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**To the Shareholders of  
Insurance Company of The Bahamas Limited**

We have audited the accompanying balance sheet of Insurance Company of The Bahamas Limited (the Company) as of 31 December 2004, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. 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, the financial statements present fairly, in all material respects, the financial position of Insurance Company of The Bahamas Limited as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Chartered Accountants**  
9 March 2005

# Insurance Company of The Bahamas Limited

(Incorporated under the laws of the Commonwealth of The Bahamas)

## Balance Sheet as of 31 December 2004

Amounts expressed in Bahamian dollars

| <b>ASSETS</b>   | <b>2004</b>         | <b>2003</b>       |
|---|---------------------|-------------------|
| Cash and bank balances                                  | \$ 30,452           | 319,251           |
| Term deposits   | 8,639,576           | 11,627,536        |
| Due from reinsurers                                     | 3,459,312           | 765,597           |
| Due from agent (Note 5)                                 | 6,300,031           | 4,630,685         |
| Deferred commission reserve                             | 4,665,477           | 4,859,511         |
| Interest and other receivables and prepayments (Note 6) | 423,378             | 524,665           |
| Available-for-sale securities (Note 7)                  | 1,580,378           | 1,009,400         |
| Held-to-maturity securities (Note 7)                    | 2,673,000           | 1,897,600         |
| Other assets (Note 8)                                   | -                   | 500,000           |
| Property, plant and equipment, net (Note 9)             | 839,568             | 40,849            |
| <b>Total assets</b>                                     | <b>28,611,172</b>   | <b>26,175,094</b> |
| <b>LIABILITIES</b>                                      |                     |                   |
| <b>General insurance funds:</b>                         |                     |                   |
| Unearned premium reserve                                | 4,049,499           | 4,287,128         |
| Outstanding claims (Note 10)                            | 6,025,977           | 3,807,232         |
|   | 10,075,476          | 8,094,360         |
| <b>Other liabilities:</b>                               |                     |                   |
| Bank Overdraft (Note 11)                                | 992,582             | -                 |
| Unearned commission reserve                             | 3,908,485           | 4,363,424         |
| Due to reinsurers                                       | 4,289,882           | 4,134,757         |
| Accounts payable and accruals                           | 330,050             | 366,661           |
| <b>Total liabilities</b>                                | <b>19,596,475</b>   | <b>16,959,202</b> |
| <b>NET ASSETS</b>                                       | <b>9,014,697</b>    | <b>9,215,892</b>  |
| <b>Represented by:</b>                                  |                     |                   |
| Share capital   |                     |                   |
| Authorized, issued and fully paid:-                     |                     |                   |
| 3,000,000 ordinary shares of \$1.00 each                | 3,000,000           | 3,000,000         |
| General reserve (Note 13)                               | 2,000,000           | 2,000,000         |
| Retained earnings                                       | 4,014,697           | 4,215,892         |
|   | <b>\$ 9,014,697</b> | <b>9,215,892</b>  |

### Signed on behalf of The Board

Director



Director



Date 9 March 2005

## Statement of Income

### For the Year Ended 31 December 2004

Amounts expressed in Bahamian dollars

| <b>INCOME</b>   |           | <b>2004</b>      | <b>2003</b>      |
|---|-----------|------------------|------------------|
| Gross written premiums (Note 5)   | \$        | 38,801,948       | 42,281,579       |
| Less: Premium tax   |           | (1,164,032)      | (193,504)        |
| Gross retained premiums   |           | 37,637,916       | 42,088,075       |
| Less: Ceded to reinsurers   |           | (29,168,404)     | (33,562,213)     |
| Net retained premiums   |           | 8,469,512        | 8,525,862        |
| Decrease (increase) in unearned premium reserve                               |           | 237,628          | (661,115)        |
| Portfolio transfer, net (Note 12)   |           | 346,460          | 713,269          |
| <b>Net premiums earned</b>  |           | <b>9,053,600</b> | <b>8,578,016</b> |
| <b>EXPENSES</b>   |           |                  |                  |
| Net claims incurred (Note 10)   |           | 5,231,232        | 2,883,739        |
| Net commissions incurred (Note 5)   |           | 1,344,891        | 840,886          |
| Excess of loss reinsurance  |           | 2,559,917        | 2,503,360        |
|   |           | <b>9,136,040</b> | <b>6,227,985</b> |
| <b>Underwriting (loss) gain</b>   |           | <b>(82,440)</b>  | <b>2,350,031</b> |
| <b>OPERATING INCOME AND EXPENSES</b>  |           |                  |                  |
| Interest income   |           | 838,853          | 717,008          |
| Treaty, profit and loyalty commissions, net (Note 5)                          |           | 52,786           | 218,700          |
| Dividend and other income   |           | 92,374           | 82,800           |
| Change in net unrealized gains (losses) on investments in securities (Note 7) |           | 120,270          | (64,540)         |
|   |           | 1,021,843        | 3,303,999        |
| Personnel expenses (Note 5)   |           | (385,590)        | (358,790)        |
| Depreciation (Note 9)   |           | (22,802)         | (9,422)          |
| General and administrative expenses (Note 5)                                  |           | (364,646)        | (255,937)        |
| <b>Income before adjustment of fundamental item</b>                           |           | <b>248,805</b>   | <b>2,679,850</b> |
| Adjustment of fundamental item (Note 4)                                       |           | -                | 355,353          |
| <b>NET INCOME</b>   | <b>\$</b> | <b>248,805</b>   | <b>3,035,203</b> |

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2004

Amounts expressed in Bahamian dollars

|                                       | Share<br>Capital    | General<br>Reserve | Retained<br>Earnings | Total            |
|---------------------------------------|---------------------|--------------------|----------------------|------------------|
| <b>Balance as of 1 January 2003</b>   | <b>\$ 3,000,000</b> | <b>1,000,000</b>   | <b>2,480,689</b>     | <b>6,480,689</b> |
| Net income                            | -                   | -                  | 3,035,203            | 3,035,203        |
| Dividends (Note 14)                   | -                   | -                  | (300,000)            | (300,000)        |
| Transfer to General reserve           | -                   | 1,000,000          | (1,000,000)          | -                |
| <b>Balance as of 31 December 2003</b> | <b>\$ 3,000,000</b> | <b>2,000,000</b>   | <b>4,215,892</b>     | <b>9,215,892</b> |
| <b>As at 1 January 2004</b>           | <b>3,000,000</b>    | <b>2,000,000</b>   | <b>4,215,892</b>     | <b>9,215,892</b> |
| Net income                            | -                   | -                  | 248,805              | 248,805          |
| Dividends (Note 14)                   | -                   | -                  | (450,000)            | (450,000)        |
| <b>As at 31 December 2004</b>         | <b>\$ 3,000,000</b> | <b>2,000,000</b>   | <b>4,014,697</b>     | <b>9,014,697</b> |

## Statement of Cash Flows For the Year Ended 31 December 2004

Amounts expressed in Bahamian dollars

|  | <b>2004</b>         | <b>2003</b>        |
|--|---------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                     |                    |
| Net income   | \$ 248,805          | 3,035,203          |
| Adjustments for:   |                     |                    |
| Depreciation   | 22,802              | 9,422              |
| Gain on disposal of property, plant and equipment                    | (5,500)             | -                  |
| Change in net unrealized (gains) losses on investments in securities | (120,270)           | 64,540             |
| Interest income  | (838,853)           | (717,008)          |
| Dividend and other income  | (92,374)            | (82,800)           |
|  | <b>(785,390)</b>    | <b>2,309,357</b>   |
| <b>(Increase) decrease in current assets:</b>                        |                     |                    |
| Due from reinsurers  | (2,693,715)         | (178,077)          |
| Due from agent   | (1,669,346)         | 538,199            |
| Deferred commission reserve  | 194,034             | (207,288)          |
| Other receivables and prepayments                                    | 10,951              | (59,281)           |
| <b>Increase (decrease) in current liabilities:</b>                   |                     |                    |
| Unearned premium reserve   | (237,629)           | 661,115            |
| Outstanding claims   | 2,218,745           | 1,197,824          |
| Unearned commission reserve  | (454,939)           | 22,920             |
| Due to reinsurers  | 155,125             | 606,005            |
| Accounts payable and accruals  | (36,611)            | 39,751             |
| <b>Net cash (used in)/ provided for operating activities</b>         | <b>(3,298,775)</b>  | <b>4,930,525</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                     |                    |
| Maturity/(placement) of term deposits                                | 2,987,960           | (5,021,519)        |
| Proceeds from sale of property, plant and equipment                  | 5,500               | -                  |
| Purchase of property, plant and equipment                            | (821,521)           | (30,000)           |
| Purchase of available-for-sale and held-to-maturity securities       | (726,108)           | (659,040)          |
| Interest received  | 919,107             | 492,076            |
| Dividends received   | 102,456             | 72,718             |
| <b>Net cash used in investing activities</b>                         | <b>(2,467,394)</b>  | <b>(5,145,765)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                     |                    |
| Dividends paid   | (450,000)           | (300,000)          |
| <b>Net cash used in financing activities</b>                         | <b>(450,000)</b>    | <b>(300,000)</b>   |
| <b>Net decrease in cash and cash equivalents</b>                     | <b>(1,281,381)</b>  | <b>(515,240)</b>   |
| Cash and cash equivalents at beginning of year                       | 319,251             | 834,491            |
| <b>Cash and cash equivalents at end of year</b>                      | <b>(962,130)</b>    | <b>319,251</b>     |
| <b>Cash and cash equivalents are represented by:</b>                 |                     |                    |
| Cash and bank balances   | 30,452              | 319,251            |
| Bank overdraft   | (992,582)           | -                  |
|  | <b>\$ (962,130)</b> | <b>319,251</b>     |
| <b>Non-cash activities</b> (see Note 8)                              |                     |                    |

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

### 31 December 2004

#### 1. Incorporation and Activity

Insurance Company of The Bahamas Limited (the Company) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas and is licensed to operate as a property and casualty insurance company under the Insurance Act, 1969.

The registered office of the Company is situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, 4 George Street, Nassau, The Bahamas.

At 31 December 2004, four (4) persons (2003: four (4)) were employed by the Company.

#### 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### (a) Basis of preparation

The Company's financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below, and in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### (b) General insurance funds

General insurance funds comprise unearned premiums, outstanding claims and provisions for claims incurred but not reported.

Unearned premiums represent the proportion of the net premiums written, which relate to periods of insurance coverage subsequent to the balance sheet date.

Outstanding claims comprise the Company's net share of the estimated cost of all claims incurred but not settled as of the balance sheet date whether reported or not.

The provision for claims incurred but not reported is estimated by the Company's Directors based on gross written premiums for the period and the historical performance for each class of business.

##### (c) Revenue and expense recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded. Other revenues and expenses of the Company are recognized on the accrual basis, except for:

**(c) Revenue and expense recognition** (continued)

- i. Dividend income – recognized when the Company’s right to receive payment has been established;
- ii. Treaty, profit and loyalty commission income and expense – recognized when the Company’s right to receive, or obligation to make, payment has been established.

**(d) Foreign currency translation**

Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar have been translated into Bahamian dollars using the rates of exchange prevailing at the balance sheet date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the time of the transaction. Gains and losses on translation are reflected in the statement of income.

**(e) Property, plant and equipment**

Land is stated at cost. Building, furniture and equipment, leasehold improvements, computer equipment and motor vehicles are stated at historical cost less accumulated depreciation. Building, furniture and equipment, leasehold improvements, computer equipment and motor vehicles are depreciated on a straight-line basis on the assets’ estimated useful lives as follows:

|                         |  |
|-------------------------|--|
| Building                | 25 years                                 |
| Furniture and equipment | 7 years                                  |
| Leasehold improvements  | Lesser of duration of lease and 20 years |
| Computer equipment      | 1 to 3 years                             |
| Motor vehicles          | 3 years                                  |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income on the statement of income. Repairs and maintenance are charged to the statement of income when the expenditure is incurred.

**(f) Investments in securities**

As of 1 January 2001, the Company adopted International Accounting Standards (IAS) 39 and classified its investments into the following categories: held-to-maturity (government bonds, government register stocks, and preferred shares) and available-for-sale (ordinary shares). Investments with fixed dates of maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase.

All purchases and sales of investments are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Available-for-sale securities are initially recognized at cost, which includes transaction costs, and are subsequently carried at fair value based on quoted bid prices. Realized and unrealized

**(f) Investments in securities** (continued)

gains and losses arising from changes in the fair value of available-for-sale securities are recognized in the statement of income in the period in which they arise. Held-to-maturity investments are carried at amortised cost using the effective yield method.

**(g) Premium tax**

From 1 January 2003 to 30 September 2003 premium tax was incurred at a rate of 2% of net premiums written in the Commonwealth of The Bahamas. Effective 1 October 2003, premium tax was incurred at a rate of 3% of net premiums written.

**(h) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents is comprised of cash and bank balances and bank overdraft.

**(i) Employee benefits – Pensions obligations**

The Company has a defined contribution pension plan for eligible employees whereby the Company pays contributions to a privately administered pension plan. The Company has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their eligible earnings and such amounts are matched by the Company.

The Company's contributions to the defined contribution pension plan are charged to the statement of income in the year to which they relate.

**3. Reinsurance Policy**

The Company recognizes the need to limit its exposure from individual large losses and from catastrophic events. A reinsurance programme has been put in place which reduces the impact of such losses. The programme comprises a combination of proportional and excess of loss cover.

**4. Adjustment of Fundamental Item**

During 2003, the Company cleared its outstanding reconciling items relating to Hurricane Michelle on the agent reconciliations and discovered that certain items relating to claims paid had been overstated by \$355,353.

The effect of the adjustment resulted in an increase in net income of \$355,353.

**5. Related Parties**

Related parties comprise shareholders and Directors of the Company. The Company's primary shareholder is J.S. Johnson & Company Limited (JSJ), which owns 40% of the outstanding shares, and serves as the Company's sole agent. The remaining shareholders of the Company represent shareholders and key management of JSJ. The Company and JSJ also have certain directors in common.



## 5. Related Parties (continued)

The financial statements include the following balances and transactions with related parties:

|   |    | 2004       | 2003       |
|---|----|------------|------------|
| <b>Balances</b>                                       |    |            |            |
| Due from agents                                       | \$ | 6,300,031  | 4,630,685  |
| Available-for-sale securities                         |    | 246,600    | 242,700    |
| <b>Transactions</b>                                   |    |            |            |
| Premiums written                                      |    | 38,801,948 | 42,281,579 |
| Commissions expense                                   |    | 9,568,973  | 9,689,914  |
| Treaty, profit and loyalty commissions                |    | 1,068,302  | 821,577    |
| Personnel expenses (Directors fees)                   |    | 7,500      | 7,500      |
| General and administrative expenses (management fees) |    | 20,000     | 20,000     |

## 6. Interest and Other Receivables and Prepayments

|                          |    | 2004           | 2003           |
|--------------------------|----|----------------|----------------|
| Interest receivable      | \$ | 365,831        | 446,085        |
| Dividend receivable      |    | -              | 10,082         |
| Deposit on land purchase |    | 47,500         | 47,500         |
| Prepayments              |    | 10,000         | 20,238         |
| Other receivable         |    | 47             | 760            |
|                          | \$ | <b>423,378</b> | <b>524,665</b> |

## 7. Investments in Securities

### Available-for-sale investments

Available-for-sale investments principally comprise marketable equity securities and are stated at fair value. Movements during the year were as follows:

|   |    | 2004             | 2003             |
|---|----|------------------|------------------|
| As of beginning of year                                 | \$ | 1,009,400        | 958,300          |
| Additions   |    | 450,708          | 115,640          |
| Change in net unrealized gains (losses) during the year |    | 120,270          | (64,540)         |
| <b>As of end of year</b>                                | \$ | <b>1,580,378</b> | <b>1,009,400</b> |

### Held-to-maturity investments

|  | Interest Rates              | Maturity          | 2004                | 2003             |
|--|-----------------------------|-------------------|---------------------|------------------|
| Government Bridge Bonds                | Prime +1.5%                 | 24/03/2024        | \$ 128,100          | 128,100          |
| Preferred shares                       | 8%                          | 06/2010           | 250,000             | 250,000          |
| Bahamas Government Registered Stock    | Prime + 0.1875% to 0.53125% | 06/2007 - 07/2024 | 2,294,900           | 1,519,500        |
|  |                             |                   | <b>2,673,000</b>    | <b>1,897,600</b> |
| <b>Total investments in securities</b> |                             |                   | <b>\$ 4,253,378</b> | <b>2,907,000</b> |

## 7. Investments in Securities (continued)

Available-for-sale investments comprise ordinary shares held by the Company that consist of local stocks which are listed on The Bahamas International Securities Exchange (BISX).

## 8. Other Assets

During 2002, the Company invested \$500,000 into a fund established to pool resources in order to make a purchase offer for The Bahamas Telecommunications Company Ltd. (BTC). The offer was not successful, and the Company received a total of \$521,028 (Bahamas Government Registered Stock - \$424,593 and cash - \$96,435) on 16 February 2004 representing the initial investment plus interest earned less the costs associated with the offer.

## 9. Property, Plant and Equipment

|  | Land           | Building       | Furniture & Equipment | Leasehold Improvements | Computer Equipment | Motor Vehicles | Total          |
|--|----------------|----------------|-----------------------|------------------------|--------------------|----------------|----------------|
| <b>Cost</b>                                  |                |                |                       |                        |                    |                |                |
| <b>Balance as of 1 January 2004</b> \$       | -              | -              | 46,146                | 32,982                 | 13,109             | 58,918         | 151,155        |
| Additions                                    | 420,000        | 392,050        | -                     | -                      | 9,471              | -              | 821,521        |
| Disposals                                    | -              | -              | -                     | -                      | -                  | (28,918)       | (28,918)       |
| <b>Balance as of 31 December 2004</b>        | <b>420,000</b> | <b>392,050</b> | <b>46,146</b>         | <b>32,982</b>          | <b>22,580</b>      | <b>30,000</b>  | <b>943,758</b> |
| <b>Accumulated depreciation</b>              |                |                |                       |                        |                    |                |                |
| <b>Balance as of 1 January 2004</b>          | -              | -              | 32,797                | 32,982                 | 13,109             | 31,418         | 110,306        |
| Disposals                                    | -              | -              | -                     | -                      | -                  | (28,918)       | (28,918)       |
| Charge for the year                          | -              | 1,070          | 6,922                 | -                      | 4,810              | 10,000         | 22,802         |
| <b>Balance as of 31 December 2004</b>        | <b>-</b>       | <b>1,070</b>   | <b>39,719</b>         | <b>32,982</b>          | <b>17,919</b>      | <b>12,500</b>  | <b>104,190</b> |
| <b>Net book value as of 31 December 2004</b> | <b>420,000</b> | <b>390,980</b> | <b>6,427</b>          | <b>-</b>               | <b>4,661</b>       | <b>17,500</b>  | <b>839,568</b> |
| <b>31 December 2003</b>                      | <b>-</b>       | <b>-</b>       | <b>13,349</b>         | <b>-</b>               | <b>-</b>           | <b>27,500</b>  | <b>40,849</b>  |

**10. Outstanding Claims and Net Claims Incurred**

|                                   | <b>2004</b>         | <b>2003</b>      |
|-----------------------------------|---------------------|------------------|
| <b>Outstanding claims, net</b>    |                     |                  |
| Gross outstanding claims          | \$ 28,298,197       | 13,829,330       |
| Less: recoverable from reinsurers | (22,272,220)        | (10,022,098)     |
|                                   | <b>\$ 6,025,977</b> | <b>3,807,232</b> |

Included in gross outstanding claims is a provision of \$310,500 (2003: \$310,500) for claims incurred but not reported as of the year end.

|                                   | <b>2004</b>         | <b>2003</b>      |
|-----------------------------------|---------------------|------------------|
| <b>Net claims incurred</b>        |                     |                  |
| Claims incurred                   | \$ 50,558,770       | 14,773,308       |
| Less: recoverable from reinsurers | (45,327,538)        | (11,889,569)     |
|                                   | <b>\$ 5,231,232</b> | <b>2,883,739</b> |

**11. Bank Overdraft**

The Company has an overdraft facility of \$2,700,000, which bears interest at Nassau prime plus 2% per annum, and is secured by term deposits.

**12. Portfolio Transfer**

As of 1 January 2003, the Company increased its percentage retention on its motor and accident portfolio, with reinsurers returning the additional percentage. This required the Company to accept the unearned premiums and outstanding claims reserves from reinsurers, along with the liabilities corresponding to these funds.

**13. General Reserve**

The Company makes an appropriation to a general reserve for unforeseeable risks and future losses. General reserves can only be distributed following approval by the Board of Directors.

On 13 May 2003, the Board of Directors approved the appropriation of an additional \$1,000,000 to the general reserve account. There were no appropriation to general reserve as at 31 December 2004.

**14. Dividends**

On 29 February 2004, the Company declared and paid a dividend to the shareholders of record at that date of \$0.15 per share totalling \$450,000. On 13 May 2003, the Company's Board of Directors declared and paid dividends to the shareholders of record at that date of \$0.10 per share totalling \$300,000.

## 15. Commitments

### Lease commitments

The Company leases its office premises under a non-cancelable operating lease. The Company renewed its lease on 1 December 2003 and the new lease will terminate on 30 November 2005. Payments made under the lease are charged to the statement of income over the period of the lease. Included in general and administrative expenses is \$18,515 (2003: \$17,089) representing lease payments for the year. The future minimum rental commitments were as follow:

|   | 2004             | 2003          |
|---|------------------|---------------|
| Not later than one year                           | \$ 16,202        | 17,675        |
| Later than one year but not later than five years | -                | 16,202        |
|   | <u>\$ 16,202</u> | <u>33,877</u> |

### Capital commitments

During the year, the Company entered into an agreement to purchase land at a cost of \$475,000. Included in interest and other receivables and prepayments in the balance sheet is an amount of \$47,500 representing a deposit on the land purchase.

## 16. Pension Plan

The Company's employees are members of the JSJ pension plan, a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5% of their eligible earnings, which is matched by the Company. The amount charged to the statement of income during the year for pension costs was \$14,958 (2003: \$14,677).

## 17. Fair Value of Financial Instruments

Financial instruments utilized by the Company include the recorded assets and liabilities. The majority of the Company's financial instruments are short-term in nature. Accordingly, the estimated fair value is not significantly different from the carrying value for each major category of the Company's assets and liabilities.

## 18. Corresponding Figures

The corresponding figures for premium tax in the statement of income and term deposits in the statement of cash flows have been reclassified to conform with the current year's presentation.