FIRST GLOBAL BANK LIMITED

INDEX

December 31, 2005

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended December 31, 2005.

The statement of revenue and expenses shows profit before taxation of $560,417,000 and net profit of $406,796,000. Net profit decreased by 13% over last year.

ACTIVITIES

The company is licensed under the Banking Act. The main activities of the company during the year were the provision of commercial banking and related financial services.

DIRECTORS

During the year under review, the directors of the company were:-

Mr. Douglas Orane	-	Chairman
Mr. Donald Wehby	-	Deputy Chairman
Mr. Wayne Wray	-	President
Mr. Joseph Issa		
Mr. Orville Walker		
Ms. Beverly Lopez		
Mr. Anthony Lindo		
Mr. Milverton Reynolds		
Mr. Brian Jardim		
Mr. G. Raymond Chang		
Mr. Joseph Taffe		

APPROPRIATIONS

Appropriations of retained earnings were as follows:

	2005 $'000	2004 $'000
Retained earnings brought forward	83,935	-
Net profit for the year	406,796	471,038
	490,731	471,038
Transfer to reserve fund	(40,680)	(47,104)
Transfer to retained earnings reserve	(443,762)	(322,703)
Transfer (to)/from loan loss reserve	(6,289)	(17,296)
Retained earnings to be carried forward	-	83,935

DIVIDENDS

The directors do not recommend the payment of a dividend.

AUDITORS

The auditors, Messrs. KPMG, have indicated their willingness to continue in office in accordance with Section 154 of the Companies Act.

On behalf of the Board
FIRST GLOBAL BANK LIMITED

Douglas Orane
Chairman

March 28, 2006

To the Members of
FIRST GLOBAL BANK LIMITED

Auditors' Report

We have audited the financial statements of First Global Bank Limited ("company") as at and for the year ended December 31, 2005, set out on pages 2 to 31, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the 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 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, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company as at December 31, 2005, and of its results of operations, changes in equity and cash flows for the year then ended, and comply with the provisions of the Companies Act applicable to banking companies.

March 28, 2006

FIRST GLOBAL BANK LIMITED

Balance Sheet
December 31, 2005

	Notes	2005 $'000	2004 $'000
ASSETS			
Cash resources	4	1,355,309	637,626
Investments	5	11,780,493	11,109,778
Loans, net of provision for probable losses	6	2,980,265	2,356,765
Securities purchased under resale agreements		465,581	619,798
Cheques and other instruments in-transit, net		182,951	225,305
Other assets	7	623,517	648,862
Taxation recoverable		1,226	1,226
Customers' liability under guarantees, as per contra		340,546	303,261
Deferred tax assets	8	19,587	10,351
Employee benefit asset	9	47,884	44,661
Property, plant and equipment	10	49,993	47,523
		17,847,352	16,005,156
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	11	9,621,955	4,575,491
Due to specialised banks	12	68,860	101,482
Securities sold under repurchase agreements		4,917,384	8,471,553
Obligations under finance leases	13	4,868	5,651
Deferred tax liabilities	8	94,799	86,779
Income tax payable		100,540	90,871
Other liabilities	14	352,898	451,892
Employee benefit obligation	9	33,878	25,600
Guarantees, per contra		340,546	303,261
		15,535,728	14,112,580
SHAREHOLDERS' EQUITY			
Share capital	15	627,685	627,685
Reserve fund	16	591,390	550,710
Fair value reserve	17	151,379	139,127
Loan loss reserve	18	28,886	22,597
Retained earnings reserve	19	912,284	468,522
Retained profits		-	83,935
		2,311,624	1,892,576
		17,847,352	16,005,156

The financial statements on pages 2 to 31 were approved for issue by the Board of Directors on March 28, 2006 and signed on its behalf by:

___________________________Director
D. Orane

___________________________Director
J. Taffe

___________________________Director
D. Wehby

___________________________Secretary
R. Spence-Dunn

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

FIRST GLOBAL BANK LIMITED

Statements of Revenue and Expenses
Year ended December 31, 2005

	Notes	2005 $'000	2004 $'000
Interest income from:			
Loans		444,230	367,381
Deposits		55,479	37,821
Securities		1,386,943	1,636,808
		1,886,652	2,042,010
Interest expense on:			
Deposits		(562,572)	(243,571)
Other		(591,265)	(1,075,258)
		(1,153,837)	(1,318,829)
Net interest income		732,815	723,181
Provision for loan losses, net	6	(50,956)	(30,949)
		681,859	692,232
Other income:			
Fees and commissions		89,193	73,982
Foreign exchange gains		36,843	42,287
Gain on disposal of subsidiaries		-	83,935
Gain on securities traded		192,966	95,128
Other		53,107	51,023
		372,109	346,355
Net revenue		1,053,968	1,038,587
Operating expenses:			
Employees compensation and benefits	20	(264,508)	(209,029)
Depreciation		(21,887)	(16,987)
Other		(165,450)	(164,164)
General administration expenses		(41,706)	(46,462)
		(493,551)	(436,642)
Profit before taxation	21	560,417	601,945
Taxation	22	(153,621)	(130,907)
Net profit for the year		406,796	471,038
Earnings per share	23	$0.65	$0.82

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

FIRST GLOBAL BANK LIMITED

Statements of Changes in Shareholders' Equity
Year ended December 31, 2005

	Share capital $'000 (note 15)	Reserve fund $'000 (note 16)	Fair value reserve $'000 (note 17)	Loan loss reserve $'000 (note 18)	Retained earnings reserve $'000 (note 19)	Retained profits $'000	Total $'000
Balances at December 31, 2003	392,300	320,799	4,032	5,301	-	-	722,432
Reserves arising on the merger with George & Branday Limited	-	182,807	(70,127)	-	145,819	-	258,499
Share capital issued	235,385	-	-	-	-	-	235,385
Changes in fair value of available-for-sale investments, net of taxation	-	-	205,222	-	-	-	205,222*
Net profit for the year	-	-	-	-	-	471,038	471,038*
Transfer to reserve fund	-	47,104	-	-	322,703	(369,807)	-
Transfer to loan loss reserve	-	-	-	17,296	-	(17,296)	-
Restated balances at December 31, 2004	627,685	550,710	139,127	22,597	468,522	83,935	1,892,576
Changes in fair value of available-for-sale investments, net of taxation	-	-	12,252	-	-	-	12,252*
Net profit for the year	-	-	-	-	-	406,796	406,796*
Transfer to reserves	-	40,680	-	-	443,762	(484,442)	-
Transfer to loan loss reserve	-	-	-	6,289	-	(6,289)	-
Balances at December 31, 2005	627,685	591,390	151,379	28,886	912,284	-	2,311,624

* Total recognized gains - $419,048,000 (2004: $676,260,000)
The accompanying notes form an integral part of the financial statements.

FIRST GLOBAL BANK LIMITED

Statement of Cash Flows
Year ended December 31, 2005

	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	406,796	471,038
Adjustments to reconcile net profit for the year to net cash provided by operating activities:		
Depreciation	21,887	16,987
(Gain)/loss on disposal of property, plant and equipment	(957)	121
CASH FLOWS FROM FINANCING ACTIVITIES		
Gain on disposal of subsidiaries	-	(83,935)
Provision for probable loan losses	50,956	30,949
Income tax charge	160,962	112,766
Deferred tax, net	(7,341)	18,141
Employee benefits, net	6,523	388
Interest income	(1,886,751)	(2,042,010)
Interest expense	1,153,837	1,318,829
	(94,088)	(156,726)
Interest received	1,950,765	1,879,015
Interest paid	(1,207,460)	(1,218,737)
Income tax paid	(151,293)	(31,994)
Net cash provided by operating activities	497,924	471,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(652,338)	418,466
Loans	(674,456)	(1,296,683)
Securities purchased under resale agreements	154,217	610,452
Other assets	(38,669)	87,990
Additions to property, plant and equipment	(24,357)	(15,404)
Proceeds from disposal of property, plant and equipment	957	1,017
Proceeds from disposal of subsidiaries	-	98,935
Net cash used by investing activities	(1,234,646)	(95,277)
Deposits	5,046,464	936,336
Due to specialised banks	(32,622)	8,533
Securities sold under repurchase agreements	(3,554,169)	(1,128,873)
Cheques and other items in transit, net	42,354	62,029
Obligations under finance leases	(783)	(2,152)
Employee benefits paid	(1,468)	(793)
Other liabilities	(45,371)	(177,434)
Net cash provided/ (used) by financing activities	1,454,405	(302,354)
Net increase in cash resources	717,683	73,977
Cash resources from George & Branday Limited, net of bank overdraft	-	147,277
Cash resources at beginning of year	637,626	416,372
Cash resources at end of year	1,355,309	637,626

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

1. The company

First Global Bank Limited ("company" or "bank") is a limited liability company, incorporated and domiciled in Jamaica, and is a wholly-owned subsidiary of GraceKennedy Limited (GK), also incorporated in Jamaica. The company's principal place of business is located at 28 – 48 Barbados Avenue, Kingston 5, Jamaica W.I.

The principal activities of the company are the provision of commercial banking and related financial services.

2. Bank licence

The company is licensed and the financial statements are prepared in accordance with the provisions of the Banking Act (Act).

3. Basis of preparation and significant accounting policies

(a) Basis of preparation:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the provisions of the Companies Act and the Banking Act. The significant accounting policies used in the preparation of the financial statements are set out in notes 3(b) to 3(j) and conform to the Companies Act and, in all material respects, IFRS.

The financial statements are presented in Jamaican dollars, which is the functional currency of the company, and are prepared on the historical cost basis, except for available-for-sale investments which are stated at fair value.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 3(i)].

3. Basis of preparation and significant accounting policies (cont'd)

(b) Property, plant and equipment (cont'd):

(ii) Leased assets:

Leases for which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leasing arrangements are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Lease payments are allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in finance lease obligations. The interest portion of the finance charge is charged to the statement of revenue and expenses over the lease period.

(iii) Depreciation is calculated on the straight-line method at annual rates, ranging from 10% to 20%, estimated to write off the assets over their expected useful lives. Leased assets are depreciated over the shorter of the lease period or useful life of the assets.

(c) Income and expenses:

(i) Interest income:

Interest income is recorded on the accrual basis using the effective yield method, except that, where collection of interest income is considered doubtful, or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Banking Act.

IFRS requires that when collection of loans becomes doubtful, such loans are to be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of interest recognition of the Banking Act and IFRS has been assessed as immaterial.

(ii) Other income:

Fees and commission are recognised on the accrual basis upon completion of transactions to which they relate.

(iii) Interest and other expenses:

These are recorded on the accrual basis.

3. Basis of preparation and significant accounting policies (cont'd)

(d) Provision for probable loan losses:

The provision for probable loan losses is maintained at a level which management considers adequate to provide for potential losses. The level of the provision is based on the requirements of the Banking Act, management's evaluation of the composition of the loan portfolio, past experience, the anticipated net realisable value of security held and the prevailing and anticipated economic conditions. Amounts are written off from the provision whenever management concludes that such amounts will not be recovered.

General provisions for doubtful credits are established against the loan portfolio where a prudent assessment by management of adverse economic trends suggests that losses may occur and such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum 1% established by the Regulator.

IFRS only permits specific loan loss provisions and requires that the future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The loan loss provision required under the Banking Act that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable loan loss reserve (note 18).

(e) Foreign currencies:

The exchange rates of the Jamaican dollar against other currencies are established on a daily basis using rates at which the bank trades and which are not materially different from the Bank of Jamaica weighted average rates. Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses, except for those on investments which are included in fair value reserve (note 17).

(f) Related parties:

Two parties are considered to be related when:

(i) one party is able to exercise control or significant influence over the other party; or

(ii) both parties are subject to common control or significant influence from the same source.

(iii) the party is a member of the key management personnel of the company or its parent or a close family member of the party.

(iv) the party is a post-employment benefit plan for the benefit of the employees of the entity.

Balances and transactions with related parties are disclosed in note 24.

3. Basis of preparation and significant accounting policies (cont'd)

(g) Taxation:

(i) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

(ii) Deferred tax:

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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial instruments:

(i) Classification of investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were made. Investments are classified as loans and receivables, and available-for-sale.

Loans and receivables are created by providing money to a debtor other than those created with the intention of short-term profit taking. Loans and receivables are recognised on the day they are transferred to the company.

Available-for-sale instruments are those that are not held for trading purposes, or originated by the company. Available-for-sale assets are recognised on the date of settlement. From this date, any gains and losses arising from changes in fair value of the assets are recognised in equity.

3. Basis of preparation and significant accounting policies (cont'd)

(h) Financial instruments (cont'd):

(ii) Measurement:

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably determined, is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities and originated loans and receivables are measured at amortised cost, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Based on the above guidelines, the company's investments are measured as follows:

[i] Loans are classified as originated loans and receivables and are stated at amortised cost, less provision for losses as appropriate.

[ii] Government of Jamaica securities are classified as available-for-sale and measured at fair value. Appreciation and depreciation are carried to fair value reserve.

[iii] Securities purchased/sold under resale/repurchase agreements:

A repurchase agreement ("Repo")/reverse repurchase agreement ("Reverse repo") is a short-term transaction whereby securities are sold/bought with simultaneous agreements for repurchasing/reselling the securities on a specified date and at a specified price. Repos and reverse repos are accounted for as short-term collateralised borrowing and lending, respectively, and are carried at cost.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest.

(iii) Fair value measurement principles:

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques or a generally accepted alternative method.

3. Basis of preparation and significant accounting policies (cont'd)

(h) Financial instruments (cont'd):

(iii) Fair value measurement principles (cont'd):

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(iv) Gains and losses on subsequent measurement:

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity (note 17). When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of revenue and expenses.

(v) Trade and other payables:

Trade and other payables, including provisions, are stated at their cost.

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(vi) Cash resources:

Cash resources, including short-term deposits, with maturities ranging between three and twelve months from balance sheet date, are shown at cost.

(vii) Trade and other receivables:

These are stated at their cost, less impairment losses.

(viii) Derecognition:

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the company commits to sell the assets.

Loans and receivables are derecognised on the day they are transferred by the company.

3. Basis of preparation and significant accounting policies (cont'd)

(i) Impairment:

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of revenue and expenses.

(i) Calculation of recoverable amount:

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions and medical care; other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits are accounted for as described below.

Employee benefits comprising pensions and other post-employment assets and obligations included in the financial statements are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

(i) Pension obligations:

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

3. Basis of preparation and significant accounting policies (cont'd)

(j) Employee benefits (cont'd):

(i) Pension obligations (cont'd):

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credited method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

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

(ii) Equity compensation benefits:

The company participates in a share options scheme operated by the parent company. Share options are granted to management and key employees with more than three years of service. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of five years. The company does not make a charge to staff costs in connection with share options.

(iii) 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 company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or provision of termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Profit-sharing and bonus plans:

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit-sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit-sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

4. Cash resources

	2005 $'000	2004 $'000
Notes and coins	71,968	83,926
Money at call and on deposit at Bank of Jamaica [see (a) and (b) below]	886,149	372,872
Accounts with foreign banks	397,192	180,828
	1,355,309	637,626

(a) $830,426,274 (2004: $318,300,446) of deposits at Bank of Jamaica is held in compliance with section 14(1) of the Banking Act, which requires that every licensee maintains in the form of a deposit with Bank of Jamaica, a cash reserve not less, on the average, than 5% of its prescribed liabilities. The reserve for Jamaican dollar prescribed liabilities is held on a non-interest-bearing basis. No portion of the cash reserve is available for investment or other use by the company. The actual cash reserve percentage in force at the end of the year was 9% (2004: 9%).

(b) The deposit at Bank of Jamaica includes a special reserve of $25,602,213 (2004: $48,839,727). The special reserve represents 1% of the company's Jamaican dollar prescribed deposit liabilities and earns interest at 6% per annum. This reserve is in addition to the cash reserve mentioned in (a) above, bringing the total reserve requirement to 10%.

(c) Cash resources are those defined as due within three months after balance sheet date.

5. Investments

	2005 $'000	2004 $'000
Available-for-sale securities, stated at fair value:		
Issued by Government of Jamaica:		
Local registered stocks and treasury bills	4,433,759	2,818,834
Debenture	474,606	1,405,893
Certificates of deposit	595,547	846,226
Development Bank of Jamaica	5,506	7,391
Global, indexed and US$ denominated bonds	5,394,031	5,884,125
	10,903,449	10,962,469
Corporate bonds	872,024	142,289
Unquoted equities:		
Automated Payments Limited [see (b) below]	5,020	5,020
	11,780,493	11,109,778

5. Investments (cont'd)

   (a) Local Registered Stock amounting to $200,000,000 (2004: $200,000,000) are held by Bank of Jamaica as security for overdraft, if any. At the balance sheet date, there was no overdraft with Bank of Jamaica.

   (b) Shares in Automated Payments Limited represents a 16.67% holding in that company, which was established, and is co-owned, by commercial banks to provide automated clearing facilities within the commercial banking system.

6. Loans, net of provision for probable losses

The company's loan portfolio, less provision for losses, is concentrated as follows:

	Number of accounts			
	2005	2004	2005 $'000	2004 $'000
Public sector	4	2	1,406,598	1,100,134
Professional & other services	344	292	1,031,990	847,787
Individuals	1,409	549	442,228	300,043
Agriculture	4	7	6,699	9,669
Manufacturing	18	22	41,539	49,886
Transportation	15	13	13,177	17,317
Distribution	14	18	32,731	23,936
Tourism & entertainment	6	6	5,303	7,993
	1,814	909	2,980,265	2,356,765

Delinquent loans and advances on which interest is no longer accrued amounted to $91,279,439 (2004: $5,576,000) as at balance sheet date.

Loans are shown after deducting provision for probable loan losses of $55,820,000 (2004: $40,625,000), as follows:

	2005 $'000	2004 $'000
Provision made during the year	57,245	48,245
Transfer (from)/to loan loss reserve (note 18)	(6,289)	(17,296)
Charged against revenue for the year	50,956	30,949
Provision at beginning of the year	40,625	23,021
Assumed from George & Branday Limited	-	5,295
Net loan balances written off during the year	(35,761)	(18,640)
At end of the year	55,820	40,625

Provision made in accordance with Bank of Jamaica provisioning requirements is as follows:

	2005 $'000	2004 $'000
Specific provisions	55,820	40,625
General provision (see note 18)	28,886	22,597
	84,706	63,222

In keeping with IFRS, the general provision is included in loan loss reserve and treated as an appropriation of retained earnings (note 18).

FIRST GLOBAL BANK LIMITED

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

7. Other assets

	2005 $'000	2004 $'000
Interest receivable	364,411	428,425
Withholding tax recoverable	230,017	143,393
Due from fellow subsidiaries	1,787	36,644
Sundry	27,302	40,400
	623,517	648,862

Sundry includes the company's contributions to the National Housing Trust, amounting to $80,036 (2004: $80,036), recoverable in the years 2001/4. All other assets are considered to be recoverable within one year.

8. Deferred tax (assets) and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Employee benefit asset, net	(2,758)	(2,009)	15,961	14,887	13,203	12,878
Property, plant and equipment	(2,459)	(1,269)	3,149	2,328	690	1,059
Investments	-	-	75,689	69,564	75,689	69,564
Other liabilities	(14,370)	(7,073)	-	-	(14,370)	(7,073)
Net tax (assets)/liabilities	(19,587)	(10,351)	94,799	86,779	75,212	76,428

Movements on net deferred tax during the year are as follows:

	2005 $'000	2004 $'000
Net deferred tax liability at beginning of year	76,428	9,154
Assumed from George & Branday Limited	-	6,788
Recognised in revenue – tax charge/(income) (note 22)	(7,341)	18,141
Recognised in equity	6,125	42,345
Net deferred tax liability at end of year	75,212	76,428

9. Employee benefits

(a) Plan asset/obligations

	Pension asset		Obligations	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Present value of funded obligations	58,741	59,372	30,488	27,214
Unrecognised actuarial gains/(losses)	143,045	3,921	3,390	(1,614)
Fair value of plan assets	(249,670)	(107,954)	-	-
Recognised (asset)/liability	(47,884)	(44,661)	33,878	25,600

(b) Movements in net asset/obligation recognised in the balance sheet:

	Pension asset		Obligations	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Net (asset)/obligation at January 1	(44,661)	(14,217)	25,600	7,087
Assumed from George & Branday	-	(24,011)	-	12,485
Contributions received	(883)	(689)	(585)	(104)
(Income)/expense recognised in the statement of income and expense	(2,340)	(5,744)	8,863	6,132
Net (asset)/obligation at December 31	(47,884)	(44,661)	33,878	25,600

(c) (Income)/expense recognised in the statement of revenue and expenses:

	Pension asset		Obligations	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Current service cost	2,332	(129)	4,801	1,407
Interest on obligation	8,680	6,649	3,966	1,352
Actuarial (gains)/losses recognized	-	(207)	96	3,373
Expected return on plan assets	(13,352)	(12,057)	-	-
	(2,340)	(5,744)	8,863	6,132

(d) Principal actuarial assumptions (expressed as weighted averages):

	2005	2004
	%	%
Discount rate at December 31	12.5	12.5-15.0
Expected return on plan assets at December 31	12.0	12.0
Future salary increase:		
Pension and group life plan	9.5	9.5
Gratuity plan	9.5	9.5
Future pension increases	3.5	3.5
Medical claims growth:		
Insured plan	9.5	9.5
Self insured plan	9.5	9.5

10. Property, plant and equipment

	Computer equipment $'000	Office equipment, fixture & fittings & motor vehicles $'000	Leased assets $'000	Total $'000
At cost:				
December 31, 2004	55,591	65,062	13,661	134,314
Additions	6,019	9,518	8,820	24,357
Disposals	-	(133)	-	(133)
December 31, 2005	61,610	74,447	22,481	158,538
Depreciation:				
December 31, 2004	36,617	41,859	8,315	86,791
Charge for the year	5,286	12,979	3,622	21,887
Eliminated on disposals	-	(133)	-	(133)
December 31, 2005	41,903	54,705	11,937	108,545
Net book values:				
December 31, 2005	19,707	19,742	10,544	49,993
December 31, 2004	18,974	23,203	5,346	47,523

11. Deposits

The deposit portfolio for the company is comprised as follows:

	Number of accounts 2005	Number of accounts 2004	2005 $'000	2004 $'000
Financial institutions	93	49	1,197,070	734,223
Commercial and Business enterprises	1,629	1,000	3,274,209	1,203,869
Personal	5,381	5,412	3,000,346	1,911,105
Others	12	105	2,150,330	726,294
	7,115	6,566	9,621,955	4,575,491

12. Due to specialized banks

These represent loans from Development Bank of Jamaica Limited (DBJ) for the purpose of on-lending to customers approved by DBJ. The loans bear interest at 10% (2004: 10%) per annum, and are repayable in equal monthly installments. The loans are secured by promissory notes duly executed by the company.

13. Obligations under finance leases

	2005 $'000	2004 $'000
Due from the date of the balance sheet as follows:		
2005	-	4,775
2006	3,401	1,780
2007	1,565	-
2008	913	-
Total future minimum lease payments	5,879	6,555
Less: Future interest charges	(1,011)	(904)
Present value of minimum lease payments	4,868	5,651
Due within 12 months	2,759	3,964
Due after 12 months	2,109	1,687
	4,868	5,651

14. Other liabilities

	2005 $'000	2004 $'000
Interest payable	208,104	261,727
Manager's cheques	50,871	159,285
Accruals	31,318	8,513
Withholding tax payable	57,904	17,552
Other	4,701	4,815
Provisions [see (i) below]	-	-
	352,898	451,892

(i) Provisions are broken down as follows:

	2005 $'000	2004 $'000
Balance at beginning of year	-	44,027
Provisions made during the year	-	-
Provisions used during the year	-	(44,027)
Balance at end of year	-	-

15. Share capital

	2005 $'000	2004 $'000
Authorized, issued and fully paid:		
627,684,764 ordinary shares of $1 each	627,685	627,685

At an Extraordinary General Meeting held on March 26, 2004, a resolution was passed to increase the authorized share capital of the company to $627,684,764 by the creation of 235,384,764 ordinary shares of $1 each, ranking *pari passu* in all respects with the existing ordinary shares. The 235,384,764 ordinary shares were issued to GK as consideration for the shares in G&B following the business combination in the previous year of the operations of the company and G&B, under a scheme of reorganization by GK.

Under the Companies Act 2004 ("Act"), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par value, unless the company elects to retain its shares with a par value. At the annual general meeting of the members on May 24, 2005, the company elected to retain par value and this will remain in effect for a period of eighteen months from that date, in accordance with the Act. At the expiration of that period, the shares will become shares without par value.

16. Reserve fund

Subject to section 8 of the Banking Act, the company is required to transfer 15% or more of its net profit in each year to a Reserve Fund until the amount of credit in the Fund equals 50% of the paid-up capital, and thereafter 10% of net profits until the amount of credit in the Fund is equal to the paid-up capital. 10% of net profit for the year has been transferred to the Reserve Fund.

17. Fair value reserve

This represents the unrealized gains/losses on the revaluation of available-for-sale investments, net of taxation [see note 3(h)(iv)].

18. Loan loss reserve

This is a non-distributable reserve representing general loan loss provision.

	2005 $'000	2004 $'000
Balance at beginning of year	22,597	5,301
Transferred from general provision for loans (note 6)	6,289	17,296
Balance at end of year	28,886	22,597

19. Retained earnings reserve

Transfers to the retained earnings reserve are made at the discretion of the Board. All such transfers are notified to the Bank of Jamaica. The directors authorized the transfer of 90.43% (2004: 68.51%) of retained profits to this reserve.

20. Employee numbers and costs

At the end of the year, the company has 123 (2004: 133) full-time and 22 (2004: 10) part-time employees. Related staff costs are as follows:

	2005 $'000	2004 $'000
Salaries and wages	218,097	172,706
Statutory payroll contributions	18,308	13,906
Contributions for pension and other plans	5,577	2,628
Other staff costs	22,526	19,789
	264,508	209,029

21. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2005 $'000	2004 $'000
Directors' emoluments		
- fees	1,146	556
- management remuneration	9,877	7,372
Auditors' remuneration	2,500	2,000
(Gain)/loss on disposal of property, plant and equipment	(957)	121

22. Income tax

(a) Recognized in the statement of revenue and expenses:

	2005 $'000	2004 $'000
(i) Current tax expense:		
Income tax at 33⅓%	160,962	112,766
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 8)	(7,341)	18,141
Total taxation recognized in statement of revenue and expenses	153,621	130,907

22. Income tax (cont'd)

(b) The effective tax rate for the company was 27.42% (2004: 21.7%) compared to a statutory rate of 33⅓% ((2004: 33⅓%). The actual tax expense differed from the expected tax expense for the year as follows:

	2005 $'000	2004 $'000
Profit before taxation	560,417	601,945
Computed "expected" tax expense	186,806	200,648
Difference between profit for financial statements and tax reporting purposes on:-		
Depreciation and capital allowances	1,974	2,798
Tax-free income	(38,924)	(53,649)
Others	3,765	9,088
Profit on disposal of subsidiaries	-	(27,978)
Actual tax expense	153,621	130,907

23. Earnings per share

The computation of earnings per share is based on net profit for the year of $406,796,000 for the company (2004: $471,038,000), divided by 627,684,764 (2004: 572,869,134) being the average number of issued and fully paid ordinary shares during the year.

24. Related party balances and transactions

(a) The balance sheet includes balances, arising in the ordinary course of business, with directors, other key management personnel, parent, fellow subsidiaries, related companies as follows:

	2005 $'000	2004 $'000
Loans, net of provision for probable losses:		
Parent company	9,856	5,989
Fellow subsidiaries	54,319	60,287
Other related entities	7,469	9,096
Other assets:		
Parent company	-	107,259
Fellow subsidiary	1,787	29,523
Deposits:		
Parent company	81,583	53,955
Fellow subsidiaries	715,126	306,650
Directors and key management personnel	31,422	6,591
Other related entities	286,099	2,280
Securities sold under repurchase agreements:		
Parent company	46,514	32,128
Fellow subsidiaries	109,763	596,070
Directors and key management personnel	4,021	11,821
Other related entities	263,648	489,900
Obligations under finance leases:		
Fellow subsidiary	1,731	5,651
Other related entities	3,137	-
Other liabilities:		
Parent company	-	1,731
Fellow subsidiaries	608	33,205
Other related entities	-	7,357

24. Related party balances and transactions (cont'd)

(b) The Statement of Revenue and Expenses includes income earned from, and expenses incurred in, transactions with the parent, fellow subsidiaries and related companies as follows: The transactions arose in the ordinary course of business.

	2005 $'000	2004 $'000
Revenue:		
Income from reverse repos:		
Parent company	-	13,652
Directors and key management personnel	-	6,990
Fellow subsidiaries	3,450	26,739
Income from loans:		
Parent company	-	1,070
Directors and key management personnel	257	154
Fellow subsidiaries	9,417	6,990
Other related entities	4,854	1,603
Other operating income:		
Fellow subsidiaries	5,127	37,040
Expenses:		
Interest:		
Parent company	6,281	66,733
Related companies	156,548	136,435
Fellow subsidiaries	74,090	108,025
Directors and key management personnel	2,174	1,929
Other operating expenses:		
Fellow subsidiaries	15,103	24,519
General administration expenses:		
Parent company	30,610	22,121

(c) Compensation of key management personnel is as follows

	2005	2004
Salaries and other employee benefits	40,125	33,009

Salaries and other employee benefits are included in staff costs (see note 20).

25. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(a) Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed on between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the company's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Determination of fair value:

The fair value of cash resources, securities purchased under resale agreements, cheques and other instruments in transit, interest receivable, other assets, customers' liability under guarantees, securities sold under repurchase agreements, other liabilities, are assumed to approximate their carrying values due to their short-term nature.

The fair value of available-for-sale investments is assumed to be equal to the estimated market values as provided in note 5. The estimated fair values of loans are assumed to be the principal receivable less any provision for losses and impairment.

The fair value of loans, obligations under finance lease, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature.

(b) Financial instrument risks:

Exposure to interest rate, market, foreign currency, credit, liquidity and cash flow risks arises in the ordinary course of the company's business. No derivative financial instruments are presently used to reduce exposure to 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. Position risk is the exposure of the company to the effect of price changes on the market value of its portfolio of financial instruments, both on and off balance sheet.

The company manages this risk by establishing limits for the average modified duration of its portfolio, that is, the percentage change in the price of each type of financial instrument held for a given change in interest rates.

FIRST GLOBAL BANK LIMITED

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

25. Financial instruments (cont'd)

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

(i) Interest rate risk (cont'd):

The following tables summarise the carrying amounts of financial assets and liabilities to arrive at the interest rate gap based on the earlier of contractual repricing and maturity dates.

	2005				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash resources	-	-	-	1,355,309	1,355,309
Investments	3,085,234	2,473,003	6,222,256		11,780,493
Loans, net of provision for probable losses	434,291	999,667	1,546,307	-	2,980,265
Securities purchased under resale agreements	465,581	-	-	-	465,581
Cheques and other items in transit	-	-	-	182,951	182,951
Other assets	-	-	-	623,517	623,517
Customers' liabilities under guarantees, as per contra	-	-	-	340,546	340,546
Total financial assets	3,985,106	3,472,670	7,768,563	2,502,323	17,728,662
Liabilities					
Deposits	6,856,024	2,758,690	7,241	-	9,621,955
Due to specialized banks	-	-	68,860	-	68,860
Securities sold under repurchase agreements	4,128,208	788,406	770	-	4,917,384
Obligations under finance lease	1,311	1,448	2,109	-	4,868
Other liabilities	-	-	-	352,718	352,718
Guarantees, per contra	-	-	-	340,546	340,546
Total financial liabilities	10,985,543	3,548,544	78,980	693,264	15,306,331
Total interest rate sensitivity gap	(7,000,437)	(75,874)	7,689,583	1,809,059	2,422,331
Cumulative gap	(7,000,437)	(7,076,311)	613,272	2,422,331	-

	2004				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Total interest rate sensitivity gap	(8,494,980)	1,395,860	7,998,141	1,077,453	1,976,474
Cumulative gap	(8,494,980)	(7,099,120)	899,021	1,976,474	-

25. Financial instruments (cont'd)

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

(i) Interest rate risk (cont'd):

Average effective yields by the earlier of contractual repricing and maturity dates:

	2005			
	Within 3 months (%)	3 to 12 months (%)	Over 12 months (%)	Total (%)
Investments	15.27	14.41	10.70	12.68
Loans, net of provision for probable losses	24.10	10.94	14.63	16.44
Securities purchased under resale agreements	5.47	-	-	5.47
Deposits	7.43	7.42	7.90	6.17
Due to specialized banks	-	-	10.00	10.00
Securities sold under repurchase agreements	10.13	10.60	12.75	10.19
Obligations under finance leases	26.00	25.00	20.00	23.81

	2004			
	Within 3 months (%)	3 to 12 months (%)	Over 12 months (%)	Total (%)
Investments	16.98	14.06	13.06	14.05
Loans, net of provision for probable losses	28.96	15.07	15.10	18.12
Securities purchased under resale agreements	6.52	6.41	22.13	7.76
Deposits	5.29	8.42	13.80	5.76
Due to specialized banks	-	-	10.00	10.00
Securities sold under repurchase agreements	14.46	15.81	-	14.61
Obligations under finance leases	-	-	25.13	25.13

25. Financial instruments (cont'd)

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

(ii) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company manages this risk by applying the relevant hedging techniques and maintaining the appropriate gapping strategy. Management has also established limits for specific financial instruments with regard to liquidity and tenure. The investment portfolio presently consists mainly of Government of Jamaica instruments denominated in both US and Jamaican dollars, which are all tradable. The loans are adequately secured. At the balance sheet date, financial instruments subject to this risk amounted to $12,241,054,000 (2004: $11,691,413,000).

(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 company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar, mainly the US dollar. The company is exposed to significant foreign currency risk. Management ensures that the net exposure is kept to an acceptable level by monitoring, on a daily basis, all currency positions and ensuring adherence to predetermined limits. The company further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

At the balance sheet date, the company has net foreign currency assets/(liabilities) as follows:

	2005	2004
	'000	'000
Currency		
United States dollars	(3,749)	5,814
Canadian dollars	(145)	416
Pounds sterling	554	445
Euro	441	444

(iv) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation resulting in loss to the other party.

The company has significant concentrations of credit risk in investments, loans and securities purchased under resale agreement. The company manages this risk by screening its customers, establishing credit limits, obtaining collateral for loans and reverse repos, and the rigorous follow-up of receivables; ensuring investments and securities purchased under resale agreements are low-risk or, are held with sound financial institutions or related companies. At the balance sheet date, there were no other significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying balance of each financial asset.

25. Financial instruments (cont'd)

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

The following table summarises the credit exposure to individuals and businesses by sector:

	2005		
	Loans	Guarantees and letters of credit	Total
	$'000	$'000	$'000
Public sector	1,406,598	-	1,406,598
Professional & other services	1,031,990	189,489	1,221,479
Individuals	442,228	74,809	517,037
Agriculture	6,699	-	6,699
Manufacturing	41,539	-	41,539
Transportation	13,177	6,248	19,425
Distribution	32,731	-	32,731
Tourism	5,303	70,000	75,303
	2,980,265	340,546	3,320,811

	2004		
	Loans	Guarantees and letters of credit	Total
	$'000	$'000	$'000
Public sector	1,100,134	-	1,100,134
Professional & other services	847,787	238,767	1,086,554
Individuals	300,043	31,368	331,411
Agriculture	9,669	-	9,669
Manufacturing	49,886	-	49,886
Transportation	17,317	23,126	40,443
Distribution	23,936	-	23,936
Tourism	7,993	10,000	17,993
	2,356,765	303,261	2,660,026

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk 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 credit facilities. Due to the nature of the underlying business, the management of the company aims at maintaining flexibility in funding by having adequate credit facilities and marketable financial instruments. The company has in place the appropriate limits with regard to liquid instruments and total assets and continues to apply the appropriate gapping strategy to ensure there is adequate cash resources to meet maturing and call instruments.

25. Financial instruments (cont'd)

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

(vi) Cash flow risk:

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

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

26. Litigation

The company has been sued by two of its customers who have alleged that they are not indebted to the company and have sought declarations to that effect. The suit claims unquantified damages for fraud and breach of contract. The company has filed a defence to the claim, denied the allegations and counter claimed for the debt owing. A trial date has not yet been set.

The company's lawyers are unable to provide a meaningful opinion as to the outcome of the suit, as it will depend on oral evidence given at the trial, and the judge's opinion as to the truth of that evidence.

No provision has been made in the financial statements in this regard.

27. Accounting estimates and judgements

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(a) Pension and other post-retirement benefits

The amounts recognised in the balance sheet and income statement for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

27. Accounting estimates and judgements (cont'd)

(b) Allowance for loan losses

In determining amounts recorded for impairment of loan losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loans portfolio with similar characteristics, such as credit risks.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

28. Adoption of new and revised IFRS

At the date of approval of the financial statements for issue, certain new and revised standards and interpretations were in issue but were not effective until after balance sheet date. Those which are considered relevant to the company and their effective dates are as follows:

1FRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IAS 19 Amendment	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendment	The Fair Value Option	January 1, 2006
IAS 39 Amendment	Financial Guarantee Contracts	January 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006

The adoption of IFRS 7 and the IAS 19 Amendment is expected to result in additional disclosures for financial instruments and the defined benefit scheme. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

FIRST GLOBAL BANK LIMITED

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

FIRST GLOBAL BANK LIMITED

Operating Expenses
Year ended December 31, 2005

	2005 $'000	2004 $'000
Interest income from:		
Loans	444,230	367,381
Deposits	55,479	45,099
Securities	1,386,943	1,629,530
	1,886,652	2,042,010
Interest expense on:		
Deposits	(562,572)	(243,571)
Other	(591,265)	(1,075,258)
	(1,153,837)	(1,318,829)
Net interest income	732,815	723,181
Provision for loan losses, net	(50,956)	(30,949)
	681,859	692,232
Other income:		
Fees and commissions	89,193	73,982
Foreign exchange gains	36,843	42,287
Gain on securities traded	192,966	95,128
Gain on disposal of subsidiary	-	83,935
Other	53,107	51,023
	372,109	346,355
Net revenue	1,053,968	1,038,587
Operating expenses:		
Employees compensation and benefits (page II)	(264,508)	(209,029)
Depreciation	(21,887)	(16,987)
Other operating expenses (page II)	(165,450)	(164,164)
General administration expenses (page III)	(41,706)	(46,462)
	(493,551)	(436,642)
Profit before taxation	560,417	601,945
Taxation	(153,621)	(130,907)
Net profit for the year	406,796	471,038

FIRST GLOBAL BANK LIMITED

Operating Expenses
Year ended December 31, 2005

	2005 $'000	2004 $'000
Employee compensation and benefits		
Commissions	49	2,332
Employer's Education tax	5,363	4,064
Employer's NHT contributions	5,724	4,288
Employer's NIS contributions	1,569	1,201
Employer's pension, gratuity, health and group life insurance	7,859	3,570
Employer's HEART contributions	5,653	4,353
Incentive payments	29,941	31,196
Lunch subsidy	942	2,048
Staff emoluments	188,156	141,510
Staff Welfare	8,819	3,966
Training	6,785	5,337
Travelling and subsistence	1,576	2,834
Uniforms	2,072	2,330
	264,508	209,029
Other operating expenses		
Advertising and promotion	19,482	24,491
Audit, legal and other professional fees	13,249	28,930
ATM Sponsorship fees	3,649	3,557
Bank charges	17,972	14,053
Cash shortage	337	392
Computer service and Internet costs	6,618	1,804
Directors' expenses	-	317
Directors' fees	1,146	556
Donations	1,783	1,330
Entertainment	836	738
Head Office Charges	22,128	17,960
Management fees – parent company	10,000	3,900
Membership fees	161	129
Finance lease	1,485	2,199
GCT on expenses	19,536	18,416
Insurance	9,143	9,142
Miscellaneous	1,145	1,291
Motor vehicle expenses	919	1,942
Repairs and maintenance	9,630	6,085
Security services	3,821	3,851
Stamp & custom duty	115	2,385
Subscriptions	2,843	3,159
Telephone and telex	10,730	10,527
Credit card processing fees	1,488	-
Rate taxes & licences	7,234	7,010
	165,450	164,164

FIRST GLOBAL BANK LIMITED

Operating Expenses
Year ended December 31, 2005

	2005 $'000	2004 $'000
General administration expenses		
Courier service	2,208	3,421
Janitorial service	1,659	1,050
Office expenses	5,981	12,622
Parking expenses	1,360	762
Software maintenance	4,569	3,624
Stationery, printing and postage	11,277	8,402
Rental - premises	14,272	13,697
Write-offs	380	2,884
	41,706	46,462