

# JAMAICA MONEY MARKET BROKERS LTD.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

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### 1. Identification

Jamaica Money Market Brokers Limited ("the company") is incorporated in Jamaica. It has three wholly-owned subsidiaries incorporated in Jamaica, namely, JMMB Securities Limited, JMMB Unit Trust Managers Limited and JMMB Insurance Brokers Limited. In addition, there are thirteen other wholly-owned subsidiaries incorporated outside of Jamaica. Only one of the subsidiaries, JMMB Securities Limited, has commenced trading. The company and its subsidiaries are collectively referred to in these financial statements as "group". The company also has interest in three associated companies as detailed in note 11.

The principal activities of the group and its associated companies are securities brokering, dealing in money market instruments, operating foreign exchange cambios and managing funds on behalf of clients.

The company is exempt from the provisions of the Money Lending Act.

The group changed its accounting date to March 31 from February 28, with the approval of the Commissioner, Taxpayer Audit & Assessment. These financial statements, therefore, cover the financial position as at, and the results for the thirteen-month period ended, March 31, 2004, with comparatives for the year ended February 28, 2003.

### 2. Basis of preparation and basis of consolidation

Basis of preparation:

The financial statements are prepared under the historical cost convention, except for the inclusion of available-for-sale investments at fair value, in accordance with the provisions of the Companies Act, International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and practice statements issued by the Institute of Chartered Accountants of Jamaica.

Jamaica adopted International Financial Reporting Standards ("IFRS") effective for financial periods beginning on or after July 1, 2002. Therefore, these are the group's first financial statements prepared in accordance with IFRS. Consequently, there have been significant changes in the accounting policies followed in these financial statements compared with those used in previous years. As a result, the comparative figures have been restated. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in the Statement of changes in Shareholders' equity and note 28.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of 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 these estimates.

The significant accounting policies used in the preparation of the financial statements are summarised below (see note 3).

The financial statements are presented in thousands of Jamaica dollars (\$'000), unless otherwise stated.

#### Basis of consolidation:

The consolidated financial statements combine the financial position, results of operations and cash flows of the company and its trading subsidiary, JMMB Securities Limited (note 1), after eliminating all significant intra-group amounts. Other subsidiaries are included at cost.

### 3. Significant accounting policies

#### (a) Interest in associated companies:

The group's interest in its associated companies has been accounted for by the equity method.

(b) Property, plant and equipment and depreciation:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses [note 3(k)].

Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2.50%
Leasehold improvements	The shorter of the estimated useful life and the period of the lease
Motor vehicles	20.00%
Computer equipment and software	33.33%
Equipment (other than computers), furniture and fittings	10.00%

(c) Investments:

Investments held for trading are carried at fair value, with changes in fair value being recognised in the statement of group revenue and expenses. Where the group acquires instruments on the primary market, other than those, if any, for trading, they are classified as originated securities, and are measured at amortised cost less impairment losses. Where the group has the positive intent and ability to hold investments to maturity, they are classified as held-to-maturity investments and measured at amortised cost less impairment losses. Other investments are classified as available-for-sale and are stated at fair value, except where fair value cannot be reliably determined, with gains or losses arising from changes in fair value being included in investment revaluation reserve.

The fair value of investments is based on their quoted market bid price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, fair value is estimated using a generally accepted alternative method such as discounted cash flow.

Investments are recognised or derecognised by the company on the date of settlement.

(d) Foreign currencies:

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of revenue and expenses. Non-monetary assets and liabilities that are denominated in foreign currencies and are stated at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currencies and are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

(e) Revenue recognition:

Income and expenses are recorded on the accrual basis, except that where collectibility of interest income is considered doubtful, it is recorded when received.

(f) Allowance for notes receivable losses:

The allowance for notes receivable losses is maintained at a level considered adequate to provide for probable losses. The provision is increased by amounts charged to earnings and reduced by net charge-offs. The level of allowance is based on management's evaluation of the portfolio, which takes into account prevailing and anticipated business and economic conditions and the fair value of securities held.

IFRS only permits specific loan loss provisions and requires that the future cash flows of impaired loans be discounted and, thereafter, the increase in the present value be reported as interest income.

(g) Resale and repurchase agreements:

Transactions involving purchases of securities under resale agreements ('resale agreements' or 'reverse repos') or sales of securities under repurchase agreements

('repurchase agreements' or 'repos') are accounted for as short-term collateralised lending and borrowing, respectively. It is the policy of the group to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements.

(h) Pension scheme costs:

Pension scheme costs included in the statement of group revenue and expenses represent contributions to the scheme which the group operates to provide retirement pensions for the group's employees (note 25). Contributions to the scheme, made on the basis provided for in the rules, are accrued and charged off when due.

(i) Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand, bank balances and very short-term balances with other broker/dealers.

(j) Taxation

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.

(i) Current income tax:

Current income 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 income tax:

Deferred income 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.

(k) Impairment:

The carrying amounts of the group'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 income statement.

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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 asset's 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.

(l) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. At this time there are no material segments into which the group's business may be broken down.

(m) Accounts payable

Accounts payable are stated at their cost.

(n) Other receivables and other asset

Other receivables and other asset are stated at their cost less impairment provisions.

#### 4. Cash and cash equivalents

Cash and cash equivalents for the company and the group include:

(a) \$4,959,268 (2003: \$4,613,096) deposited at an interest rate of 12% (2003: 12%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the group for its employees.

(b) 505,872 (pounds) (J\$55,833,070) [2003: 494,359 (pounds) (J\$41,447,027)] deposited as collateral for certain forward contracts.

(c) US\$1,284,568 (J\$78,230,191) [2003: US\$2,708,398 (J\$145,224,320)] being margins used to collateralise the excess of the fair value of securities sold not yet purchased over the proceeds of sale plus accrued earnings.

(d) US\$500,000 (J\$30,420,000) with a commercial bank as a good faith deposit pending completion of negotiations for an acquisition.

(e) \$29,924,870 placed in a money market fund account and hypothecated in favour of the vendor of real estate pending completion of all required formalities.

5. Notes receivable

	Company and Group	
	2004	2003
	(\$'000)	(\$'000)
J\$ promissory notes [0% - 18.99% (2003: 0% - 34%)]	224,592	122,109
US\$ promissory notes and debentures (10.78%)		
US\$1,310,824 [2003: (7.75% - 12.00%) US\$2,084,136]	<u>79,829</u>	<u>111,751</u>
	304,421	233,860
	=====	=====

Notes receivable are scheduled to mature within one month to three years (2003: one month to four years) of the balance sheet date. Certain notes receivable are pledged as security for certain repurchase agreements (note 14). Notes receivable include amounts due from related parties (note 23), and an interest-free advance of \$216,000,000 to the company's Employee Share Ownership Plan ("ESOP").

6. Other receivables

Other receivables:

(a) are shown after a provision for doubtful debts of \$11,595,269 (2003: \$7,732,809); and

(b) include interest-free loans to the company's ESOP amounting to \$33,052,556 (2003: \$31,576,604). The number of shares held by the ESOP at March 31, 2004 was 222,459,778 (2003: 261,450,397).

7. Resale agreements

	Company and Group	
	2004	2003
	(\$'000)	(\$'000)
Denominated in Jamaican dollars	11,046,109	7,044,957

Denominated in United States dollars [US\$115.1 million (2003: US\$22.3 million)]	7,009,721	1,194,415
Denominated in Pounds Sterling [32,000 pounds] (2003: 96,570 pounds)]	<u>3,554</u>	<u>8,096</u>
	<u>18,059,384</u>	<u>8,247,468</u>
	=====	=====

Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (note 14).

At the balance sheet date, the fair value of the securities obtained and held by the company under resale agreements was \$19,234,065,000 (2003: \$9,184,253,000).

Resale agreements include balances with related parties as set out in note 23.

#### 8. Investments

	Company		Group	
	2004	2003	2004	2003
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Originated securities and receivables				
Certificates of deposit	1,243,196	274,518	1,243,196	274,518
Government of Jamaica securities:				
Treasury bills	-	155,142	-	155,142
Local registered stocks	6,715,175	6,144,560	6,715,175	6,144,560
Notes and debentures	7,809,237	7,215,615	7,809,237	7,215,615
Eurobonds	<u>181,261</u>	<u>156,576</u>	<u>181,261</u>	<u>156,576</u>
	<u>15,948,869</u>	<u>13,946,411</u>	<u>15,948,869</u>	<u>13,946,411</u>
Available-for-sale securities				
Government of Jamaica securities:				
Local registered stock	3,462,554	7,083,294	3,462,554	7,083,294
Notes and debentures	2,531,915	1,004,052	2,531,915	1,004,052
Eurobonds	7,790,421	7,570,016	7,790,421	7,570,016
Corporate bonds	-	1,343,325	-	1,343,325
Sovereign bonds	57,382	668,855	57,382	668,855
Quoted equities	35,372	24,929	133,966	27,021
Units in unit trusts	38,455	2,769	38,455	2,769
Money Market Fund	<u>1,322,645</u>	<u>193,154</u>	<u>1,322,645</u>	<u>193,154</u>

	<u>15,238,744</u>	<u>17,890,394</u>	<u>15,337,338</u>	<u>17,892,486</u>
Held for trading				
Government of Jamaica securities:				
Local registered stocks	613	-	613	-
Notes and debentures	952,895	-	952,895	-
Eurobonds	476,871	639,628	476,871	639,628
Other sovereign bonds	<u>440,221</u>	<u>350,018</u>	<u>440,221</u>	<u>350,018</u>
	1,870,600	989,646	1,870,600	989,646
Held to maturity				
Government of Jamaica securities:				
Eurobonds	<u>4,671,774</u>	<u>3,198,988</u>	<u>4,671,774</u>	<u>3,198,988</u>
	<u>37,729,987</u>	<u>36,025,439</u>	<u>37,828,581</u>	<u>36,027,531</u>
	=====	=====	=====	=====

Investments mature, in relation to the balance sheet date, as follows:

	Company		Group	
	2004	2003	2004	2003
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Government of Jamaica securities:				
Within 3 months	1,139,672	347,976	1,139,672	347,976
From 3 months to 1 year	3,238,200	1,790,194	3,238,200	1,790,194
From 1 year to 5 years	9,355,849	11,861,107	9,355,849	11,861,107
Over 5 years	<u>20,858,995</u>	<u>19,168,540</u>	<u>20,858,995</u>	<u>19,168,540</u>
	<u>34,592,716</u>	<u>33,167,817</u>	<u>34,592,716</u>	<u>33,167,817</u>
Certificates of deposit from				
3 months to 1 year	<u>1,243,196</u>	<u>274,518</u>	<u>1,243,196</u>	<u>274,518</u>
Other sovereign bonds and corporate bonds:				
From 1 year to 5 years	57,382	1,454	57,382	1,454
Over 5 years	<u>440,221</u>	<u>2,360,798</u>	<u>440,221</u>	<u>2,360,798</u>
	<u>497,603</u>	<u>2,362,252</u>	<u>497,603</u>	<u>2,362,252</u>
Other (see note below)	<u>1,396,472</u>	<u>220,852</u>	<u>1,495,066</u>	<u>222,944</u>
	<u>37,729,987</u>	<u>36,025,439</u>	<u>37,828,581</u>	<u>36,027,531</u>
	=====	=====	=====	=====

Note: "Other" includes quoted equities, units in unit trusts and interest in money market fund for which there are no fixed maturity dates.

Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (note 14).

9. Other asset

This represents one qualifying share held in the Jamaica Stock Exchange Limited ("JSE"), at cost. The qualifying share entitles JMMB Securities Limited to operate as a broker/dealer and be a member of the Council of the JSE. Under the JSE's constitution, its members are not entitled to dividends from JSE, and are not entitled to its residual assets or the assets of the Compensation Fund, upon a winding up or liquidation, as the assets would be required to be used for development of the securities market in Jamaica.

10. Interest in subsidiaries

		2004 (\$'000)	2003 (\$'000)
		Company	
JMMB Securities Limited:			
Shares at cost	- equity	10,000	10,000
	- preference	24,000	24,000
Subordinated loan		<u>8,000</u>	<u>-</u>
		42,000	34,000
JMMB Insurance Brokers Limited:			
Shares at cost	- equity	<u>10,000</u>	<u>10,000</u>
		52,000	44,000
		=====	=====

11. Interest in associated companies

% Shareholding	Place of incorporation	Principal activities
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Caribbean Money Market Brokers Limited	45	Trinidad and Tobago	Brokering, dealing in securities and money market instruments, and managing funds on behalf of clients.
CMMB Securities Limited	45	Trinidad and Tobago	Stockbroking
Caribbean Money Market Brokers (Barbados) Limited	50	Barbados	Brokering, dealing in securities and money market instruments, and managing funds on behalf of clients.

Caribbean Money Market Brokers Limited commenced operations in August 2000 and CMMB Securities Limited commenced operations on April 12, 2002. Caribbean Money Market Brokers (Barbados) Limited commenced operations on May 21, 2004

The balance is made up as follows:

	Company and Group	
	2004	2003
	(\$'000)	(\$'000)
Shares, at cost	51,167	33,421
Share of post-acquisition profits	672,057	194,513
Share of investment revaluation reserves	<u>137,422</u>	<u>239,382</u>
	<u>860,646</u>	<u>467,316</u>
	=====	=====

12. Deferred taxation

(a) Company

(i) Deferred tax assets/(liabilities) are attributable to the following:

	2004 (\$'000)	2003 (\$'000)
Property, plant and equipment	(3,309)	(7,194)
Investments	204,206	199,610
Securities sold not yet purchased	20,290	52,058
Interest receivable	(667,361)	(362,922)
Interest payable	593,678	198,164
Tax value of loss carry-forward	<u>339,559</u>	<u>332,085</u>
Net deferred tax assets	<u>78,651</u>	<u>411,801</u>

(ii) Movement in temporary differences during the period:

	Balance at 01.03.03 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31.03.04 \$'000
Property, plant and equipment	(7,194)	3,885	-	(3,309)
Investments	199,610	22,766	(426,582)	(204,206)
Securities sold not yet purchased	52,058	(31,768)	-	20,290
Interest receivable	(362,922)	(304,439)	-	(667,361)
Interest payable	198,164	395,514	-	593,678
Tax value of loss carry-forward	<u>332,085</u>	<u>7,474</u>	<u>-</u>	<u>339,559</u>
Net deferred tax assets	<u>411,801</u>	<u>93,432</u>	<u>(426,582)</u>	<u>78,651</u>

(b) Group

(i) Deferred tax assets/(liabilities) are attributable to the following:

	2004 \$'000	2003 \$'000
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Property, plant and equipment	(3,309)	(7,194)
Investments	211,039	199,610
Interest receivable	(667,361)	(362,922)
Securities sold not yet purchased	20,290	52,058
Interest payable	593,678	198,164
Tax value of loss carry-forward	<u>339,559</u>	<u>332,085</u>
Net deferred tax assets	<u>71,818</u>	<u>411,801</u>
	=====	=====

(ii) Movement in temporary differences during the period:

	Balance at 01.03.03 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31.03.04 \$'000
Property, plant and equipment	(7,194)	3,885	-	(3,309)
Investments	199,610	15,933	(426,582)	(211,039)
Interest receivable	(362,922)	(304,439)	-	(667,361)
Securities sold not yet purchased	52,058	(31,768)	-	20,290
Interest payable	198,164	395,514	-	593,678
Tax value of loss carry-forward	<u>332,085</u>	<u>7,474</u>	<u>-</u>	<u>339,559</u>
Net deferred tax assets	<u>411,801</u>	<u>86,599</u>	<u>(426,582)</u>	<u>71,818</u>
	=====	=====	=====	=====

### 13. Property, plant and equipment

Company

	Freehold land and buildings (\$'000)	Leasehold improvements (\$'000)	Motor vehicles (\$'000)	Computer equipment and software (\$'000)	Other equipment, furniture and fittings (\$'000)	Construction in progress (\$'000)	Total (\$'000)
Cost:							
February 28, 2003	121,500	20,478	42,483	178,377	60,712	24,662	448,212
Additions	11,609	1,061	24,800	49,214	18,557	-	105,241
Transfers	24,662	-	-	-	-	(24,662)	-
Disposals	<u>-</u>	<u>-</u>	<u>(8,738)</u>	<u>(306)</u>	<u>(387)</u>	<u>-</u>	<u>(9,431)</u>



February 28, 2003	115,126	5,752	33,865	78,171	40,640	24,662	298,216
	<u>=====</u>						

Freehold land and buildings include land at a cost of approximately \$50,579,000 (2003: \$45,845,000).

#### 14. Repurchase agreements

	Company		Group	
	2004 (\$'000)	2003 (\$'000)	2004 (\$'000)	2003 (\$'000)
Denominated in Jamaican dollars	26,413,989	21,849,762	26,337,215	21,841,460
Denominated in United States dollars [US\$452.7 million (2003: US\$438.5 million)]	27,568,984	23,514,440	27,562,316	23,514,440
Denominated in Pounds Sterling [10.9 million pounds (2003: 9.9 million pounds)]	<u>1,202,889</u>	<u>829,056</u>	<u>1,202,889</u>	<u>829,056</u>
	<u>55,185,862</u>	<u>46,193,258</u>	<u>55,102,420</u>	<u>46,184,956</u>

(a) Repurchase agreements are collateralised by certain securities and other instruments held by the company (notes 5, 7 and 8).

(b) Repurchase agreements include balances with related parties as set out in note 23.

#### 15. Securities sold not yet purchased

This represents the fair value at the balance sheet date of the securities that the company will be required to deliver when called upon to settle its obligation, net of the proceeds of sale (as invested, plus earnings thereon) of securities not yet purchased.

#### 16. Share capital

	2004 (\$'000)	2003 (\$'000)
Authorised:		
1,466,400,000 (2003: 1,466,400,000) ordinary stock units of \$0.25 (2003: \$0.25) each	<u>366,600</u>	<u>366,600</u>

Issued and fully paid:

1,463,386,752 ordinary stock units	365,847	365,847
	=====	=====

17. Staff costs

	Group	
	2004	2003
	(\$'000)	(\$'000)
Salaries and profit-related pay	352,795	256,477
Statutory payroll contributions	30,452	22,656
Pension scheme contributions	8,923	8,021
Training and development	35,230	35,926
Staff welfare	<u>55,260</u>	<u>52,924</u>
	<u>482,660</u>	<u>376,004</u>
	=====	=====

The average number of persons employed during the year was as follows:

	Company		Group	
	2004	2003	2004	2003
Full time	179	157	183	161
Part time	<u>12</u>	<u>9</u>	<u>14</u>	<u>10</u>
	<u>191</u>	<u>166</u>	<u>197</u>	<u>171</u>
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18. Profit before income tax

The following are among the items charged in arriving at profit before income tax:

	2004	2003
	(\$'000)	(\$'000)
Depreciation	89,235	57,602
Directors' emoluments:		
Fees	5,796	2,123

Management remuneration	31,706	19,209
Auditors' remuneration	4,450	2,568
Bad debts, less recoveries	7,185	8,805
Cost of public offer of shares for sale	9,760	34,563
	=====	=====

19. Income tax

(a) Income tax is based on the profit before taxation as adjusted for tax purposes, and is made up as follows:

	2004 (\$'000)	2003 (\$'000)
(i) Current income tax		
Share of associated companies tax charge @ 30%	49,611	41,544
Subsidiary's tax charge @ 33 1/3%	<u>8,437</u>	<u>2,144</u>
	58,048	43,688
(ii) Deferred income tax:		
Origination and reversal of temporary differences	(86,599)	(147,365)
	<u>(28,551)</u>	<u>(103,677)</u>
	=====	=====

(b) Reconciliation of effective tax rate:

	2004		2003	
	%	(\$'000)	%	(\$'000)
Computed "expected" tax expense	33.33	506,201	33.33	311,525
Tax effect of difference between profit for financial statements and tax reporting purposes on:-				
Depreciation and capital allowances	0.22	3,333	0.28	2,606
Unrealised gains/losses on investments	(0.44)	(6,618)	1.05	9,816
Tax-free income	(27.44)	(416,705)	(43.23)	(404,070)
Disallowed expenses	0.75	11,346	1.71	15,981
Share of profit of associated companies	(8.30)	(126,108)	(4.23)	(39,535)
Actual tax credit	(1.88)	(28,551)	(11.09)	(103,677)
	=====	=====	=====	=====

20. Net profit for the period

Of the net profit for the period, profit of \$1,515,690,000 (2003: \$1,032,892,000) is dealt with in the financial statements of the company.

21. Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing net profit of \$1,547,155,000 (2003: \$1,038,252,000) by the weighted average number of stock units in issue during the period, numbering 1,463,386,752 (2003: 1,463,386,752).

22. Dividends

	2004 (\$'000)	2003 (\$'000)
Paid:		
Interim in respect of 2002 @ 3.87 cents per stock unit	-	56,621
Final in respect of 2002 @ 1.71 cents per stock unit	-	25,032
Interim in respect of 2003 @ 8.01 cents per stock unit	-	117,181
Final in respect of 2003 @ 4.3 cents per stock unit	62,926	-
Interim in respect of 2004 @ 6.0 cents per stock unit	<u>87,803</u>	<u>-</u>
	<u>150,729</u>	<u>198,834</u>
	=====	=====

23. Related party balances

A related party is one which controls or exercises significant influence over, or is controlled or significantly influenced by, a group member in making financial and operating decisions, or, along with any group member, is subject to common control or significant influence. Amounts arising from transactions with related parties are set out below.

(a) The balance sheet includes balances, arising in the normal course of business, with related parties, as follows:

	Company		Group	
	2004 (\$'000)	2003 (\$'000)	2004 (\$'000)	2003 (\$'000)
Directors				
Other receivables	-	245	-	245

Repurchase agreements	(69,721)	(172,170)	(69,721)	(172,170)
	=====	=====	=====	=====
Shareholders				
Notes receivable	216,000	-	216,000	-
Repurchase agreements	(871,059)	(957,715)	(871,059)	(957,715)
Accounts receivable	35,166	-	35,166	-
	=====	=====	=====	=====
Subsidiary				
Accounts receivable	76,399	17,215	-	
	=====	=====	=====	=====
Associated companies				
Resale agreements	3,138,930	179,242	3,138,930	179,242
Repurchase agreements	(152,383)	(1,171,708)	(152,383)	(1,171,708)
Other receivables		-	-	38,723
Accounts receivable	9,155	7,359	9,155	-
	=====	=====	=====	=====

(b) The statement of group revenue and expenses includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	2004	2003
	(\$'000)	(\$'000)
Directors		
Interest income	28,416	10,038
Interest expense	193	8,572
	=====	=====
Shareholders		
Interest income	178,477	4,101
Interest expense	7,028	(45,903)
	=====	=====
Associated company		
Interest income	3,106	10,849
Interest expense	11,814	(46,342)
Consultancy fees	11,041	(11,070)
	=====	=====

24. Financial instruments

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

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, interest receivable, notes receivable, other receivables, resale agreements and investments. Financial liabilities comprise interest payable, accounts payable, and repurchase agreements. Information relating to fair values and financial instrument risks is summarized below.

(a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method. However, considerable judgement is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the group would receive on realisation of its financial assets or pay to settle its financial liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial instrument	Method
Cash and cash equivalents, interest receivable, notes receivable, other receivables, resale agreements, accounts payable, interest payable and repurchase agreements	Assumed to approximate their carrying values, due to their short-term nature.
Quoted equities	Quoted market bid prices.
Units in unit trusts	Prices quoted by unit trust managers
Sovereign non-Jamaican bonds and corporate bonds.	Estimated using mid-prices published by major overseas broker.

Government of Jamaica securities and certificates of deposit:

- Traded overseas

- Other

Estimated by discounting future cash flows using balance sheet date yields of similar instruments.

Securities sold not yet purchased

Provided by broker/dealer who is counterparty.

Interest in money market fund

Assumed to be the carrying value because of the short-term nature and variable interest rate.

The estimated fair values of investments and their carrying values, are as follows:

**Company**

	2004		2003	
	Carrying value (\$'000)	Fair value (\$'000)	Carrying value (\$'000)	Fair value (\$'000)
Government of Jamaica securities	34,592,716	34,907,584	33,442,389	34,268,028
Other sovereign bonds	497,603	497,603	1,018,873	1,018,873
Corporate bonds	-	-	1,343,325	1,345,802
Quoted equities	35,372	35,372	24,929	24,929
Interest in money market fund	1,322,645	1,322,645	193,154	193,154
Units in unit trust	38,455	38,455	2,769	2,769
Certificates of deposit	1,243,196	1,243,196	274,518	274,518
	=====	=====	=====	=====

**Group**

	2004		2003	
	Carrying value	Fair value	Carrying value	Fair value

	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Government of Jamaica securities	34,592,716	34,907,584	33,442,389	34,268,028
Other sovereign bonds	497,603	497,603	1,018,873	983,900
Corporate bonds	-	-	1,343,325	1,345,802
Quoted shares	133,966	133,966	27,021	27,021
Interest in money market fund	1,322,645	1,322,645	193,154	193,154
Units in unit trusts	38,455	38,455	2,769	2,769
Certificates of deposits	1,243,196	1,243,196	274,518	274,518
	=====	=====	=====	=====

The fair value of other financial assets are not materially different from their carrying values.

(b) Financial instruments risks:

The group does not use derivatives as a risk management strategy at this time. Accordingly, exposure to credit, interest rate, foreign currency, liquidity and market risks arises in the ordinary course of the group's operations.

(i) General approach to financial instruments risk management

The company has a risk management structure comprising the Board, the Board Risk Sub-Committee; at the senior management level, the Risk Management Committee; and specialist risk management staff. This structure aims to function so as to ensure that the Board's risk appetite and the business risks are in alignment. The Board, through the Board Risk Sub-Committee reviews and approves risk management policies. The Risk Management Committee oversees the implementation of policies. The specialist staff use a selection of tools and methods to monitor the company's risk exposure.

(ii) Interest rate risk:

Interest rate risk arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period.

The excess of short-term interest bearing liabilities over short-term interest earning

assets is managed by ensuring, to the extent it is under the group's control, stability in the group's client base and investing mainly in marketable securities.

The following tables summarise the carrying amount of the balance sheet assets, liabilities and equity to arrive at the company's and group's interest rate gap, based on the earlier of contractual repricing and maturity dates.

**Company**

	Within 3 months (\$'000)	More than 3 months less than 12 months (\$'000)	More than 12 months (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
<b>2004</b>					
Cash and cash equivalents	615,567	36,417	-	-	651,984
Interest receivable	-	-	-	2,563,567	2,563,567
Income tax recoverable	-	-	-	323,131	323,131
Notes receivable	226,123	-	78,298	-	304,421
Other receivables	-	-	-	279,211	279,211
Resale agreements	12,526,118	5,533,266	-	-	18,059,384
Investments	11,752,320	1,333,102	24,572,200	72,365	37,729,987
Interest in subsidiaries	-	-	-	52,000	52,000
Interest in associated companies	-	-	-	860,646	860,646
Property, plant and equipment	-	-	-	309,162	309,162
Deferred tax	-	-	-	78,651	78,651
<b>Total assets</b>	<u>25,120,128</u>	<u>6,902,785</u>	<u>24,650,498</u>	<u>4,538,733</u>	<u>61,212,144</u>
Interest payable	-	-	-	1,781,034	1,781,034
Accounts payable	-	-	-	206,390	206,390
Repurchase agreements	46,415,858	8,770,004	-	-	55,185,862
Securities not yet purchased	-	-	-	60,869	60,869
Shareholders' equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,977,989</u>	<u>3,977,989</u>
<b>Total liabilities and shareholders' equity</b>	<u>46,415,858</u>	<u>8,770,004</u>	<u>-</u>	<u>6,026,282</u>	<u>61,212,144</u>

Total interest rate sensitivity gap	(21,295,730)	(1,867,219)	24,650,498	(1,487,549)	-
Cumulative gap	(21,295,730)	(23,162,949)	1,487,549	-	-
	=====	=====	=====	=====	=====
<b>2003</b>					
Total assets	<u>10,188,556</u>	<u>1,846,390</u>	<u>34,426,146</u>	<u>2,480,391</u>	<u>48,941,483</u>
Total liabilities and shareholders' equity	<u>37,856,506</u>	<u>7,024,088</u>	<u>1,414,425</u>	<u>2,646,464</u>	<u>48,941,483</u>
Total interest rate sensitivity gap	(27,667,950)	(5,177,698)	33,011,721	(166,073)	-
Cumulative gap	(27,667,950)	(32,845,648)	166,073	-	-
	=====	=====	=====	=====	=====

**Group**

	Within 3 months (\$'000)	More than 3 months, less than 12 months (\$'000)	More than 12 months (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
<b>2004</b>					
Cash and cash equivalents	615,851	36,417	-	-	652,268
Interest receivable	-	-	-	2,563,567	2,563,567
Income tax recoverable	-	-	-	316,035	316,035
Notes receivable	226,123	-	78,298	-	304,421
Other receivables	-	-	-	216,915	216,915
Resale agreements	12,526,118	5,533,266	-	-	18,059,384
Investments	11,779,169	1,333,102	24,572,200	144,110	37,828,581
Other asset	-	-	-	15,000	15,000
Interest in associated companies	-	-	-	860,646	860,646
Deferred taxation	-	-	-	71,818	71,818

Property, plant and equipment	-	-	-	326,996	326,996
Total assets	<u>25,147,261</u>	<u>6,902,785</u>	<u>24,650,498</u>	<u>4,515,087</u>	<u>61,215,631</u>
Interest payable	-	-	-	1,781,034	1,781,034
Accounts payable	-	-	-	259,199	259,199
Repurchase agreements	46,332,416	8,770,004	-	-	55,102,420
Securities sold not yet purchased	-	-	-	60,869	60,869
Shareholders' equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,012,109</u>	<u>4,012,109</u>
Total liabilities and shareholders' equity	<u>46,332,416</u>	<u>8,770,004</u>	<u>-</u>	<u>6,113,211</u>	<u>61,215,631</u>
Total interest rate sensitivity gap	(21,185,155)	(1,867,219)	24,650,498	(1,598,124)	-
Cumulative gap	<u>(21,185,155)</u>	<u>(23,052,374)</u>	<u>1,598,124</u>	<u>-</u>	<u>-</u>
<b>2003</b>					
Total assets	10,356,700	1,554,927	34,545,349	2,489,017	48,945,993
Total liabilities and shareholders' equity	<u>39,689,376</u>	<u>6,438,457</u>	<u>491,085</u>	<u>2,327,075</u>	<u>48,945,993</u>
Total interest rate sensitivity gap	(29,332,676)	(4,883,530)	34,054,264	(161,942)	-
Cumulative gap	<u>(29,332,676)</u>	<u>(34,216,206)</u>	<u>161,942</u>	<u>-</u>	<u>-</u>

The following table shows the range of effective yields by the earlier of contractual repricing and maturity dates:

**Company and Group**

More than

	Within 3 months (%)	3 months, Up to 12 months (%)	More than 12 months (%)
<b>2004</b>			
J\$ cash and cash equivalents	0.00 - 15.00	-	-
US\$ cash and cash equivalents	1.00	-	-
Cash and cash equivalents (pounds)	2.00 - 3.00	02.00 - 03.00	-
J\$ notes receivable	0.00 - 18.99	-	-
US\$ notes receivable	7.55 - 12.00	-	-
J\$ resale agreements	10.00 - 35.95	-	-
US\$ resale agreements	10.00 - 35.95	15.75 - 30.00	-
J\$ investments	18.00 - 35.09	14.33 - 36.25	14.50 - 34.15
US\$ investments	10.00 - 12.00	-	4.00 - 12.00
Investments (pounds)	10.20 - 10.53	9.95	-
J\$ repurchase agreements	-	4.5 - 36.8	11.00 - 32.60
US\$ repurchase agreements	03.75 - 07.75	-	-
Repurchase agreements (pounds)	08.00 - 08.25	-	-
<b>2003</b>			
J\$ cash and cash equivalents	5.00 - 15.00	14.90 - 17.50	-
US\$ cash and cash equivalents	2.00 - 3.00	-	-
J\$ notes receivable	0.00 - 34.00	-	-
US\$ notes receivable	7.75 - 12.00	-	-
J\$ resale agreements	16.00 - 31.50	14.00 - 30.00	-
US\$ resale agreements	8.25	-	-
J\$ investments	19.39 - 21.95	15.60 - 23.50	15.90 - 19.00
US\$ investments	-	-	7.45 - 13.70
Investments (pounds)	-	-	9.95 - 11.77
J\$ repurchase agreements	12.50 - 30.00	17.00 - 18.00	14.00 - 23.54
US\$ repurchase agreements	2.00 - 12.70	-	-
Repurchase agreements (pounds)	1.50 - 8.60	-	-
	=====	=====	=====

(iii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge

an obligation and cause the other party to suffer a financial loss.

The group's financial instruments that are exposed to credit risk consist primarily of interest-bearing investments and cash and short-term deposits.

The group maintains cash and short term deposits with major financial institutions which management believes to be strong and financially sound. The majority of the group's investments are in Government of Jamaica securities.

The group holds investments in the securities of other Governments, the repayment of which is dependent on the financial stability of those countries' national economies.

With the exception of investments in Government of Jamaica securities, there are no significant concentrations of credit risk.

(iv) Foreign currency risk:

The group is exposed to foreign currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognized during the year. Such exposures comprise the assets and liabilities of the group that are not denominated in its functional currency. The group ensures that the risk is kept to an acceptable level by monitoring its value at risk exposure.

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

	Company and Group	
	2004	2003
	('000)	('000)
United States dollars	58,703	15,134
Great Britain pounds	(8,771)	2,496
Euros	3,954	4,275
Trinidad and Tobago dollars	75,705	(76,942)
Canadian dollars	(85)	830
	=====	=====

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The market risk of the group's trading portfolio is reviewed regularly utilising Value At Risk (VAR), in addition to other quantitative and qualitative risk measures and analyses. The measures include the measurement of the portfolio's sensitivity to changes in interest rates and prices. A report summarising the VAR for the group's portfolio is submitted to the board monthly.

(vi) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group 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 requires the group to maintain sufficient cash and marketable securities, and have funding available through an adequate amount of committed facilities. The group manages this risk through (i) the maintenance of high levels of liquid investments and (ii) the forecasting and monitoring of the levels of cash investments and payouts.

25. Post-employment benefit

Pensions are the only post-employment benefits to which the group is committed. To better secure the payment of promised benefits, the company operates a defined-contribution pension scheme for the group's employees who have satisfied certain minimum service requirements. The scheme is funded by equal contributions of employer and employee of 5% of pensionable salaries with an option for employees to contribute up to an additional 5% of pensionable salaries.

The scheme is administered by trustees and the assets are held separately from those of the group; some of the assets are included in funds being managed by the company [note 26(a)]. The scheme is subject to triennial actuarial valuations. The most recent actuarial valuation, which was conducted as at December 31, 2002, disclosed a surplus, which the trustees have decided will be allocated to the members accounts.

The contributions for the period amounted to \$8,488,869 (2003: \$7,696,801) for the company

and \$8,923,733 (2003: \$8,020,470) for the group.

The pension benefit is the annuity that can be purchased by the amount standing to the credit of the member's account at the date of retirement.

#### 26. Managed funds

(a)The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. This includes some of the assets of the company's pension fund (note 25). Although the company is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested have been excluded from these financial statements.

At March 31, 2004, for the company and the group, funds managed in this way amounted to \$7,826,496,419 (2003: \$6,265,476,891) which includes pension scheme contributions (note 25), inclusive of accrued interest, amounting to \$16,220,133 (2003: \$36,929,792) for the company and the group. The financial statements include the following assets held in/(liabilities payable to) the managed funds:

	Company and Group	
	2004	2003
	(\$'000)	(\$'000)
Other receivables (net)	38,757	182,105
Investments (see note 8)	1,322,645	193,155
Interest payable	(81,535)	(41,355)
Repurchase agreements	(3,271,111)	(2,605,687)
	=====	=====

(b)The company buys and/or negotiates promissory notes and debentures and then sells participations in them to investors, to whom it issues certificates of participation. The company has no legal or equitable right or interest in the securities sold but which remain in the company's custody for the purpose of collecting and distributing entitlements to beneficial holders; accordingly, they have been excluded from these financial statements.

At March 31, 2004, the face value of these certificates amounted to \$191,934,553 (2003: \$313,263,277) for the company and the group.

## 27. Commitments

### (a) Capital commitments:

At the balance sheet date, amounts committed for capital expenditure but not contracted, for which no provision has been made in these financial statements, amounted to approximately \$41,000,000 (2003: \$6,356,000) for the company and the group.

### (b) Lease commitments:

Commitments under non-cancellable operating lease agreements, expiring between 2003 and 2007, amounted to \$25,521,069 at March 31, 2004 (2003: \$12,918,161). The lease rentals are payable as follows:

	Company and Group	
	2004	2003
	(\$'000)	(\$'000)
Within one year	8,999	4,480
Subsequent years	<u>16,522</u>	<u>8,438</u>
	<u>25,521</u>	<u>12,918</u>
	=====	=====

## 28. Effects of first-time adoption of IFRS

As stated in note 2, these are the company's first annual financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements as of, and for the period ended, March 31, 2004, the comparative information presented in these financial statements as of, and for the year ended, February 28, 2003 and in the preparation of an opening IFRS balance sheet at March 1, 2002.

In preparing its opening IFRS balance sheet, the group has adjusted and/or reclassified amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous JGAAP). An explanation of how the transition from previous JGAAP

to IFRS has affected the company's and group's financial position, and the group's financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

28. Effects of first-time adoption of IFRS

(a) Reconciliation of equity:

Company 2003	Notes	March 1, 2002			February 28,	
		Previous Jamaica GAAP	Effect of Transition to IFRS	IFRS	Previous Jamaica GAAP	Effect to IFRS
of						
Transition						
IFRS						
(\$'000)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
ASSETS						
Cash and cash equivalents		905,489	-	905,489	1,313,629	-
1,313,629						
Interest receivable		1,433,095	-	1,433,095	1,317,929	-
1,317,929						
Income tax recoverable		17,018	-	17,018	173,811	-
173,811						
Notes receivable		326,291	-	326,291	233,860	-
233,860						
Other receivables		487,401	-	487,401	413,545	-
413,545						
Resale agreements		6,859,379	-	6,859,379	8,247,468	-
8,247,468						
Investments	(c) (i)	28,759,518	(200,779)	28,558,739	37,624,114	
(1,598,675) 36,025,43						
Interest in subsidiaries		10,000	-	10,000	44,000	-
44,000						
Interest in associated companies	(c) (i)	66,975	101,921	168,896	227,934	239,382
467,316						

Deferred taxation	(c) (ii)	-	155,789	155,789	-	411,801
411,801						
Property, plant and equipment		<u>159,313</u>	<u>-</u>	<u>159,313</u>	<u>292,685</u>	<u>-</u>
292,685						
(947,492) 48,941,483		39,024,479	56,931	39,081,410	49,888,975	
		=====	=====	=====	=====	
=====						
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Bank overdraft		22,170	-	22,170	-	-
Interest payable		828,729	-	828,729	594,493	-
594,493						
Accounts payable	(c) (iii)	247,688	10,682	258,370	122,364	14,733
137,097						
Proposed dividend	(c) (iv)	56,621	(56,621)	-	62,912	
(62,912) -						
Repurchase agreements		36,692,555	-	36,692,555	47,242,510	
(1,049,252) 46,193,258						
Securities sold not yet purchased		<u>-</u>	<u>182,036</u>	<u>182,036</u>	<u>-</u>	<u>157,754</u>
157,754						
(939,677) 47,082,602		<u>37,847,763</u>	<u>136,097</u>	<u>37,983,860</u>	<u>48,022,279</u>	
Shareholders equity						
Share capital		365,847	-	365,847	365,847	-
365,847						
Investment revaluation reserve	(c) (i)	-	(18,671)	(18,671)	-	
(91,398) (91,398)						
Share premium		13,775	-	13,775	13,775	-
13,775						
Retained profits		<u>797,094</u>	<u>(60,495)</u>	<u>736,599</u>	<u>1,487,074</u>	<u>83,583</u>
1,570,657						
(7,815) 1,858,881		<u>1,176,716</u>	<u>(79,166)</u>	<u>1,097,550</u>	<u>1,866,696</u>	
(947,492) 48,941,483		39,024,479	56,931	39,081,410	49,888,975	
		=====	=====	=====	=====	=====

**Group**

28,2003	Notes	March 1, 2002			February	
		Previous Jamaica GAAP (\$'000)	Effect of Transition to IFRS (\$'000)	IFRS (\$'000)	Previous Jamaica GAAP (\$'000)	Effect of Transition to IFRS (\$'000)
IFRS						
(\$'000)						
ASSETS						
Cash and cash equivalents		905,910	-	905,910	1,314,023	-
1,314,023						
Interest receivable		1,433,095	-	1,433,095	1,317,929	-
1,317,929						
Income tax recoverable		27,614	-	27,614	174,153	-
174,153						
Notes receivable		326,291	-	326,291	233,860	-
233,860						
Other receivables		67,618	-	67,618	438,696	-
438,696						
Resale agreements		6,859,379	-	6,859,379	8,247,468	-
8,247,468						
Investments	(c) (i)	29,159,389	(200,779)	28,958,610	37,626,206	(1,598,675)
36,027,531						
Other assets			-	15,000	15,000	-
15,000						
Interest in associated companies	(c) (i)	66,975	101,921	168,896	227,934	239,382
467,316						
Deferred taxation	(c) (ii)	-	155,789	155,789	-	411,801
411,801						
Property, plant and equipment		<u>160,895</u>	<u>-</u>	<u>160,895</u>	<u>298,216</u>	<u>-</u>
<u>298,216</u>						
		39,022,166	56,931	39,079,097	49,893,485	(947,492)
48,945,993		=====	=====	=====	=====	=====
=====						

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities						
Bank overdraft	22,170	-	22,170	-	-	
-						
Interest payable	828,729	-	828,729	594,493	-	
594,493						
Accounts payable	(c) (iii) 248,080	10,683	258,763	132,521	14,733	
147,254						
Proposed dividend	(c) (iv) 56,621	(56,621)	-	62,912	62,912	
-						
Repurchase agreements	36,692,555	-	36,692,555	47,234,208	1,049,252	
46,184,956						
Securities sold not yet purchased	<u>-</u>	<u>182,035</u>	<u>182,035</u>	<u>-</u>	<u>157,754</u>	
<u>157,754</u>						
	<u>37,848,155</u>	<u>136,097</u>	<u>37,984,252</u>	<u>48,024,134</u>	<u>(939,677)</u>	
<u>47,084,457</u>						
Shareholders equity						
Share capital	365,847	-	365,847	365,847	-	
365,847						
Investment revaluation reserve	(c) (i) -	(18,671)	18,671	-	(91,398)	
(91,398)						
Share premium	13,775	-	13,775	13,775	-	
13,775						
Retained profits	<u>794,389</u>	<u>(60,495)</u>	<u>733,894</u>	<u>1,489,729</u>	<u>83,583</u>	
<u>1,573,312</u>						
	<u>1,174,011</u>	<u>(79,166)</u>	<u>1,094,845</u>	<u>1,869,351</u>	<u>(7,815)</u>	
<u>1,861,536</u>						
	\$39,022,166	56,931	39,079,097	49,893,485	(947,492)	
48,945,993	=====	=====	=====	=====	=====	
=====						

(b) Reconciliation of net profit for 2003

	Effect of
Previous	transition
Jamaica	to

	GAAP	IFRS	IFRS
Net interest income and other operating revenue			
Interest income	6,009,786	(20,483)	5,989,303
Interest expense	<u>(5,228,025)</u>	<u>-</u>	<u>(5,228,025)</u>
Net interest income	781,761	(20,483)	761,278
Gains on securities trading, net	495,368	(10,454)	484,914
Fees earned from managing funds on behalf of clients	116,997	-	116,997
Other fees and commissions	89,210	-	89,210
Foreign exchange margins from cambio trading	<u>68,669</u>	<u>-</u>	<u>68,669</u>
	<u>1,552,005</u>	<u>(30,937)</u>	<u>1,521,068</u>
Administrative expenses			
Staff costs	(371,928)	(4,076)	(376,004)
Other	<u>(458,316)</u>	<u>-</u>	<u>(458,316)</u>
	<u>(830,244)</u>	<u>(4,076)</u>	<u>(834,320)</u>
Operating profit	721,761	(35,013)	686,748
Other income/(expenses)			
Share of profits of associated companies	243,237	-	243,237
Provision for diminution in value of investments	(25,436)	25,436	-
Loss on disposal of property, plant and equipment	(280)	-	(280)
Other	<u>4,870</u>	<u>-</u>	<u>4,870</u>
Profit before income tax	944,152	(9,577)	934,575
Income tax	<u>(43,687)</u>	<u>147,364</u>	<u>103,677</u>
Net profit for the year	<u>900,465</u>	<u>137,787</u>	<u>1,038,252</u>
	=====	=====	=====

(c) Notes to the reconciliation of equity and net profit:

(i) Investments were carried at the lower of cost and market value under previous Jamaican GAAP. Under IFRS, investments classified as available-for-sale are

shown at fair value, the difference between the carrying values under previous Jamaica GAAP and IFRS and of subsequent changes in fair value are taken to the investment revaluation reserve.

- (ii) Provision is made for deferred tax on all temporary differences between carrying amounts of assets and liabilities using the balance sheet liability method and tax rates enacted at the balance sheet date. A deferred tax asset is recognised on tax losses brought forward and are available for relief against all taxable profits. Under previous Jamaica GAAP, deferred tax was not recognised.
- (iii) Provision for unused vacation leave not recognised under previous Jamaica GAAP, but is now being recognised.
- (iv) This represents proposed dividends which were previously taken out of retained earnings and included as a current liability in the financial statements, a treatment not permitted under IFRS.