

Financial Statements of

JMMB SELECT INDEX FUND LTD.

March 31, 2005



KPMG
PO Box 493GT
Century Yard Building
Grand Cayman, Cayman Islands

Telephone +1 345 949 4800
Fax +1 345 949 7164
Internet www.kpmg.ky

To the Members of
JMMB SELECT INDEX FUND LTD.

Auditors' Report

We have audited the balance sheet of JMMB Select Index Fund Ltd. ("Fund") as at March 31, 2005, and the related statements of income, changes in net assets attributable to holders of redeemable shares and cash flows for the period from November 16, 2001 (date of incorporation) to March 31, 2005, set out on pages 2 to 12. These financial statements are the responsibility of the Fund's board of directors. 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 misstatements. 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at March 31, 2005, and of the results of its operations and its cash flows for the period from November 16, 2001 (date of incorporation) to March 31, 2005 in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
June 22, 2005

JMMB SELECT INDEX FUND LTD.

Balance Sheet
March 31, 2005

	<u>Notes</u>	<u>2005</u>
Assets		
Cash and cash equivalents	4	15,947,033
Subscriptions receivable	5	722,930
Other receivables	6	3,957,852
Equity investments (Cost: \$377,828,065)	7	<u>410,257,134</u>
Total assets		<u>430,884,949</u>
Liabilities		
Redemptions payable	8	4,108,142
Other payables		1,776,938
Due to Fund Manager	9	<u>5,566,796</u>
Total liabilities (excluding net assets attributable to holders of redeemable shares)		<u>11,451,876</u>
Net assets attributable to holders of redeemable shares		J\$<u>419,433,073</u>
Number of outstanding redeemable shares	10	<u>47,016,346</u>
Net asset value per share		J\$ <u><u>8.92</u></u>

The financial statements on pages 2 to 12 were approved for issue by the Board of Directors of JMMB Select Index Fund Ltd. on June 22, 2005 and signed on its behalf by:

NOEL LYON
 _____ Chairman

LEO WILLIAMS
 _____ Director

The accompanying notes form an integral part of the financial statements.

THE JMMB SELECT INDEX FUND LTD.

Income Statement

For the period November 16, 2001 to March 31, 2005

	<u>Notes</u>	<u>2005</u>
Income		
Interest		2,298,933
Dividends		19,816,273
Net gains on investments	11	50,184,538
Other		<u>816,302</u>
Total income		<u>73,116,046</u>
Expenses		
Administration		
Administrator fees		1,217,337
Other		1,478,130
Custodian fees		625,000
Investment management fees	9	8,499,943
Advertising and selling expenses		<u>1,378,257</u>
Total expenses		<u>13,198,667</u>
Change in net assets attributable to holders of redeemable shares		<u>J\$59,917,379</u>

The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the period November 16, 2001 to March 31, 2005

	<u>Notes</u>	<u>2005</u>
Changes in net assets attributable to holders of redeemable shares for the period		59,917,379
Issue of redeemable shares during the period	10	490,598,037
Redemption of redeemable shares during the period	10	<u>(131,082,343)</u>
Balance as at March 31, 2005		<u>J\$419,433,073</u>

The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.Statement of Cash Flows
For the period November 16, 2001 to March 31, 2005

	<u>2005</u>
Cash flows from operating activities	
Changes in net assets attributable to holders of redeemable shares	59,917,379
Adjustments for:	
Net unrealised gains on investments	(32,429,069)
Net realised gains on investments	(17,755,469)
 (Increase)/decrease in current assets:	
Other receivables	(3,957,852)
 Increase/(decrease) in current liabilities:	
Other payables	1,776,938
Due to JMMB Securities Ltd.	<u>5,566,796</u>
Net cash provided by operating activities	<u>13,118,723</u>
 Cash flows from investing activity	
Proceeds from sale of investments	42,150,264
Purchase of investments	<u>(402,222,860)</u>
Net cash outflow from investing activities	<u>(360,072,596)</u>
 Cash flows from financing activities	
Proceeds from issue of redeemable shares	490,598,037
Payments on redemption of redeemable shares	(131,082,343)
Subscriptions receivable	(722,930)
Redemptions payable	<u>4,108,142</u>
Net cash provided by financing activities	<u>362,900,906</u>
 Net change in cash and cash equivalents, being cash and cash equivalents at the end of the period	 J\$ <u>15,947,033</u>
 Cash flows from operating activities include:	
	<u>J\$</u>
Interest received	2,298,933
Dividends received	<u>17,941,262</u>

The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements
March 31, 2005

1. Identification

JMMB Select Index Fund Ltd. (“Fund”) is an open-ended investment fund incorporated on November 16, 2001 with limited liability as an exempt company in the Cayman Islands and registered under The Mutual Funds Law of the Cayman Islands and under the Companies Law of the Cayman Islands. These are the company’s first financial statements and cover the period from the date of incorporation to March 31, 2005. The registered office of the Fund is located at Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

The objective of the Fund is to invest in, and carry on the business of the acquisition, possession, management and disposal of, equity instruments and money market securities. The Fund aims to achieve this objective mainly by investing in a highly diversified portfolio of Jamaica’s most liquid and actively traded stocks on the Jamaica Stock Exchange – the Select Index (usually referred to as ‘blue chip companies’). The Fund commenced trading operations on January 1, 2004. It is not the intention of the Fund to pay dividends; all profits will be reinvested.

The investment activities of the Fund are managed by JMMB Securities Limited. (“Investment Manager”), the administration of the Fund is delegated to TransOcean Bank and Trust, Ltd. and the custodian activities are performed by Pan Caribbean Financial Services Limited. The Fund has no employees.

2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount. The financial statements are presented in Jamaica dollars (J\$).

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from those estimates.

The fund adopted the revised versions of IFRS that were effective at January 1, 2005.

3. Significant accounting policies:

(a) Investments:

Investments in quoted equities are designated as financial assets at fair value through profit or loss and are initially recognised at cost. Subsequent to initial recognition investments are measured at fair value with changes in their fair value being recognised in the income statement as unrealised gains/losses on investments. The fair values of the securities are based on their bid prices quoted on the Jamaica Stock Exchange as at the balance sheet date.

Equity transactions are accounted for on a trade date basis.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

3. Significant accounting policies (cont'd):

(b) Cash and cash equivalents:

Cash is comprised of demand and short-term deposits. Cash equivalents are highly liquid short-term investments that are readily converted to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

(c) Taxation:

The company is exempt from income tax in the Cayman Islands. However, by virtue of, *inter alia*, its operations in Jamaica, it is liable to income tax on its taxable income. Income tax on the income for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) Dividend income

Dividend income relating to exchange-traded equity investments is recognized in the income statement on the record date.

(e) Expenses

All expenses, including management fees and custodian fees, are recognized in the income statement on the accrual basis.

(f) Redeemable shares

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

4. Cash and cash equivalents

	<u>2005</u>
Cash	124,509
Cash equivalents – Share of pooled money market fund, managed by parent of Fund Manager (effective rate at which interest was earned: 11.63%)	<u>15,822,524</u>
	<u>J\$15,947,033</u>

5. Subscriptions receivable

Subscriptions receivable are amounts due at March 31, 2005 in respect of purchases of participating shares in the Fund.

6. Other receivables

Other receivables includes the following:

	<u>2005</u>
Dividend income receivable	1,875,011
General Consumption Tax recoverable	1,280,636
Withholding tax recoverable	577,075
Prepayments	<u>225,130</u>
	<u>J\$3,957,852</u>

7. Equity investments

The Fund's portfolio of investments at the balance sheet date comprised the following quoted equities:

<u>No. of stock units</u>	<u>Description</u>	<u>2005 Quoted market value</u>
3,630,464	The Bank of Nova Scotia Jamaica Ltd.	107,098,688
10,943,953	Cable and Wireless Jamaica Ltd.	16,963,127
1,059,917	Caribbean Cement Company Ltd.	15,485,387
604,516	Carreras Group Ltd.	18,739,996
2,976,582	Courts (Jamaica) Ltd.	12,650,474
357,296	Dehring, Bunting and Golding Ltd.	8,146,349
3,498,249	Desnoes and Geddes Ltd.	28,685,642
1,508,356	Gleaner Company Ltd.	4,087,645
403,225	Grace Kennedy and Company Ltd.	47,576,518
1,493,454	Jamaica Broilers Group Ltd.	8,079,586
2,003,119	Jamaica Money Market Brokers Ltd.	34,613,896
232,820	Jamaica Producers Group Ltd.	9,545,620
3,330,020	Life of Jamaica Ltd.	36,730,121
3,067,441	National Commercial Bank Jamaica Ltd.	59,201,611
442,079	Radio Jamaica Ltd.	<u>2,652,474</u>
Total quoted equities		<u>J\$410,257,134</u>

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

8. Redemption payable

Redemption payable includes amounts due in respect of sales of participating shares of the Fund that were owed as at March 31, 2005.

9. Related party balance and transactions

The Fund appointed JMMB Securities Limited ("Fund Manager") to implement the investment strategy as specified in the prospectus and to provide administrative services. Under the Investment Management Agreement, the Investment Manager receives a management fee quarterly in arrears at an annual rate not exceeding two percent (2%) per annum of the net assets attributable to holders of redeemable shares on each valuation day as defined in the Offering Memorandum.

The balance due to the Fund Manager is made up as follows:

	<u>2005</u>
Management fees - earned by Fund Manager	8,499,943
- paid by Fund	<u>(5,443,778)</u>
	3,056,165
Transaction charges for the selling and purchasing of participating shares collected on behalf of Fund Manager, not yet remitted	<u>2,510,631</u>
	<u>\$5,566,796</u>

10. Capital account

	<u>2005</u>	
	<u>Number of shares</u>	<u>J\$</u>
Authorised share capital:		
Ordinary share of \$1.00	1	1
Redeemable shares of \$1.00 each	<u>399,999,999</u>	<u>399,999,999</u>
	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:		
Redeemable shares		
Issued during the period	62,378,856	490,598,037
Redeemed during the period	<u>(15,362,510)</u>	<u>(131,082,343)</u>
Balance as at March 31, 2005	<u>47,016,346</u>	<u>359,515,694</u>
Ordinary share	<u>1</u>	<u>1</u>

The Fund, at an Extraordinary General Meeting held on June 16, 2004 passed a special resolution of the shareholders increasing the authorized share capital of the Fund from 46,244,999 to 399,999,999 participating shares of \$1.00 each.

The ordinary share entitles the holder to receive notice of, attend and vote at general meetings of the Fund. Ordinary shares do not carry any right to redemption, or to any distribution of any kind, except in a winding-up. In the event of a winding-up of the Fund, a holder of an ordinary share is entitled to receive a pro-rata share up to their par value out of the Fund's assets. JMMB Securities Limited is the holder of the only ordinary share.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

10. Capital account (cont'd)

Redeemable shares carry the right to receive notice of, attend and vote only:

- (a) where a special resolution is proposed by a holder of ordinary shares to wind up the Fund or to amend its Memorandum and Articles of Association, or
- (b) where a resolution is proposed to amend the Fund's investment policy, or
- (c) where a resolution is proposed in general meeting to issue shares other than as ordinary shares or redeemable shares.

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

In the event of a winding-up of the Fund, holders of redeemable shares are entitled to receive a pro-rata share up to their par value if there are sufficient assets available. In the event of any surplus assets, they are entitled a further pro-rata share of the assets.

11. Gains on equity investments

	<u>2005</u>
Realised gains on sale of investments	17,755,469
Unrealised gains on revaluation of investments	<u>32,429,069</u>
Total gains on investments	<u>J\$50,184,538</u>

12. Income tax

(a) Reconciliation of effective tax rate:	<u>2005</u>	
	<u>%</u>	<u>J\$</u>
Computed "expected" tax charge/(expense)	33.33	19,970,462
Effect on tax of treating the following items differently for income tax and financial statements purposes:		
Effect of tax losses	5.28	3,161,623
Exempt dividend income	(6.49)	(3,888,147)
Capital distributions received	(4.53)	(2,716,617)
Expenses disallowed	0.33	199,185
Unrealised gains on investments	(18.04)	(10,808,609)
Realised gains on investments	(9.88)	(5,917,897)
	<u>-</u>	<u>-</u>

- (b) Subject to agreement by the Commissioner of Taxpayer Audit and Assessment, at the balance sheet date, tax losses available for set off against future taxable profits amounted to approximately \$9,486,000.

- (c) Deferred tax assets have not been recognized in respect of tax losses of the Fund.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

13. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets include cash and cash equivalents, subscriptions receivable, other receivables and investments. Financial liabilities include redemptions payable, other payables, and due to Fund Manager.

(a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of cash and cash equivalents, accounts receivable, other receivables, due to Fund Manager and redemptions payable are assumed to approximate to their carrying values, due to their short-term nature. The fair value of quoted equities is assumed to be equal to their quoted market values (see note 7).

(b) Financial instrument risks:

Exposure to credit, interest rate, liquidity, market and cash flow risks arises in the ordinary course of the Fund's operations. Derivative instruments are not presently used to manage, mitigate or eliminate financial instrument risks.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This risk is not considered significant as the majority of the Fund's financial assets are non-interest bearing with the exception of its interest in a pooled money market fund at Jamaica Money Market Brokers Limited. At the balance sheet date, this interest represented 3.77% of the Fund's net assets.

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund has no significant credit risk as most of its investments are in quoted equities.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)
March 31, 2005

13. Financial instruments (cont'd)

(b) Financial instrument risks: (cont'd)

(iii) Foreign 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 Fund has no exposure to foreign currency risk as all investments are in the Jamaican currency.

(iv) Liquidity risk:

The Fund's constitution provides for the daily creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. The Fund's quoted investments are considered fairly realisable as they are the most liquid stocks on the Jamaica Stock Exchange. This risk is further mitigated by the Fund maintaining 10 percent or less of the net asset value in money market fund accounts that are readily realisable.

(v) 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 Fund is exposed to market risk as the financial instruments subject to this risk represent a significant portion of investments. The Fund market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures approved by the Board and placed in operation. These policies require the Investment Manager to invest only in stocks that are in the composition of the Jamaica Stock Exchange Select Index. The Fund's overall market positions are monitored on a monthly basis by the board of directors.

(vi) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by assessing, as far as possible, that fluctuations in monetary financial liabilities and assets are matched to mitigate any significant cash outflows.