To the Members of
FIRST GLOBAL BANK LIMITED

Auditors' Report

We have audited the financial statements as at and for the year ended December 31, 2003, set out on pages 2 to 35, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the directors and 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 the directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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 group as at December 31, 2003, and of its results of operations and cash flows for the year then ended, and comply with the provisions of the Companies Act applicable to banking companies.

March 30, 2004

FIRST GLOBAL BANK LIMITED

Balance Sheets
December 31, 2003

	Notes	Group 2003 $'000	Company 2002 $'000
ASSETS			
Cash resources	4	422,971	295,735
Investments	5	7,978,024	4,332,658
Loans, net of provision for probable losses	6	703,920	483,832
Securities purchased under resale agreements		564,547	894,217
Cheques and other instruments in-transit, net		287,334	210,113
Other assets	7	508,889	247,982
Taxation recoverable		1,226	1,226
Customers' liability under guarantees, as per contra		74,232	51,827
Deferred tax assets	8	9,314	2,241
Employee benefit asset	9	14,217	11,998
Property, plant and equipment	10	41,550	37,457
		10,606,224	6,569,286
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	11	1,801,362	1,314,798
Due to specialised banks	12	29,320	-
Securities sold under repurchase agreements		7,536,207	4,494,066
Obligations under finance leases	13	7,803	10,633
Deferred tax liabilities	8	15,744	30,669
Income tax payable		10,099	-
Other liabilities	14	353,926	241,699
Employee benefit obligation	9	7,087	5,385
Guarantees, per contra		74,232	51,827
		9,835,780	6,149,077
SHAREHOLDERS' EQUITY			
Share capital	15	392,300	222,300
Reserve fund	16	320,799	145,528
Fair value reserve	17	16,645	44,385
Loan loss reserve	18	5,301	7,619
Retained profits		35,399	377
		770,444	420,209
		10,606,224	6,569,286

The financial statements on pages 2 to 35 were approved by the Board of Directors on March 30, 2004 and signed on its behalf by:

__________________________Director
D. Orane

__________________________Secretary
R. Spence Dunn

__________________________Director
D. Wehby

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

FIRST GLOBAL BANK LIMITED

Company Balance Sheet
December 31, 2003

	Notes	2003 $'000	2002 $'000
ASSETS			
Cash resources	4	416,372	295,735
Investments	5	6,251,139	4,332,658
Loans, net of provision for probable losses	6	703,920	483,832
Securities purchased under resale agreements		459,547	894,217
Cheques and other instruments in-transit, net		287,334	210,113
Other assets	7	369,224	247,982
Taxation recoverable		1,226	1,226
Customers' liability under guarantees, as per contra		74,232	51,827
Deferred tax assets	8	264	2,241
Employee benefit asset	9	14,217	11,998
Property, plant and equipment	10	41,383	37,457
		8,618,858	6,569,286
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	11	1,801,362	1,314,798
Due to specialised banks	12	29,320	-
Securities sold under repurchase agreements		5,711,398	4,494,066
Obligations under finance leases	13	7,803	10,633
Deferred tax liabilities	8	9,418	30,669
Income tax payable		10,099	-
Other liabilities	14	245,707	241,699
Employee benefit obligation	9	7,087	5,385
Guarantees, per contra		74,232	51,827
		7,896,426	6,149,077
SHAREHOLDERS' EQUITY			
Share capital	15	392,300	222,300
Reserve fund	16	320,799	145,528
Fair value reserve	17	4,032	44,385
Loan loss reserve	18	5,301	7,619
Retained profits		-	377
		722,432	420,209
		8,618,858	6,569,286

The financial statements on pages 2 to 35 were approved by the Board of Directors on January 27, 2004 and signed on its behalf by:

____________________ Director
D. Orane

____________________ Secretary
R. Spence Dunn

____________________ Director
D. Wehby

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

FIRST GLOBAL BANK LIMITED

Statements of Revenue and Expenses
Year ended December 31, 2003

	Notes	Group 2003 $'000	Company 2002 $'000
Interest income from:			
Loans		185,074	104,074
Deposits		32,771	45,829
Securities		1,126,981	465,027
		1,344,826	614,930
Interest expense on:			
Deposits		(71,575)	(64,298)
Other		(960,043)	(394,020)
		(1,031,618)	(458,318)
Net interest income		313,208	156,612
Provision for loan losses, net	6	(9,638)	(5,581)
		303,570	151,031
Other income:			
Fees and commissions		47,512	62,771
Foreign exchange gains		100,462	34,552
Other		26,899	51,803
		174,873	149,126
Net revenue		478,443	300,157
Operating expenses:			
Employees compensation and benefits	19	(104,991)	(73,995)
Depreciation		(11,881)	(6,904)
Other operating expenses		(116,284)	(83,204)
General administration expenses		(15,342)	(8,760)
		(248,498)	(172,863)
Profit before income tax	20	229,945	127,294
Income tax	21	(21,970)	(15,524)
Net profit for the year		207,975	111,770
Dealt with in the financial statements of:			
The company		172,576	111,770
Subsidiary		35,399	-
		207,975	111,770
Earnings per share	22	$0.65	1.63

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

FIRST GLOBAL BANK LIMITED

Group Statement of Changes in Shareholders' Equity
Year ended December 31, 2003

	Share capital $'000 (note 15)	Reserve Fund $'000 (note 16)	Fair value reserve $'000 (note 17)	Loan loss reserve $'000 (note 18)	Retained profits $'000	Total $'000
Balances at December 31, 2001: As previously reported using Jamaican GAAP	137,300	23,448	-	-	-	160,748
Effect of first-time adoption of International Financial Reporting Standards (IFRS) [note 23 (a)]	-	-	22,806	3,200	15,106	41,112
Balances at December 31, 2001 as restated using IFRS		137,300	23,448	22,806	3,200	15,106201,860
Share capital issued	85,000	-	-	-	-	85,000
IAS 12 – Income taxes		-	(10,789)	-	-	(10,789)*
Changes in fair value of available-for-sale investments	-	-	32,368	-	-	32,368*
Restated net profit for the year [note 23 (b)]	-	-	-	-	111,770	111,770*
Transfer to Reserve Fund	-	122,080	-	-	(122,080)	-
Transfer to loan loss reserve	-	-	-	4,419	(4,419)	-
Balances at December 31, 2002 as restated	222,300	145,528	44,385	7,619	377	420,209
Share capital issued	170,000	-	-	-	-	170,000
Changes in fair value of available-for-sale investments	-	-	(41,610)	-	-	(41,610)*
IAS 12 – Income taxes	-	-	13,870	-	-	13,870*
Net profit for the year	-	-	-	-	207,975	207,975*
Transfer to Reserve Fund	-	175,271	-	-	(175,271)	-
Transfer from loan loss reserve	-	-	-	(2,318)	2,318	-
Balances at December 31, 2003	392,300	320,799	16,645	5,301	35,399	770,444
Retained in the financial statements of:						
The company	392,300	320,799	4,032	5,301	-	722,432
Subsidiary	-	-	12,613	-	35,399	48,012
Balances at December 31, 2003	392,300	320,799	16,645	5,301	35,399	770,444

Balances at December 31, 2002 are all retained in the financial statements of the company.

* Total recognised gains $180,235,000 (2002: $133,349,000)
The accompanying notes form an integral part of the financial statements.

FIRST GLOBAL BANK LIMITED

Group Statement of Cash Flows
Year ended December 31, 2003

	Group 2003 $'000	Company 2002 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	207,975	111,770
Adjustments to reconcile net profit for the year to net cash provided by operating activities:		
Depreciation	11,881	6,904
(Gain)/loss on disposal of property, plant and equipment	(68)	2,352
Provision for probable loan losses	9,638	5,581
Deferred tax, net	(8,129)	15,524
Employee benefit asset, net	(517)	(795)
Interest receivable	(209,748)	(69,548)
Interest payable	138,621	45,179
Net cash provided by operating activities	149,653	116,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(3,686,975)	(2,624,019)
Loans	(229,726)	(167,722)
Securities purchased under resale agreements	329,670	(431,026)
Other assets	(51,159)	(38,680)
Additions to property, plant and equipment	(16,167)	(30,991)
Proceeds from disposal of property, plant and equipment	261	203
Proceeds from share capital issued	170,000	85,000
Net cash used by investing activities	(3,484,096)	(3,207,235)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits	486,564	210,353
Due to specialised banks	29,320	-
Securities sold under repurchase agreements	3,042,141	2,887,150
Cheques and other items in transit, net	(77,221)	(90,212)
Obligations under finance leases	(2,830)	8,507
Income tax payable	10,099	-
Other liabilities	(26,394)	100,343
Net cash provided by financing activities	3,461,679	3,116,141
Net increase in cash resources	127,236	25,873
Cash resources at beginning of year	295,735	269,862
Cash resources at end of year	422,971	295,735

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

1. The company

First Global Bank Limited ("company" or "bank") is incorporated under the laws of Jamaica and is a wholly owned subsidiary of Grace, Kennedy & Company Limited (GK), also incorporated in Jamaica. The activities of the company and that of certain other fellow subsidiaries are to be merged subsequent to the year-end (see note 29).

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

2. Bank licence

The company is licensed, and the financial statements are delivered, under the Banking Act (Act). During the year ended December 31, 2003, the company did not, at all times, comply with the Bank of Jamaica primary prudential ratio requirement, however, this was rectified before year-end.

Except for the foregoing, all provisions of the Act have been met.

3. Basis of preparation and significant accounting policies

(a) Basis of preparation:

The financial statements have been prepared in accordance with the provisions of the Companies Act, the Banking Act, International Financial Reporting Standards (IFRS) adopted 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.

These are the group's and company'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. Accordingly, comparative figures have been restated to conform with the provisions of IFRS and the significant accounting policies in paragraphs (b) to (k) below.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied before its effective date in the preparation of the group's and company's financial statements. An explanation of the effects of adopting IFRS on the equity, results of operations and financial position is provided in note 23.

The financial statements are presented in Jamaica dollars 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 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.

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

(b) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

(ii) Leased assets:

Leases for which the group 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 5% 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 after 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 may 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 Supervisor.

IFRS only permit specific loan loss provision 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 Jamaica 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 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.

Balances and transactions with related parties are disclosed in note 25.

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 recognized 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 tax payable and tax losses 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 purchased. Investments are classified as originated loans and receivables, and available-for-sale.

Originated loans and receivables are created by the group by providing money to a debtor other than those created with the intention of short-term profit taking. Originated 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 group. Available-for-sale assets are recognised on the date the group commits to purchase the assets. 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 group's investments are measured as follows:

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

[ii] Government of Jamaica securities purchased on the primary market, securities purchased under resale agreements and interest-bearing deposits are stated at historical or amortised cost.

[iii] Government of Jamaica securities purchased on the secondary market are classified as available-for-sale and measured at fair value. Appreciation and depreciation are carried to fair value reserve.

[iv] 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 an accrual basis over the period of the agreements, using the effective yield method, and is included in interest.

[v] Investment in subsidiary:

Investment in subsidiary is stated at cost.

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

(h) Financial instruments (cont'd):

(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.

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

(vii) Trade and other receivable:

These are stated at their cost, less impairment losses.

(viii) Derecognition:

A financial asset is derecognised when the group 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 group commits to sell the assets.

Originated loans and receivables are derecognised on the day they are transferred by the group.

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

(i) 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 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 amortization, if no impairment loss had been recognized.

(j) Employee benefits:

Employee benefits are all forms of consideration given by the group 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-employments 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 these financial statements have been 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 were conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors relied on the actuary's report.

(i) Pension obligations:

The group 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 group 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 group 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 group 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.

(iii) 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.

(k) Consolidation of subsidiary:

The group's financial statements include the financial statements of the company and its wholly-owned subsidiary, FGB Securities Limited, which was incorporated on December 19, 2002 and commenced operations on August 4, 2003. All significant inter-company transaction up to December 31, 2003, are eliminated. The company and its subsidiary are collectively referred to as the "group".

4. Cash resources

	Group	Company	
	2003	2003	2002
	$'000	$'000	$'000
Notes and coins	81,959	75,360	38,417
Money at call and on deposit at Bank of Jamaica [see (a) and (b) below]	222,714	222,714	73,017
Current accounts with foreign banks	118,298	118,298	184,301
	422,971	416,372	295,735

(a) $60,045,000 (2002: $25,949,000) of the 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 Jamaica dollar prescribed liabilities is held on a non-interest-bearing basis and no portion of the cash reserves is available for investment or other use by the company. The actual percentage in force at the end of the year was 9% (2002: 9%).

(b) The deposit at Bank of Jamaica includes a special reserve of $33,358,000 (2002: $Nil). The special reserve represents 5% of the company's Jamaica 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 14%.

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

5. Investments

	Group	Company	
	2003	2003	2002
	$'000	$'000	$'000
Available-for-sale securities, stated at fair value:			
Issued by Government of Jamaica:			
Local registered stocks	850,865	443,576	1,609,992
Global and US$ Indexed bonds	2,091,222	1,620,983	1,140,583
	2,942,087	2,064,559	2,750,575
Originated loans and receivables, stated at amortised cost:			
Government of Jamaica securities:			
Treasury bills [see (a) below]	157,393	157,393	141,860
Local registered stocks [see (a) below]	894,320	868,330	-
Debenture	946,858	804,358	65,650
US$ denominated promissory notes	-	-	48,465
Global and US$ Indexed bonds	2,451,437	2,072,570	-
Education bond	-	-	1,000
Development Bank of Jamaica bond	9,409	9,409	10,088
Certificates of deposit [see (a) below]	571,500	259,500	1,310,000
Unquoted equities:			
Automated Payments Limited [see (b) below]	5,020	5,020	5,020
FGB Securities Limited [note 3(k)]	-	10,000	-
	5,035,937	4,186,580	1,582,083
Total	7,978,024	6,251,139	4,332,658

5. Investments (cont'd)

(a) Local Registered Stock amounting to $100,000,000 (2002: $30,000,000 Treasury Bills and $117,000,000 of certificates of deposit) are held by Bank of Jamaica as security for overdraft, if any. At the balance sheet, 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 co-owned by commercial banks to provide automated clearing facilities within the commercial banking system.

6. Loans, net of provision for probable losses

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

	Number of Accounts			
	Group and Company 2003	Company 2002	Group and Company 2003 $'000	Company 2002 $'000
Professional & other services	303	132	414,041	272,862
Individuals	285	324	222,003	145,581
Agriculture	1	1	-	130
Manufacturing	7	17	36,185	23,405
Transportation	11	18	30,592	39,612
Distribution	2	4	1,047	2,171
Tourism & entertainment	1	1	52	71
	610	497	703,920	483,832

Delinquent loans and advances on which interest is no longer accrued amounted to $4,122,000 (2002: $8,138,000) as at balance sheet date.

Loans are shown after deducting provision for probable loan losses of $23,021,000 (2002: $16,135,000), as follows:

	Group	Company	
	2003 $'000	2003 $'000	2002 $'000
Provision made during the year	7,320	7,320	10,000
Transfer from/(to) loan loss reserve (note 18)	2,318	2,318	(4,419)
Charged against revenue for the year	9,638	9,638	5,581
Provision at beginning of the year	16,135	16,135	99,087
Net loan balances written off during the year	(2,752)	(2,752)	(88,533)
At end of the year	23,021	23,021	16,135

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

	Group	Company	
	2003 $'000	2003 $'000	2002 $'000
Specific provisions	23,021	23,021	16,135
General provision (see note 18)	5,301	5,301	7,619
	28,322	28,322	23,754

6. Loans, net of provision for probable losses (cont'd)

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

7. Other assets

	Group	Company	
	2003	2003	2002
	$'000	$'000	$'000
Interest receivable	374,349	265,430	164,601
Withholding tax recoverable	44,123	37,470	26,635
Sundry	90,417	66,324	56,746
	508,889	369,224	247,982

Sundry includes the company's contributions to the National Housing Trust, amounting to $50,000 (2002: $50,000), 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:

Group

	Assets	Liabilities	Net
	2003	2003	2003
	$'000	$'000	$'000
Employee benefit asset, net	-	2,374	2,374
Fixed assets	-	5,047	5,047
Investments	-	8,323	8,323
Other liabilities	(264)	-	(264)
Tax losses brought forward	(9,050)	-	(9,050)
Net tax (assets)/liabilities	(9,314)	15,744	6,430

Company

	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefit asset, net	-	-	2,374	2,202	2,374	2,202
Fixed assets	-	-	5,028	6,275	5,028	6,275
Investments	-	-	2,016	22,192	2,016	22,192
Other liabilities	(264)	-	-	-	(264)	-
Tax losses brought forward	-	(2,241)	-	-	-	(2,241)
Net tax (assets)/liabilities	(264)	(2,241)	9,418	30,669	9,154	28,428

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

	Group	Company	
	2003	2003	2002
	$'000	$'000	$'000
Net deferred tax liability at beginning of year	28,428	28,428	2,115
Recognised in revenue – tax (income)/charge (note 21)	(8,128)	902	15,524
Recognised in equity	(13,870)	(20,176)	10,789
Net deferred tax liability at end of year	6,430	9,154	28,428

9. Employee benefits

(a) Plan asset/obligations

	Pension asset		Obligations	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of funded obligations	22,871	12,610	6,622	4,804
Unrecognised actuarial losses	14,441	1,936	465	581
Fair value of plan assets	(51,529)	(26,544)	-	-
Recognised asset	(14,217)	(11,998)	7,087	5,385

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

	Pension asset		Obligations	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Net (asset)/obligation at January 1	(11,998)	(9,679)	5,385	3,861
Contributions received	(313)	(1,848)	-	-
(Income)/expense recognised in the statement of income and expense	(1,906)	(471)	1,702	1,524
Net (asset)/obligation at December 31	(14,217)	(11,998)	7,087	5,385

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

	Pension asset		Obligations	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	(1,089)	60	979	926
Interest on obligation	1,837	1,509	723	598
Actuarial losses recognized	-	-	-	-
Expected return on plan assets	(2,654)	(2,040)	-	-
	(1,906)	(471)	1,702	1,524
Actual return on plan assets	43.1%	11.3%		

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

	2003	2002
	%	%
Discount rate at December 31	15.0	12.5
Expected return on plan assets at December 31	10.0	9.5
Future salary increase:		
Pension and group life plan	9.5	8.0
Gratuity plan	9.5	9.5
Future pension increases	3.5	2.5
Medical claims growth:		
Insured plan	12.5	7.5
Self insured plan	12.5	9.5

10. Property, plant and equipment

Group

	Computer equipment $'000	Office equipment, fixture & fittings & motor vehicles $'000	Leased assets $'000	Total $'000
At cost:				
December 31, 2002	45,420	13,967	13,446	72,833
Additions	3,119	13,048	-	16,167
Disposals	-	(970)	-	(970)
December 31, 2003	48,539	26,045	13,446	88,030
Depreciation:				
December 31, 2002	21,978	10,345	3,052	35,375
Charge for the year	6,372	2,492	3,017	11,881
Eliminated on disposals	-	(776)	-	(776)
December 31, 2003	28,350	12,061	6,069	46,480
Net book values:				
December 31, 2003	20,189	13,984	7,377	41,550

Company

	Computer equipment $'000	Office equipment, fixture & fittings & motor vehicles $'000	Leased assets $'000	Total $'000
At cost:				
December 31, 2002	45,420	13,967	13,446	72,833
Additions	2,955	13,026	-	15,981
Disposals	-	(970)	-	(970)
December 31, 2003	48,375	26,023	13,446	87,844
Depreciation:				
December 31, 2002	21,978	10,345	3,052	35,375
Charge for the year	6,355	2,490	3,017	11,862
Eliminated on disposals	-	(776)	-	(776)
December 31, 2003	28,333	12,059	6,069	46,461
Net book values:				
December 31, 2003	20,042	13,964	7,377	41,383
December 31, 2002	23,442	3,622	10,394	37,457

11. Deposits

The deposit portfolio for the Group and Company is comprised as follows:

	Number of Accounts			
	Group and Company 2003	Company 2002	Group and Company 2003	Company 2002
Financial institutions	54	46	586,027	403,093
Commercial and Business enterprises	1,103	555	673,673	636,042
Others	3,779	2,541	541,662	275,663
	4,936	3,142	1,801,362	1,314,798

12. Due to specialised banks

This represents a loan from Development Bank of Jamaica Limited (DBJ) for the purpose of on-lending to customers approved by DBJ. The loan bears interest at 10% per annum, is repayable in equally monthly instalments and is secured by a promissory note duly executed by the company.

13. Obligations under finance leases

	Group and Company 2003 $'000	Company 2002 $'000
Due from the date of the balance sheet as follows:		
2003	-	5,031
2004	4,589	4,455
2005	4,071	3,937
2006	1,697	1,640
Total future minimum lease payments	10,357	15,063
Less: Future interest charges	(2,554)	(4,430)
Present value of minimum lease payments	7,803	10,633

14. Other liabilities

	Group	Company	
	2003 $'000	2003 $'000	2002 $'000
Interest payable	218,917	161,635	80,296
Manager's cheques	40,045	40,045	88,682
Provision [see (i) below]	94,964	44,027	72,721
	353,926	245,707	241,699

(i) Provision is broken down as follows:

	2003 $'000	2002 $'000
Balance at beginning of year	72,721	16,246
Provisions made during the year	218,274	105,243
Provisions used during the year	(246,968)	(48,768)
Balance at end of year	44,027	72,721

15. Share capital

	2003 $'000	2002 $'000
Authorised, issued and fully paid:		
26,666,666 20% cumulative non-redeemable convertible preference shares of $1 each	-	26,667
57,300,000 20% non-cumulative non-redeemable preference shares of $1 each	-	57,300
392,000,000 (2002: 138,333,334) Ordinary shares of $1 each	392,300	138,333
	392,300	222,300

At Extraordinary General Meetings held during the year, resolutions were passed to effect the following:

(i) On February 25, 2003 (2002: September 27, 2002) the authorised share capital of the company was increased to $252,300,000 (2002: $192,300,000) by the creation of 30,000,000 ordinary shares (2002: 30,000,000) of $1 each, ranking *pari passu* in all respects with the existing ordinary shares

(ii) On April 8, 2003 (2002: December 23, 2002) the authorised share capital of the company was further increased to $292,300,000 (2002: $222,300,000) by the creation of 40,000,000 (2002: 30,000,000) ordinary shares of $1 each ranking *pari passu* in all respects with the existing ordinary shares

(iii) On July 24, 2003 the authorised share capital of the company was further increased to $392,300,000 by the creation of 100,000,000 ordinary shares of $1 each ranking *pari passu* in all respects with the existing ordinary shares.

GK subscribed for all the shares, which were issued on the respective dates.

In the previous year, the company varied the issued share capital of the company by converting the 26,666,666 20% cumulative non-redeemable convertible preference shares and the 57,300,000 20% non-cumulative non-redeemable preference shares to 83,966,666 ordinary shares of $1 each to rank *pari passu* in all respects with the existing ordinary shares.

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. 101.5% (2002: 109.2%) of net profit for the year has been transferred to the Reserve Fund. The transfers take account of the difference between the profits reported and transferred in the previous year and the restated figure as a result of IFRS adoption.

17. Fair value reserve

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

18. Loan loss reserve

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

	Group and Company 2003 $'000	Company 2002 $'000
Balance at beginning of year	7,619	3,200
Transferred (to)/from general provision for loans (note 6)	(2,318)	4,419
Balance at end of year	5,301	7,619

19. Employee numbers and costs

At the end of the year, the group and company have 73 (2002: company 53) full-time and 8 part-time, (2002: company 4) employees and related staff costs are as follows:

	Group and Company 2003 $'000	Company 2002 $'000
Salaries and wages	88,711	61,902
Statutory payroll contributions	7,258	5,007
Contributions for pension and other plans	(204)	1,053
Other staff costs	9,226	6,033
	104,991	73,995

20. Profit before income tax

Profit before income tax is stated after charging/(crediting):

		Group	Company	
		2003 $'000	2003 $'000	2002 $'000
Directors' emoluments	- fees	700	700	500
	- management remuneration	6,238	6,238	5,020
Auditors' remuneration		1,100	1,000	900
(Gain)/loss on disposal of fixed assets		(68)	(68)	2,352

21. Income tax

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

	Group	Company	
	2003 $'000	2003 $'000	2002 $'000
(i) Current tax expense:			
Income tax at 33 1/3%	30,098	30,098	-
(ii) Deferred taxation:			
Origination and reversal of temporary differences (note 8)	(8,128)	902	15,524
Total taxation recognized in statement of revenue and expenses	21,970	31,000	15,524

21. Income tax (cont'd)

(b) The Group has pre-tax profits of $ 229,945,000 (2002: company $127,294,000). The effective tax rate was 9.6% (2002: company Nil) compared to a statutory rate of $33^{1}/_{3}$% (2002: $33^{1/3}$%). The actual tax expense differed from the expected tax expense for the year as follows:

	Group	Company	
	2003	2003	2002
	$'000	$'000	$'000
Computed "expected" tax expense	76,580	67,791	42,184
Difference between profit for financial statements and tax reporting purposes on:-			
Depreciation and capital allowances	140	140	(4,055)
Currency translation gains	1,899	1,899	(1,279)
Interest receivable	(34,995)	-	-
Interest payable	19,094	-	-
Tax-free income	(43,836)	(41,917)	(31,235)
Other disallowed expenses	8,804	8,804	842
Tax losses set-off	(6,618)	(6,618)	(6,439)
Deferred tax charge (note 8)	902	902	15,524
Actual tax expense	21,970	31,001	15,524

(c) Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately $27,150,000 for the group and $Nil for the company (2002: company $6,618,000).

22. Earnings per share

The computation of earnings per share is based on net profit for the year of $207,975,000 (2002: $111,770,000), divided by 321,065,090 (2002: 68,538,813) being the average number of issued and fully paid $1.00 ordinary shares during the year.

23. Effects of first-time adoption of IFRS

As stated in note 2(a), these are the group's and company's first financial statements prepared in accordance with IFRS.

An explanation of how the transition from Jamaica GAAP (JGAAP) to IFRS has affected the company's financial position, results of operations and cash flows is set out in the following tables and the notes that accompany the tables.

(a) **Reconciliation of 2001 equity:**

	Fair value reserve	Loan loss reserve	Retained profits	Total
	$'000	$'000	$'000	$'000
IAS 39 – Financial instruments recognition and measurement [f(i)]	34,209	-	3,200	37,409
Appropriations [f(i)]	-	3,200	(3,200)	-
IAS 12 – Income taxes [f(ii)]	(11,403)	-	9,288	(2,115)
IAS 19 – Employee benefits [f(iii)]	-	-	5,818	5,818
	22,806	3,200	15,106	41,112

23. Effects of first-time adoption of IFRS (cont'd)

(b) Reconciliation of 2002 net profit:

	Net profit $'000
Net profit as previously reported under JGAAP	122,080
IAS 39 – Financial instruments Recognition and measurement [f(i)]	4,419
IAS 12 – Income taxes [f(ii)]	(15,524)
IAS 19 – Employee benefits [f(iii)]	795
Net profit as restated under IFRS	111,770

(c) The summarized effects of (a) and (b) on the company's financial statements for the year ended December 31, 2002 and in the preparation of an opening IFRS balance sheet at January 31, 2001 (the company's date of transition) are as follows:

	January 1, 2002			December 31, 2002		
	Previous JGAAP	Effect of transition to IFRS	IFRS	Previous JGAAP	Effect of transition to IFRS	IFRS
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
ASSETS						
Cash resources	269,862	-	269,862	295,735	-	295,735
Investments [f(i)]	1,642,063	34,209	1,676,272	4,266,081	66,577	4,332,658
Loans, net of provision for probable losses [f(i)]	318,491	3,200	321,691	476,213	7,619	483,832
Securities purchased under resale agreements	463,191	-	463,191	894,217	-	894,217
Cheques and other instruments in-transit, net	119,901	-	119,901	210,113	-	210,113
Other assets	139,754	-	139,754	247,982	-	247,982
Taxation recoverable	1,226	-	1,226	1,226	-	1,226
Customers' liability under guarantees, as per contra	16,273	-	16,273	51,827	-	51,827
Deferred tax assets [f(ii)]	-	9,288	9,288	-	2,241	2,241
Employee benefit asset [f(iii)]	-	9,679	9,679	-	11,998	11,998
Property, plant and equipment	15,925	-	15,925	37,457	-	37,457
	2,986,686	56,376	3,043,062	6,480,851	88,435	6,569,286
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
Deposits	1,104,446	-	1,104,446	1,314,798	-	1,314,798
Securities sold under repurchase agreements	1,606,916	-	1,606,916	4,494,066	-	4,494,066
Obligations under finance leases	2,126	-	2,126	10,633	-	10,633
Deferred tax [f(ii)]	-	11,403	11,403	-	30,669	30,669
Other liabilities	96,177	-	96,177	241,699	-	241,699
Employee benefit obligation [f(iii)]	-	3,861	3,861	-	5,385	5,385
Guarantees, per contra	16,273	-	16,273	51,827	-	51,827
	2,825,938	15,264	2,841,202	6,113,023	36,054	6,149,077
SHAREHOLDERS' EQUITY [f(i),(ii),(iii)]	160,748	41,112	201,860	367,828	52,381	420,209
	2,986,686	52,515	3,043,062	6,480,851	88,435	6,569,286

23. Effects of first-time adoption of IFRS (cont'd)

(d) The summarized effects of (b) on the company's statement of revenue and expenses for the year ended December 31, 2002 are as follows:

	Previous JGAAP J$'000	Effect of transition to IFRS J$'000	IFRS J$'000
Interest income	614,930	-	614,930
Interest expense	(458,317)	-	(458,318)
Net interest income	156,613	-	156,612
Provision for loan losses, net [f(i)]	(10,000)	4,419	(5,581)
	146,612	4,419	151,031
Other income	149,126	-	149,126
Net revenue	295,738	4,419	300,157
Non-interest expenses:			
Employee compensation and benefits [f(iii)]	(74,790)	795	(73,995)
Depreciation	(6,904)	-	(6,904)
Other operating expenses	(83,204)	-	(83,204)
General administration expenses	(8,760)	-	(8,760)
	(173,658)	795	(172,863)
Profit for the year before tax	122,080	5,214	127,294
Income tax [f(ii)]	-	(15,524)	(15,524)
Net profit for the year	122,080	(10,310)	111,770

(e) Effect on statement of cash flows:

There were no material adjustments between the cash flow statement presented under IFRS and the cash flow statement presented under previous JGAAP.

(f) Notes to IFRS adjustments:

(i) Investments were carried at the lower of cost and fair value under GAAP. Under IFRS, investments classified as available-for-sale are shown at fair value, the resultant difference between the carrying values under JGAAP and IFRS is taken to fair value reserve.

IFRS requires that where loans are impaired, the provision is to be determined by discounting the projected future cash flows of the principal and interest at the original effective interest rate of the loan. This differs from Bank of Jamaica provisioning requirements in that they prescribe specific percentage of the loan collateral and require a further 1% general provision on the loan portfolio, net of specific provision. The general provision has therefore been included in loan loss reserve and treated as an appropriation of retained earnings.

23. Effects of first-time adoption of IFRS (cont'd)

(f) Notes to IFRS adjustments (cont'd):

(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. Also, deferred tax asset is recognised on tax losses brought forward and are available for relief against all taxable profits. Under JGAAP, no recognition was made for deferred tax.

(iii) Retirement benefit asset and obligations under health, group life and gratuity schemes are recognised under IFRS based on valuation results of the pension and other schemes carried out by independent actuaries. These were not recognised under JGAAP.

24. Funds under management

As at December 31, 2003, the company had brokered funds totalling $1,515,000 (2002: $6,274,000) and managed funds totalling $NIL (2002: $1,642,730,000). The company manages these funds, on a non-recourse basis, on behalf of investors. The company has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements.

All managed funds were transferred during the year to the company's subsidiary, FGB Securities Limited, in keeping with a recommendation from the Bank of Jamaica to have managed funds separated from the operations of commercial banks and other institutions licensed under the Financial Institutions Act.

25. Related party balances and transactions

The balance sheet includes balances, arising in the normal course of business, with director, parent, fellow subsidiaries and related companies as follows:

	2003	2002
	$'000	$'000
Loans, net of provision for probable losses:		
Fellow subsidiaries	34,367	-
Related company	9,580	-
Securities purchased under resale agreements:		
Parent company	70,000	-
Fellow subsidiary	220,000	50,970
Other assets:		
Parent company	45	-
Fellow subsidiary	97,770	8
Deposits:		
Parent company	-	63,280
Fellow subsidiaries	226,443	131,868
Director	2,606	-
Related company	3,589	399

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

	2003	2002
	$'000	$'000
Securities sold under repurchase agreements:		
Parent company	41,561	5,430
Fellow subsidiaries	312,051	330,190
Director	8,060	-
Related company	63,608	32,076
Obligations under finance leases:		
Fellow subsidiary	7,330	10,443
Other liabilities:		
Parent company	45,714	382
Fellow subsidiaries	7,168	5,066
Related company	372	153

The Statement of Revenue and Expenses includes the following income earned from, and expenses incurred in, transactions with the parent, fellow subsidiaries and related companies. The transactions arose in the normal course of business.

	2003	2002
	$'000	$'000
Revenue:		
Income from deposits:		
Parent company	15,872	1,724
Related companies	81	5
Fellow subsidiaries	65,435	4,054
Other operating income:		
Fellow subsidiaries	2,056	1,655
Expenses:		
Interest:		
Parent company	8,274	7,439
Related companies	9,487	7,416
Fellow subsidiaries	69,390	62,034
Other operating expenses:		
Fellow subsidiaries	12,617	6,488
General administration expenses:		
Parent company	11,477	5,575

26. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise or 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 upon between knowledgeable, willing parties who are under no compulsion to act and is 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, as per contra, securities sold under repurchase agreements, other liabilities and guarantees, per contra 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 loan, 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 group's and 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 group and company manage 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.

26. 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 group's and company's interest rate gap based on the earlier of contractual repricing and maturity dates.

	2003				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Group					
Assets					
Cash resources	-	-	-	422,971	422,971
Investments	1,103,180	1,901,985	4,972,859	-	7,978,024
Loans, net of provision for probable losses	328,334	52,055	323,531	-	703,920
Securities purchased under resale agreements	564,547	-	-	-	564,547
Cheques and other items in transit	-	-	-	287,334	287,334
Other assets	-	-	-	508,889	508,889
Customers' liabilities under guarantees, as per contra	-	-	-	74,232	74,232
Total financial assets	1,996,061	1,954,040	5,296,390	1,293,426	10,539,917
Deposits	556,218	1,245,144	-	-	1,801,362
Securities sold under repurchase agreements	6,210,326	1,325,881	-	-	7,536,207
Obligations under finance lease	765	2,223	4,815	-	7,803
Other liabilities	-	-	-	353,926	353,926
Guarantees, per contra	-	-	-	74,232	74,232
Total financial liabilities	6,767,309	2,573,248	4,815	428,158	9,773,530
Total interest rate sensitivity gap	(4,771,248)	(619,208)	5,291,575	865,268	766,387
Cumulative gap	(4,771,248)	(5,390,456)	(98,881)	766,387	-

26. Financial instruments (cont'd)

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

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

	2003				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Company					
Assets					
Cash resources	-	-	-	416,372	416,372
Investments	553,021	1,180,423	4,517,695	-	6,251,139
Loans, net of provision for probable losses	328,334	52,055	323,531	-	703,920
Securities purchased under resale agreements	459,547	-	-	-	459,547
Cheques and other items in transit	-	-	-	287,334	287,334
Other assets	-	-	-	369,224	369,224
Customers' liabilities under guarantees, as per contra	-	-	-	74,232	74,232
Total financial assets	1,340,902	1,232,478	4,841,226	1,147,162	8,561,768
Deposits	556,218	1,245,144	-	-	1,801,362
Securities sold under repurchase agreements	4,890,429	820,969	-	-	5,711,398
Obligations under finance lease	765	2,223	4,815	-	7,803
Other liabilities	-	-	-	245,707	245,707
Guarantees, per contra	-	-	-	74,232	74,232
Total financial liabilities	5,447,412	2,068,336	4,815	319,939	7,840,502
Total interest rate sensitivity gap	(4,106,510)	(835,858)	4,836,411	827,223	721,266
Cumulative gap	(4,106,510)	(4,942,368)	(105,957)	721,266	-

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2003

26. Financial instruments (cont'd)

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

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

Company

	2002				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Assets					
Cash resources	-	-	-	295,735	295,735
Investments	1,281,647	1,005,361	2,045,650	-	4,332,658
Loans, net of provision for probable losses	281,944	24,631	177,257	-	483,832
Securities purchased under resale agreements	894,217	-	-	-	894,217
Cheques and other items in transit	-	-	-	210,113	210,113
Other assets	-	-	-	247,982	247,982
Customers' liabilities under guarantees, as per contra	-	-	-	51,827	51,827
Total financial assets	2,457,808	1,029,992	2,222,907	805,657	6,516,364
Deposits	294,872	1,019,926	-	-	1,314,798
Securities sold under repurchase agreements	4,027,070	466,996	-	-	4,494,066
Obligations under finance lease	706	2,174	7,753	-	10,633
Other liabilities	-	-	-	241,699	241,699
Guarantees, per contra	-	-	-	51,827	51,827
Total financial liabilities	4,322,648	1,489,096	7,753	293,526	6,113,023
Total interest rate sensitivity gap	(1,864,840)	(459,104)	2,215,154	512,131	403,341
Cumulative gap	(1,864,840)	(2,323,944)	(108,790)	403,341	-

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

Group	2003			
	Within 3 months (%)	3 to 12 months (%)	Over 12 months (%)	Total (%)
Investments	24.00	21.43	15.46	18.32
Loans, net of provision for probable losses	22.37	21.80	22.84	22.54
Securities purchased under resale agreements	21.12	-	-	21.12
Deposits	5.59	8.91	-	5.76
Securities sold under repurchase agreements	13.28	21.71	-	14.94
Due to specialized banks	-	-	10.00	10.00
Obligations under finance leases	23.85	23.22	22.60	22.90

26. 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: (cont'd)

Company

	2003			
	Within 3 months (%)	3 to 12 months (%)	Over 12 months (%)	Total (%)
Investments	19.51	23.77	13.50	16.52
Loans, net of provision for probable losses	22.37	21.80	22.84	22.54
Securities purchased under resale agreements	23.97	-	-	23.97
Deposits	5.59	8.91	-	5.76
Securities sold under repurchase agreements	12.07	22.21	-	13.52
Due to specialized banks	-	-	10.00	10.00
Obligations under finance leases	23.85	23.22	22.60	22.90

	2002			
	Within 3 months (%)	3 to 12 months (%)	Over 12 months (%)	Total (%)
Investments	17.55	15.87	13.26	15.15
Loans, net of provision for probable losses	33.61	25.26	21.89	28.81
Securities purchased under resale agreements	8.96	-	-	8.96
Deposits	8.70	3.40	-	5.92
Securities sold under repurchase agreements	13.81	14.88	-	13.92
Obligations under finance leases	24.59	24.34	23.00	23.38

Interest is earned on cash resources held with Bank of America in instances where the daily cleared funds exceed US$50,000. As at December 31, 2003, the interest rate applicable was 0.65% (2002: 0.92%) per annum.

(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 group and company manage 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 group's and company's investment portfolio presently consists mainly of Government of Jamaica instruments denominated in both US and Jamaica dollars, which are all tradable. The group's and company's loans are adequately secured. At the balance sheet date, financial instruments subject to this risk amounted to $9,251,190,000 (2002: $5,636,511,000).

26. Financial instruments (cont'd)

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

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group and company incur foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar, mainly the US dollar. The group and company are 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 group and company further manage this risk by maximising foreign currency earnings and holding foreign currency balances.

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

	2003	2002
	'000	'000
Currency		
United States dollars	911	1,008
Canadian dollars	(6)	50
Pounds sterling	(46)	(68)

(iv) Credit risk:

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

The group and compnay has significant concentrations of credit risk in investments, loans and securities purchased under resale agreement. The group manages this risk by screening its customers, establishing credit limits, obtaining collaterals for loans and the rigorous follow-up of receivables; ensuring investments and securities purchased under resale agreements are low-risk or 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.

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

	Group and Company 2003		
	Loans	Guarantees and letters of credit	Total
	$'000	$'000	$'000
Professional & other services	414,040	36,888	450,928
Individuals	222,003	4,894	226,897
Agriculture	-	-	-
Manufacturing	36,185	-	36,185
Transportation	30,592	32,450	63,042
Distribution	1,048	-	1,048
Tourism	52	-	52
	703,920	74,232	778,152

Notes to the Financial Statements (Continued)
December 31, 2003

26. Financial instruments (cont'd)

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

(iv) Credit risk (cont'd):

	Company 2002		
	Loans	Guarantees and letters of credit	Total
	$'000	$'000	$'000
Professional & other services	272,862	44,343	317,205
Individuals	145,581	1,626	147,207
Agriculture	130	-	130
Manufacturing	23,405	-	23,405
Transportation	39,612	5,858	45,470
Distribution	2,171	-	2,171
Tourism	71	-	71
	483,832	51,827	535,659

(v) 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 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 businesses, the management of the group aims at maintaining flexibility in funding by having adequate credit facilities and marketable financial instruments. The group has in place the appropriate limits with regard to liquid instruments and total assets and continues to apply the appropriate gapping strategy.

(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 group 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.

27. 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 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.

28. Lease commitments:

Operating lease commitments at December 31, 2003, payable to a fellow subsidiary as follows:

	Group and company 2003 $'000	Company 2002 $'000
Within one year	9,349	8,187
Subsequent years	12,465	24,560
	21,814	32,747

29. Subsequent event

Following an announcement on November 12, 2003, that the activities of the company and those of certain fellow subsidiaries are to be merged, the company has taken steps to effect the merger which is expected to be completed by March 31, 2004.