Jamaica International Insurance Company Limited

Financial Statements
31 December 2005

Your insurance place from GraceKennedy

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JIIC
Your insurance place from GraceKennedy

29 March 2006

To the Members of
Jamaica International Insurance Company Limited

Auditors' Report

We have audited the financial statements set out on pages 1 to 32, and have received all the information and explanations which we considered necessary. These financial statements 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 financial statements, which are in agreement therewith, give a true and fair view of the state of the company's affairs as at 31 December 2005 and of the results of operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Chartered Accountants
Kingston, Jamaica

Your insurance place from GraceKennedy

29 March 2006

To the Directors of
Jamaica International Insurance Company Limited

Auditors' Report

The supplementary information set out on pages 33 to 34, taken from the accounting records of the company, has been subjected to the tests and other auditing procedures applied in our examination of the company's financial statements for the year ended 31 December 2005 .

In our opinion, this information, although not necessary for a fair presentation of the company's state of affairs, results of operations, changes in equity or cash flows, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants
Kingston, Jamaica

Jamaica International Insurance Company Limited

Balance Sheet

31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	Note	2005 $'000	Restated 2004 $'000
ASSETS			
Cash and Short Term Investments	6	1,196,193	798,660
Investments	7	689,131	708,907
Due from Agents, Brokers and Policyholders	8	340,161	239,903
Recoverable from Reinsurers	14	1,087,155	1,116,051
Deferred Policy Acquisition Costs		92,500	70,068
Taxation Recoverable		3,725	12,450
Other Receivables	9	8,516	2,721
Long Term Receivable	10	-	121,260
Fixed Assets	11	232,536	203,059
Retirement Benefit Asset	12	77,440	69,379
Intangible Asset	13	589,088	-
		4,316,445	3,342,458

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Your insurance place from GraceKennedy

Jamaica International Insurance Company Limited

Balance Sheet

31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	Note	2005 $'000	Restated 2004 $'000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to Reinsurers		298,311	118,795
Insurance Reserves	14	2,502,508	1,945,006
Other Payables	15	55,585	29,901
Deferred Tax Liabilities	16	53,884	52,046
Due to Parent Company		125	774
Borrowings	17	109,801	122,984
Retirement Benefit Obligations	18	46,235	37,108
		3,066,449	2,306,614
Shareholders' Equity			
Share capital	19	265,064	265,064
Capital and fair value reserves	20	116,492	91,556
Retained earnings		868,440	679,224
		1,249,996	1,035,844
		4,316,445	3,342,458

Approved for issue by the Board of Directors on 29 March 2006 and signed on its behalf by:

Peter Moss-Solomon Chairman

Andrew C. H. Levy Managing Director

Jamaica International Insurance Company Limited

Profit and Loss Account

Year ended 31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
Gross Premiums Written		2,328,903	1,373,056
Reinsurance ceded		(1,224,140)	(828,922)
Net premium income		1,104,763	544,134
Unearned premium reserve		11,628	(64,276)
Net Premiums Earned		1,116,391	479,858
Commission income		113,172	79,540
Commission expense		(172,208)	(106,446)
Claims expense		(713,147)	(356,525)
Underwriting expenses		(14,416)	(4,501)
Administration expenses		(315,580)	(179,826)
Underwriting Profit/(Loss)		14,212	(87,900)
Other income	21	270,780	356,306
Other operating expenses		(25,047)	(23,978)
Finance costs	22	(8,833)	(11,512)
Profit before Taxation		251,112	232,916
Taxation	25	(61,896)	(38,590)
NET PROFIT		189,216	194,326

Jamaica International Insurance Company Limited

Statement of Changes in Equity

Year ended 31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital and Fair Value Reserves	Retained Earnings	Total
	'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2004, as restated (Note 27)	265,064	265,064	34,791	484,898	784,753
Net income recognised directly in equity, as restated (Note 27)					
Disposal of available-for-sale investments	-	-	(6,232)	-	(6,232)
Fair value gains -					
Fixed assets	-	-	8,390	-	8,390
Available-for-sale investments	-	-	54,607	-	54,607
	-	-	56,765	-	56,765
Net profit	-	-	-	194,326	194,326
Total recognised income for the year, as restated (Note 27)			56,765	194,326	251,091
Balance at 31 December 2004, as restated (Note 27)	265,064	265,064	91,556	679,224	1,035,844
Net income recognised directly in equity					
Disposal of available-for-sale investments	-	-	(8,725)	-	(8,725)
Fair value gains -					
Available-for-sale investments	-	-	33,661	-	33,661
	-	-	24,936	-	24,936
Net profit	-	-	-	189,216	189,216
Total recognised income for the year	-	-	24,936	189,216	214,152
Balance at 31 December 2005	265,064	265,064	116,492	868,440	1,249,996

Your insurance place from GraceKennedy

Jamaica International Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	2005 $'000	2004 $'000
Cash Flows from Operating Activities		
Gross premiums received	2,228,645	1,283,565
Reinsurance paid	(1,142,278)	(791,174)
Purchase of policies	(119,072)	-
Commissions received	140,762	86,581
Commissions paid	(194,640)	(133,044)
Claims paid	(515,073)	(340,834)
Interest received	208,796	279,568
Interest paid	(8,833)	(11,512)
Rent received	24,687	26,857
Other receipts	9,025	14,888
Underwriting, administration and other operating expenditure	(320,397)	(218,943)
Taxation paid	(51,333)	(90,363)
Cash provided by operating activities	260,289	105,589
Cash Flows from Financing Activities		
Long term loan repaid	-	(11,901)
Finance lease payments	(831)	(2,587)
Cash used in financing activities	(831)	(14,488)
Cash Flows from Investing Activities		
Investments	75,112	140,892
Long term receivable received	121,260	-
Additions to fixed assets	(48,315)	(50,048)
Proceeds on disposal of fixed assets	252	1,551
Cash provided by investing activities	148,309	92,395
	407,767	183,496
Exchange gain on cash and cash equivalents	2,118	1,310
Increase in cash and cash equivalents	409,885	184,806
Cash and cash equivalents at beginning of year	774,539	589,733
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,184,424	774,539

Jamaica International Insurance Company Limited

Notes to the Financial Statements
31 December 2005
(expressed in Jamaica dollars unless otherwise indicated)

1. Identification and Activities

(a) Jamaica International Insurance Company Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. The company is a wholly owned subsidiary of GraceKennedy Limited (formerly Grace Kennedy and Company Limited), which is also incorporated in Jamaica and which is its ultimate parent company.

(b) The registered office of the company and its ultimate parent is 73 Harbour Street, Kingston, Jamaica.

(c) The company is licensed to operate as a general insurance company under the Insurance Act, 2001. Its principal activity is the underwriting of general insurance business.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

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 company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the company's financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2005

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

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 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 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IFRS 4 (issued 2004)	Insurance Contracts
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

The adoption of IAS 1, 8, 10, 16, 17, 21, 24, 32, 36, 38 and IFRS 4 did not result in substantial changes to the company's accounting policies. In summary:

(i) IAS 1(revised 2003) has affected disclosures
(ii) IAS 8, 10, 16, 17, 32, 38 (all revised 2003) and IAS 36 (revised 2004) had no material effect on the company's policies
(iii) IAS 24 (revised 2003) has extended the identification of related parties and some other related-party disclosures.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation

Standards, interpretations and amendments to published standards effective in 2005 (Continued)

The adoption of IAS 39 (revised 2003/2004) resulted in a change in the accounting policy for investments. Until 31 December 2004, certain investments were classified as originated debt and measured at amortised cost. In accordance with the provision of IAS 39 (revised 2003/2004), the company ceased the classification of investments as originated debt, and now classifies all investments as available-for-sale. Available-for-sale investments are measured at fair value, with fair value gains and losses taken directly to equity.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the company require retrospective application.

There was no impact on opening retained earnings as at 1 January 2005 from the adoption of the above mentioned standards. The impact on capital and fair value reserves following the adoption of IAS 39 (revised 2003/2004) is detailed in Note 27.

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

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

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the company 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 company 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 company believes that this amendment should not have a significant impact on the classification of financial instruments, as the company should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The company will apply this amendment from annual periods beginning 1 January 2006.

IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures

This standard introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The company will apply IFRS 7 from annual periods beginning 1 January 2007.

Jamaica International Insurance Company Limited

Notes to the Financial Statements
31 December 2005
(expressed in Jamaica dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in the profit and loss account.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in the profit and loss account. Other changes in the fair value of these assets are recognised in equity. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in equity.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(d) Investments

The company classifies its investments as available-for-sale. Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Purchases and sales of investments are recognised at trade date, which is the date that the company commits to purchase or sell the asset. Investments classified as available-for-sale are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the company has transferred substantially all the risk and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in the profit and loss account and other changes in the carrying amount are recognised in equity. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in equity.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale investments are recognised in the profit and loss account when the company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the company establishes fair value by using valuation techniques, making maximum use of market inputs.

At each balance sheet date, the company assesses whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in the profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments recognised in the profit and loss account are not reversed through the profit and loss account.

2. Significant Accounting Policies (Continued)

(e) Insurance receivables

Insurance receivables are carried at original negotiated amount less provision made for impairment of these receivables. A provision for impairment of insurance receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowers.

(f) Reinsurance ceded

The company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from longer exposures. Reinsurance does not relieve the originating insurer of its liability. Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless the right of offset exists.

(g) Deferred policy acquisition costs

The costs of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

(h) Fixed assets and depreciation

Land and buildings are shown at fair market value, based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other fixed assets are stated at historical cost less depreciation.

Increases in carrying amounts arising on revaluation are credited to capital reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the capital and fair value reserves; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other fixed assets are as follows:

Freehold building	65 years
Leasehold improvement	10 years
Furniture, fixtures and equipment	3 – 10 years
Motor vehicles	3 – 4 years

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 fixed assets are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance expenses are charged to the profit and loss account during the financial period in which they are incurred.

Jamaica International Insurance Company Limited

Notes to the Financial Statements
31 December 2005
(expressed in Jamaica dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Intangible assets

Separately acquired intangible assets are assessed annually for impairment and are carried at cost less any accumulated impairment losses. The cost of separately acquired intangible assets comprise its purchase price, any directly attributable cost of preparing the asset for its intended use and professional fees directly attributed to acquiring the asset.

(j) Insurance reserves

Under the Insurance Regulations, 2001, the company is required to actuarially value its insurance reserves annually. Consequently, unearned premium reserve, unearned commissions, unexpired risk provision, claims incurred but not reported and claims outstanding have all been independently actuarially determined for the current year.

(i) Unearned premium reserve

This reserve represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the balance sheet date, and is computed by applying the twenty-fourths method to gross written premiums.

(ii) Unearned commission

The commission income relating to premium ceded on reinsurance contracts is deferred over the unexpired period of risk carried.

(iii) Claims equalisation reserve

This reserve represents amounts provided towards preventing exceptional fluctuations in the amounts charged to revenue in subsequent financial years in respect of catastrophe claims under insurance contracts, and is computed at 2 percent of gross written premiums.

(iv) Claims incurred but not reported

The reserve for claims incurred but not reported has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method (Note 14).

(v) Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, including claims incurred but not reported (IBNR), less amounts already paid in respect of those claims. This provision is estimated by management on the basis of claims admitted and intimated.

(k) Payables

Payables are stated at historical cost.

2. Significant Accounting Policies (Continued)

(l) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ 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 the balance sheet date.

Deferred tax is the tax that is 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.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

(m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(n) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method.

(o) Finance Leases

Leases of fixed assets where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The fixed asset acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

Jamaica International Insurance Company Limited

Notes to the Financial Statements
31 December 2005
(expressed in Jamaica dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Employee benefits

(i) Pension obligations

The company participates in a defined benefit plan operated by the parent company. The scheme is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension 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, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The defined benefit 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.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

(ii) Other post-retirement obligations

The company provides post-retirement healthcare, insurance and gratuity benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(iii) Termination benefits

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

(q) Revenue recognition

Gross premiums are recognised over the life of the policies written, and are stated net of General Consumption Tax. Commission payable on premium income and commission receivable on reinsurance of risks are charged and credited respectively to the profit and loss account when premiums are billed. Interest income is recognised using the effective interest method.

(r) Dividends

Dividend distribution is recognised as a liability in the period in which the dividends are approved.

(s) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS (Note 2(a)).

3. Insurance and Financial Risk Management

(a) Insurance risk

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 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 level 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. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location. Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the company's insurance contracts is, however, concentrated within Jamaica.

The company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for other assets and contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

Management sets policy and retention limits based on guidelines set by the Board of Directors. The policy limit and maximum net retention of any one risk for each class of insurance for the year are as follows:

	Policy Limit $'000	Maximum Net Retention $'000
Commercial property –		
Fire and consequential loss	253,687	3,075
Boiler and machinery and engineering	123,000	2,306
Burglary, money and goods in transit	6,150	1,999
Glass and other	2,460	800
Liability	60,000	9,225
Marine, aviation and transport	1,200	600
Motor	60,000	9,225
Pecuniary loss –		
Fidelity	6,150	1,999
Surety/Bonds	2,460	800
Personal accident	2,460	800
Personal property	253,687	3,075

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk

The company's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is primarily exposed to foreign exchange risk arising from its US dollar investments. The balance sheet at 31 December 2005 includes aggregate net foreign assets of US$6,989,000 (2004 – US$5,024,000), in respect of such transactions. Management sets limits on the level of exposure by currency and in total based on guidelines from the Board of Directors.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to price risk because of its holding of available-for-sale investments. The company manages its exposure to such risks by actively monitoring price movements of financial assets on the local and international market, and by maintaining a diversified portfolio of investments.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company has no significant concentrations of credit risk as the company has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any financial institution.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the central treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company is exposed to such risks primarily through its holding of available-for-sale investments. The company manages its exposure to interest rate risks by actively monitoring interest rate fluctuations of financial assets on the local and international market, and by maintaining a diversified portfolio of investments.

Jamaica International Insurance Company Limited

Notes to the Financial Statements
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(expressed in Jamaica dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the fair value estimates presented are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following methods and assumptions have been used in deriving the estimates of fair values:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, short term investments, insurance receivables and payables and bank overdraft;

(ii) The fair values of variable rate instruments are assumed to approximate their carrying amounts;

(iii) The fair values of the Government of Jamaica securities and quoted instruments are estimated based on current market prices and quoted bid prices on the Jamaica Stock Exchange, respectively. The fair value of other investment instruments is based upon projected cash flows discounted at an estimated current market rate of interest;

(iv) The fair value of the long term receivable is based upon projected cash flows discounted at an estimated current market rate of interest; and

(v) The company's borrowings, which incur interest at prevailing market rates and which reflect its contractual obligations, are carried at amortised cost which is deemed to be the fair value of such liabilities.

The following table presents the fair value of financial instruments based on the aforementioned valuation methods and assumptions which are not carried at their fair value:

	2005		2004	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Long term receivable	-	-	121,260	120,386

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The company 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.

Liabilities arising from claims made under insurance contracts

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the company based on contracts for the insurance business in force at the balance sheet date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amount of future premiums that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the company's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the company's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

Retirement benefit obligations

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate, and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. 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 company determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the company considered interest rate of government securities that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

5. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors, pursuant to the Insurance Act, appoints the actuary. His responsibility is to carry out an annual valuation of the company's insurance reserves in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders.

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed actuary and his report on the insurance liabilities.

6. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2005 $'000	2004 $'000
Cash at bank and in hand	103,512	30,755
Short term investments	1,092,681	767,905
	1,196,193	798,660
Bank overdraft (Note 17)	(11,769)	(24,121)
	1,184,424	774,539

Short term investments include interest receivable of $1,101,000 (2004 – $3,535,000). The weighted average effective interest rate on short term investments was 10.43% (2004 – $14.17%), and these investments have an average maturity of up to 90 days.

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7. Investments

Investments are classified as available-for-sale and comprise the following:

	Years to Maturity					
	Within 1 year $'000	1 to 5 years $'000	5 to 10 years $'000	Over 10 years $'000	2005 $'000	Restated 2004 $'000
Government of Jamaica –						
Bonds	-	30,719	-	296,736	327,455	323,158
Local registered stocks	10,075	75,914	45,502	-	131,491	183,231
Debentures	81,488	58,467	-	-	139,955	174,297
Treasury bills	61,442	-	-	-	61,442	-
	153,005	165,100	45,502	296,736	660,343	680,686
Quoted equity securities					28,142	27,575
Unquoted equity securities					646	646
					689,131	708,907

Included in investments are Local Registered Stocks valued at $45,000,000, which have been pledged with the regulator, the Financial Services Commission, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

The average effective yields by the earlier of the contractual re-pricing or maturity dates are as follows:

	Years to Maturity				Total	Total
	Within 1 year %	1 to 5 years %	5 to 10 years %	Over 10 years %	2005 %	2004 %
Government of Jamaica –						
Bonds	-	14.38	-	11.62	13.00	11.40
Local registered stocks	17.61	15.27	15.38	-	16.09	18.90
Debentures	16.15	13.84	-	10.63	13.54	22.00

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8. Due from Agents, Brokers and Policyholders

	2005 $'000	2004 $'000
Insurance receivables –		
Agents and brokers	239,078	158,681
Policyholders	74,623	63,521
Other	30,481	19,964
	344,182	242,166
Less: Provision for impairment	(4,021)	(2,263)
	340,161	239,903

9. Other Receivables

	2005 $'000	2004 $'000
Staff loans	2,792	1,461
Other	5,724	1,260
	8,516	2,721

10. Long Term Receivable

This represented a debenture from the parent company, which was scheduled to be repaid in 20 consecutive annual installments of $1,000,000 each commencing 30 June 2005, and one final installment of $101,260,000 on 30 June 2025. The debenture attracted interest at the weighted average yield of 6-month Government of Jamaica Treasury Bill rate, and was receivable in quarterly installments commencing 30 September 2004. The debenture was issued by the parent company in exchange for the transfer to the parent company of 100% of the share capital of First Global Insurance Company Limited.

During the year, the parent company repaid the entire amount outstanding on the debenture.

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11. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Total $'000
			2005		
At Cost or Valuation -					
At 1 January 2005	149,903	98,665	42,240	11,674	302,482
Additions	14,559	14	32,129	1,613	48,315
Disposals	-	-	(1,004)	-	(1,004)
At 31 December 2005	164,462	98,679	73,365	13,287	349,793
Depreciation -					
At 1 January 2005	-	78,167	14,689	6,567	99,423
Charge for the year	1,564	9,867	5,267	2,029	18,727
On disposals	-	-	(893)	-	(893)
At 31 December 2005	1,564	88,034	19,063	8,596	117,257
Net Book Value -					
31 December 2005	162,898	10,645	54,302	4,691	232,536
			2004		
At Cost or Valuation -					
At 1 January 2004	111,000	97,849	29,813	9,584	248,246
Additions	32,068	816	12,474	4,690	50,048
Disposals	-	-	(47)	(2,600)	(2,647)
Revaluation	6,835	-	-	-	6,835
At 31 December 2004	149,903	98,665	42,240	11,674	302,482
Depreciation -					
At 1 January 2004	2,666	68,357	11,162	6,632	88,817
Charge for the year	1,333	9,810	3,532	2,535	17,210
On disposals	-	-	(5)	(2,600)	(2,605)
Revaluation	(3,999)	-	-	-	(3,999)
At 31 December 2004	-	78,167	14,689	6,567	99,423
Net Book Value -					
31 December 2004	149,903	20,498	27,551	5,107	203,059

(a) Land and buildings are carried at fair market value based on a valuation as at 31 December 2004 by D.C. Tavares & Finson Company Limited, professional valuers. If land and buildings were stated on the historical cost basis, the cost would be $90,289,000 (2004 – $75,730,000) with accumulated depreciation of $9,881,000 (2004 – $8,317,000).

(b) Motor vehicles costing $6,984,000 (2004 – $6,984,000) with accumulated depreciation of $5,778,000 (2004 – $4,032,000) are being acquired under finance lease arrangements (Note 17(b)).

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12. Retirement Benefit Asset

The company participates in a pension plan operated by GraceKennedy Limited and administered by First Global Financial Services Limited, in which all permanent employees must participate. The plan, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contributions at 0.5%, as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3-year average salary per year of pensionable service, plus any declared bonus pensions.

The defined benefit asset was determined as follows:

	2005 $'000	2004 $'000
Fair value of plan assets	557,579	177,747
Present value of obligations	(131,184)	(102,294)
	426,395	75,453
Unrecognised actuarial gains	(348,955)	(6,072)
	77,440	69,379

The movement in the defined benefit asset during the year is as follows:

	2005 $'000	2004 $'000
At beginning of year	69,379	62,267
Amounts recognised in the profit and loss account	7,443	6,701
Contributions paid	618	411
At end of year	77,440	69,379

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

	2005 $'000	2004 $'000
Current service cost	(615)	(304)
Interest cost	(13,519)	(9,890)
Expected return on plan assets	21,577	16,895
	7,443	6,701
Actual return on plan assets	375,710	35,363

The principal actuarial assumptions used were as follows:

	2005	2004
Discount rate	12.50%	12.50%
Long term inflation rate	8.50%	8.25%
Expected return on plan assets	12.00%	12.00%
Future salary increases	9.50%	9.50%
Future pension increases	3.50%	3.50%

13. Intangible Asset

The company has assumed the complete portfolio of Jamaican policies held by Dyoll Insurance Company Limited. The cost of the transaction, including directly attributable fees and expenses, was $589,088,000, of which $119,072,000 was pad in cash and the remaining balance was attributed to the cost of unearned premium reserve that would result from the company's issuance of new policies. The coverage took effect from 7 March 2005 for policies covering motor and accident classes, and from 11 March 2005 for policies covering property classes.

The asset was reviewed for impairment at year end. In its review, management considered the expected future cash flows to be generated from the asset based on existing policy renewals and concluded that the asset was not impaired.

14. Insurance Reserves

	2005 $'000	2004 $'000
Gross –		
Claims outstanding	1,177,570	1,180,848
Unearned premiums	1,248,932	711,967
Unearned commission	73,458	45,868
Claims equalisation	2,548	6,323
	2,502,508	1,945,006
Reinsurance ceded –		
Claims outstanding	488,167	693,294
Unearned premiums	598,988	422,757
	1,087,155	1,116,051
Net –		
Claims outstanding	689,403	487,554
Unearned premiums	649,944	289,210
Unearned commission	73,458	45,868
Claims equalisation	2,548	6,323
	1,415,353	828,955

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14. Insurance Reserves (Continued)

An actuarial valuation was performed by the company's appointed actuary, Josh Worsham, FCAS, MAAA of KPMG Bermuda to value the policy and claims liabilities of the company as at 31 December 2005 , in accordance with the Insurance Act of Jamaica. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles. The actuary has stated that his report conforms to the standards of practice as established by the Canadian Institute of Actuaries, with such changes as directed by the Financial Services Commission, specifically, that the valuation of some policy and claims liabilities not reflect the time value of money.

In arriving at his valuation, the actuary employed the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method.

In using the Paid/Incurred Loss Development methods, ultimate losses are estimated by calculating past paid/incurred loss development factors and applying them to exposure periods with further expected paid/incurred loss development. The Bornhuetter-Ferguson Paid/Incurred Loss methods is a combination of the Paid/Incurred Loss Development methods and a loss ratio method; however, these expected losses are modified to the extent paid/incurred losses to date differ from what would have been expected based on the selected paid/incurred loss development pattern. Finally, the Frequency-Severity method is calculated by multiplying an estimate of ultimate claims with an estimate of the ultimate severity per reported claim.

In his opinion dated 28 March 2006, the actuary found that the amount of policy and claims liabilities represented in the balance sheet at 31 December 2005 makes proper provision for the future payments under the company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica; that a proper charge on account of these liabilities has been made in the statement of operations; and that there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

The movement in claims outstanding was as follows:

	2005 $'000	2004 $'000
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	1,180,848	517,517
Reinsurance ceded	(693,294)	(91,974)
	487,554	425,543
Movement during the year –		
Claims incurred, including IBNR	713,147	356,525
Claims paid	(511,298)	(294,514)
	201,849	62,011
Net reserves for claims outstanding at end of year	689,403	487,554
Reinsurance ceded	488,167	693,294
Gross reserves for claims outstanding at end of year	1,177,570	1,180,848

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the balance sheet date. The reserves for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

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15. Other Payables

	2005 $'000	2004 $'000
Accruals	33,360	16,686
Other	22,225	13,215
	55,585	29,901

16. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

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

	2005 $'000	2004 $'000
At beginning of year	52,046	61,424
Tax charged/(credited) to the profit and loss account (Note 25)	1,838	(8,979)
Tax credited to equity	-	(399)
At end of year	53,884	52,046

The deferred tax credited to equity during the year is as follows:

	2005 $'000	2004 $'000
Capital and fair value reserves in shareholders' equity –		
Fixed assets	-	2,444
Available-for-sale investments	-	(2,843)
	-	(399)

The movement in deferred tax liabilities and assets, prior to appropriate offsetting, is as follows:

Deferred tax liabilities	**Revaluation of buildings $'000**	**Retirement benefits $'000**	**Interest receivable $'000**	**Foreign exchange gains $'000**	**Total $'000**
At 1 January 2005	19,653	23,126	10,545	23,678	77,002
Tax charged/(credited) to the profit and loss account	-	2,687	3,264	(119)	5,832
At 31 December 2005	19,653	25,813	13,809	23,559	82,834

Deferred tax assets	**Accelerated depreciation $'000**	**Retirement benefits $'000**	**Total $'000**
At 1 January 2005	12,587	12,369	24,956
Tax credited to the profit and loss account	952	3,042	3,994
At 31 December 2005	13,539	15,411	28,950

16. Deferred Income Taxes (Continued)

These balances include the following:

	2005 $'000	2004 $'000
Deferred tax liabilities to be settled after more than 12 months	57,246	54,618
Deferred tax assets to be recovered after more than 12 months	28,950	24,956

17. Borrowings

	2005 $'000	2004 $'000
GraceKennedy Limited	97,645	97,645
Finance lease obligations	387	1,218
Bank overdraft	11,769	24,121
	109,801	122,984

(a) GraceKennedy Limited
This represents an Urban Renewal Bond which is repayable in the year 2006. The bond attracts interest at 5 to 8 percentage points below the treasury bill rate and is adjusted bi-annually. At 31 December 2005, the average interest rate was 7.88% (2004 – 11.02%).

(b) Finance lease obligations
Finance lease arrangements are obtained for the purchase of motor vehicles (Note 11). These leases attract a weighted average interest rate of 21.2% (2004 – 21.2%). Future payments under finance lease obligations as at 31 December are as follows:

	2005 $'000	2004 $'000
In the financial year ending 31 December 2005	-	1,033
In the financial year ending 31 December 2006	408	355
Total minimum lease payment	408	1,388
Less: Future finance charges	(21)	(170)
	387	1,218

(c) Bank overdraft
The company does not have an overdraft facility. The year end bank overdraft balance was due to unpresented cheques.

18. Retirement Benefit Obligations

The company participates in a number of post-retirement healthcare, insurance and gratuity benefit schemes operated by GraceKennedy Limited. Funds are not built-up to cover the obligations under these retirement benefit schemes.

The method of accounting and the frequency of valuations are similar to that used for the defined benefit pension scheme (Note 12). In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 12.5% (2004 – 12.5%) per year.

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

	2005 $'000	2004 $'000
Present value of obligations	57,547	47,569
Unrecognised actuarial losses, net	(11,312)	(10,461)
	46,235	37,108

The movement in defined benefit obligations during the year is as follows:

	2005 $'000	2004 $'000
At beginning of year	37,108	31,087
Amounts recognised in the profit and loss account	9,657	6,530
Benefits paid	(530)	(509)
At end of year	46,235	37,108

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

	2005 $'000	2004 $'000
Current service cost	3,198	1,930
Interest cost	6,313	4,600
Net actuarial loss recognised during the year	146	-
	9,657	6,530

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19. Share Capital

	2005 $'000	2004 $'000
Authorised, issued and fully paid -		
265,064,000 Ordinary shares of $1 each	265,064	265,064

20. Capital and Fair Value Reserves

	2005 $'000	Restated 2004 $'000
Realised gain on sale of investments	824	824
Unrealised gain on the revaluation of available-for-sale investments	74,594	49,658
Unrealised surplus on the revaluation of fixed assets	41,074	41,074
	116,492	91,556

21. Other Income

	2005 $'000	2004 $'000
Interest earned	213,152	244,085
Gain on disposal of fixed assets	141	1,509
Dividend income	1,577	1,092
Net foreign exchange gains	28,162	17,706
Miscellaneous income	12,826	13,565
Rental income, net	14,922	17,089
Gain on disposal of investment in subsidiary	-	61,260
	270,780	356,306

22. Finance Costs

	2005 $'000	2004 $'000
Interest paid -		
Urban Renewal Bond	8,691	10,727
Loan from Knutsford Re	-	220
Finance lease arrangements	142	565
	8,833	11,512

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23. Expenses by Nature

Total underwriting, administration and other operating expenses:

	2005 $'000	2004 $'000
Advertising and public relations	31,699	16,581
Allocation of central office expenses paid to parent company	23,940	22,802
Auditor's remuneration	1,740	1,142
Bad debt expense	6,302	1,282
Bank charges	2,706	1,492
Data processing	23,813	13,435
Depreciation	8,962	7,442
Directors' fees	1,805	301
Occupancy - rent, utilities, insurance, security	23,034	13,891
Office expenses	11,180	7,181
Processing fees	11,797	7,938
Professional fees	4,810	4,779
Repairs and maintenance	9,793	6,986
Staff costs (Note 24)	179,046	98,552
Underwriting expenses –		
Motor	12,814	4,279
Property	1,602	192
Other	-	30
	355,043	208,305

24. Staff Costs

	2005 $'000	2004 $'000
Wages and salaries	140,754	74,840
Statutory contributions	11,419	6,692
Pension – defined benefit (Note 12)	(7,443)	(6,701)
Other post-retirement benefits (Note 18)	9,657	6,530
Termination costs	-	338
Other	24,659	16,853
	179,046	98,552

The number of persons employed full-time by the company at year end was 85 (2004 – 69).

25. Taxation

Taxation is based on the profit for the year and comprises income tax at 33⅓%:

	2005 $'000	2004 $'000
Current taxation	60,058	47,569
Deferred taxation (Note 16)	1,838	(8,979)
	61,896	38,590

The tax on the company's profit differs from the theoretical amount that would arise using the tax rate of 33⅓% as follows:

	2005 $'000	2004 $'000
Profit before taxation	251,112	232,916
Tax calculated at a tax rate of 33⅓%	83,704	77,639
Adjusted for the effects of –		
Tax-free interest income	(16,631)	(11,339)
Tax-free rental income under the Urban Renewal Act	(6,436)	(6,436)
Tax-free gain on sale of investment in subsidiary	-	(20,420)
Other charges and allowances	1,259	(854)
	61,896	38,590

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26. Related Party Transactions and Balances

(a) The balance sheet includes the following balances with group companies:

	2005 $'000	2004 $'000
Cash and short term investments –		
Fellow subsidiaries	124,268	134,177
Parent company	342	1,485
	124,610	135,662
Due from agents, brokers and policyholders – Fellow subsidiaries	59,538	65,253
Long term receivable – Parent company	-	121,260
Due from/(to) reinsurers – Fellow subsidiaries	7,850	(16,575)
Due to parent company	125	774
Borrowings –		
Fellow subsidiary	11,769	24,121
Parent company	97,645	97,645
Group pension plan	387	1,218
	109,801	122,984

(b) The profit and loss account includes the following transactions with key management personnel, all of whom are directors of the company:

	2005 $'000	2004 $'000
Staff costs –		
Wages and salaries	25,872	20,304
Statutory contributions	2,498	1,931
Fees as directors	1,805	301
Gross premiums written	1,488	1,072

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26. Related Party Transactions and Balances (Continued)

(c) The profit and loss account includes the following transactions with group companies:

	2005 $'000	2004 $'000
Gross premiums written –		
Fellow subsidiaries	229,486	227,644
Parent company	27,234	21,919
	256,720	249,563
Commission received – Fellow subsidiaries	2,243	1,935
Commission paid – Fellow subsidiaries	149,270	83,694
Administration expenses – Parent company	11,844	12,482
Other operating expenses –		
Allocation of central office expenses paid to parent company	23,940	22,802
Interest earned –		
Fellow subsidiaries	7,053	61,004
Parent company	4,689	1,275
	11,742	62,279
Rental income –		
Fellow subsidiaries	4,783	7,550
Parent company	19,308	19,308
	24,091	26,858
Interest expense –		
Fellow subsidiary	-	220
Parent company	8,691	10,727
Group pension plan	142	565
	8,833	11,512

27. Restatement

On adoption of IAS 39 (revised 2003/2004), Financial Instruments: Recognition and Measurement, the company changed its classification of investments. Previously, certain investments were classified as originated debt and carried at amortised cost. Subsequent to adoption, all investments are classified as available-for-sale and carried at fair value, with fair value gains and losses being recognised in capital and fair value reserves in equity.

Accordingly, investments and capital and fair value reserves as at 31 December 2004 and 31 December 2003 were increased/(reduced) by $20,401,000 and ($4,528,000), respectively.

28. Post Balance Sheet Event

At an Extraordinary General Meeting held on 11 January 2006, the following resolutions were passed:

(a) The existing authorised and issued share capital of the company were converted into shares of no par value;

(b) The authorised share capital of the company was increased by the creation of 597,000,000 ordinary shares of no par value to rank pari passu in all respects with the existing ordinary shares of the company;

(c) The authorised share capital of the company was further increased by the creation of 3,130,000 preference shares of no par value;

(d) Ordinary shares totalling 500,000,000 were issued to the parent company as fully paid up bonus shares by the capitalisation of $500,000,000 of retained earnings; and

(e) Ordinary shares totalling 97,000,000 were issued to the parent company as full and final settlement for the Urban Renewal Bond that was issued to the parent company (Note 17(a)).

Jamaica International Insurance Company Limited

Underwriting Revenue Account

Year ended 31 December 2005

(expressed in Jamaica dollars unless otherwise indicated)

	Liability	M.A.T.	Motor	Pecuniary loss	Personal accident	Property	2005 Total	2004 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income								
Gross premiums	70,573	26,092	987,766	15,336	1,419	1,227,717	2,328,903	1,373,056
Reinsurance premiums	(9,351)	(19,477)	(13,085)	(13,251)	(976)	(1,109,067)	(1,165,207)	(780,807)
Excess reinsurance premiums	(1,272)	-	(21,106)	-	-	(36,555)	(58,933)	(48,115)
	59,950	6,615	953,575	2,085	443	82,095	1,104,763	544,134
Reinsurance commissions	1,247	5,547	1,498	1,040	179	103,661	113,172	79,540
	61,197	12,162	955,073	3,125	622	185,756	1,217,935	623,674
Expenditure								
Claims incurred	41,633	17,716	663,814	(1,994)	220	773,128	1,494,517	1,092,186
Reinsurance recoveries	(7,161)	(16,691)	(8,380)	1,564	(138)	(750,355)	(781,161)	(735,248)
	34,472	1,025	655,434	(430)	82	22,773	713,356	356,938
Hire risk pool & professional indemnity pools	(209)	-	-	-	-	-	(209)	(413)
Unearned premium – net (increase)/decrease	7,308	590	53,290	710	200	(73,726)	(11,628)	64,276
Commission paid	6,199	1,001	62,590	596	75	101,747	172,208	106,446
Underwriting expenses	-	-	10,199	-	-	4,217	14,416	4,501
Operating expenses	9,563	3,536	133,848	2,078	192	166,363	315,580	179,826
	57,333	6,152	915,361	2,954	549	221,374	1,203,723	711,574
Underwriting Profit/(Loss)	3,864	6,010	39,712	171	73	(35,618)	14,212	(87,900)

Jamaica International Insurance Company Limited
Administration Expenses
Year ended 31 December 2005
(expressed in Jamaica dollars unless otherwise indicated)

	2005 $'000	2004 $'000
Advertising and public relations	26,372	14,087
Audit fees	1,740	1,142
Bad debts, net of recoveries	6,302	1,282
Bank charges	2,706	1,492
Data processing	23,813	13,435
Depreciation	8,962	7,442
Directors' fees	1,805	301
Electricity	5,424	3,859
Entertainment	497	579
Insurance	3,082	2,997
Miscellaneous	4,976	4,574
Motor vehicle	4,398	3,814
Office rental	3,304	578
Printing and stationery	6,261	2,607
Professional fees	4,810	4,779
Registration fees	8,548	7,008
Repairs and maintenance	5,395	3,172
Research and development	-	(701)
Security	2,947	1,560
Staff costs	179,046	98,552
Stamp duty	3,249	930
Telephone, telex and postage	8,250	4,897
Travelling	3,693	1,440
	315,580	179,826