

NATIONAL COMMERCIAL BANK JAMAICA LTD.

SIX MONTHS ENDED MARCH 31, 2004

Consolidated Profit and Loss Account

	Note	Quarter Ended	Year to Date	Restated	Restated
		31 March 2004	31 March 2004	31 March 2003	31 March 2003
		\$'000	\$'000	\$'000	\$'000
Operating Income					
Interest income from loans		1,222,748	2,355,914	647,260	1,219,895
Interest income from securities		4,406,451	8,995,132	2,641,465	5,344,865
Total interest income		5,629,199	11,351,046	3,288,725	6,564,760
Interest expense		(3,180,900)	(6,348,317)	(1,997,961)	(4,095,185)
Net interest income		2,448,299	5,002,729	1,290,764	2,469,575
Net fee and commission income		555,941	954,777	308,355	632,681
Net trading income	4	416,519	605,578	1,332,532	1,747,654
Other operating income		(6,515)	33,150	119,223	168,528
		3,414,244	6,596,234	3,050,874	5,018,438
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Operating Expenses					
Staff costs		1,076,340	2,263,827	1,064,201	2,009,445
Provision for credit losses		194,737	229,514	(12,294)	29,179
Depreciation		164,412	309,038	152,663	226,532
Other operating expenses		745,682	1,590,658	693,711	1,221,675
		2,181,171	4,393,037	1,898,281	3,486,831
Profit before Taxation		1,233,073	2,203,197	1,152,593	1,531,607

Taxation	5	(83,736)	(307,652)	42,456	144,356
Net Profit		<u>1,149,337</u>	<u>1,895,545</u>	<u>1,195,049</u>	<u>1,675,963</u>
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EARNINGS PER STOCK UNIT	6		\$0.77		\$0.68

Consolidated Balance Sheet

	Notes	March 2004 \$'000	September 2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	7	12,187,102	10,641,638
Due from other banks		10,563,281	9,117,248
Trading securities		129,237	1,906,270
Reverse repurchase agreements	8	15,575,755	5,832,957
Loans and advances, net of provision for credit losses	9	33,249,651	26,400,147
Investment securities		72,766,692	78,538,460
Investment in associated companies	10	1,149,386	
Investment properties		28,200	28,200
Property, plant and equipment		4,117,609	3,911,816
Deferred tax assets	11	46,298	120,426
Retirement benefit asset		6,009	6,009
Income tax recoverable		128,729	87,505
Other assets	12	7,239,156	6,368,703
Customers' liability on acceptances, guarantees, indemnities and credits		<u>4,082,870</u>	<u>2,926,786</u>
Total assets		<u>161,269,975</u>	<u>145,886,165</u>
LIABILITIES			
Due to other banks		6,043,011	6,257,208

Customer deposits		74,180,692	69,688,968
Derivative financial instruments		98,787	128,909
Promissory notes and certificates of participation		9,866,589	10,119,549
Repurchase agreements		35,608,125	29,624,741
Obligations under credit card and cash advance securitization arrangements	13	3,968,680	4,576,979
Other borrowed funds		1,256,999	1,129,249
Income tax payable		48,601	234,569
Deferred tax liabilities	11	691,831	437,966
Policyholders' liabilities		5,552,962	4,287,658
Other liabilities	14	4,701,694	3,423,494
Retirement benefit obligations		178,257	178,257
Liability on acceptances, guarantees, indemnities and credits		<u>4,082,870</u>	<u>2,926,786</u>
Total liabilities		<u>146,279,098</u>	<u>133,014,333</u>
STOCKHOLDERS' EQUITY			
Share capital	15	2,466,763	2,466,763
Share premium		4,453,752	4,453,752
Fair value and other reserves		840,762	(270,773)
Loan loss reserve	16	165,383	72,891
Banking reserve fund	17	1,078,000	1,078,000
Retained earnings reserve	18	2,518,761	1,218,761
Retained earnings		<u>3,467,456</u>	<u>3,852,438</u>
Total stockholders' equity		<u>14,990,877</u>	<u>12,871,832</u>
Total equity and liabilities		<u>161,269,975</u>	<u>145,886,165</u>
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Consolidated Statement of Changes in Stockholders' Equity

Share Fair Value

Banking Retained

Reserve	-	-	-	-	-	-	-
306,864 (306,864)	-	-	-	-	-	-	-
Balance at 30 September 2003	2,466,763	4,453,752	-	(270,773)	72,891	1,078,000	
1,218,761 3,852,438 12,871,832							
Currency translation differences	-	-	-	6,597	-	-	
- - 6,597							
Unrealised gains (losses) on available-for-sale investments, net of taxes	-	-	-	1,062,950	-	-	
- - 1,062,950							
Reclassified and reported in profit	-	-	-	41,988	-	-	
- - 41,988							
Net gains/(losses) not recognised in Consolidated Profit and Loss Account	-	-	-	1,111,535	-	-	
- - 1,111,535							
Net profit	-	-	-	-	-	-	
- 1,895,545 1,895,545							
Dividends paid	-	-	-	-	-	-	
- (888,035) (888,035)							
Transfer to Loan Loss Reserve	-	-	-	-	(92,492)	-	
- (92,492) -							
Transfer to Banking Reserve Fund	-	-	-	-	-	-	
- - -							
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	
(1,300,000) (1,300,000)	-	-	-	-	-	-	
Balance at 31 March 2004	2,466,763	4,453,752	-	840,762	165,383	1,078,000	
2,518,761 3,467,456 14,990,877							

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Consolidated Statement of Cash flow

	Note	March 2004 \$'000	Restated March 2003 \$'000
Cash Flows from Operating Activities			
Net cash (used in)/provided by operating activities	19	<u>(2,917,793)</u>	<u>5,114,750</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment, net		(494,421)	(1,127,032)
Investments		<u>7,618,661</u>	<u>(4,725,363)</u>
Net cash provided by/(used in) investing activities		<u>7,124,240</u>	<u>(5,852,395)</u>
Cash Flows from Financing Activities			
Repayments under credit card and cash advance securitization arrangements		(730,571)	(618,826)
Other borrowed funds		127,750	(283,337)
Dividends paid		<u>(888,035)</u>	<u>(962,037)</u>
Net cash used in financing activities		<u>(1,490,856)</u>	<u>(1,864,200)</u>
Net increase in cash and cash equivalents		<u>2,715,591</u>	<u>(2,601,845)</u>
Cash and cash equivalents at beginning of period		<u>4,803,137</u>	<u>6,076,221</u>
Cash and cash equivalents at end of period		<u>7,518,728</u>	<u>3,474,376</u>
		=====	=====
Comprising:			
Cash and balances at Bank of Jamaica		2,998,458	1,949,982
Due from other banks		10,563,281	6,125,918
Due to other banks		<u>(6,043,011)</u>	<u>(4,601,524)</u>
		<u>7,518,728</u>	<u>3,474,376</u>
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Profit and Loss Account

	Note	Quarter Ended 31 March 2004	Year to Date 31 March 2004	Restated Quarter Ended 31 March 2003	Restated Year to Date 31 March 2003
		\$'000	\$'000	\$'000	\$'000
Operating Revenue					
Interest income from loans		1,220,499	2,351,341	644,766	1,214,891
Interest income from securities		2,490,887	5,654,443	1,951,134	3,682,134
Total interest income		3,711,386	8,005,784	2,595,900	4,897,025
Interest expense		(1,952,259)	(4,114,285)	(1,489,018)	(2,778,348)
Net interest income		1,759,127	3,891,499	1,106,882	2,118,677
Net fee and commission income		367,800	690,892	258,045	527,874
Net trading income	4	409,929	600,046	1,337,748	1,737,453
Other operating income		19,156	50,575	15,809	31,745
		2,556,012	5,233,012	2,718,484	4,415,749
Operating Expenses					
Staff costs		963,590	2,046,520	967,719	1,844,206
Provision for credit losses		194,737	229,543	(12,294)	29,179
Depreciation		156,469	293,632	146,083	215,308
Other operating expenses		747,963	1,518,420	612,728	1,097,275
		2,062,759	4,088,115	1,714,236	3,185,968
Profit before Taxation		493,253	1,144,897	1,004,248	1,229,781
Taxation	5	-	(90,796)	35,984	149,821
Net Profit		493,253	1,054,101	1,040,232	1,379,602

Balance Sheet

	Notes	March 2004 \$'000	September 2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	7	12,019,433	10,577,615
Due from other banks		10,784,853	9,441,706

Reverse repurchase agreements	8	790,946	570,538
Loans and advances, net of provision for credit losses	9	33,102,851	26,274,740
Investment securities		50,970,255	58,366,965
Investments in subsidiaries		1,456,970	1,456,970
Investment in associated companies	10	1,148,446	-
Property, plant and equipment		4,009,796	3,793,908
Income tax recoverable		125,083	87,505
Other assets	12	4,254,698	4,505,131
Customers' liability on acceptances, guarantees, indemnities and credits		4,082,870	2,926,786
Total Assets		<u>122,746,201</u>	<u>118,001,864</u>

LIABILITIES

Due to other banks		6,042,280	6,257,208
Customer deposits		74,951,327	70,671,943
Derivative financial instruments		98,787	128,909
Repurchase agreements		16,406,225	17,858,101
Obligations under credit card and cash advance securitization arrangements	13	3,968,680	4,576,979
Other borrowed funds		1,155,606	1,165,392
Deferred tax liabilities	11	652,649	422,349
Other liabilities	14	2,691,358	2,371,185
Retirement benefit obligations		178,257	178,257
Liability on acceptances, guarantees, indemnities and credits		4,082,870	2,926,786
Total liabilities		<u>110,228,039</u>	<u>106,557,109</u>

STOCKHOLDERS' EQUITY

Share capital	15	2,466,763	2,466,763
Share premium		3,998,968	3,998,968
Fair value and other reserves		948,945	41,604
Loan loss reserve	16	165,383	72,891
Banking reserve fund	17	1,078,000	1,078,000
Retained earnings reserve	18	2,518,761	1,218,761
Retained earnings		<u>1,341,342</u>	<u>2,567,768</u>

Total stockholders' equity	12,518,162	11,444,755
Total equity and liabilities	<u>122,746,201</u>	<u>118,001,864</u>
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Statement of Changes in Equity

Banking	Retained			Share	Share	Share	Fair Value	
Reserve	Earnings	Retained		Share	Share	Redemption	and Other	Loan Loss
Fund	Reserve	Earning	Total	Capital	Premium	Reserves	Reserve	Reserve
\$'000	\$'000	\$'000	Note	\$'000	\$'000	\$'000	\$'000	\$'000
			\$'000					
Balance as at 1 October 2002, as restated				2,466,763	3,998,968	-	438,132	83,674
759,000	911,897	2,311,363	10,969,797					
Unrealised gains/(losses) on available-for-sale investments, net of taxes				-	-	-	(369,509)	-
-	-	-	(369,509)					
Reclassified and reported in profit				-	-	-	(27,019)	-
-	-	-	(27,019)					
Net gains/(losses) not recognised in Profit and Loss Account				-	-	-	(396,528)	-
-	-	-	(396,528)					
Net profit				-	-	-	-	-
-	-	2,129,535	2,129,535					

Dividends paid	-	-	-	-	-	-
- (1,258,049) (1,258,049)	-	-	-	-	-	-
Transfer from Loan Loss Reserve	-	-	-	-	-	(10,783)
- - - 10,783	-	-	-	-	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-
- 306,864 (306,864) -	-	-	-	-	-	-
Transfer to Banking Reserve Fund	-	-	-	-	-	-
319,000 - (319,000) -	-	-	-	-	-	-
Balance at 30 September 2003	2,466,763	3,998,968	-	41,604	72,891	
1,078,000 1,218,761 2,567,768 11,444,755						
Unrealised gains/(losses) on available-for-sale investments, net of taxes	-	-	-	865,353	-	
- - - 865,353	-	-	-	-	-	
Reclassified and reported in profit	-	-	-	41,988	-	
- - - 41,988	-	-	-	-	-	
Net gains/(losses) not recognised in Profit and Loss Account	-	-	-	907,341	-	
- - - 907,341	-	-	-	-	-	
Net profit	-	-	-	-	-	
- - 1,054,101 1,054,101	-	-	-	-	-	
Dividends paid	-	-	-	-	-	
- - (888,035) (888,035)	-	-	-	-	-	
Transfer to Loan Loss Reserve	-	-	-	-	-	92,492
- - (92,492) -	-	-	-	-	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-
- 1,300,000 (1,300,000) -	-	-	-	-	-	-
Transfer to Banking Reserve Fund	-	-	-	-	-	-
- - - -	-	-	-	-	-	-
Balance at 31 March 2004	2,466,763	3,998,968	-	948,945	165,383	
1,078,000 2,518,761 1,341,342 12,518,162						

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Statement of Cash Flows

	Note	March 2004 \$'000	Restated March 2003 \$'000
Cash Flows from Operating Activities			
Net cash (used in)/provided by operating activities	19	<u>(1,734,840)</u>	<u>1,510,686</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment, net		(489,111)	(1,091,181)
Investment securities		<u>6,362,131</u>	<u>(1,373,487)</u>
Net cash provided by (used in) investing activities		<u>5,873,020</u>	<u>(2,464,668)</u>
Cash Flows from Financing Activities			
Repayments under credit card and cash advance securitization arrangements		(730,571)	(618,826)
(730,571) (618,826)			
Other borrowed funds		(9,786)	(96,119)
Dividends paid		<u>(888,035)</u>	<u>(962,037)</u>
Net cash used in financing activities		<u>(1,628,392)</u>	<u>(1,676,982)</u>
Net increase in cash and cash equivalents		2,509,788	(2,630,964)
Cash and cash equivalents at beginning of period		<u>5,063,574</u>	<u>6,116,561</u>
Cash and cash equivalents at end of period		<u>7,573,362</u>	<u>3,485,597</u>
		=====	=====
Comprising:			
Cash and balances at Bank of Jamaica		2,830,789	1,874,190
Due from other banks		10,784,853	6,208,012
Due to other banks		<u>(6,042,280)</u>	<u>(4,596,605)</u>
		<u>7,573,362</u>	<u>3,485,597</u>

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Note to the Financial Statements

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 75% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Bank's subsidiaries, which together with the Bank are referred to as "the Group", are as follows:

	Principal Activities	Percentage ownership by Bank 31 March 2004
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited (formerly Edward Gayle and Company Limited)	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited	Commercial Banking	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
NCB Insurance Company Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management and Trustee Services	100
Senvia Money Services (UK) Limited (formerly N.C.B. Remittance Services Limited)	Money Remittance	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited and Senvia Money Services (UK) Limited, which are incorporated in the Cayman Islands and the United Kingdom, respectively.

The associated companies are as follows:

	Principal Activities	Percentage Ownership
Dyoll Group Limited	General Insurance Underwriting	44
Kingston Wharves Limited	Public Wharves and Port Security Services	43

The associated companies were acquired during the quarter ended 31 March 2004 and are accounted for by the equity method.

All amounts are stated in Jamaican dollars unless otherwise indicated.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment securities held for trading, derivative contracts, investment property and certain fixed assets.

There have been no changes in accounting policies since the most recent annual accounts as at 30 September 2003.

(b) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current period. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

3. Segment Reporting

The Group is organised into three main business segments:

- (a) Banking - This incorporates retail and corporate banking services.
- (b) Wealth management - This incorporates investment management, pension fund management and trustee services.
- (c) Insurance - This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing and money remittance services.

Transactions between the business segments are on normal commercial terms and conditions.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10 per cent of the Group's external operating revenue, assets and capital expenditures.

**Six Months Ended
31 March 2004**

	Banking	Wealth Management	Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	9,371,912	3,115,924	443,026	13,689		12,944,551
Revenue from other segments	14,671	1,047,485	205,948	17,879	(1,285,983)	-
Total revenue	<u>9,386,583</u>	<u>4,163,409</u>	<u>648,974</u>	<u>31,568</u>	<u>(1,285,983)</u>	<u>12,944,551</u>
Segment result	1,179,708	850,028	174,084	(623)	-	2,203,197
Tax						(307,652)
(307,652)						
Net profit						1,895,545
1,895,545						
Segment assets	<u>125,635,167</u>	<u>46,286,032</u>	<u>6,389,361</u>	<u>210,704</u>	<u>(17,251,289)</u>	<u>161,269,975</u>
Segment liabilities	<u>110,073,356</u>	<u>43,601,421</u>	<u>5,710,458</u>	<u>217,355</u>	<u>(13,323,492)</u>	<u>146,279,098</u>
Depreciation	294,084	10,698	3,732	524	-	309,038

	Banking	Wealth Management	Insurance	Other	Eliminations	Consolidated
External revenue	7,203,915	1,598,592	301,733	9,383	-	9,113,623
Revenue from other segments	63,945	360,875	65,722	8,076	(498,618)	-
Total revenue	<u>7,267,860</u>	<u>1,959,467</u>	<u>367,455</u>	<u>17,459</u>	<u>(498,618)</u>	<u>9,113,623</u>
Segment result	1,266,609	177,691	96,342	9,035	-	1,531,607
Tax						<u>144,356</u>
Net profit						<u>1,675,963</u>
Segment assets	101,862,734	29,862,071	3,687,315	34,709	8,149,471	127,297,358
Segment liabilities	90,792,817	28,492,362	3,771,002	22,957	7,009,754	116,069,384
Depreciation	215,589	5,389	5,548	6		226,532

4. Net Trading Income

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Foreign exchange translation and trading	556,210	985,744	548,410	980,314
Fixed income	51,636	9,139	51,636	4,368
Equities	<u>(2,268)</u>	<u>752,771</u>	<u>-</u>	<u>752,771</u>
	<u>605,578</u>	<u>1,747,654</u>	<u>600,046</u>	<u>1,737,453</u>

Foreign exchange translation and trading income includes gains and losses arising from translation of assets and liabilities denominated in foreign currency as well as those arising from foreign currency trading activity.

5. Taxation

	The Group		The Bank	
	2004	2003	2004	2003
Current:				
Income tax at 33 1/3%	195,511	11,289	-	-
Premium tax at 1 1/2 %	18,251	7,354		
Investment income tax at 7 1/2%	(6,534)	6,274	-	-
Deferred tax (Note 11)	100,424	(169,273)	90,796	(149,821)
	<u>307,652</u>	<u>(144,356)</u>	<u>90,796</u>	<u>(149,821)</u>
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6. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the period.

	2004	2003
Net profit attributable to stockholders (\$'000)	1,895,545	1,675,963
Weighted average number of ordinary stock units in issue('000)	2,466,763	2,466,763
Basic earnings per stock unit (\$)	0.77	0.68
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7. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	March 2004 \$'000	Sept. 2003 \$'000	March 2004 \$'000	Sept. 2003 \$'000
Cash in hand and at bank	2,970,016	1,920,305	2,802,347	1,856,282
Balances with the Bank of Jamaica other than statutory reserves	<u>28,442</u>	<u>22,792</u>	<u>28,442</u>	<u>22,792</u>
Included in cash and cash equivalents	2,998,458	1,943,097	2,830,789	1,879,074
Statutory reserves with the Bank of Jamaica - interest-bearing	4,910,056	4,593,657	4,910,056	4,593,657
Statutory reserves with the Bank of Jamaica -				

non-interest-bearing

4,278,588	4,104,884	4,278,588	4,104,884
<u>12,187,102</u>	<u>10,641,638</u>	<u>12,019,433</u>	<u>10,577,615</u>

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Statutory reserves with the Bank of Jamaica represent the required ratio of 9% (2003- 9%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

Effective 15 January 2003, the Bank is required by the Bank of Jamaica under section 28A of the Bank of Jamaica Act, to maintain a special deposit wholly in the form of cash, representing 5% of prescribed liabilities. This special deposit earns interest at 6% per annum.

8. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

At 31 March 2004, the Group and the Bank held \$15,971,011,000 (Sept. 2003 - \$7,441,192,000) and \$1,084,799,000 (Sept. 2003 - \$570,538,000) respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

9. Loans and Advances

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Gross loans and advances	35,360,519	28,563,664	35,202,114	28,426,623
Provision for credit losses	<u>(2,110,868)</u>	<u>(2,163,517)</u>	<u>(2,099,263)</u>	<u>(2,151,883)</u>
	<u>33,249,651</u>	<u>26,400,147</u>	<u>33,102,851</u>	<u>26,274,740</u>

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The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
Balance at beginning of period	2,163,517	1,972,328	2,151,883	1,963,506
Provided during the period	394,042	1,906,596	394,042	1,903,784
Recoveries	(164,528)	(1,700,035)	(164,499)	(1,700,035)
Net charge to profit	229,514	206,561	229,543	203,749
Write-offs	(282,163)	(15,372)	(282,163)	(15,372)
Balance at end of period	<u>2,110,868</u>	<u>2,163,517</u>	<u>2,099,263</u>	<u>2,151,883</u>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$1,462,659,000 as at 31 March 2004 (Sept-2003 - \$1,503,254,000).

The provision for credit losses determined under Bank of Jamaica regulatory requirements is as follows:

	The Group		The Bank	
	March 2004 \$'000	Sept. 2003 \$'000	March 2004 \$'000	Sept. 2003 \$'000
Specific provision	2,009,125	1,994,136	1,997,520	1,982,502
General provision	<u>267,126</u>	<u>242,272</u>	<u>267,126</u>	<u>242,272</u>
	<u>2,276,251</u>	<u>2,236,408</u>	<u>2,264,646</u>	<u>2,224,774</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 16)	<u>165,383</u>	<u>72,891</u>	<u>165,683</u>	<u>72,891</u>

10. Investment in Associated Companies

The Group	
2004	2003

	\$'000	\$'000
Investment in Associated Companies	1,149,386	-
	=====	=====
Comprised of:		
Share of net assets of associated companies	1,638,273	-
Goodwill net of amortisation	272,416	-
Negative goodwill net of amortisation	(761,303)	-
	<u>1,149,386</u>	<u>-</u>
	=====	=====

Movement during the period:

	2004	2003
	\$'000	\$'000
At beginning of period	-	-
Cost of acquisition	1,148,446	-
Amortisation of goodwill	(4,617)	-
Amortisation of negative goodwill	<u>5,557</u>	<u>-</u>
Balance at end of period	<u>1,149,386</u>	<u>-</u>
	=====	=====

Goodwill/(negative goodwill) arising on consolidation represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. The fair values of the identifiable assets and liabilities on acquisition are assumed to approximate their carrying values.

Goodwill is amortised on a straight-line basis over its estimated useful life of 5 years. Negative goodwill is amortised on a straight-line basis over the remaining weighted average useful life of the identifiable depreciable non-monetary assets acquired, estimated to be 23 years.

11. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 7.5% for the insurance subsidiary and 33 1/3% for the Bank and all other subsidiaries. Assets and liabilities recognised on the balance sheet are as follows:

The Group	The Bank
March 2004	Sept. 2003
March 2004	Sept. 2003

	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	(46,298)	(120,426)	-	-
Deferred tax liabilities	691,831	437,966	652,649	422,349
Net liability	<u>645,533</u>	<u>317,540</u>	<u>652,649</u>	<u>422,349</u>
	=====		=====	

The movement in the net deferred income tax balance is as follows:

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Net liability at beginning of period	317,540	218,141	422,349	163,491
Deferred tax expense (Note 5)	100,424	383,139	90,796	389,259
Deferred tax debited/(credited) to stockholders'equity	<u>227,569</u>	<u>(283,740)</u>	<u>139,504</u>	<u>(130,401)</u>
Net liability at end of period	<u>645,533</u>	<u>317,540</u>	<u>652,649</u>	<u>422,349</u>
	=====		=====	

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

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	-	50	-	-
Investment securities	149,073	295,389	21,311	160,815
Loan loss provisions	38,889	56,460	38,889	56,460
Pensions and other post-retir	59,419	59,419	59,419	59,419
Interest payable	517,192	425,646	-	-
Interest rate swap	35,046	42,970	35,046	42,970
Tax loss carry forwards	4,285	5,919	-	-
Accrual for staff profit shares	-	73,686	-	73,686
Other	<u>36,549</u>	<u>38,027</u>	<u>35,786</u>	<u>34,617</u>
	<u>840,453</u>	<u>997,566</u>	<u>190,451</u>	<u>427,967</u>
	=====		=====	

Deferred income tax liabilities:

Property, plant and equipment	162,651	159,731	157,629	157,629
Investment securities	256	8,226	-	-
Obligations under securitization arrangements	39,876	47,092	39,876	47,092
Interest receivable	625,755	446,774	-	-
Unrealised foreign exchange gains	649,434	651,358	645,595	645,595
Other	8,014	1,925	-	-
	<u>1,485,986</u>	<u>1,315,106</u>	<u>843,100</u>	<u>850,316</u>

Deferred income taxes are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Group subsidiaries have tax losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, aggregating Nil (Sept. 2003 - \$17,757,000) available for indefinite offset against future taxable income in respect of which a deferred tax asset has been recognised.

12. Other Assets

	The Group		The Bank	
	March 2004 \$'000	Sept. 2003 \$'000	March 2004 \$'000	Sept. 2003 \$'000
Accounts receivable and prepayments	1,485,696	1,031,276	643,837	426,685
Interest receivable	4,497,399	4,987,290	2,566,192	3,608,276
Withholding tax recoverable	<u>1,256,061</u>	<u>350,137</u>	<u>1,044,669</u>	<u>470,170</u>
	<u>7,239,156</u>	<u>6,368,703</u>	<u>4,254,698</u>	<u>4,505,131</u>

13. Obligations Under Credit Card and Cash Advance Securitization Arrangements

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US\$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. The interest is payable quarterly commencing in October 2001 and ending October 2006. Interest is calculated daily based on the weighted average rate applicable to commercial paper

transactions administered by the respective conduits. The rate approximates one month US dollar LIBOR plus 250 basis points.

The Bank also entered into an interest rate swap agreement effective October 2001 with Citibank N.A. whereby the Bank will pay 4.33% per annum fixed and receive three month US dollar LIBOR on a notional amount of US\$45,000,000 every quarter commencing January 2002 and ending July 2006.

In October 2001, the Bank entered into a second interest rate swap agreement effective October 2001 with Citibank N.A. whereby the Bank will pay 3.78% per annum fixed and receive three month US dollar LIBOR on a notional amount of US\$45,000,000 every quarter commencing January 2002 and ending July 2006.

The fair value of these interest rate swaps at 31 March 2004 is negative US\$1,625,000 (30 September 2003 - Negative US\$2,166,000).

14. Other Liabilities

	The Group		The Bank	
	March 2004 \$'000	Sept. 2003 \$'000	March 2004 \$'000	Sept. 2003 \$'000
Interest payable	2,466,556	2,032,588	1,992,154	1,583,414
Provisions	140,000	140,000	140,000	140,000
Accrued liabilities	1,260,446	373,569	270,425	331,770
Other	834,692	877,337	288,779	316,001
	<u>4,701,694</u>	<u>3,423,494</u>	<u>2,691,358</u>	<u>2,371,185</u>

15. Share Capital

	March 2004 \$'000	Sept. 2003 \$'000
Authorised	5,750,000	5,750,000
Issued and Fully Paid Up - 2,466,762,828 Ordinary stock units of \$1 each	<u>2,466,763</u>	<u>2,466,763</u>

16. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

17. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank.

18. Retained Earnings Reserve

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

19. Cash Flows from Operating Activities

	The Group		The Bank	
	March 2004	March 2003	March 2004	March 2003
	\$'000	\$'000	\$'000	\$'000
Net profit	1,895,545	1,675,963	1,054,101	1,379,602
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				
Depreciation of property, plant and equipment	309,038	226,532	293,632	215,308
Provision for credit losses	229,514	29,179	229,543	29,179
Amortisation of upfront fees on credit card and cash advance				

securitization arrangements	41,232	25,419	41,232	25,419
Deferred tax expense/(credit)	100,424	(169,273)	90,796	(149,821)
Gain on sale of property, plant and equipment	(20,410)	(303)	(20,410)	(303)
Gain on sale of Investments	(113,368)	(764,140)	(113,868)	(764,140)
Fair Value (gains)/losses on interest rate swap	(30,122)	11,779	(30,122)	11,779
Amortisation of goodwill	4,617	-	-	-
Amortisation of negative goodwill	(5,557)	-	-	-
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(490,102)	(3,395,536)	(490,102)	(3,395,536)
Reverse repurchase agreements	(9,742,798)	3,166,985	(220,408)	1,983,001
Loans and advances	(7,079,018)	(4,474,752)	(7,057,654)	(4,547,143)
Customer deposits	4,491,724	2,741,016	4,279,384	2,843,781
Repurchase agreements	5,983,384	7,348,656	(1,451,876)	5,249,769
Promissory notes and certificates of participation	(252,960)	(775,258)	-	-
Policyholders' liabilities	1,265,304	432,602	-	-
Other	495,760	(964,119)	1,660,912	(1,370,209)
Net cash provided by/(used in) operating activities	(2,917,793)	5,114,750	(1,734,840)	1,510,686
	=====	=====	=====	=====

20. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 31 March 2004, the Group had financial assets under administration of approximately \$22.6 billion (31 March 2003 - \$18.03 billion).