PAN-JAMAICAN INVESTMENT TRUST LIMITED

ANNUAL REPORT 2004

FORTIETH 40th ANNIVERSARY

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Group Structure

Insurance

FirstLife Insurance Company Limited
60 Knutsford Boulevard
Kingston 5

Property

Jamaica Property Company Limited
60 Knutsford Boulevard
Kingston 5

Jamaica Property Development Limited
60 Knutsford Boulevard
Kingston 5

Jamaica Property Management Limited
60 Knutsford Boulevard
Kingston 5

St. Andrew Developers Limited
60 Knutsford Boulevard
Kingston 5

Knutsford Holdings Limited
60 Knutsford Boulevard
Kingston 5

Investment Management

Pan-Jamaican Mortgage Society Limited
60 Knutsford Boulevard
Kingston 5

Portfolio Partners Limited
60 Knutsford Boulevard
Kingston 5

Banking, Investment Management and Financial Services (Associated Companies)

Pan Caribbean Financial Services Ltd.
60 Knutsford Boulevard
Kingston 5

Pan Caribbean Merchant Bank Limited
60 Knutsford Boulevard
Kingston 5

Pan Caribbean Investments Limited
60 Knutsford Boulevard
Kingston 5

Agriculture

Jamaican Floral Exports Limited
184A Constant Spring Road
Kingston 8

Distribution

Busha Browne's Co. Limited
697 Spanish Town Road
Kingston 11

Scott's Preserves Limited
697 Spanish Town Road
Kingston 11

Scott's of Jamaica Limited
697 Spanish Town Road
Kingston 11

Trading (Associated Companies)

Hardware & Lumber Limited
697 Spanish Town Road
Kingston 11

Rapid & Sheffield Company Limited
697 Spanish Town Road
Kingston 11

H&L True Value Limited
697 Spanish Town Road
Kingston 11

Agro Grace Limited
697 Spanish Town Road
Kingston 11

H&L Agri & Marine Co. Limited
697 Spanish Town Road
Kingston 11

OSL Scaffolding Limited
697 Spanish Town Road
Kingston 11

Wherry Wharf Sales Company Limited
697 Spanish Town Road
Kingston 11

Corporate Data

Board of Directors:

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

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

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

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

W. G. Bryan Ewen, F.C.A.
Vice President – Finance

Donovan H. Perkins, M.B.A.

Richard O. Byles, M.Sc.

Secretary:

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

Registered Office:

60 Knutsford Boulevard
Kingston 5, Jamaica

Registrar:

Pan Caribbean Merchant Bank Limited

Bankers:

The Bank of Nova Scotia (Jamaica) Limited
Citibank, N.A
First Caribbean International (Jamaica) Ltd.
Pan Caribbean Merchant Bank
Pan Caribbean Financial Services Limited

Auditors:

PricewaterhouseCoopers

Attorneys-at-Law:

Hart, Muirhead, Fatta
Pattersons Attorneys-at-Law
Nunes Scholefield Deleon

Board of Directors

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

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

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

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

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

Donovan H. Perkins, MBA

Richard O. Byles, M.Sc.

Notice of Annual General Meeting

Notice is hereby given that the Forty-First Annual General Meeting of Pan-Jamaican Investment Trust Limited will be held at The Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5 on Thursday, September 15, 2005 at 3:30 p.m. for the following purposes:

1. To receive and consider the Directors' Report and Financial Statements for the year ended December 31, 2004, and the Report of the Auditors thereon.

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

   "THAT the Balance Sheet and the Profit and Loss Account together with the Reports of the Directors and the Auditors thereon be and are hereby adopted".

2. **Dividend**

   To declare the interim dividends of 74.5 cents paid during the year, as final dividend for the year ended December 31, 2004.

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

   "THAT the interim dividends of 15 cents as well as special dividend of 7 cents paid June 11, 2004, 15 cents paid August 10, 2004, 17.5 cents paid October 15, 2004, and 20 cents paid December 31, 2004, making a total of 74.5 cents be declared as final dividend for the year ended December 31, 2004".

3. **To elect Directors**

   W.G. Bryan Ewen and Richard O. Byles and who being eligible offer themselves for re-election.

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

   (a) "THAT the retiring Director Mr. W. G. Bryan Ewen be re-elected".

   (b) "THAT the retiring Director Mr. Richard O. Byles be re-elected".

4. **To confirm the remuneration of the Directors.**

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

   "THAT the amount shown in the Accounts for the year ended December 31, 2004 for Directors' fees be and is hereby approved".

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

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

   "THAT the remuneration of the Auditors, PricewaterhouseCoopers, who have signified their willingness to continue in office be fixed by the Directors".

6. **Special Business.**

   To set aside shares under the Executive Share Option Plan

   "RESOLVED THAT the Company be authorized to set aside 8,000,000 of the authorised but unissued ordinary shares in the capital of the company, notwithstanding Rule 412A of the Jamaica Stock Exchange, for an Executive Share Option Scheme to be appropriated to Executives of the company and its subsidiaries and that the Directors be authorised to issue said shares from time to time and on such terms and subject to such conditions as the Directors deem proper and that all ordinary shares issued pursuant to the Executive Incentive Scheme when fully paid up, be converted into stock, and be listed on the Jamaica Stock Exchange."

7. **To consider any other businesss of an Annual General Meeting.**

By order of the Board

Gene M. Douglas
Secretary

Kingston, Jamaica
May 3, 2005

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

Report of the Directors

To the Stockholders of Pan-jamaican investment Trust Limited

The Directors herewith submit their Report and the Audited Financial Statements for the year ended December 31, 2004.

	$'000
The Group profit before taxation was	1,913,522
Taxation amounted to	(272,915)
Making Group Profit after Taxation	1,640,607
The share of Minority Interest in the results of subsidiaries was	(443,652)
Making the Profit attributable to Stockholders	1,196,955
To be added to retained earnings brought forward from last year	2,103,036
Making a total of	3,299,991
Dividends paid/proposed amounted to and there were adjustments to retained earnings in respect of	(129,235)
- a transfer to special reserves	8,332
- transfer to other reserves	2,993
Leaving retained earnings to be carried forward to the next year of	3,182,081

Dividends

The Directors have recommended that the interim dividends paid to stockholders on June 11, 2004, August 10, 2004, October 15, 2004 and December 31, 2004 be declared as final dividend for the year ended December 31, 2004.

Directors

The Directors retiring by rotation pursuant to Article 90 of the Articles of Association are Messrs. W. G. Bryan Ewen and Richard O. Byles, who being eligible offer themselves for re-election.

During the year Messrs. H. Peter Ganteaume and Terrence Farrell resigned from the Board.

Auditors

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

On behalf of the Board

Gene M. Douglas
Secretary

Kingston, Jamaica
May 3, 2005

Financial Highlights

Year Ended December 31, 2004

	2004 $000	2003 $000	Restated 2002 $000	Restated 2001 $000	2000 $000
INCOME					
Gross Income Insurance, Property, Merchant Banking and Other	3,494,220	5,150,289	3,534,897	2,078,489	1,825,593
Trading	-	1,392,687	1,625,386	1,499,592	1,372,436
	3,494,220	6,542,976	5,160,283	3,578,081	3,198,029
Net Worth	4,187,953	2,989,858	2,336,559	2,079,457	1,649,150
Profit attributable to Stockholders	1,196,955	652,179	355,022	264,948	187,898
	Per Ordinary Stock Unit				
Weighted Average Number of Stock Units	172,868	172,119	171,702	166,599	160,677
Earnings on average number of ordinary stock units outstanding					
Basic	$6.92	$3.79	$2.07	$1.59	$1.17
Fully diluted	$6.82	$3.77	$2.05	$1.58	$1.15
Net book worth per share at year end	$24.22	$17.37	$13.61	$12.48	$10.25

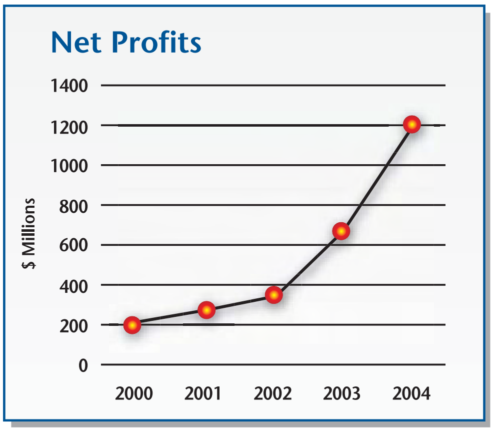
Statement from the Chairman & President

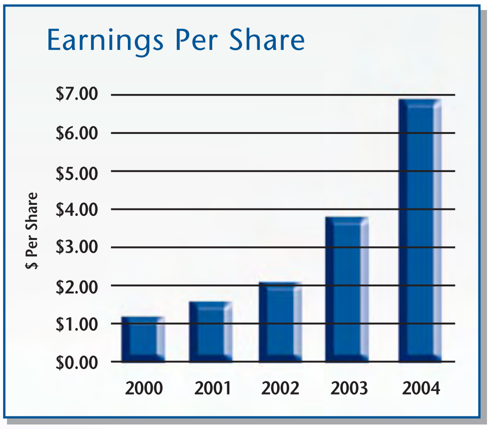
We are again pleased to report to our shareholders on an excellent performance by the Pan-Jamaican Group for the year ended 31 December 2004.

Gross operating revenues amounted to $3,494 million compared with $6,543 million while Net Profit attributable to stockholders for 2004 rose to $1,197 million from $652 million, an increase of 84%. Earnings per share on the average stock units outstanding improved from $3.77 to $6.82.

The reduction in gross revenue was due to the change in status of Hardware & Lumber Limited in the fourth quarter of 2003 and of Pan Caribbean Financial Services Ltd. from subsidiary to that of associated company on its merger with Manufacturers International Ltd. in March 2004. The Pan Caribbean merger also produced a non-recurring gain on dilution of $351.9 million appearing in our Consolidated Income Statement in 2004.

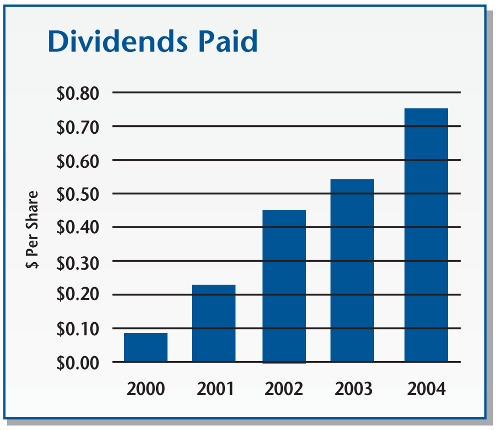
At the close of 2004, our book value per share stood at $24.22 compared with $17.37 in 2003, an increase of 39%.





Left - Right: Maurice W. Facey (Chairman), Stephen B. Facey (President & Chief Executive Officer)

Statement from the Chairman & President (cont'd)



Dividends

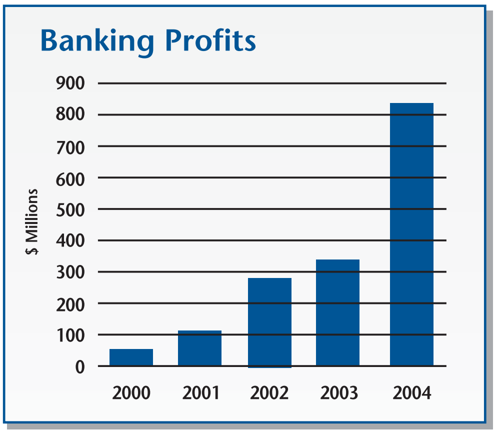
With the continued improvement in profitability, your Directors authorized the payment of four interim dividends totaling 74.5 cents per share.

Insurance

Our joint venture with Life of Jamaica Ltd., through Employee Benefits Administrator Ltd., continued to be highly successful and premiums for Group Health and Group Life rose from $1,337 million to $1,634 million, an increase of 22%.

Pension funds under management totaled some $6,707 million compared to $4,929 million, an increase of 36%. The asset mix of the fund remains concentrated in Government securities (74%) with smaller percentages in equities (12%) and other investments (14%).

FirstLife's Minimum Continuing Capital and Surplus Requirement, a measure of the company's financial health, was at 422% at 31 December 2004, up from 379% in 2003. This position is well in excess of the standard requirement of 110% established under the Regulations of the Insurance Act, 2001.



Banking

2004 saw a number of important developments for our Investment Banking Division which operates under Pan Caribbean Financial Services Limited (PCFS). In March 2004, PCFS merged with Manufacturers Investments Limited (MIL). In July 2004, certain financial assets and liabilities were acquired from Lets Investments Limited (LIL). Finally, in December 2004 the company became the 11th seat holder on the Jamaica Stock Exchange. These significant developments during the year will further solidify Pan Caribbean's position as an important provider of diversified financial services in Jamaica.

Net Profit attributable to stockholders for 2004 rose to $1,197 million from $652 million, an increase of 84%.

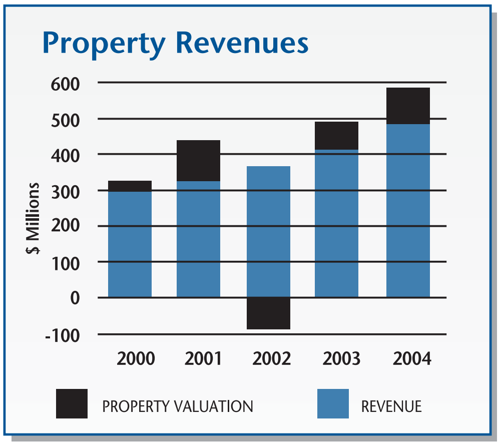
Statement from the Chairman & President (cont'd)

For the financial year, Net Income reported was $841.7 million, up 146% over 2003. During the year, total assets increased to $40 billion, up $22 billion. Shareholders' Equity at year-end was $5.2 billion compared to $1.5 billion from 2003. Growth came from the issuance of shares to complete the acquisitions of MIL and LIL, the retention of profits as well as increases in Fair Value and Loan Loss Reserves.

Property

Investment properties maintained high occupancy levels during the year under review, averaging 92%. Demand for retail space remained strong and revenues increased from $452.6 million in 2003 to $577.9 million, an increase of 28%.

Property values increased moderately due to higher net rentals being obtained but in no way reflect the replacement and development costs which exceed market value by some 50%. With the gradual lowering of interest rates, we expect to see property values that are more reflective of replacement costs in the long-term.



Trading

The merger of Hardware & Lumber Limited with Rapid Sheffield has clearly shown, by its excellent results for the first full year 2004, to have been a move in the right direction. Gross Revenue of $5,519 million increased by 109% over the previous year and net profits attributable to stockholders increased from $45 million to $169 million, an increase of 276%.

With the success of the 2005 Rights Issue, the company will now have adequate capital to undertake its planned expansion programme and so provide its shareholders with increased profits.

Outlook for 2005

The Minister of Finance has now granted approval to Life of Jamaica and our 73% subsidiary, FirstLife, to proceed with a major reorganization. FirstLife will transfer its life insurance, pension management and banking interests to Life of Jamaica in exchange for cash and a 25% shareholding in the enlarged Life of Jamaica. We are confident that our interest in this strong and vibrant financial services group will provide us with a solid platform and resources for future growth and development.

We take this opportunity to thank our many customers for their support, our staff and management for their dedicated commitment and our Board for their guidance, all of which contributed measurably to the fine results for the year under review.

Maurice W. Facey
Chairman

Stephen B. Facey
President & CEO

PRICEWATERHOUSECOOPERS

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

8 April 2005

To the Members of
Pan-Jamaican Investment Trust Limited

Auditors' Report

We have audited the financial statements set out on pages 12 to 73, 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 affairs of the company and the group as at 31 December 2004 and of the results of operations and cash flows of the group, and changes in equity 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, 1965.

Price Waterhouse Coopers

Chartered Accountants
Kingston, Jamaica

Consolidated Profit and Loss Account

Year ended 31 December 2004

	Note	2004	2003
		$'000	$'000
Income			
Premiums, net		1,730,407	1,383,505
Investments, net		1,003,363	3,031,626
Property		494,648	405,903
Manufacturing and distribution sales		-	1,390,935
Other		265,802	331,007
	5	3,494,220	6,542,976
Operating Expenses			
Policyholders' benefits and reserves		1,275,027	1,177,270
Interest expense		467,299	2,436,809
Cost of sales		-	1,264,999
Other operating expenses		671,336	767,437
		2,413,662	5,646,515
Operating Profit		1,080,558	896,461
Gain on dilution of shareholding in subsidiary	9	351,913	-
Share of results of associated companies		481,051	5,536
Profit on disposal of subsidiary		-	63,334
Profit before Taxation		1,913,522	965,331
Taxation	10	(272,915)	(38,932)
Profit after Taxation		1,640,607	926,399
Minority interest		(443,652)	(274,220)
NET PROFIT	11	1,196,955	652,179
EARNINGS PER STOCK UNIT			
Basic	13	$6.92	$3.79
Fully diluted	13	$6.82	$3.77

Consolidated Balance Sheet

31 December 2004

	Note	2004 $'000	2003 $'000
ASSETS			
Cash and Bank Balances	14	518,042	225,040
Cash Reserve at Bank of Jamaica		-	16,941
Investments			
Securities -			
Trading	15	-	487,398
Available-for sale	15	692,730	2,033,410
Originated debt	15	2,029,350	8,620,982
Securities purchased under agreements to resell	16	542,014	6,963,315
Short term deposits	14	4,542	4,505
Loan and lease receivables	17	132,402	1,263,351
Investment property	18	1,825,455	1,570,665
Investment in associated companies	19	2,286,059	185,272
		7,512,552	21,128,898
Taxation Recoverable		114,585	118,396
Deferred Tax Assets	20	35,450	55,545
Other Assets	21	450,108	2,009,396
Property, Plant and Equipment	22	95,827	250,632
Intangible Assets	23	178,014	204,370
Retirement Benefit Assets	24	38,136	119,645
Segregated Funds' Assets	28	88,300	53,662
		9,031,014	24,182,525

Consolidated Balance Sheet (Cont'd)

31 December 2004

	Note	2004 $'000	2003 $'000
LIABILITIES AND STOCKHOLDERS' FUNDS			
Bank Overdraft	14	14,363	38,203
Securities Sold under Agreements to Repurchase		-	13,718,164
Taxation Payable		110,281	29,668
Deferred Tax Liability	20	70,637	80,842
Retirement Benefit Liabilities	24	74,301	68,975
Due to related party	25	8,036	-
Other Liabilities	26	694,883	3,721,230
Long Term Loans	27	302,443	350,222
Segregated Funds' Liabilities		88,300	53,662
		1,363,244	18,060,966
Policyholders' Funds	29		
Reserve for future policyholders' benefits		927,685	799,692
Approved deposit administration funds		771,097	685,365
Policyholders' funds on deposit		400,776	373,586
Policy dividends on deposit		19,617	19,766
		2,119,175	1,878,409
Stockholders' Equity			
Share capital	30	17,353	17,216
Share premium	31	168,001	165,388
Capital redemption reserve		2,176	2,200
Insurance and banking reserves	32	51,577	183,827
Loan loss reserve		-	71,509
Investment and other reserves	33	766,765	446,682
Retained earnings		3,182,081	2,103,036
		4,187,953	2,989,858
Minority Interest		1,360,642	1,253,292
		9,031,014	24,182,525

Approved for issue by the Board of Directors on 8 April 2005 and signed on its behalf by:

Stephen B. Facey — Director

W.G. Bryan Ewen — Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Note	Share Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Loan Loss Reserve	Investment Reserves	Dividends Proposed	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2003		17,216	165,388	2,200	196,744	64,647	358,776	37,005	1,494,583	2,336,559
Currency translation differences		-	-	-	-	-	(995)	-	-	(995)
Fair value losses on available-for-sale securities		-	-	-	-	-	97,996	-	-	97,996
Realised fair value gains transferred to Consolidated Profit and Loss Account		-	-	-	-	-	(3,798)	-	-	(3,798)
Net gains recognised directly in equity		-	-	-	-	-	93,203	-	-	93,203
Net profit for the year		-	-	-	-	-	-	-	652,179	652,179
Issue of shares		-	-	-	-	-	-	-	-	-
Adjustment between regulatory loan provisioning and IFRS		-	-	-	-	6,862	-	-	(6,862)	-
Transfer from investment reserve		-	-	-	-	-	(5,297)	-	5,297	-
Transfer to statutory banking reserve		-	-	-	11,357	-	-	-	(11,357)	-
Transfer from special insurance reserve		-	-	-	(24,274)	-	-	-	24,274	-
Dividends paid		-	-	-	-	-	-	(37,005)	(55,078)	(92,083)
Balance at 31 December 2003		17,216	165,388	2,200	183,827	71,509	446,682	-	2,103,036	2,989,858

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2004

	Note	Share Capital	Share Premium	Capital Redemption Reserve	Insurance and Banking Reserves	Loan Loss Reserve	Investment Reserves	Dividends Proposed	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004		17,216	165,388	2,200	183,827	71,509	446,682	-	2,103,036	2,989,858
Currency translation differences							258	-	-	258
Fair value gains on available-for-sale securities		-	-	-	-	-	143,250	-	-	143,250
Realised fair value gains transferred to Consolidated Profit and Loss Account		-	-	-	-	-	(82,578)	-	-	(82,578)
Net gains recognised directly in equity		-	-	-	-	-	60,930	-		60,930
Net profit for the year		-	-	-	-	-	-	-	1,196,955	1,196,955
Issue of shares		137	2,613	-	-	-	-	-	-	2,750
Adjustment between regulatory loan provisioning and IFRS		-	-	-	-	-	-	-	-	-
Reclassification of reserves from dilution of shareholding in PCFS		-	-	-	(123,918)	(71,509)	195,427	-	-	-
Transfer from investment reserve		-	-	-	-	-	(2,993)	-	2,993	-
Transfer from special insurance reserve		-	-	-	(8,332)	-	-	-	8,332	-
Dividends paid	34	-	-	-	-	-	-	-	(129,235)	(129,235)
Other movement in reserves in PCFS		-	-	-	-	-	89,639	-	-	89,639
Increase in minority share of reserves		-	-	(24)	-	-	(22,920)	-	-	(22,944)
Balance at 31 December 2004		17,353	168,001	2,176	51,577	-	766,765	-	3,182,081	4,187,953

Consolidated Statement of Cash Flows

Year ended 31 December 2004

	Note	2004 $'000	2003 $'000
Cash Flows from Operating Activities	35	861,977	1,865,728
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(53,187)	(95,407)
Acquisition of investment property		-	(969)
Acquisition of intangible assets, net of grant received		-	(3,482)
Net cash outflow on dilution of subsidiary		(108,162)	-
Proceeds from disposal of property, plant and equipment		274	1,287
Net cash inflow in subsidiary sold		-	298,532
Acquisition of investment securities, net		(100,908)	(1,851,069)
Acquisition of shares in associated company		(72,475)	-
Loans advanced to associated companies		-	(609)
Net cash used in investing activities		(334,458)	(1,651,717)
Cash Flows from Financing Activities			
Due to associated company		8,036	-
Loans received		100,881	284,337
Loans repaid		(172,892)	(358,690)
Dividends paid		(129,235)	(92,083)
Proceeds from issue of shares		2,750	-
Net cash used in financing activities		(190,460)	(166,436)
Net increase in cash and cash equivalents		337,059	47,575
Effect of exchange rate changes on cash and cash equivalents		1,092	2,781
Cash and cash equivalents at beginning of year		712,084	661,728
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,050,235	712,084

Balance Sheet

31 December 2004

	Note	2004 $'000	2003 $'000
ASSETS			
Cash and Bank Balances	14	73,930	122,693
Investments			
Available-for-sale securities	15	231,868	138,387
Originated debt	15	33,993	33,526
Associated companies	19	65,283	23,031
Subsidiary companies, at cost	19	67,671	67,671
		398,815	262,615
Due from Subsidiaries	25	240,317	243,509
Taxation Recoverable		8,248	4,176
Deferred Tax Asset	20	3,882	-
Other Assets	21	12,464	20,523
Property, Plant and Equipment	22	493	526
Retirement Benefit Assets	24	3,920	60,305
		742,069	714,347
LIABILITIES AND STOCKHOLDERS' FUNDS			
Bank Overdraft	14	7,586	1,618
Taxation Payable		267	267
Deferred Tax Liability	20	-	25,183
Retirement Benefit Liabilities	24	16,939	16,324
Other Liabilities	26	77,777	44,457
Long Term Loans	27	45,187	74,296
		147,756	162,145
Stockholders' Equity			
Share capital	30	17,353	17,216
Share premium	31	168,001	165,388
Capital reserve		146,823	146,823
Investment reserves		28,296	(620)
Retained earnings		233,840	223,395
		594,313	552,202
		742,069	714,347

Approved for issue by the Board of Directors on 8 April 2005 and signed on its behalf by:

Stephen B. Facey — Director

W.G. Bryan Ewen — Director

Statement of Changes in Equity

Year ended 31 December 2004

	Note	Share Capital $'000	Share Premium $'000	Capital Reserve $'000	Investment Reserve $'000	Dividends Proposed $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2003		17,216	165,388	146,823	4,452	37,005	70,164	441,048
Fair value gains on available-for-sale securities		-	-	-	(5,072)	-	-	(5,072)
Net profit		-	-	-	-	-	208,309	208,309
Dividends paid		-	-	-	-	(37,005)	(55,078)	(92,083)
Balance at 31 December 2003		17,216	165,388	146,823	(620)	-	223,395	552,202
Fair value gains on available-for-sale securities		-	-	-	28,916	-	-	28,916
Net profit		-	-	-	-	-	139,680	139,680
Dividends paid		-	-	-	-	-	(129,235)	(129,235)
Shares issued		137	2,613	-	-	-	-	2,750
Balance at 31 December 2004		17,353	168,001	146,823	28,296	-	233,840	594,313

Notes to the Financial Statements

31 December 2004

1. Identification and Principal Activities

(a) Pan-Jamaican Investment Trust Limited is a limited liability company incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange

(b) The main activity of the company is the direction and control of the operations of its subsidiaries and associated companies. The company's income consists mainly of dividends, interest income and management fees earned from its subsidiaries and associated companies. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

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

	Principal Activities	Proportion of issued equity capital held by	
		Company	Subsidiary
Subsidiaries			
First Life Insurance Company Limited	Life and Health Insurance	73%	
Jamaica Property Company	Office Rental		100%
Jamaica Property Development	Property Management		100%
Jamaica Property Management	Property Management		100%
Portfolio Partners Limited	Investment Management		100%
Jamaican Floral Exports Limited	Horticulture	80%	
Jamaican Heart Limited	Horticulture		100%
Pan-Jamaican Mortgage Society Limited	Financial Services	100%	
Scotts Preserves Limited	Distribution	100%	
Busha Browne's Company Limited	Distribution		100%
Busha Browne's Company Limited (Incorporated in the Bahamas)	Dormant	100%	
Scotts of Jamaica Limited	Dormant		100%
Panacea Insurance Company Limited (Incorporated in the Cayman Islands)	Captive Insurance	100%	
Associated Companies			
Hardware & Lumber Limited	Trading	25%	
Pan Caribbean Financial Services Limited	Development Banking		38%
St Andrew Developers Limited	Property Development		66 2/3%
Impan Properties Limited	Office Rental		20%
Knutsford Holdings Limited	Office Rental		60%
Joint Venture			
Employee Benefits Administrator Limited	Employee Benefits Administration		50%

Notes to the Financial Statements (Cont'd)

31 December 2004

1. Identification and Principal Activities (Continued)

(c) In July 2002, the Company and Life of Jamaica Limited (LOJ) 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 Life Insurance Company Limited assumed a liability to LOJ of $160,000,000 at a rate of 20% per annum.

(d) On 1 October 2002, the Company and LOJ entered into an agreement for the administration of the individual life portfolio of First life Insurance Company Limited.

(e) On 1 March 2004, Pan Caribbean Financial Services Limited (PCFS) and Manufacturers Investments Limited (MIL) executed a reconstruction agreement to merge their operations. Under the combination, PCFS became the legal parent company and First Life shareholding was reduced from 77% to 38%.

(f) All the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica, except as otherwise indicated.

(g) These financial statements are expressed in Jamaican dollars unless otherwise indicated.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and investment properties. IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Where IFRS does not contain guidelines governing the accounting treatment of transactions specific to insurance products, the company typically refers to accounting principles promulgated by the Jamaican Insurance Regulations for guidance.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (Continued)

(ii) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method, the company's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) Joint venture

Interests in assets, liabilities and earnings of jointly controlled ventures are included in these financial statements using the proportional consolidation method, eliminating material related party balances.

(c) Income

(i) Investment 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. Dividend income is recognised when the right to receive payment is established.

(ii) Premium income

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

Amounts collected as premiums from investment type contracts are reported as deposits. Revenue from these contracts consist of policy fees for the cost of insurance, administration and surrenders during the period.

Revenues from investment management and administrative service provided are based on contractual fee arrangements and are recognised as earned when the service has been provided.

(iii) Fee and commission income

Fee and commission 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.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(c) Income (Continued)

(iv) Manufacturing and distribution income
Revenue is recognised upon customer acceptance of delivery of products and performance of services, net of General Consumption Tax and discounts and after eliminating sales within the Group.

(v) Rental income
This comprises the invoice value of rental and maintenance charges net of General Consumption Tax and is recognised on an accrual basis.

(d) Expenses

Expenses are charged to income as incurred except for amounts allocated to lands awaiting development, construction in progress and developments for sale, subject to carrying costs not exceeding realisable value.

(e) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

Assets and liabilities of foreign subsidiaries are translated at exchange rates at the balance sheet date, while profit and loss account and cash flow items are translated at average rates over the year. Differences resulting from the use of these different exchange rates are reflected in the fair value and other reserves within the stockholders' equity.

(f) Taxation

Taxation on the profit for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity. Taxation on Jamaican life assurance business is charged on investment income less expenses allowable in earning that income at the rate of 15% (2003 - 7½%) and on gross taxable premium income at 3% (2003 - 1½%). Taxation on other operations within the Group is based on profit for the year adjusted for taxation purposes at 33⅓%.

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

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(f) Taxation (Continued)

(ii) Deferred income taxes

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

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

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

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

(g) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, securities purchased under agreements to resell, other assets, long term loans and other liabilities.

The determination of the fair values of the Group's and the company's financial instruments are discussed in Note 39.

(h) Cash and cash equivalents

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

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(i) Investments

(i) Investment securities

Investments are classified into the following categories: trading, available-for-sale and originated debt securities. Management determines the appropriate classification of investments at the time of purchase.

Trading securities are those which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. They are initially recorded at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in investment income.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in stockholders' equity are transferred to the profit and loss account

Originated debt securities include those where money is provided to the issuer, either directly or through an intermediary, other than those that are originated with the intent to be sold immediately or in the short-term, which are recorded as trading securities. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets' carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

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

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(i) Investments (Continued)

(ii) Investment property

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

(iii) Securities purchased under agreements to resell

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

(iv) Loans and allowances for impairment losses

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

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

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

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

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. 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.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(i) Investments (Continued)

(iv) Loans and allowances for impairment losses (Continued)
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 profit and loss.

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.

(v) Investment in subsidiaries and associated companies
Investments by the holding company in subsidiaries are stated at cost.

The associated companies are accounted for by the equity method. By this method, the Group's share of profits is included in the Group profit before taxation and the tax attributable to the share of profits is included in the Group's tax charge.

In the Group's and company's balance sheets, the investments are included at cost plus the share of reserves arising since acquisition of the investment.

The group's investment in St Andrew Developers Limited is intended to be short term and, as such, is accounted for on the equity method.

(j) Leases

(i) As lessee
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the profit and loss account 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 profit and loss account 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.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(k) Property, plant and equipment

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

The rates are as follows:

Leasehold improvements	Life of lease
Furniture, fixtures & fittings	10% & 12½%
Equipment	10%
Computer hardware & software	20%
Leased assets	Life of lease
Motor vehicles	14% & 20%

Land is not depreciated as it is deemed to have an indefinite life. Gains and losses arising from the disposal of property, plant and equipment are determimed by reference to their carrying amount and are taking into account in determining operating profit. Repairs and maintenance expenditure is charged to the profit and loss account as incurred.

(l) Employee benefits

(i) Pension

The company and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of 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 profit and loss account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of operation 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 profit and loss account over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the profit and loss account in the period to which they relate.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(l) 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 independent qualified actuaries.

(iii) Annual leave entitlements

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

(iv) Equity compensation benefits

Share options are granted to management and key employees based on an assessment by the Board of Directors. 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. The group does not make a charge to staff costs in connection with share options.

(v) Termination benefits

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

(m) Segregated funds

Segregated funds' assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. Investment income and both realised and unrealised gains and losses accrue directly to the policyholders. The assets of each account are segregated and are not subject to claims that arise out of any other business of the company. Deposits, withdrawals, net investment income and realised gains and losses, together with the increase or decrease in the market value of investments related to segregated policies are carried to policyholders' liabilities.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(n) Intangible assets

Goodwill

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. Goodwill is amortised on the straight-line basis over its remaining useful life for a period not exceeding fifteen years from the date of acquisition.

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

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

(o) Investment reserve

Unrealised gains and losses on available-for-sale securities are taken to stockholders' equity. Regulatory reserve requirements are met by a transfer from the investment reserve, to retained earnings at a rate of 25% on the reducing balance basis.

(p) Policyholders' funds

(i) Reserve for future benefits

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. 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 annually. Actuarial surpluses/deficits are transferred to/from the profit and loss account.

(ii) Claims

Claims payable represent the gross cost of all claims notified but not settled on the balance sheet date. Any reinsurance recoverable is shown as a receivable from the reinsurer.

(iii) Approved deposit administration funds

Management fees are earned from the deposit administration funds managed on behalf of policyholders. Income generated by these funds accrues to the company, which in turn pays a guaranteed interest rate to the policyholders.

Notes to the Financial Statements (Cont'd)

31 December 2004

2. Significant Accounting Policies (Continued)

(q) Other liabilities

(i) Benefits payable to policyholders

Claims payable represent the gross cost of all claims notified but not settled on the balance sheet date. Any reinsurance recoverable is shown as a receivable from the reinsurer.

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 are notified.

Death claims are recorded in the profit and loss account net of reinsurance recoverable.

(ii) Guarantees

The potential liability under guarantees is reported as a liability in the balance sheet. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(iii) Reinsurance ceded

Provisions for future policy benefits (life assurance fund or policy liabilities), premiums and policy benefits are stated net of amounts ceded to, and recoverable from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured policy. In the normal course of business, the company limits the amount of loss on any one policy by reinsuring certain levels of risks in various areas of exposure with the other insurers.

Reinsurance ceded does not discharge the Group's liability as the primary insurer. Failure of the reinsurers to honour their obligations could result in losses to the company; consequently, a contingent liability exists should an assuming company be unable to meet its obligations.

(r) Provisions

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

(s) Dividends

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

(t) Fiduciary Activities

Assets and income arising thereon together with related under takings 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.

(u) Segment reporting

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

(v) Comparative information

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

Notes to the Financial Statements (Cont'd)

31 December 2004

3. Responsibilities of the Appointed Actuary and External Auditors

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

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 auditing standards issued by the Institute of Chartered Accountants of Jamaica 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 policyholders' liabilities.

4. Segmental Financial Information

The Group is organised into four main business segments:

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

(b) Banking and other financial services – This incorporates the acceptance of deposits from customers, the financing of loans and leases, foreign currency trading, investment management, securities trading and fund management.

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

(d) Other activities include the provision of construction related equipment and janitorial services, the manufacturing and distribution of preserves, juices and other condiments and procurement services.

Notes to the Financial Statements (Cont'd)

31 December 2004

4. Segmental Financial Information (Continued)

	2004						
	Insurance and Pension Management Services	Banking and other Financial Services	Property Management Services	Distribution	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External operating revenues	2,179,271	667,228	620,620	-	27,101	-	3,494,220
Operating revenue from other segments	6,806	-	160,386	-	-	(167,192)	-
Operating revenues	2,186,077	667,228	781,006	-	27,101	(167,192)	3,494,220
Segment result	738,636	175,679	261,445	-	25,846	(121,048)	1,080,558
Gain on dilution of shares in subsidiary							351,913
Share of results of associated companies							481,051
Profit before taxation							1,913,522
Taxation							(272,915)
Profit after taxation							1,640,607
Minority interest							(443,652)
Net profit							1,196,955
Segment assets	3,879,627	149,252	2,931,467	-	125,690	(341,081)	6,744,955
Associates							2,286,059
							9,031,014
Segment liabilities	4,510,765	2,821	415,345	-	255,211	(341,081)	4,843,061
Other segment items:							
Capital expenditure	-	-	45,808	-	-	-	45,808
Depreciation	6,407	334	3,433	-	136	377	10,687
Amortisation	12,258	-	-	-	-	-	12,258

Notes to the Financial Statements (Cont'd)

31 December 2004

4. Segmental Financial Information (Continued)

	2003						
	Insurance and Pension Management Services	Banking and other Financial Services	Property Management Services	Distribution	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External operating revenues	1,717,523	2,943,898	488,868	1,388,214	4,473	-	6,542,976
Operating revenue from other segments	8,461	-	111,259	-	14,810	(134,530)	-
Total revenues	1,725,984	2,943,898	600,127	1,388,214	19,283	(134,530)	6,542,976
Segment result	399,814	340,503	180,377	55,324	11,338	(90,895)	896,461
Share of results of associated companies before taxation							5,536
Profit on disposal of subsidiary							63,334
Profit before taxation							965,331
Taxation							(38,932)
Profit after taxation							926,399
Minority interest							(274,220)
Net profit							652,179
Segment assets	3,178,675	18,404,713	2,673,744	-	120,164	(380,043)	23,997,253
Associates							185,272
							24,182,525
Segment liabilities	3,346,956	17,588,434	377,163	-	260,157	(380,043)	21,192,667
Other segment items:							
Capital expenditure	3,601	11,980	79,826	-	-	-	95,407
Depreciation	9,326	5,099	3,345	12,812	432	-	31,014
Amortisation	12,260	1,658	-	-	-	-	13,918

5. Income

	The Group	
	2004	2003
	$'000	$'000
Premiums, net (Note 6)	1,730,407	1,383,505
Investments, net (Note 7)	1,003,363	3,031,626
Property (Note 8)	494,648	405,903
Manufacturing and distribution	-	1,390,935
Other (Note 8)	265,802	331,007
	3,494,220	6,542,976

Notes to the Financial Statements (Cont'd)

31 December 2004

6. Net Premium Income

	The Group	
	2004	2003
	$'000	$'000
Gross premiums	1,777,222	1,420,766
Less: reinsurance	(46,815)	(37,261)
	1,730,407	1,383,505

7. Net Investment Income

	The Group	
	2004	2003
	$'000	$'000
Income		
Policy loans	3,578	2,701
Mortgage loans	2,718	2,962
Other loans and leases	11,359	72,109
Government of Jamaica securities	970,266	3,040,409
Other	243,381	167,021
	1,231,302	3,285,202
Expenses		
Interest expense	146,812	195,937
Investment expense	81,127	57,639
	227,939	253,576
	1,003,363	3,031,626

8. Property and Other Income

	The Group	
	2004	2003
	$'000	$'000
Rental income	399,454	334,475
Fair value gains on property valuation	95,194	71,428
	494,648	405,903
Fees from managed funds	95,687	67,028
Gain on sale of property, plant and equipment	122	163
Co-insurance	70,982	11,708
Miscellaneous income	99,011	252,108
	265,802	331,007

Co-insurance income represents the net income from the co-insurance agreement with Life of Jamaica Limited for the year.

Notes to the Financial Statements (Cont'd)

31 December 2004

9. Gain on Dilution of Shareholding in Subsidiary

On 1 March 2004, PCFS and Manufacturers Investments Limited (MIL) executed a reconstruction agreement to merge their operations. Under the combination, PCFS became the legal parent company and First Life's shareholding was reduced from 77% to 38%. Details of the gain resulting from the dilution of the shareholding are listed below.

	$'000
Cash resources	487,235
Investments	16,231,677
Loans and leases	1,200,143
Property, plant and equipment	40,987
Deferred tax asset	18,595
Other assets	1,763,795
Customer deposits	(753,707)
Securities sold under repurchase agreements	(14,604,388)
Loan liabilities	(1,023,774)
Other liabilities	(1,779,005)
Fair value of identifiable assets and liabilities	1,581,558
Less: Minority share	(363,969)
	1,217,589
Share of fair value of identifiable assets and liabilities of amalgamated entity	(1,569,502)
Gain on dilution of shareholding in subsidiary	351,913
Reduction in cash resources on dilution of shareholding in subsidiary	(487,235)

10. Taxation

(a) Composition of tax charge

The taxation charge for the year is comprised of:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Premium tax at 3% (2003 – 1½%)	13,257	6,009	-	-
Investment income tax at 15% (2003 - 7½%)	107,759	32,290	-	-
Current income tax at 33⅓%	20,611	18,331	-	-
Share of tax of associates	141,363	2,516	24,266	1,680
Adjustment to prior year estimate	(1,370)	(654)	-	-
Deferred income taxes (Note 20)	(8,705)	(19,560)	(29,065)	8,372
	272,915	38,932	(4,799)	10,052

Subject to agreement with the Taxpayer Audit and Assessment Department, the group has losses available for offset against future taxable profits amounting to approximately $96,791,000 (2003 - $97,857,000).

Notes to the Financial Statements (Cont'd)

31 December 2004

10. Taxation (Continued)

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Insurance operations				
Premium tax				
Gross premium income (Note 6)	1,777,222	1,420,766	-	-
Tax at 3% (2003 - 1½%)	53,317	21,311	-	-
Income not subject to tax	(42,752)	(15,729)	-	-
Amounts on deposit	2,549	323	-	-
Premium tax on segregated funds deposits	143	104	-	-
	13,257	6,009	-	-
Investment income tax				
Gross investment income (Note 7)	1,231,302	3,285,202	-	-
Tax at 15% (2003 - 7½ %)	184,695	246,390	-	-
Deductible expenses	(194,702)	(77,133)	-	-
Expenses not deductible for tax purposes	43	4,667	-	-
Other income taxable at 15% (2003 -7½%)	202,387	82,167	-	-
Effect of different tax regime applicable to life insurance operations	(86,563)	(222,995)	-	-
Net effect of other charges and allowances	1,898	(2,900)	-	-
	107,758	30,196	-	-
Other operations				
Current income tax				
Profit before tax	381,678	753,248	139,680	134,880
Tax at 33 1/3 %	127,226	251,083	46,560	72,787
Income not subject to tax	(116,341)	(201,096)	(50,615)	(5,700)
Expenses not deductible for tax purposes	3,205	31,278	200	1,351
Profit on disposal of subsidiary	-	(21,111)	-	(49,446)
Tax losses carried forward not utilised	-	(36,886)	-	-
Net effect of other charges and allowances	(2,183)	(22,403)	(944)	(10,620)
	11,907	865	(4,799)	8,372
Adjustment for prior year provision	(1,370)	(654)	-	-
Share of tax of associates	141,363	2,516	-	1,680
Income tax expense	272,915	38,932	(4,799)	10,052

Notes to the Financial Statements (Cont'd)

31 December 2004

11. Net Profit and Unappropriated Profits Attributable to Stockholders

This is stated after charging/(crediting):

	2004 $'000	2003 $'000
Directors' emoluments -		
Fees	670	153
Management remuneration (included in staff costs)	32,190	43,341
Auditors' remuneration -		
Current year	11,708	15,624
Prior year	3,499	725
Depreciation	10,687	31,014
Provision for credit losses	-	42,013
Amortisation of goodwill	12,258	13,918
Staff costs (Note 12)	256,965	406,320
Loss/(gain) on disposal of property, plant and equipment	-	163
Bad debt expenses	-	19,107

12. Staff Costs

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Wages and salaries	125,465	322,008	29,811	29,811
Payroll taxes	11,072	30,098	1,485	1,485
Pension costs (Note 24(b))	85,880	4,806	59,288	59,288
Other post retirement benefits (Note 24(c))	9,596	(1,985)	-	-
Redundancy costs	1,548	1,631	-	-
Other	23,404	49,762	5,209	5,209
	256,965	406,320	95,793	95,793

Number of employees at the end of the year:

	The Group		The Company	
	2004 $'000 No.	2003 $'000 No.	2004 $'000 No.	2003 $'000 No.
Regular	84	149	7	8
Contract	3	16	-	-
	87	165	7	8

Notes to the Financial Statements (Cont'd)

31 December 2004

13. Earnings Per Stock Unit

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

	2004	2003
Net profit attributable to stockholders ($'000)	1,196,955	652,179
Weighted average number of stock units in issue (thousands)	172,868	172,119
Basic earnings per stock unit	$6.92	$3.79

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

Fully diluted EPS was calculated as follows:

	2004	2003
Net profit attributable to stockholders ($'000)	1,196,955	652,179
Interest earned on income from conversion (net of tax) ($'000)	-	484
Dividends on preference shares ($'000)	19	54
Net profit used to determine diluted earnings per stock unit ($'000)	1,196,974	652,717
Weighted average number of ordinary shares in issue (thousands)	172,868	172,119
Adjustments for - assumed conversion of preference shares (thousands)	20	39
- share options (thousands)	2,595	1,100
Weighted average number of shares for diluted earnings per stock unit (thousands)	175,483	173,258
Fully diluted earnings per stock unit	$6.82	$3.77

Notes to the Financial Statements (Cont'd)

31 December 2004

14. Cash & Cash Equivalents

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

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cash and bank balances	518,042	225,040	4,595	3,605
Short term deposits	4,542	4,505	69,335	119,088
Investment securities (Note 15(c))	-	223,437	265,861	171,913
Securities purchased under agreements to resell (Note 16)	542,014	297,305	-	-
Bank overdrafts	(14,363)	(38,203)	(7,586)	(1,618)
	1,050,235	712,084	332,205	292,988

Security for the bank overdrafts includes certain specific securities and investment properties owned by the subsidiaries as well as the unlimited guarantee of the holding company. The effective interest rate on overdraft facility was 60% (2003 – 65%).

15. Investment Securities

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trading:				
Government of Jamaica	-	487,398	-	-
Available-for-sale:				
Debt securities -				
Government of Jamaica	402,899	1,783,523	219,566	134,045
Corporate debentures	17,994	17,994	-	-
Equity securities -				
Quoted	100,963	89,510	12,302	4,342
Unquoted	170,874	142,383	-	-
	692,730	2,033,410	231,868	138,387
Originated debt:				
Debt securities -				
Government of Jamaica	1,984,039	8,579,202	-	-
Corporate debentures	45,311	41,780	33,993	33,526
	2,029,350	8,620,982	33,993	33,526
	2,722,080	11,141,790	265,861	171,913

Notes to the Financial Statements (Cont'd)

31 December 2004

15. Investment Securities (Continued)

(a) Corporate debentures are shown net of provision for impairment losses of $50,832,000 (2003 - $50,832,000) for the group.

(b) Included in the group's investments are Government of Jamaica securities pledged as collateral as follows:

i) Local Registered Stocks valued at $100 million (2003 - $100 million) have been pledged with the regulator, the Financial Services Commission, in accordance with Section 8 (1) (a) of the Insurance Regulations, 2001.

ii) Investments valued at $102,200,000 and US$3,000,000 (2003 - $146,866,000 and US$3,000,000) have been pledged as collateral for loans granted to the company.

iii) Local Registered Stocks totalling $6,232,000 (2003 - $23,263,000) have been pledged as security for the bank overdraft facilities of the company and certain subsidiaries.

iv) Local Registered Stocks valued at $45,000,000 (2003 - $82,199,000) have been pledged as collateral for a loan facility of the parent company.

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

	2004	2003
	$'000	$'000
Debt securities with original maturity of not greater than 90 days	-	223,437

16. Securities Purchased under Agreements to Resell

The group entered into collateralised reverse repurchase agreements (securities purchased under agreements to resell), which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Included in securities purchased under agreements to resell are $542,014,000 (2003 - $297,305,000), which are regarded as cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Notes to the Financial Statements (Cont'd)

31 December 2004

17. Loan and Lease Receivables

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Mortgage loans	11,381	13,111	-	-
Policy loans	38,406	34,076	-	-
Other loans	63,097	1,305,333	-	-
Leases	19,518	29,668	-	-
	132,402	1,382,188	-	-
Less: Provision for impairment losses	-	(118,837)	-	-
	132,402	1,263,351	-	-

Included in loans and leases are the group's investments in finance leases as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than one year	5,868	22,019	-	-
Later than one year and not later than five years	13,650	7,649	-	-
	19,518	29,668	-	-

18. Investment Property

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At 1 January, as restated	1,570,665	1,378,506	-	-
Acquired during the year	5,249	969	-	-
Transferred from capital work-in-progress	39,144	104,665	-	-
Transferred from property, plant and equipment under IAS 40	115,203	14,990	-	-
Fair value gains	95,194	71,535	-	-
At 31 December	1,825,455	1,570,665	-	-

Notes to the Financial Statements (Cont'd)

31 December 2004

18. Investment Property (Continued)

Repairs and maintenance expenditure in relation to investment properties amounted to $196,375,000 (2003 - $168,370,000) respectively for the Group.

The properties were valued at current market value as at 31 December 2004 by D.C. Tavares & Finson Realty Limited, qualified property appraisers and valuers.

19. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Subsidiary companies -				
At cost				
First Life Insurance Company Limited	-	-	57,758	57,758
Hardware and Lumber Limited	-	-	-	-
Busha Browne's Company Limited	-	-	1	1
Scott's Preserves Limited	-	-	1	1
Panacea Insurance Company Limited	-	-	6,910	6,910
Jamaica Floral Exports Limited	-	-	3,000	3,000
Pan Jamaican Mortgage Society Limited	-	-	1	1
	-	-	67,671	67,671
Associated companies -				
St Andrew Developers Limited				
Shareholding at cost	266	266	-	-
Share of losses	(4,219)	(7,307)	-	-
Current account	1,375	4,297	-	-
	(2,578)	(2,744)	-	-
Impan Properties Limited				
Shareholding at cost	20	20	-	-
Share of profit	89	90	-	-
Share of capital reserve	7,945	7,945	-	-
Current account	(8,982)	(8,980)	-	-
	(928)	(925)	-	-

Notes to the Financial Statements (Cont'd)

31 December 2004

19. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Associated companies (Continued) -				
Knutsford Holdings Limited				
Shareholding at cost	2	1	-	-
Share of capital reserves	120,034	49,946	-	-
Current account	18,390	13,104	-	-
	138,426	63,051	-	-
Pan Caribbean Financial Services				
Shareholding at cost	197,138	-	-	-
Share of profit	701,193	-	-	-
Share of capital reserve	1,084,223	-	-	-
Current account	444	-	-	-
	1,982,998	-	-	-
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of profit	42,987	736	42,987	736
Share of capital reserves	102,858	102,858	-	-
	168,141	125,890	65,283	23,032
	2,286,059	185,272	132,954	90,703

Notes to the Financial Statements (Cont'd)

31 December 2004

20. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate 33 1/3%, with the exception of the insurance subsidiary for which a rate of 7½% is used.

Assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Deferred tax assets	35,450	55,545	3,882	-
Deferred tax liabilities	(70,637)	(80,842)	-	(25,183)
Net (liabilities)/assets	(35,187)	(25,297)	3,882	(25,183)

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Net asset/(liability) at 1 January	(25,297)	18,366	(25,183)	(16,811)
(Charged)/credited to profit and loss account (note 6)	8,705	19,560	29,065	(8,372)
(Charged)/credited to equity	-	(63,223)	-	-
Deferred tax on dilution of subsidiary (Note 9)	(18,595)	-	-	-
Net liability/(asset) at end of year	(35,187)	(25,297)	3,882	(25,183)

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Deferred income tax assets				
Property, plant and equipment	675	5,892	-	-
Investment securities	-	41,365	-	-
Pensions and other post retirement benefits	8,357	8,799	5,646	5,441
Interest payable	318	274	49	93
Net lease obligations	804	810	-	-
Unrealised foreign exchange losses	388	3,853	388	3,853
Unutilised tax losses	32,493	71,705	-	-
Accrued vacation leave	-	-	-	-
Other	56	44	56	44
	43,091	132,742	6,139	9,431

Notes to the Financial Statements (Cont'd)

31 December 2004

20. Deferred Income Taxes (Continued)

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Deferred income tax liabilities				
Property, plant and equipment	61,910	687	45	56
Investment securities	2,650	63,412	-	-
Pensions benefits	10,729	24,991	1,306	20,102
Tax depreciation on investment property	1,998	53,176	-	-
Unrealised foreign exchange gains	991	10,526	666	10,147
Interest receivable	-	5,247	240	4,309
Other	-	-	-	-
	78,278	158,039	2,257	34,614
	(35,187)	(25,297)	3,882	(25,183)

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unappropriated profits of subsidiaries, as such amounts are permanently reinvested; such unappropriated profits totalled $2,948,000 at 31 December 2004 (2003- $1,879,641,000).

The amounts shown in the balance sheet include the following

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Deferred tax assets to be recovered after more than 12 months	36,730	106,440	5,702	3,952
Deferred tax assets to be recovered within 12 months	6,361	26,302	437	5,485
	43,091	132,742	6,139	9,437
Deferred tax liability to be recovered after more than 12 months	72,639	105,959	1,351	27,245
Deferred tax liability to be recovered within 12 months	5,639	52,080	906	7,375
	78,278	158,039	2,257	34,620
	(35,187)	(25,297)	3,882	(25,183)

Notes to the Financial Statements (Cont'd)

31 December 2004

21. Other Assets

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest receivable	80,992	1,514,864	6,979	12,928
Customers' liabilities under guarantees	-	63,433	-	-
Due from salesmen	1,534	21	-	-
Inventories	515	3,512	-	-
Other receivables	238,429	279,777	5,485	7,595
Premiums receivable (a)	88,566	101,590	-	-
Prepaid commissions (b)	-	12	-	-
Work-in-progress	40,072	46,187	-	-
	450,108	2,009,396	12,464	20,523

(a) Premiums receivable are stated net of provision for doubtful amounts of $2,688,000 (2003 - $19,914,000). Provision is made in full for premiums receivable outstanding for more than 90 days.

(b) Other receivables for the group include amounts recoverable from reinsurers of $27,133,000 (2003 - $4,895,000).

Notes to the Financial Statements (Cont'd)

31 December 2004

22. Property, Plant and Equipment

	The Group						
	Land & Buildings $'000	Leasehold Improvements $'000	Work in Progress $'000	Plant, & Furniture Equipment $'000	Motor Vehicles Capitalised Under Finance Leases $'000	Motor Vehicles $'000	Total $'000
Cost -							
1 January 2004	157,578	29,635	34,462	91,915	-	11,340	324,930
Additions	11,157	-	42,750	668	2,390	-	56,965
Reclassifications and transfers	2,130	-	(42,481)	-	242	(242)	(40,351)
Disposals	(126,704)	(15,291)	-	(28,656)	-	(9,951)	(180,602)
31 December 2004	44,161	14,344	34,731	63,927	2,632	1,147	160,942
Depreciation -							
1 January 2004	6,573	10,979	-	52,347	-	4,399	74,298
Charge for the year	2,031	7	-	6,208	2,411	30	10,687
Relieved on disposal	(6,092)	(1,271)	-	(8,827)	-	(3,680)	(19,870)
31 December 2004	2,512	9,715	-	49,728	2,411	749	65,115
Net Book Value -							
31 December 2004	41,649	4,629	34,731	14,199	221	398	95,827
31 December 2003	151,005	18,656	34,462	39,568	-	6,941	250,632

Notes to the Financial Statements (Cont'd)

31 December 2004

22. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvements	Plant, Equipment & Furniture	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
Cost -				
1 January 2004	199	3,182	957	4,338
Additions	-	89	-	89
31 December 2004	199	3,271	957	4,427
Depreciation -				
1 January 2004	192	2,663	957	3,812
Charge for the year	3	119	-	122
31 December 2004	195	2,782	957	3,934
Net Book Value -				
31 December 2004	4	489	-	493
31 December 2003	7	519	-	526

23. Intangible Assets

	The Group					
	2004			2003		
	Goodwill	Other Intangible Assets	Total	Goodwill	Other Intangible Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Net book value at 1 January	190,272	14,098	204,370	202,532	12,274	214,806
Additions	-	-	-	-	17,196	17,196
Grant received	-	-	-	-	(13,714)	(13,714)
Disposal	-	(14,098)	(14,098)	-	-	-
Amortisation charge	(12,258)	-	(12,258)	(12,260)	(1,658)	(13,918)
Net book value at 31 December	178,014	-	178,014	190,272	14,098	204,370

Notes to the Financial Statements (Cont'd)

31 December 2004

23. Intangible Assets (Continued)

	The Group	
	2004	2003
	$'000	$'000
Cost, net of grant at 31 December	263,595	263,595
Accumulated amortisation	(85,581)	(59,225)
Net book value at 31 December	178,014	204,370

This comprises:

(a) Goodwill arising on the purchase of the group life and health insurance portfolios of Jamaica Mutual Life Assurance Society, Dyoll Life Limited, Crown Eagle Life Insurance Company Limited and Horizon Life Limited.

(b) Goodwill arising on the acquisition of a 50% interest in the employee benefits portfolio of Life of Jamaica Limited.

These amounts are being amortised over the expected period of benefit.

24. Retirement Benefits

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

The latest actuarial valuations were carried out as at 31 December 2004.

Notes to the Financial Statements (Cont'd)

31 December 2004

24. Retirement Benefits (Continued)

The amounts recognised in the balance sheet comprise:

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Assets				
Pension scheme	(38,136)	(119,645)	(3,920)	(60,305)
Liabilities				
Pension scheme (Note 24(b))	13,538	13,308	13,538	13,308
Other (Note 24(c))	60,763	55,667	3,401	3,016
	74,301	68,975	16,939	16,324

(a) Funded pension obligations

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Present value of funded obligations	168,540	115,386	15,907	17,169
Fair value of plan assets	(410,573)	(357,147)	(122,596)	(99,171)
	(242,033)	(241,761)	(106,689)	(82,002)
Unrecognised actuarial gains	39,223	61,407	23,636	8,453
Limitation on asset recognised	164,674	60,709	79,133	13,244
Asset in the balance sheet	(38,136)	(119,645)	(3,920)	(60,305)

The pension plan assets includes investments in First Life Insurance Company Pooled Pension Fund, which has investments in ordinary stock units of the company with a fair value of $15,431,000 (2003 - $5,443,000).

Notes to the Financial Statements (Cont'd)

31 December 2004

24. Retirement Benefits (Continued)

(a) Funded pension obligations (Continued)

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

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current service cost	1,794	5,959	595	906
Interest cost	14,017	16,615	2,369	2,223
Expected return on plan assets	(39,393)	(37,576)	(11,851)	(10,531)
Net actuarial gains recognised in year	(1,060)	-	-	(4,013)
Change in limitations on asset	108,649	29,833	65,889	12,943
Gains on curtailment	-	(13,417)	-	-
Total	84,007	1,414	57,002	1,538

The actual return on plan assets was $81,475,000 and $24,321,000 (2003 - $49,838,000 and $11,320,000) for the Group and the company, respectively.

The movement in the asset recognised in the balance sheet:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At 1 January	(119,645)	(118,415)	(60,305)	(60,495)
Total expense, as above	84,007	1,414	57,002	1,538
Contributions paid	(6,537)	(8,641)	(617)	(1,348)
Curtailment	4,039	5,997	-	-
At 31 December	(38,136)	(119,645)	(3,920)	(60,305)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2004	2003	2004	2003
	%	%	%	%
Discount rate	12.5	15.0	12.5	15.0
Expected return on plan assets	12.5	10.5-12.5	12.5	12.5
Future salary increases	10.0	10.0	10.0	10.0
Future pension increases	3.5	3.0 - 3.5	3.5	3.0

Notes to the Financial Statements (Cont'd)

31 December 2004

24. Retirement Benefits (Continued)

(b) Unfunded Pension Obligations

The amounts recognised in the balance sheet for additional pension benefits are as follows:

	The Group and the Company	
	2004 $'000	2003 $'000
Present value of unfunded obligations	13,538	13,308

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

	The Group and The Company	
	2004 $'000	2003 $'000
Interest cost	1,873	3,392

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

	The Group and The Company	
	2004 $'000	2003 $'000
Liability at 1 January	13,308	11,379
Total expense (see below)	1,873	3,392
Contributions paid	(1,643)	(1,463)
Liability at 31 December	13,538	13,308

The amounts included in staff costs for pension benefits is made up as follows:

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Funded scheme (Note 24(a))	84,007	1,414	57,002	1,538
Unfunded scheme (as above)	1,873	3,392	1,873	3,392
Total included in staff costs (Note 12)	85,880	4,806	58,875	4,930

Notes to the Financial Statements (Cont'd)

31 December 2004

24. Retirement Benefits (Continued)

(c) Other Post-retirement Benefits

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

The latest actuarial valuations were carried out as at 31 December 2004. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 11% per year (2003 - 11%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Present value of unfunded obligations	93,737	58,673	2,657	2,996
Unrecognised actuarial (losses)/gain	(32,974)	(3,006)	744	20
Liability in the balance sheet	60,763	55,667	3,401	3,016

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current service cost	1,423	2,277	53	54
Interest cost	8,231	8,068	431	345
Recognised actuarial losses	-	587	-	-
Gain recognised due to curtailment	(58)	(12,917)	-	-
Total included in staff costs (Note 12)	9,596	(1,985)	484	399

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

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
At 1 January	55,668	69,006	3,017	2,742
Total expense, as above	9,596	(1,985)	484	399
Contributions paid	(1,619)	(1,536)	(100)	(124)
Curtailment	(2,882)	(9,818)	-	-
At 31 December	60,763	55,667	3,401	3,017

Notes to the Financial Statements (Cont'd)

31 December 2004

25. Related Party Balances and Transactions

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

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Subsidiaries:				
Busha Browne Limited	-	-	106,097	111,390
Portfolio Partners Limited	-	-	575	575
First Life Insurance Company Limited	-	-	12,964	11,759
Pan Caribbean Merchant Bank Limited	(8,036)	-	-	121
Jamaica Property Company Limited	-	-	(756)	(1,729)
Scott's Preserves Limited	-	-	28,964	28,973
Pan-Jamaican Mortgage Society	-	-	401	400
Jamaica Floral Export Limited	-	-	92,020	92,020
Office Services Limited	-	-	52	-
	(8,036)	-	240,317	243,509

(b) A subsidiary has pledged certain of its freehold land and buildings as security for First Mortgage Debenture Stocks issued by the ultimate holding company under a joint trust deed. At 31 December 2003, the balance outstanding was $1,686,000 (2003 - $2,398,000).

26. Other Liabilities

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Premiums received in advance	2,884	2,371		-
Benefits payable to policyholders	10,144	12,868		-
Other liabilities and accrued expenses	408,330	1,691,777	61,742	43,361
Due to banks and other financial institutions	-	1,212,809	-	-
Guarantees	-	63,433	-	-
Customers' deposits and savings accounts	-	465,763	-	-
Dividends payable	17,288	-	16,035	1,096
Short term loans	256,237	272,209	-	-
	694,883	3,721,230	77,777	44,457

(a) The short term loan balance includes an amount of $160,000,000 (2003 - $160,000) due to Life of Jamaica Limited as a result of certain terms and conditions of the joint venture agreement between these two companies. The amount is payable on demand and attracts interest at the rate of 20% per annum.

(b) Other liabilities and accrued expenses for the group include an amount of $26,970,000 (2003 - $16,157,000) representing reinsurance premiums payable.

Notes to the Financial Statements (Cont'd)

31 December 2004

27. Long Term Loans

		The Group		The Company	
		2004	2003	2004	2003
	Currency	$'000	$'000	$'000	$'000
Secured loans -					
First mortgage debenture stocks					
22% 1985 - 2006	J$	-	-	1,121	1,814
22% 1987 - 2007	J$	-	-	565	733
First mortgage debentures					
22% 1989 - 2009	J$	-	-	1,000	1,000
Citibank N.A. Variable rate 2001 - 2005	US$	21,815	50,063	21,815	50,063
First Caribbean International Bank Limited					
LIBOR + 2.875 2002 - 2004	US$	114,445	99,588	-	-
Total secured loans		136,260	149,651	24,501	53,610
Unsecured loans -					
First Life Insurance Company Limited 21%	J$	-	-	20,686	20,686
Consortium loans:					
9%	J$	108,185	141,359	-	-
9.5% - 9.75% 2004	J$	57,998	59,212	-	-
Total unsecured loans		166,183	200,571	20,686	20,686
		302,443	350,222	45,187	74,296
Less: Current portion		(247,745)	(192,423)	(43,285)	(50,155)
		54,698	157,799	1,902	24,141

28. Segregated Funds

The Group and the company manage accounts totalling approximately $88,300,000 (2003 - $53,662,000) on behalf of certain life insurance policyholders under two policy segregated funds. The assets are the property of the policyholders who share all the rewards and risks of the performance of the funds.

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

Notes to the Financial Statements (Cont'd)

31 December 2004

29. Policyholders' Funds

(a) Reserve for Future Policyholders Benefits
The appointed actuary has given his opinion that the actuarial liabilities are adequate to provide for future payments under the terms of the policies in force.

(b) Deposit Administration Funds
At the end of the year, there were 87 (2003 – 87) contributors to the Funds. The average interest rates paid during the year were 13% for both the money market and long term funds (2003 – 12% and 14%), while the interest rate at the year end was 13% for both funds (2003 – 13% for both funds). Interest paid to contributors was $90,455,000 (2003 - $90,592,000).

(c) Policyholders' Funds on Deposits
These represent the non-insurance component of premiums for policies, which include an investment option.

(d) Policy Dividends on Deposit
These represent cash dividends declared on participating insurance policies, which the policyholders have opted to place on deposit with the company.

30. Share Capital

	2004	2003
	$'000	$'000
Authorised -		
Ordinary stock units of 10c each	19,998	19,996
10% convertible cumulative redeemable preference shares of 10c each	2	4
	20,000	20,000
Issued and fully paid -		
Ordinary stock units of 10c each	17,351	17,212
10% convertible cumulative redeemable preference shares of 10c each	2	4
	17,353	17,216

Share options are granted to directors and senior employees within the group. When options are exercised, 50% of the shares are sourced from new issue of shares with the balance being acquired on the Jamaica Stock Exchange. These shares are issued at exercise prices of $2.00 and $8.94, respectively. Under the scheme, only 20% of the options allocated to each individual can be exercised in a given year. Where a previous year's allocation has not been utilized, however, this is accumulated. These options expire on 31 December 2004.

Notes to the Financial Statements (Cont'd)

31 December 2004

30. Share Capital (Continued)

Movements in the number of share option outstanding are as follows:

	2004	2003
	$'000	$'000
At 1 January	3,375	3,375
Exercised	(3,375)	-
	-	3,375

During the year 20,896 preference shares were converted to ordinary shares. In addition 1,375,000 ordinary shares were issued to certain executive directors and senior employees through the share option scheme. Both issues rank pari passu with existing ordinary shares. The effect on share capital and share premium is as follows:

	2004	2003
	$'000	$'000
Ordinary share capital at par	139	-
Share premium	2,613	-
	2,752	-

31. Share Premium

The share premium arose from the issue of ordinary shares at a premium as follows:

	2004	2003
	$'000	$'000
1999 and prior years	14,767	14,767
2000	149,434	149,434
2002	1,187	1,187
2004	2,613	-
	168,001	165,388

Notes to the Financial Statements (Cont'd)

31 December 2004

32. Insurance and Banking Reserves

	The Group				
	Insurance	Banking		Total	
	Special Reserve	Retained Earnings Reserve	Banking Reserve Fund	2004	2003
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	59,909	101,351	22,567	183,827	196,744
Reclassification of reserves from dilution of shareholding in PCFS	-	(101,351)	(22,567)	(123,918)	-
Transfer to retained earnings	(8,332)	-	-	(8,332)	(12,917)
Balance at 31 December	51,577	-	-	51,577	183,827

Special reserve represents:

(i) The sum of the negative reserves which have been offset in the reserve for future policyholders' benefits, and

(ii) The difference between the cash surrender value (CSV) of the policies and the reserve for future policyholders' benefits, where the CSV is greater.

These reserves are non-distributable.

33. Investment and Other Reserves

These comprise:

	The Group	
	2004	2003
	$'000	$'000
Fair value gains on investments	99,165	41,650
Capital reserves	219,346	219,346
Other reserve	448,254	185,686
	766,765	446,682

Notes to the Financial Statements (Cont'd)

31 December 2004

34. Dividends

	2004 $'000	2003 $'000
First interim dividends for 2004 at $0.22 (2003 - $0.10) per stock unit – gross	38,143	17,212
Second interim dividends for 2004 at $0.15 (2003 - $0.10) per stock unit – gross	26,009	17,212
Third interim dividend for 2004 at $0.175 (2003 - $0.12) per stock unit - gross	30,343	20,654
Final dividends for 2004 at $0.20	34,740	-
	129,235	55,078

35. Cash Flows from Operating Activities

	2004 $'000	2003 $'000
Net profit	1,196,955	652,179
Adjusted for:		
Depreciation of property, plant and equipment	10,687	31,014
Profit on disposal of subsidiary	-	(63,334)
Amortisation of intangible assets	12,258	13,918
Provision for credit losses	-	(42,013)
Interest income	(1,231,302)	(3,189,131)
Interest expense	614,111	2,436,809
Share of profit in associated company	(481,051)	(5,536)
Gain on dilution of shareholding in subsidiary	(351,913)	-
Income tax expense	272,915	38,932
Change in retirement benefit asset/obligation	85,680	(12,640)
(Gain)/loss on sale of property, plant and equipment	(122)	163
Write off of property, plant and equipment and investment property	3,335	9,866
Provision for doubtful debts	(15,819)	-
Fair value (gains)/losses on investment properties	(95,195)	(71,535)
Unrealised loss on real estate fund	(815)	2,105
Unrealised gain on foreign exchange	(6,048)	(7,111)
Unrealised (gain)/loss on trading securities	-	(26,355)
Gain on sale of investments	(231,658)	-
Minority interest	443,652	274,220
Increase in reserve for future policyholders benefits	127,993	98,484
	353,663	140,035
Changes in operating assets and liabilities:		
Statutory reserves at Bank of Jamaica	-	(5,886)
Securities sold under agreement to repurchase	-	3,399,833
Loans and lease receivable	-	155,317
Securities purchased under agreements to resell	-	(2,361,206)
Other assets, net	(64,659)	349,528
Other liabilities, net	(70,427)	(350,588)
Policyholders' funds	27,044	(26,453)
Deposit administration fund, net	(4,723)	(92,759)
	240,898	1,207,821
Interest received	1,314,544	2,358,160
Interest paid	(624,629)	(1,661,259)
Income tax paid	(68,836)	(38,994)
Net cash provided by operating activities	861,977	1,865,728

Notes to the Financial Statements (Cont'd)

31 December 2004

36. Commitments

At 31 December 2004, there were undisbursed loan commitments for the group of $,000. There were no commitments for the company at year end.

37. Off Balance Sheet Activities

Carrying amounts and fair values of assets under management

Assets under management, which are not beneficially owned by the group and the company, but which are managed on behalf of investors, have been excluded from the balance sheet.

The carrying amounts and fair values of assets under management are as follows:

	2004	
	The Group	
	Carrying Amount $'000	Fair Value $'000
Financial Assets		
Cash at bank, accrued interest & other receivables	511,611	511,611
Equity investments	739,063	739,063
Other investments	4,577,554	4,577,554
Total assets	5,828,228	5,828,228

Notes to the Financial Statements (Cont'd)

31 December 2004

37. Off Balance Sheet Activities (Continued)

Carrying amounts and fair values of assets under management (Continued)

	2003 The Group	
	Carrying Amount	**Fair Value**
	$'000	**$'000**
Financial Assets:		
Cash at bank, accrued interest & other receivables	526,888	526,888
Equity investments	318,413	318,413
Investments in associated companies	67,950	67,950
Other investments	3,330,979	3,330,979
Total assets	4,244,230	4,244,230

38. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, interest rates, and foreign currency exchange rates. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The Group and the company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the Group's and the company's interest rate gap based on earlier of contractual repricing or maturity dates.

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(a) Interest rate risk (Continued)

The tables below summarise the group's exposure to interest rate risk. Included in the tables are the carrying amounts of the group's balance sheet assets, categorized by the contractual repricing or maturity dates.

	The Group				
	2004				
	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	518,042	-	-	-	518,042
Investments	742,183	1,097,860	747,178	271,803	2,859,024
Securities purchased under agreements to resell	542,014	-	-	-	542,014
Investment properties	-	-	-	1,825,455	1,825,455
Investments in associated companies	-	-	-	2,286,059	2,286,059
Property, plant and equipment	-	-	-	95,827	95,827
Other	-	-	-	904,593	904,593
Total assets	1,802,239	1,097,860	747,178	5,383,737	9,031,014
Liabilities					
Policyholders' funds	468,503	56,193	285,300	538,082	1,348,078
Approved deposit administration funds	771,097	-	-	-	771,097
Minority interest	-	-	-	1,360,642	1,360,642
Other	433,145	141,813	-	788,286	1,363,244
Total liabilities	1,672,745	198,006	285,300	2,687,010	4,843,061
On balance sheet interest sensitivity gap	129,494	899,854	461,878	2,696,727	4,187,953
Cumulative interest sensitivity gap	129,494	1,029,348	1,491,226	4,187,953	

	2003				
	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	11,776,418	4,876,756	2,934,668	4,594,684	24,182,526
Total liabilities	15,678,375	920,719	734,257	3,859,317	21,192,668
On balance sheet interest sensitivity gap	(3,901,957)	3,956,037	2,200,411	735,367	2,989,858
Cumulative interest sensitivity gap	(3,901,957)	54,080	2,254,491	2,989,858	

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(a) Interest rate risk (Continued)

	The Company				
	2004				
	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	73,930	-	-	-	73,930
Investments	-	66,286	187,273	12,302	265,861
Investment in subsidiaries	-	-	-	67,671	67,671
Investments in associated companies	-	-	-	65,283	65,283
Property, plant and equipment	-	-	-	493	493
Other	-	-	-	268,831	268,831
Total assets	73,930	66,286	187,273	414,580	742,069
Liabilities					
Other	50,871	1,902	-	94,983	147,756
Total liabilities	50,871	1,902	-	94,983	147,756
On balance sheet interest sensitivity gap	23,059	64,384	187,273	319,597	594,313
Cumulative interest sensitivity gap	23,059	87,443	274,716	594,313	

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(a) Interest rate risk (Continued)

	The Company				
	2003				
	Up to One Year	One to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	122,693	63,266	104,306	424,083	714,348
Total liabilities	-	75,914	-	86,231	162,145
On balance sheet interest sensitivity gap	122,693	(12,648)	104,306	337,852	552,203
Cumulative interest sensitivity gap	122,693	110,045	214,351	552,203	

The table below summarises the effective interest rate by major currencies for financial instruments of the Group and the company.

	The Group					The Company				
	J$	US$	CAN$	GBP	Other	J$	US$	CAN$	GBP	Other
	%	%	%	%	%	%	%	%	%	%
Cash and balances due from other banks	-	-	-	-	-	-	-	-	-	-
Cash reserve at Bank of Jamaica	-	-	-	-	-	-	-	-	-	-
Cash resources	16.4	4.0	-	-	-	23.0	3.0	-	-	-
Investments	17.8	11.8	3.9	-	-	-	12.0	-	-	-
Securities purchased under agreements to resell	16.4	6.9	-	-	-	-	-	-	-	-
Mortgage loans	23.0	-	-	-	-	-	-	-	-	-
Policy loans	16	-	-	-	-	-	-	-	-	-
Other loans and leases	19.0	10.8	-	-	-	-	10.8	-	-	-
Liabilities										
Bank overdraft	20.8	-	-	-	-	20.8	-	-	-	-
Loans	21.3	6.1	-	-	-	21.6	4.4	-	-	-

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(b) Currency risk

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

	The Group				
	2004				
	Jamaican $	**US$**	**GBP**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets					
Cash and bank balances	383,226	134,490	282	44	518,042
Investments (excluding investments in subsidiaries and associated companies)	2,502,811	895,169	-	3,055	3,401,035
Investment properties	1,825,455	-	-	-	1,825,455
Other	3,250,488	8,860	-	27,134	3,286,482
Total assets	7,961,980	1,038,519	282	30,233	9,031,014
Liabilities					
Other liabilities	2,852,535	13,777	-	28,008	2,894,320
Loans	227,208	360,891	-	-	588,099
Minority interest	1,360,642	-	-	-	1,360,642
Total liabilities	4,440,385	374,668	-	28,008	4,843,061
Net position	3,521,595	663,851	282	2,225	4,187,953
	2003				
Total assets	16,517,669	7,218,442	645	445,770	24,182,526
Total liabilities	(14,614,041)	(6,202,835)	(10,304)	(365,488)	(21,192,668)
Net position	1,903,628	1,015,607	(9,659)	80,282	2,989,858

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(b) Currency risk (Continued)

	The Company			
	2004			
	Jamaican $	US$	Other	Total
	J$'000	J$'000	J$'000	J$'000
Assets				
Cash and bank balances	63,916	10,014	-	73,930
Investments (excluding investments in subsidiaries and associated companies)	12,302	253,559	-	265,861
Other	402,278	-	-	402,278
Total assets	478,496	263,573	-	742,069
Liabilities				
Other liabilities	102,569	-	-	102,569
Loans	23,372	21,815	-	45,187
Total Liabilities	125,941	21,815	-	147,756
Net position	352,555	241,758	-	594,313
	2003			
Total assets	543,039	171,308	-	714,347
Total liabilities	(112,082)	(50,063)	-	(162,145)
Net position	430,957	121,245	-	552,202

(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.

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 balance sheet and the consolidated balance sheet.

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(c) Credit risk (Continued)

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

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica	2,390,002	17,363,633	219,566	134,045
Foreign government	4,542	4,507	-	-
Financial institutions	542,014	449,804	30,637	30,170
United States Dollar equities	-	-	-	-
Corporate equities	100,963	89,510	12,302	4,342
Mortgages	11,381	13,111	-	-
Policy loans	38,405	34,076	-	-
Promissory notes	-	-	-	-
Other	313,731	1,418,320	3,356	3,356
	3,401,038	19,372,961	265,861	171,913

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group and the company has significant exposure to market risk on its portfolio of investments which could fluctuate based on changes in market interest rates. In particular, the banking subsidiary is exposed to market risk existing from open positions in interest rate currency and equity products.

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(e) Liquidity risk

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

	The Group 2004				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	518,042	-	-	-	518,042
Investments	599,177	322,250	1,362,492	1,117,119	3,401,038
Investment properties	-	-	-	1,825,455	1,825,455
Investments in associated companies	-	-	-	2,286,059	2,286,059
Other	266,506	554,611	60,255	119,048	1,000,420
Total assets	1,383,725	876,861	1,422,747	5,347,681	9,031,014
Liabilities					
Policyholders' funds	186,685	468,892	145,649	1,317,950	2,119,176
Minority interest	-	-	-	1,360,642	1,360,642
Other	564,325	503,018	174,145	121,755	1,363,243
Total liabilities	751,010	971,910	319,794	2,800,347	4,843,061
Net Liquidity Gap	632,715	(95,049)	1,102,953	2,547,334	4,187,953
Cumulative Liquidity Gap	632,715	537,666	1,640,619	4,187,953	

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(e) Liquidity risk (Continued)

	The Group				
	2003				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	4,021,984	7,797,364	6,512,289	5,850,888	24,182,525
Total liabilities	11,941,702	4,828,409	1,399,087	3,023,469	21,192,667
Net Liquidity Gap	(7,919,718)	2,968,955	5,113,202	2,827,419	2,989,858
Cumulative Liquidity Gap	(7,919,718)	(4,950,763)	162,439	2,989,858	

	The Company				
	2004				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and bank balances	73,930	-	-	-	73,930
Investments	-	-	66,286	199,575	265,861
Investment in subsidiaries	-	-	-	67,671	67,671
Investments in associated companies	-	-	-	65,283	65,283
Other	-	261,029	493	7,802	269,324
Total assets	73,930	261,029	66,779	340,331	742,069
Liabilities					
Other	50,871	94,983	1,902	-	147,756
Total liabilities	50,871	94,983	1,902	-	147,756
Net Liquidity Gap	23,059	166,046	64,877	340,331	594,313
Cumulative Liquidity Gap	23,059	189,105	253,982	594,313	

Notes to the Financial Statements (Cont'd)

31 December 2004

38. Financial Risk Management (Continued)

(e) Liquidity risk (Continued)

	The Company				
	2003				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Total assets	-	122,693	63,266	528,388	714,347
Total liabilities	-	-	75,914	86,231	162,145
Net Liquidity Gap	-	122,693	(12,648)	442,157	552,202
Cumulative Liquidity Gap	-	122,693	110,045	552,202	

(f) Reinsurance risk

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

(g) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The group manages this risk ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

39. Fair Value of Financial Instruments

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

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

(a) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(b) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

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

Notes to the Financial Statements (Cont'd)

31 December 2004

39. Fair Value of Financial Instruments (Continued)

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values; and

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

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

The following financial assets and financial liabilities are not carried at fair value:

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2004	2004	2003	2003
	$'000	$'000	$'000	$'000
Financial Assets				
Investment securities – originated debt	2,029,350	2,045,881	8,620,982	8,150,479
Loan and lease receivables	132,402	126,426	1,263,351	1,262,571

	The Company			
	2004	2004	2003	2003
	$'000	$'000	$'000	$'000
Investment securities – originated debt	33,993	30,328	33,526	31,261

	The Group			
	2004	2004	2003	2003
	$'000	$'000	$'000	$'000
Financial Liabilities				
Long term liabilities (including current portion)	302,443	300,887	350,222	342,987

	The Company			
	2004	2004	2003	2003
	$'000	$'000	$'000	$'000
Long term liabilities (including current portion)	45,187	44,612	74,296	70,452

Notes to the Financial Statements (Cont'd)

31 December 2004

39. Fair Value of Financial Instruments (Continued)

The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Market data is not available for a significant portion of the Group's financial instruments. Accordingly, the estimates presented above are not necessarily indicative of the ultimate net realisable values or amounts that the Group would realise in a current market exchange.

40. Litigation and Contingent Liabilities

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

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

There were no significant claims against the company at the financial year end.

41. Definitive Agreements

(a) In June 2003, Life of Jamaica Limited (LOJ) and First Life Insurance Company Limited (First Life) signed a Memorandum of Understanding and in July 2004, both companies signed and exchanged definitive agreements for LOJ to acquire First Life's insurance business and their 37% interest in Pan Caribbean Financial Services Limited (PCFS). The definitive agreements provided for settlement by way of the allotment of LOJ's shares based on the relative values of LOJ's and First Life's financial services business at the valuation date. LOJ would have to issue 1,156,020,795 shares to First Life, however, First Life has opted to limit their interest in LOJ to 25% and renounced the extra 236,793,064 shares to Sagicor Financial Corporation, the ultimate parent company of LOJ. On completion of these transactions, the major shareholders in LOJ will be Sagicor Financial Corporation, 60% and First Life, 25%.

These transactions were approved by the Financial Services Commission on 17 December 2004 subject to a number of conditions being met. The transactions have also been sanctioned by Bank of Jamaica and the Jamaica Stock Exchange. On 4 April 2005, to be effective 31 March 2005, the Minister of Finance & Planning approved the vesting order to transfer ownership of First Life's insurance business to LOJ.

Directors' Shareholdings

As at December 31, 2004

	Personal Stockholdings	Stockholding in which Director/Officer has an interest
Richard O. Byles	1,866,112	Nil
Roy Collister	186,356	10,000
W. G. Bryan Ewen	100,000	Nil
C. A. Lloyd Facey	1,620	57,334,378
Maurice W. Facey	97,420	24,618,309
Stephen B. Facey	3,321,750	20,000
Donovan H. Perkins	187,969	1,000

Substantial Interest

1.	Boswell Trusts Limited	20,408,760*
2.	Orange Hall Estates Limited	17,128,959*
3.	Guardian Life Insurance Limited	11,477,247
4.	Guardian Holdings Limited	10,679,988
5.	Syndicated Developers Limited	10,094,525*
6.	Manor House Hotel Limited	7,791,855*
7.	National Insurance Fund	6,723,858
8.	Life of Jamaica Pooled Equity Fund #1	6,519,456
9.	Second Jamaican Investment Trust Limited	6,294,240*
10.	Scotia Jamaica Investment Management A/C 542	5,945,120

* Connected parties

Form of Proxy

I/We ____

of ____

being a Member(s) of **PAN-JAMAICAN INVESTMENT TRUST LIMITED** hereby appoint

____

of ____

or failing him ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the said Company to be held on Thursday, September 15, 2005 at 3:30 p.m. at The Jamaica Pegasus, 81 Knutsford Boulevard, Kingston 5 or any adjournment thereof.

Signed this ____________ day of ________________ 2005

Signature ____________________

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

Resolutions	For	Against
1		
2		
3(a)		
(b)		
4		
5		
6		

PLACE
$100
STAMP
HERE

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