE- =- 9- 9AP9>{ >K5> 9 OKF>- 6 KJJ "K=> ! K! (, A5' : K9- K! (9KJ (- "9> ! 9 >- 5- JK=> ! ± K I >{ - 5K! 6- ' 22>K! "KJ>- 9=5AO- ! =9q C: ' 9- K99- =9 =- K= >9 ! ' =>- "JA(- (>- =- 9- 2>K! "KJ 9=K= O- ! =9q 9 K= ¶¨ 0 - "- OP- 5 ¯¡ ¡ Vc =- 9- 9AP9>{ >K5> 9 : K(2>K! "KJ K99- =9 A! (- 5 K(O>- >9=5K=> ! ' 2 K, , 5 N>OK= J z¯¡ d¶¯pd¯¡ q

(expressed in thousands of Jamaican dollars unless otherwise stated)

54. Contingent Liabilities

(a) Universal life policies

The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the company's Universal Life policies portfolio revealed that approximately 17,000 policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the problem was recognised, the company initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. Approximately 90% of these policyholders have already agreed to adjustments to their policies.

The company estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the problem.

The company responded to the FSC on 12 October 2005 and is awaiting the FSC's decision. The cost, if any, of resolving this issue cannot be quantified at this time.

54. Contingent Liabilities (Continued)

(b) Legal proceedings

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 advisors, 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 has not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

Significant matters are as follows:

(i) Suit was filed by Life of Jamaica Limited for arrears of rental payments, management and servicing fees for the sum of approximately $2,000 plus interest and costs.

In a counter claim filed by the defendant for the amount of approximately $32,000, it is being claimed that:

The defendant was entitled to a lesser of rent and services fees for the period April 2001 and January to December 2003 when the premises were affected by flooding.

An abatement of rent by reason of the landlord's failure to provide proper commercial environment to conduct its business for period January to December 2003.

No provision has been made in the financial statements.

(ii) Suit was filed by a former agent against Life of Jamaica Limited for payment of $82,000, representing commission which was allegedly due on policies which were sold during her tenure at LOJ. LOJ has entered an Appearance in the matter and is in the process of preparing a defense. No provision has been made in the financial statements as the company's internal attorneys are of the opinion that the suit against the company is unlikely to succeed.

(iii) Suit was filed by a former tenant against the company for the sum of $15,000 for damages for trespass and conversion of goods arising as a result of the seizure of the tenant's assets under a Writ of Seizure and Sale. No provision has been made in the financial statements as the company's internal attorneys are of the opinion that the suit against the company is unlikely to succeed.

(iv) Suit was filed against Sandals Resort International Limited/ Mammee Bay Hotel Limited to which the company was joined as a party. The company is a shareholder in Mammee Bay Hotel Limited which manages the Sandals Dunns River Hotel also owned by the company on behalf of its pension clients. Allegations are that Sandals through its overseas advertising agents had used the voice of a popular United States singer in its advertising campaign for the resort without their consent. The claim is for US$1,000.

Sandals provided an indemnity to the company in this suit; hence no provision has been made in these financial statements.

·- N, 5- 99- (⇒ ⇒ ' A9K! (9 ' 2HKOK⇒K! (' JJK59 A! J- 99 ' ⇒ - 5 ⇒9- 9⇒K⇒ (¾

PgY * &! ;⇒ 4, ! ; ⇒ N⇒⇒; 7 f* &! ;⇒ ?, ' h

·P¾ - 6KJ, 5 "- - (⇒ 69 ·"' ! ⇒ A- (¾

·E¾ "JK⇒O : K9 P- - ! 2⇒ (K6K⇒ 9= ⇒ - < 5 A, P K! - N, - O, J - - 2 5 K, , 5 N⇒OK⇒ J z¨ ¡ q ¡ ¡ "⇒ ⇒ 6 ⇒ BA5⇒ 9 9A22- 5 (' ! ⇒ - BPq * ' , 5 E⇒9⇒ ! : K9 P- - ! OK(- ⇒ ⇒ - 2⇒ K! "⇒KJ 9⇒K⇒ O - ! ⇒9 K9 ⇒ - "' O, K! ⇒9 OK! K6- O - ! ⇒9 ' 2⇒ - E⇒ I ⇒ K= ⇒ - "' O, K! : K9 K 6' ' ((- 2 ! 9- q

·E¾ ? A⇒ I K9 2⇒ (K6K⇒ 9= ⇒ - "' O, K! 2 5 ⇒ - I ⇒ (5K! KJ' 2 K - = 5 ' 2 G! (- 5⇒KF⇒ 6 ⇒ , 5 E⇒ - O' 5⇒6K6- 2⇒ K! "⇒ 6q C: - , JK⇒ ⇒22 ⇒9 "JK⇒O ⇒ 6 K, , 5 N⇒OK⇒ J z¨ ¶q ¡ ¡ 2 5 J 99- 9 9A22- 5 (q C: - "' O, K! ⇒9 "' ! ⇒ ! (⇒ 6 ⇒ K="- 5⇒K⇒ "' ! (⇒⇒ ! 9 I - 5 ! ' =O- =P ⇒ - "A9⇒ O - 5 K! (: - ! "- ⇒ - I ⇒ (5K! KJ q* ' , 5 E⇒9⇒ ! : K9 P- - ! OK(- I : - 5 ⇒ - < 5 A, ⇒9 OK! K6- O - ! ⇒K! (K⇒ 5 - 9 K5 ' 2⇒ - E⇒ I ⇒ K= ⇒ - < 5 A, : K9 K 6' ' ((- 2 ! 9- q

·E⇒¾ ! AOP- 5' 2' ⇒ - 5 9A⇒9 "JK⇒O ⇒ 6 (KOK6- 9 ⇒ - N' - 99 ' 2z¨ q ¡ ¡ - K": : KE- P- - ! 2⇒ (P "A9⇒ O - 5⇒9 K! (2 5O - 5 K6- ! ⇒9 ' 2 ⇒ - < 5 A, q C: - 9AO9 ⇒ ⇒KJ (K, , 5 N⇒OK⇒ J z¨ pqp¨ ¡ q D 9' O- ⇒ 9⇒K! "- 9 "' A! ⇒ 5 "JK⇒O 9 : KE- P- - ! 2⇒ (P ⇒ - < 5 A, q * ' , 5 E⇒9⇒ ! : K9 P- - ! OK(- I : - 5 ⇒ - < 5 A, ⇒9 OK! K6- O - ! ⇒K! (K⇒ 5 - 9 K5 ' 2⇒ - E⇒ I ⇒ K= ⇒ - < 5 A, : K9 K 6' ' ((- 2 ! 9- q

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99- ⇒9 K5 , J (6- (K9 "' JJK⇒ 5KJ A! (- 5 5 , A5' : K9- K65 - O - ! ⇒9 I ⇒ "A9⇒ O - 5⇒9 K! (2⇒ K! "⇒KJ ⇒ 9 ⇒ ⇒A⇒ ! 9q $ K! (K⇒ 5 "K9: 5 9- 5E- 9 K! (⇒ E- 9⇒O - ! ⇒ 9- "A5⇒⇒ 9 K5 KJD' : - J(I ⇒ C: - %K! F ' 2HKOK⇒K K! (⇒ - 8⇒ K! "⇒KJ ? - 5E⇒ - 9 + ' OO⇒99⇒ ! q

	A8, : 3&?+			
	77, ;		9, HI ;, ' ⇒ N⇒⇒;	
	c^^P	c^^g	c^^P	c^^g
%KJK! "- 9 I ⇒ 5- 6AJK⇒ 5⇒9	¼¨ d b¯	j	j	j
D E- 9⇒O - ! ⇒9- "A5⇒⇒ 9 K! (9- "A5⇒⇒ 9 9' J(A! (- 5 5 , A5' : K9- K65 - O - ! ⇒9	¯pc¨ ¡ pd½	pd/¡ ¡	¯pc½ c ¯b½	j
	¯pd/¨ ¨ d ¨ ¶	pd/¡ ¡	¯pc½ c ¯b½	j

	A8, * &M+I !			
	77, ;		9, HI ;, ' ⇒ N⇒⇒;	
	c^^P	c^^g	c^^P	c^^g
%KJK! "- 9 I ⇒ 5- 6AJK⇒ 5⇒9	¯pbq ¡ ¡	¨ i ¯q ¡ ¡	j	j
D E- 9⇒O - ! ⇒9- "A5⇒⇒ 9 ·* ' ⇒ i ¾	\ p¨ q ¡ \	pd/¡ ¡	i ¯½£ \ ¶	j
	pi i q ¡ \	¨ p¨ d/¡ ¡	i ¯½£ \ ¶	j

(expressed in thousands of Jamaican dollars unless otherwise stated)

PQY "/ ?<7<<&! 7 I ! ' . <7+&7I H7

(a) Effective 1 January 2005, Life of Jamaica Limited (LOJ) acquired 226,208,971 shares of Pan Caribbean Financial Services Limited (PCFS) which represent a 42.2% interest in that company. Combined with its previous 6.77% interest in PCFS and subsequent purchases during the year, LOJ increased its interest to 48.98%.

(b) Effective 1 April 2005, LOJ acquired First Jamaica's Employee Benefits Benefit and its 37% interest in PCFS.

(c) Effective 1 April 2005, LOJ acquired the individual life portfolio of First Jamaica Investment Limited.

(d) On 30 November 2005, Sagicor Life of the Cayman Islands Limited acquired 51% of the ordinary shares of the Cayman General Insurance Company Limited, a company domiciled in Cayman Islands.

(e) On 31 May 2005, PCFS disposed of 75% of its holding in one of its subsidiaries, Manufacturers Credit Information Systems Limited.

The acquisitions have been recorded using the purchase method. The intangibles assets acquired with the acquisition of PCFS (Note 56(a)) have been recorded provisionally based on a draft valuation report prepared by an independent professional valuator.

(a) Details of net assets acquired and intangible assets of PCFS acquired on 1 January 2005 are as follows:

Purchase consideration -	
Cash paid	3,677,346
Fair value of net assets acquired	(2,413,479)
Intangible assets attributable to equity holders	1,263,867
Intangible assets on subsequent purchases	229,625
Total intangible assets attributable to equity holders	1,493,492
Intangible assets attributable to minority interest	1,400,578
Intangible assets identified on acquisition (Note 20)	2,894,070

Subsequently, the company purchased additional shares and increased its holdings to 53% as follows:

	- G! , 378<< "/ ?<3, '	* &7;	: &&' G<HH	# < &3< B ;, 3, 7;
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Balance at 1 January 2005	48.98	3,677,346	1,263,867	51.02
1 July 2005	0.06	10,177	6,908	50.97
21 July 205	0.06	9,265	6,091	50.91
29 July 2005	2.71	214,719	62,865	48.20
1 August 2005	0.11	17,135	10,838	48.09
1 September 2005	1.25	222,472	142,923	46.83
	4.19	473,768	229,625	
	53.17	4,151,114	1,493,492	

(expressed in thousands of Jamaican dollars unless otherwise stated)

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(a) (Continued)

The assets and liabilities arising from the acquisition were as follows:

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Cash and cash equivalent	776,414	776,414
Investment securities	27,862,302	27,156,939
Government securities purchased under repurchase agreements	6,727,150	6,727,150
Loans -		
Gross loans	3,856,184	3,856,184
Allowance for impairment losses	(117,465)	(117,465)
	3,783,955	3,783,955
Property, plant and equipment (Note 18)	90,877	90,877
Intangible asset – computer software (Note 20)	25,961	25,961
Retirement benefit asset (Note 21)	14,073	14,073
Retirement benefit obligations (Note 21)	(3,365)	(3,365)
Other assets	647,418	647,418
Due to banks and other financial institutions	(1,520,965)	(1,520,965)
Customer deposits	(3,422,977)	(3,422,977)
Government securities sold under resale agreements	(29,018,610)	(29,018,610)
Deferred income taxes (Note 19)	(240,413)	86,033
Other liabilities	(794,341)	(794,341)
Net assets	4,927,479	4,548,562
Minority interest (51.02%)	(2,514,000)	
Net assets acquired	2,413,479	

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(expressed in thousands of Jamaican dollars unless otherwise stated)

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(a) (Continued):

Purchase consideration settled in cash	3,677,346
Cash and cash equivalents in subsidiary acquired	(776,414)
Net cash outflow on acquisition	2,900,932

Post–acquisition profits of approximately $530,029 have been included in the Group's statement of operations.

(b) Details of net assets acquired and intangible assets of First Jamaica's Employee Benefits business and its 37% interest in PCFS:

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Purchase consideration -			
Value of shares issued	2,460,097	1,932,782	4,392,879
Fair value of net assets acquired	(2,460,097)	(350,048)	(2,810,145)
Intangible assets (Note 20)	-	1,582,734	1,582,734

Disposal of shares	2,890,037
Cost of shares	(2,460,097)
Gain on disposal of shares	429,940

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The assets and liabilities arising from the acquisition were as follows:		
Cash and cash equivalents	146,684	146,684
Investment securities	1,293,178	1,293,178
Securities purchased under repurchase agreements	539,139	539,139
Loans	92,786	92,786
Property, plant and equipment	5,186	5,186
Other assets	445,634	445,634
Policyholders' funds -		
Insurance contracts	(1,082,759)	(1,082,759)
Pension funds	(792,303)	(792,303)
Other liabilities	(297,497)	(297,497)
Net assets	350,048	350,048

Post–acquisition profits of approximately $575,663 have been included in the Group's statement of operations.

(expressed in thousands of Jamaican dollars unless otherwise stated)

56. Acquisitions and Disposals (Continued)

(c) Details of net assets acquired and goodwill of the individual life portfolio of First Jamaica Investment Limited are as follows:

Purchase consideration -	
Promissory note payable	120,000
Fair value of net assets acquired	-
Intangible asset (Note 20)	120,000

The assets and liabilities arising from the acquisition were as follows:

	Group	
	Fair Value	**Carrying Amount**
Cash and cash equivalents	15,809	15,809
Investments	367,651	367,651
Taxation recoverable	1,477	1,477
Other assets	43,414	43,414
Policyholders' fund -		
Insurance contracts	(364,534)	(364,534)
Other liabilities	(63,817)	(63,817)
	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

56. Acquisitions and Disposals (Continued)

(d) Details of net assets acquired and intangible assets of Cayman General Insurance Company Limited are as follows:

Purchase consideration -	
Cash paid	623,759
Fair value of net assets acquired	(359,724)
Intangible assets attributable to equity holders	264,035
Intangible assets attributable to minority interest	209,484
Total intangible assets (Note 20)	473,519

	Group	
	Fair Value	**Carrying Amount**
The assets and liabilities arising from the acquisition were as follows:		
Cash and cash equivalents	726,742	726,742
Investments	1,303	1,303
Property, plant and equipment	81,610	81,610
Other assets	1,548,087	1,548,087
Policyholders' funds -		
Insurance contracts	(83,914)	(83,914)
Other liabilities	(1,568,459)	(1,568,459)
Net assets	705,369	705,369
Minority interest (49%)	(345,618)	
Net assets acquired	359,724	

Purchase consideration settled in cash	623,759
Cash and cash equivalents in subsidiary acquired	(726,742)
Net cash inflow on acquisition	(102,983)

Post–acquisition profits of approximately $23,335 have been included in the Group's statement of operations.

In the opinion of management, it is impractical to derive Cayman General Insurance contribution to the Group's profit, if it had been acquired 1 January 2005, as the information is not readily available.

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(expressed in thousands of Jamaican dollars unless otherwise stated)

58. Effects of Adoption of IFRS

The financial statements for the year ended 31 December 2005 have been prepared in accordance with revised and new International Financial Reporting Standards (IFRS) which became effective 1 January 2005. Prior to that date, the financial statements were prepared in accordance with IFRS which were effective on or before 1 January 2003. The financial statements for the year ended 31 December 2004 (the immediately preceding comparative period) have been restated to reflect the financial position and results under IFRS. The financial effects of adoption of the revised and new IFRS were as follows:

(a) Effect on stockholders' equity as at 31 December 2003:

	The Group		
	Previously stated 2003	**Effect of Adoption**	**Restated 2003**
ASSETS			
Cash resources	96,536	-	96,536
Investments (i)	9,272,807	(240,456)	9,032,351
Intangible assets (ii)	788,890	54,521	843,411
Other assets (i), (ii)	1,824,990	(317,207)	1,507,783
Segregated funds assets	4,380,130	-	4,380,130
Total assets	16,363,353	(503,142)	15,860,211
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity (i)	3,840,148	(503,142)	3,337,006
Due to ultimate parent company	27,423	-	27,423
Retirement benefit obligations	305,140	-	305,140
Policyholders' funds			
Segregated fund' liabilities	4,380,130		4,380,130
Insurance contracts (iv)	3,425,916	(177,773)	3,248,143
Investment contracts (iv)	2,728,374	177,773	2,906,147
	10,534,420	-	10,534,420
Other liabilities	1,656,222	-	1,656,222
	16,363,353	(503,142)	15,860,211

(expressed in thousands of Jamaican dollars unless otherwise stated)

58. Effects of Adoption of IFRS (Continued)

(a) Effect on stockholders' equity as at 31 December 2003 (continued):

	The Company		
	Previously stated 2003	**Effect of Adoption**	**Restated 2003**
ASSETS			
Cash resources	44,339	-	44,339
Investments (i)	8,412,004	(625,663)	7,786,341
Intangible assets (ii)	788,890	54,521	843,411
Other assets (i), (ii)	1,667,746	(226,030)	1,441,716
Segregated funds' assets	4,249,335	-	4,249,335
Total assets	15,162,314	(797,172)	14,365,142
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity (i)	3,840,148	(797,172)	3,042,976
Due to ultimate parent company	128,055	-	128,055
Retirement benefit obligations	260,469	-	260,469
Policyholders' funds			
Segregated funds' liabilities	4,249,335	-	4,249,335
Insurance contracts (iv)	2,759,792	(175,579)	2,584,213
Investment contracts (iv)	3,308,915	175,579	3,484,494
	10,318,042	-	10,318,042
Other liabilities	615,600	-	615,600
	15,162,314	(797,172)	14,365,142

(expressed in thousands of Jamaican dollars unless otherwise stated)

58. Effects of Adoption of IFRS (Continued)

(b) Effect on stockholders' equity as at 31 December 2004:

	The Group		
	Previously stated 2004	**Effect of Adoption**	**Restated 2004**
ASSETS			
Cash resources	334,552	-	334,552
Investments (i)	11,816,604	(18,374)	11,798,230
Intangible assets (i)	1,020,640	49,685	1,070,325
Other assets (i), (ii)	2,234,642	(262,469)	1,972,173
Retirement benefit assets	1,496	-	1,496
Segregated funds; assets	5,096,916	-	5,096,916
Total assets	20,504,850	(231,158)	20,273,692
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity (i)	6,382,585	(231,158)	6,151,427
Due to ultimate parent company	129,149	-	129,149
Retirement benefit obligations	265,210	-	265,210
Policyholders' funds			
Segregated funds' liabilities	5,096,916	-	5,096,916
Insurance contracts (iv)	3,822,155	(293,140)	3,529,015
Investment contracts (iv)	2,865,593	271,434	3,137,027
	11,784,664	(21,706)	11,762,958
Other liabilities	1,943,242	21,706	1,964,948
	20,504,850	(231,158)	20,273,692

(expressed in thousands of Jamaican dollars unless otherwise stated)

58. Effects of Adoption of IFRS (Continued)

(b) Effect on stockholders' equity as at 31 December 2004 (continued):

	The Company		
	Previously stated 2004	**Effect of Adoption**	**Restated 2004**
ASSETS			
Cash resources	206,733	-	206,733
Investments (i)	11,054,239	(628,997)	10,425,242
Intangible assets (ii)	733,529	49,447	782,976
Other assets (i), (ii)	1,794,545	(218,295)	1,576,250
Segregated funds assets	4,946,461	-	4,946,461
Total assets	18,735,507	(797,845)	17,937,662
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity (i)	6,382,585	(797,845)	5,584,740
Due to ultimate parent company	128,055	-	128,055
Retirement benefit obligations	260,469	-	260,469
Policyholders' funds			
Segregated funds'	4,946,461	-	4,946,461
Insurance contracts (iv)	2,827,027	(190,361)	2,636,666
Investment contracts (iv)	2,544,554	190,361	2,734,915
	10,318,042	-	10,318,042
Other liabilities	1,646,356	-	1,646,356
	18,735,507	(797,845)	17,937,662

58. Effects of Adoption of IFRS (Continued)

(c) Reconciliation of net profit at 31 December 2004:

	The Company		
	Previously stated 2004	**Effect of adoption**	**Restated 2004**
Net premium income and other revenue (iii)	6,474,079	-	6,474,079
Expenses (iii)	(4,959,157)	-	(4,959,157)
Operating profit	1,514,922	-	1,514,922
Results of subsidiaries (i)	176,548	(176,548)	-
Profit before taxation	1,691,470	(176,548)	1,514,922
Taxation	(257,680)	-	(257,680)
Net profit	1,433,790	(176,548)	1,257,242

There were no changes to the Group statement of operations.

The following significant adjustments have been effected:

(i) Financial assets previously classified as originated debts in the two preceding years were reclassified to the available-for-sale category. The fair value measurement, as a result of the reclassification, was recognised in the investment and fair value reserves.

Investment in subsidiaries that were previously accounted for using the equity method is stated at cost. As a result, the profit, foreign exchange accumulation and share of reserves recognised in the company's financial statements have been reversed.

Interest receivable that was previously included in other assets has been reclassified to investments.

(ii) Computer software previously included in property, plant and equipment has been reclassified and included in intangible assets.

(iii) Interest expense relating to investment contracts was reclassified and included under benefits and expenses as investment contracts benefits and expenses.

(iv) In accordance with IFRS 4, a detailed review was conducted to determine insurance contracts with significant insurance risk. Consequently, contracts with insignificant insurance risk were reclassified to investment contracts.

December 31, 2005

The Group

		2005	2004	2003	2002	2001
SALES:						
Insurance Amounts						
Individual Life - Sums Assured	$m	54,426	40,702	34,834	13,102	14,994
Group Life - Sums Assured	$m	1,793	6,675	867	1,224	4,302
Total New Insurance Amount	$m	**56,219**	**47,377**	**35,701**	**14,326**	**19,296**
New Annualised Premiums						
Individual Life	$m	1,131	853	637	357	299
Group Life and Health	$m	207	274	136	137	85
Annuities	$m	387	417	213	188	250
Group Pensions	$m	2	18	50	6	30
Total New Annualised Premiums	$m	**1,727**	**1,562**	**1,036**	**688**	**664**
IN FORCE:						
Insurance Amount						
Individual Life - Sums Assured	$m	321,222	260,354	166,357	125,509	120,804
Group Life - Sums Assured	$m	283,115	186,740	86,482	55,179	55,862
Property and Casualty	$m	62,388				
Total Insurance Amounts in Force	$m	**666,725**	**447,094**	**252,839**	**180,688**	**176,666**
Number of Individual Life policies in force		294,178	271,577	264,731	229,154	237,823
Number of New Individual Life policies		36,107	33,014	21,881	15,787	14,480
FINANCIAL POSITION & STRENGHT:						
Total assets (including Segregated Funds)	$m	70,670	20,274	16,363	10,867	9,554
Pension funds under management	$m	35,991	26,473	20,026	14,408	12,155
Total Assets Under Management	$m	**106,661**	**46,747**	**36,389**	**25,275**	**21,709**
Market capitalization	$m	36,649	28,744	9,831	4,472	4,919
Invested assets	$m	52,849	11,798	9,273	5,748	4,171
Policyholders' Funds (including Segregated Funds)	$m	14,599	11,763	10,534	7,904	3,588
Shareholders' equity, attributable to Shareholders	$m	11,610	6,151	3,840	1,360	513
OPERATING RESULTS:						
Total Revenue	$m	12,137	7,050	5,603	4,039	5,673
Total Policyholder Benefits	$m	4,095	2,385	1,913	1,447	2,581
Total Commissions, Expenses, and Taxes	$m	5,262	3,231	2,482	1,733	2,818
Net profit, attributable to Shareholders	$m	2,424	1,434	1,209	858	232
FINANCIAL RATIOS:						
Return on average assets	%	6	10	13	14	4
Return on average shareholders' equity	%	27	29	47	92	66
Share price	$	9.86	11.30	3.90	2.70	2.97
Basic earnings per share	$	0.71	0.57	0.53	0.52	0.17
Price earnings ratio		13.89	19.82	7.36	5.19	17.47

December 31, 2005

The Company

		2005	2004	2003	2002	2001
SALES:						
Insurance Amounts						
Individual Life - Sums Assured	**$m**	42,105	36,532	32,337	12,224	10,980
Group Life - Sums Assured	**$m**	1,793	6,675	867	1,186	4,117
Total New Insurance Amount	**$m**	**43,898**	**43,207**	**33,204**	**13,410**	**15,097**
New Annualised Premiums						
Individual Life	**$m**	1,067	825	621	341	280
Group Life and Health	**$m**	207	274	136	137	85
Annuities	**$m**	387	417	202	185	250
Group Pensions	**$m**	2	18	50	6	30
Total New Annualised Premiums	**$m**	**1,663**	**1,534**	**1,009**	**669**	**645**
IN FORCE:						
Insurance Amount						
Individual Life - Sums Assured	**$m**	242,204	205,456	134,181	98,655	90,822
Group Life - Sums Assured	**$m**	277,978	186,740	82,344	51,827	50,919
Total Insurance Amounts in Force	**$m**	**520,182**	**392,196**	**216,525**	**150,482**	**141,741**
Number of Individual Life policies in force		288,019	265,566	260,612	209,990	218,226
Number of New Individual Life policies		35,324	32,487	21,517	15,323	14,043
FINANCIAL POSITION & STRENGHT:						
Total assets (including Segregated Funds)	**$m**	27,819	17,938	15,162	9,656	8,111
Pension funds under management	**$m**	35,990	26,473	20,027	14,828	12,155
Total Assets Under Management	**$m**	**63,809**	**44,411**	**35,189**	**24,484**	**20,266**
Invested assets	**$m**	16,861	10,428	7,224	4,187	3,310
Policyholders' Funds (including Segregated Funds)	**$m**	12,987	10,318	9,478	6,930	2,948
Shareholders' equity	**$m**	10,851	5,585	3,840	1,360	513
OPERATING RESULTS:						
Total Revenue	**$m**	9,345	6,489	4,632	3,763	3,591
Total Policyholders' Benefits	**$m**	3,802	2,260	1,506	1,312	1,287
Total Commissions, Expenses, and Taxes	**$m**	3,481	2,971	1,917	1,593	2,072
Net profit	**$m**	2,062	1,257	1,209	858	232
FINANCIAL RATIOS:						
Return on average assets	**%**	11	11	14	16	5
Return on average shareholders' equity	**%**	25	27	47	92	66
Minimum continuing capital and surplus requirement	**%**	178.6	240.3	215.9	175.6	(7.6)

Life of Jamaica
LIMITED

CORPORATE DATA

Executive Management

Richard Byles
President & CEO

Michael Fraser
Deputy CEO & Chief Marketing Officer

Errol Mckenzie
Executive Vice President, Employee Benefits

Janet Sharp
Executive. Vice President & Resident Actuary

Ivan Carter
Snr. Vice President, Finance & IT Division

Sharon Lake
Snr. Vice President, Insurance Operations

Janice A.M. Grant Taffe
Vice President, Legal Counsel

Bernita Locke
Vice President, Human Resources

Anthony Roberts
Vice President, Corporate Actuarial

Corporate Secretary

Donna Stephenson
Vice President, Corporate Secretary

Appointed Actuary

Janet Sharp
Exe. Vice President & Resident Actuary

Medical Director

Dr. Edward Chung, DM, FACP, FCCP

Auditors PriceWaterhouseCoopers

Bankers

- Bank of Nova Scotia (Jamaica) Limited
- National Commercial Bank (Jamaica) Limited

Attorneys

- Myers, Fletcher & Gordon
- O.G. Harding & Company
- Hart Muirhead Fatta
- Livingston Alexander & Levy
- Dunn Cox

Registered Office

28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.

Telephone	:	(876) 929-8920-9
Fax No.	:	(876) 929-4730
Email	:	webmaster@life-of-ja.com
Cable Code	:	'LOJAM'

SHAREHOLDINGS

DIRECTORS/CONNECTED PERSONS

J. Arthur Bethell	25,000
Dodridge Miller	25,089
Richard Byles (Jacinth Byles - connected person)	1,724,419
Michael Fraser	1,346,500
- (Gwendolyn Fraser - connected person)	5,000
David Allan	25,000
R.D. Williams	NIL
- (Ravers Ltd. - Connected Company)	12,332,825
Jeffrey Cobham	25,000
M. Patricia Downes-Grant	25,000
Marjorie Chevannes-Campbell	25,000
Bryan Ewen	Nil
Paul Facey	Nil
Stephen Facey	Nil

EXECUTIVE MANAGEMENT/CONNECTED PERSONS

Richard Byles (Jacinth Byles - connected person)	1,724,419
Errol McKenzie (Annette McKenzie - connected person)	979,930
Michael Fraser	1,346,500
- (Gwendolyn Fraser - connected person)	5,000
Sharon Lake	1,207,542
Janet Sharp	155,166
Ivan Carter	300,000
Bernita Locke (Anthony Locke - connected person)	347,295
Donna Stephenson (Liane Williams- connected person)	110,000
Janice A.M. Grant Taffe (Joseph Taffe - connected person)	539,000

TEN LARGEST SHAREHOLDERS

Sagicor Life Inc. (- 650,663,398)	
(LOJ Holdings Ltd. - 1,575,754,056)	2,226,417,454
First Jamaica Investments Limited	919,227,731
NCB Capital Markets a/c 2231	47,983,411
Capital & Credit Merchant Bank Ltd.	30,048,538
National Insurance Fund	26,945,770
Grace Kennedy & Company (Pension Scheme)	21,788,850
Donwis Limited	20,601,619
Trading A/C Scotiabank Ja. Trust & Merchant (a/c 542)	19,327,088
West Indies Trust Company Ltd. (a/c WT 109)	15,000,000
LOJ Share Purchase Plan	13,555,662

BRANCH OFFICES AND MANAGERS

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35 Trafalgar Road, Kingston 5
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Fax: 968-4360
Marston Thomas

BELMONT DUKES

LOJ Business Centre
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Fax: 968-4360
Roaan Brown

CORPORATE CIRCLE

LOJ Business Centre
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Tel: 926-1479
Fax: 968-4360
Pete Forrest

KNUTSFORD

LOJ Business Centre
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Fax: 968-4360
Randolph McLean

LIGUANEA

LOJ Business Centre
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Fax: 968-4360
Michael Lawe

NEW KINGSTON

LOJ Business Centre
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Fax: 968-4360
Phillip Sanderson

MANDEVILLE

59 Main Street,
Mandeville, Manchester
Tel: 962-2166/82
Fax: 962-4788
Dale Graves-Smith

MONTEGO BAY

42b Union Street
Montego Bay, St. James
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SUBSIDIARY AND ASSOCIATED COMPANIES

SUBSIDIARY COMPANIES

LOJ Property Management Limited
78 Hagley Park Road,
Kingston 5, Jamaica W.I.
Tel: (876) 929-9182-4
Fax: (876) 929-9187

LOJ Pooled Investment Funds Limited
28-48 Barbados Avenue,
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Employee Benefits Administrator Limited
28-48 Barbados Avenue
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Pan Caribbean Financial Services Limited
The Pan Caribbean Building
60 Knutsford Boulevard
Kingston, Jamaica
Tel: (876) 929-5583
Fax: (876) 926-4385

Sagicor Life of the Cayman Islands Ltd.
North Church Street
P.O. Box 1087
George Town, Grand Cayman
Tel: (345) 949-8211
Fax: (345) 949-8262
Incorporated in Grand Cayman

Sagicor Re Insurance Limited c/o Aon Insurance Managers (Cayman) Limited
Buckingham Square
720 West Bay Road
P.O. Box 69
GT, Grand Cayman
Incorporated in Grand Cayman

Cayman General Insurance Company Limited.
Harbour Place
P.O. Box 2171
Tel: (345) 949-7028
103 South Church Street
GT, Grand Cayman
Fax: (345) 949-7457
Incorporated in Grand Cayman

ASSOCIATED COMPANIES

Lested Developments Limited
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St. Andrew Developers Limited
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Life of Jamaica
LIMITED