



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
FIRST GLOBAL BANK LIMITED

Report on the Financial Statements

We have audited the financial statements of First Global Bank Limited ("company"), set out on pages 3 to 35, which comprise the balance sheet as at December 31, 2006, the statements of revenue and expenses, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the Companies Act and the Banking Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Members of
FIRST GLOBAL BANK LIMITED

Report on the Financial Statements, (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2006, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies Act and the Banking Act.

Additional reporting requirements of the Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, proper returns have been received for branches not visited by us and the financial statements, which are in agreement with the accounting records and returns, give the information required by the Companies Act in the manner so required.

A handwritten signature in dark ink, appearing to be 'W.M.G.' or similar, written in a cursive style.


March 30, 2007

FIRST GLOBAL BANK LIMITED


Balance Sheet
December 31, 2006

	<u>Notes</u>	<u>2006</u> \$'000	<u>2005</u> \$'000
<i>ASSETS</i>			
Cash and cash equivalents	5	3,336,213	1,355,309
Investments	6	13,217,747	11,780,493
Loans	7	4,046,004	2,980,265
Securities purchased under resale agreements		400,000	465,581
Cheques and other instruments in-transit, net		136,270	182,951
Other assets	8	587,534	623,517
Taxation recoverable		1,813	1,226
Customers' liability under guarantees, as per contra		670,249	340,546
Employee benefit asset	9	54,132	47,884
Property, plant and equipment	10	<u>56,440</u>	<u>49,993</u>
		<u>22,506,402</u>	<u>17,827,765</u>
 <i>LIABILITIES AND EQUITY</i>			
<i>LIABILITIES</i>			
Deposits	11	10,406,360	9,621,955
Due to specialised banks	12	220,401	68,860
Securities sold under repurchase agreements		7,698,023	4,917,384
Obligations under finance leases	13	2,109	4,868
Deferred tax liabilities	14	83,011	75,212
Income tax payable		-	100,540
Other liabilities	15	622,810	352,898
Employee benefit obligation	9	44,175	33,878
Guarantees, per contra		<u>670,249</u>	<u>340,546</u>
		<u>19,747,138</u>	<u>15,516,141</u>
 <i>EQUITY</i>			
Share capital	16	627,685	627,685
Reserve fund	17	627,685	591,390
Fair value reserve	18	192,110	151,379
Loan loss reserve	19	40,586	28,886
Retained earnings reserve	20	1,271,198	912,284
Retained profits		<u>-</u>	<u>-</u>
		<u>2,759,264</u>	<u>2,311,624</u>
		<u>22,506,402</u>	<u>17,827,765</u>

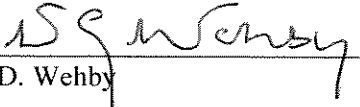
The financial statements on pages 3 to 35 were approved for issue by the Board of Directors on **March 30**, 2007 and signed on its behalf by:




D. Orane Director



J. Taffe Director



D. Wehby Director



R. Spence Dunn Secretary

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

FIRST GLOBAL BANK LIMITEDStatement of Revenue and Expenses
Year ended December 31, 2006

	<u>Notes</u>	<u>2006</u> \$'000	<u>2005</u> \$'000
Interest income from:			
Loans		541,324	444,230
Deposits		76,548	55,479
Securities		<u>1,446,247</u>	<u>1,386,943</u>
		<u>2,064,119</u>	<u>1,886,652</u>
Interest expense on:			
Deposits		(663,543)	(562,572)
Other		<u>(602,360)</u>	<u>(591,265)</u>
		<u>(1,265,903)</u>	<u>(1,153,837)</u>
Net interest income		798,216	732,815
Provision for loan losses, net	7	<u>(24,527)</u>	<u>(50,956)</u>
		<u>773,689</u>	<u>681,859</u>
Other income:			
Fees and commissions		81,719	89,193
Foreign exchange gains		32,272	36,843
Gain on sale of securities		208,572	192,966
Other		<u>22,625</u>	<u>53,107</u>
		<u>345,188</u>	<u>372,109</u>
Net revenue		<u>1,118,877</u>	<u>1,053,968</u>
Operating expenses:			
Employees compensation and benefits	21	(304,072)	(264,508)
Depreciation		(29,183)	(21,887)
Other		(227,824)	(165,450)
General administration		<u>(46,355)</u>	<u>(41,706)</u>
		<u>(607,434)</u>	<u>(493,551)</u>
Profit before taxation	22	511,443	560,417
Taxation	23	<u>(104,534)</u>	<u>(153,621)</u>
Profit for the year		<u>406,909</u>	<u>406,796</u>
Earnings per share	24	<u>\$0.65</u>	<u>\$0.65</u>

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

FIRST GLOBAL BANK LIMITEDStatement of Changes in Equity
Year ended December 31, 2006

	Share capital \$'000 (note 16)	Reserve fund \$'000 (note 17)	Fair value reserve \$'000 (note 18)	Loan loss reserve \$'000 (note 19)	Retained earnings reserve \$'000 (note 20)	Retained profits \$'000	Total \$'000
Balances at December 31, 2004	627,685	550,710	139,127	22,597	468,522	83,935	1,892,576
Changes in fair value of available- for-sale investments, net of taxation	-	-	12,252	-	-	-	12,252 *
Profit for the year	-	-	-	-	-	406,796	406,796 *
Transfer to reserves	-	40,680	-	-	443,762	(484,442)	-
Transfer to loan loss reserve	-	-	-	6,289	-	(6,289)	-
Balances at December 31, 2005	627,685	591,390	151,379	28,886	912,284	-	2,311,624
Realised gains on available- for –sale portfolio	-	-	(18,759)	-	-	-	(18,759) *
Changes in fair value of available- for-sale investments, net of taxation	-	-	59,490	-	-	-	59,490 *
Profit for the year	-	-	-	-	-	406,909	406,909 *
Transfer to reserves	-	36,295	-	-	358,914	(395,209)	-
Transfer to loan loss reserve	-	-	-	11,700	-	(11,700)	-
Balances at December 31, 2006	<u>627,685</u>	<u>627,685</u>	<u>192,110</u>	<u>40,586</u>	<u>1,271,198</u>	<u>-</u>	<u>2,759,264</u>

* Total recognised gains - \$447,640,000 (2005: \$419,048,000)

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

FIRST GLOBAL BANK LIMITEDStatement of Cash Flows
Year ended December 31, 2006

	<u>2006</u> \$'000	<u>2005</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	406,909	406,796
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation	29,183	21,887
Unrealised exchange gains	22,992	12,676
Gain on disposal of property, plant and equipment	(173)	(957)
Provision for probable loan losses	24,527	50,956
Income tax charge	118,428	160,962
Deferred tax, net	(13,894)	(7,341)
Employee benefits, net	5,177	6,523
Interest income	(2,064,119)	(1,886,751)
Interest expense	<u>1,265,903</u>	<u>1,153,837</u>
	(205,067)	(81,412)
Interest received	2,079,806	1,950,765
Interest paid	(1,227,267)	(1,207,460)
Income tax paid	<u>(219,555)</u>	<u>(151,293)</u>
Net cash provided by operating activities	<u>427,917</u>	<u>510,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(1,247,890)	(459,111)
Loans	(1,055,405)	(633,091)
Securities purchased under resale agreements	65,581	154,217
Other assets	20,296	(38,669)
Additions to property, plant and equipment	(35,907)	(24,357)
Proceeds from disposal of property, plant and equipment	<u>450</u>	<u>957</u>
Net cash used by investing activities	<u>(2,252,875)</u>	<u>(1,000,054)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits	652,486	4,843,454
Due to specialised banks	151,541	(32,622)
Securities sold under repurchase agreements	2,660,098	(3,622,553)
Cheques and other items in transit, net	46,681	42,354
Obligations under finance leases	(2,759)	(783)
Employee benefits paid	(1,128)	(1,468)
Other liabilities	<u>231,276</u>	<u>(45,371)</u>
Net cash provided by financing activities	<u>3,738,195</u>	<u>1,183,011</u>
Net increase in cash and cash equivalents	1,913,237	693,557
Effect of foreign currency rate changes	67,667	24,126
Cash and cash equivalents at beginning of year	<u>1,355,309</u>	<u>637,626</u>
Cash and cash equivalents at end of year	<u>3,336,213</u>	<u>1,355,309</u>

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2006

1. The company

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

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

2. Bank license

The company is licensed under the Banking Act.

3. Statement of compliance and basis of preparation(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Companies Act and the Banking Act.

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year, as follows:

IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures
IAS 39 Amendments	The Fair Value Option
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intragroup Transactions
IAS 39 Amendments	Financial Guarantee Contracts
IFRS 6	Exploration for Evaluating of Mineral Resources
IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment

The above standards had no material effect on the bank’s financial statements, or accounting policies, except that IAS 19 Amendments resulted in additional disclosures.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2006

3. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

Other new standards and interpretations, which are in issue, are not yet effective. Those standards and interpretations are effective for accounting periods beginning on, or after, the following dates:

IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRS 8	Operating Segments	January 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	March 1, 2006
IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangement	January 1, 2008

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the bank's financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. The methods used to measure fair values are discussed in note 4(g)(iii).

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the bank.

(d) Use of estimates and judgements:

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

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2006

3. Basis of preparation and statement of compliance (cont'd)

(d) Use of estimates and judgements (cont'd):

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

(i) Pension and other post-retirement benefits

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

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

(ii) Provision for probable losses

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

It is reasonably possible that outcomes within the next financial year that are different from these estimates and assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies

The significant accounting policies below conform in all material respects to IFRS.

(a) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 4(h)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(ii) Leased assets:

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

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

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

The depreciation methods, useful lives and residual values are assessed at each reporting date.

(b) Revenue 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 amounts. The difference between the basis of interest recognition under the Banking Act and IFRS has been assessed as immaterial.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(b) Revenue and expenses:

(ii) other income:

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

(iii) Interest and other expenses:

These are recorded on the accrual basis.

(c) Provision for probable loan losses:

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

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

IFRS only permits specific loan loss provisions and requires that the future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The loan loss provision required under the Banking Act that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable loan loss reserve (note 19).

(d) Foreign currencies:

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

Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses.

(e) Related parties and transactions:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company;

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(e) Related parties and transactions (cont'd):

- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;

A party is related to the company; if (cont'd):

- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv) above;
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(f) Income tax:

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

(i) Current tax:

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

(ii) Deferred tax:

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

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(g) Financial instruments:

(i) Classification of investments:

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

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

Available-for-sale instruments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale assets are recognised on the date of settlement.

(ii) Measurement:

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

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

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

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

- [i] Loans are classified as loans and receivables and are stated at amortised cost, less provision for losses as appropriate.
- [ii] Government of Jamaica securities are classified as available-for-sale and measured at fair value. Changes in fair value are taken to fair value reserve.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 20064. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd):

(ii) Measurement (cont'd):

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

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

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

(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 18). When the financial assets are impaired, sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of revenue and expenses.

(v) Other liabilities:

Other liabilities, including provisions, are stated at their cost.

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd):

(vi) Cash and cash equivalents:

Cash and cash equivalents, including short-term deposits, with maturities within three months of the date of acquisition, are shown at amortised cost.

(vii) Other assets:

These are stated at amortised cost, less impairment losses.

(viii) Derecognition:

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

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

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

(h) Impairment:

The carrying amounts of the company's assets, except for loans [see note 4(c)], 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. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Impairment losses are recognised in the statement of revenue and expenses. Any cumulative loss in respect of an impaired available-for-sale investment, previously recognised in equity, is transferred to profit or loss.

(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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(h) Impairment:

(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. In respect of a financial asset, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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

For financial assets measured at amortised cost, available-for-sale debt securities and other assets, the reversal is recognised in profit or loss. For equity securities, the reversal is recognised directly in equity.

(i) Employee benefits:

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

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

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

[i] Pension obligations:

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

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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

4. Significant accounting policies (cont'd)

(i) Pension obligations (cont'd):

[i] Pension obligations (cont'd):

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

[ii] Equity compensation benefits:

The company participates in a share options scheme operated by the parent company. Share options are granted to management and other 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 the grant and have a contractual option term of six years. The cost to the company of these options is absorbed by the parent company.

[iii] Termination benefits:

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or provision of termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

[iv] Profit-sharing and bonus plans:

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

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
 December 31, 2006

5. Cash and cash equivalents

	<u>2006</u> \$'000	<u>2005</u> \$'000
Notes and coins	153,100	71,968
Money at call and on deposit at Bank of Jamaica [see (a) and (b) below]	1,013,858	886,149
Accounts with foreign banks	<u>2,169,255</u>	<u>397,192</u>
	<u>3,336,213</u>	<u>1,355,309</u>

(a) \$956,004,000 (2005: \$830,426,000) of deposits at Bank of Jamaica is held in compliance with section 14(1) of the Banking Act, which requires that every licensee maintains in the form of a deposit with Bank of Jamaica, a cash reserve not less, on the average, than 5% of its prescribed liabilities. The reserve for Jamaican dollar prescribed liabilities is held on a non-interest-bearing basis. No portion of the cash reserve is available for investment or other use by the company. The actual cash reserve percentage in force at the end of the year was 9% (2005: 9%).

(b) The deposit at Bank of Jamaica includes a special reserve of \$NIL (2005: \$25,602,213). Effective May 1, 2006, the Bank of Jamaica removed the existing special reserve requirement which represented 1% of the company's Jamaican dollar prescribed deposit liabilities.

6. Investments

	<u>2006</u> \$'000	<u>2005</u> \$'000
Available-for-sale securities, stated at fair value:		
Issued by Government of Jamaica:		
Local registered stocks and treasury bills [see (a) below]	3,570,765	2,546,452
Investment Bonds	1,062,216	1,887,307
Debenture	-	474,606
Certificates of deposit	2,306,250	595,547
Development Bank of Jamaica	3,412	5,506
Global, indexed and US\$ denominated bonds	<u>5,416,728</u>	<u>5,394,031</u>
	12,359,371	10,903,449
Corporate bonds	853,356	872,024
Unquoted equities:		
Automated Payments Limited [see (b) below]	<u>5,020</u>	<u>5,020</u>
	<u>13,217,747</u>	<u>11,780,493</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

6. Investments (cont'd)

- (a) Local Registered Stock amounting to \$200,000,000 (2005: \$200,000,000) are held by Bank of Jamaica as security for overdraft, if any. At the balance sheet date, there was no overdraft with Bank of Jamaica.
- (b) Shares in Automated Payments Limited represents a 16.67% holding in that company, which was established, and is co-owned, by commercial banks to provide automated clearing facilities within the commercial banking system.

7. Loans

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

	Number of accounts		<u>2006</u> \$'000	<u>2005</u> \$'000
	<u>2006</u>	<u>2005</u>		
Public sector	8	4	1,417,535	1,406,598
Professional & other services	306	344	1,367,989	1,031,990
Individuals	1,874	1,409	924,388	442,228
Agriculture	16	4	24,212	6,699
Manufacturing	24	18	41,396	41,539
Transportation	26	15	94,372	13,177
Distribution	22	14	26,505	32,731
Tourism & entertainment	<u>13</u>	<u>6</u>	<u>149,607</u>	<u>5,303</u>
	<u>2,289</u>	<u>1,814</u>	<u>4,046,004</u>	<u>2,980,265</u>

Delinquent loans and advances on which interest is no longer accrued amounted to \$69,922,000 (2005: \$91,279,000) as at balance sheet date.

Loans are shown after deducting provision for probable loan losses of \$60,422,000 (2005: \$55,820,000), as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Provision made during the year	36,227	57,245
Transfer to/(from) loan loss reserve (note 19)	(11,700)	(6,289)
Charged against revenue for the year	24,527	50,956
Provision at beginning of the year	55,820	40,625
Net loan balances written off during the year	(19,925)	(35,761)
At end of the year	<u>60,422</u>	<u>55,820</u>

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Specific provisions	60,422	55,820
General provision (note 19)	<u>40,586</u>	<u>28,886</u>
	<u>101,008</u>	<u>84,706</u>

In keeping with IFRS, the general provision is included in loan loss reserve and treated as an appropriation of retained earnings (note 19).

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 20068. Other assets

	<u>2006</u> \$'000	<u>2005</u> \$'000
Interest receivable	348,724	364,411
Withholding tax recoverable	169,062	230,017
Due from fellow subsidiaries	9,435	1,787
Sundry	<u>60,313</u>	<u>27,302</u>
	<u>587,534</u>	<u>623,517</u>

All other assets are considered to be recoverable within one year.

9. Employee benefit asset/(obligation)

The company participates in a defined-benefit pension scheme funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contribution of 0.5% as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3 year average salary per year of pensionable service, plus any declared bonus pensions.

The company also participates in a number of post-employment schemes, including group life, insured and self-insured health care, gratuity and other supplementary plans.

(a) Plan asset/(obligation)

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Present value of funded obligations	(94,914)	(58,741)	(43,894)	(30,488)
Unrecognised actuarial losses	(138)	(143,045)	(281)	(3,390)
Unrecognised amount due to limitation	(15,201)	-	-	-
Fair value of plan assets	<u>164,385</u>	<u>249,670</u>	<u>-</u>	<u>-</u>
Recognised asset/(liability)	<u>54,132</u>	<u>47,884</u>	<u>(44,175)</u>	<u>(33,878)</u>

(b) Movements in liability for defined-benefit obligations :

	<u>Pension asset</u>		<u>Obligations</u>	
	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Balance at January 1	58,741	59,372	30,488	27,214
Service and interest cost	26,312	20,725	10,260	8,767
Benefits paid	(580)	(3,952)	(157)	(585)
Actuarial gain/(loss)	<u>10,441</u>	<u>(17,404)</u>	<u>3,303</u>	<u>(4,908)</u>
Balance at December 31	<u>94,914</u>	<u>58,741</u>	<u>43,894</u>	<u>30,488</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 20069. Employee benefit asset/(obligation) (cont'd)

(c) Movements in plan assets:

	<u>Pension asset</u>		<u>Obligations</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at January 1	249,670	107,954	-	-
Contributions paid	12,737	10,596	-	-
Expected return on plan assets	28,866	13,353	-	-
Benefits paid	(580)	(3,952)	-	-
Actuarial (loss)/gain	<u>(126,308)</u>	<u>121,719</u>	-	-
Balance at December 31	<u>164,385</u>	<u>249,670</u>	<u>-</u>	<u>-</u>
Plan assets consist of the following:				
Government securities	102,970	155,513	-	-
Equities	45,944	68,056	-	-
Debt	5,150	7,293	-	-
Other	<u>10,321</u>	<u>18,808</u>	-	-
	<u>164,385</u>	<u>249,670</u>	<u>-</u>	<u>-</u>

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

	<u>Pension asset</u>		<u>Obligations</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current service cost	5,128	2,332	5,741	4,801
Interest on obligation	9,418	8,680	4,519	3,966
Actuarial (gains)/losses recognised	(6,158)	-	194	96
Expected return on plan assets	(28,866)	(13,352)	-	-
Income not eligible for recognition due to limit	<u>15,201</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,277)</u>	<u>(2,340)</u>	<u>10,454</u>	<u>8,863</u>

The actual return on plan assets was a loss of \$97,442,000 (2005: gain \$135,072,000).

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

	<u>2006</u>	<u>2005</u>
	<u>%</u>	<u>%</u>
Discount rate at December 31	12.5	12.5
Expected return on plan assets at December 31	12.0	12.0
Future salary increases	9.5	9.5
Future pension increases	3.5	3.5
Medical claims growth	10.0	9.5

Assumptions regarding future mortality are based on Standard Tables – 1983 Group Annuity Mortality – males & females. The overall expected long-term return on assets is 12.0%.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 20069. Employee benefit asset/(obligation) (cont'd)

(f) Historical information

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Plan asset</u>					
Present value of the defined benefit obligation	94,914	58,741	59,372	22,871	12,610
Fair value of plan assets	<u>164,385</u>	<u>249,670</u>	<u>107,954</u>	<u>51,529</u>	<u>26,544</u>
Surplus/(deficit) in plan	<u>69,471</u>	<u>190,929</u>	<u>48,582</u>	<u>28,658</u>	<u>13,934</u>
<u>Plan obligations</u>					
Present value of the defined benefit obligation	<u>43,894</u>	<u>30,488</u>	<u>27,214</u>	<u>6,622</u>	<u>4,804</u>
Experience adjustments arising on plan liabilities	749	(22,547)	3,519	5,150	(1,552)
Experience adjustments arising on plan assets	<u>(126,308)</u>	<u>(121,719)</u>	<u>(6,172)</u>	<u>19,543</u>	<u>965</u>

(g) Assumed health care cost trends have a significant effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	<u>1%</u>	<u>1%</u>
	<u>increase</u>	<u>decrease</u>
	\$'000	\$'000
Effect on the aggregate service and interest cost	118	(610)
Effect on the defined benefit obligation	<u>3,191</u>	<u>(2,406)</u>

10. Property, plant and equipment

	<u>Computer</u>	<u>Office equipment,</u>	<u>Leased</u>	<u>Total</u>
	<u>equipment</u>	<u>fixture & fittings</u>	<u>assets</u>	<u></u>
	\$'000	\$'000	\$'000	\$'000
At cost:				
December 31, 2004	55,591	65,062	13,661	134,314
Additions	6,019	9,518	8,820	24,357
Disposals	-	(133)	-	(133)
December 31, 2005	61,610	74,447	22,481	158,538
Additions	8,424	6,678	20,805	35,907
Disposals	-	(450)	-	(450)
December 31, 2006	<u>70,034</u>	<u>80,675</u>	<u>43,286</u>	<u>193,995</u>
Depreciation:				
December 31, 2004	36,617	41,859	8,315	86,791
Charge for the year	5,286	12,979	3,622	21,887
Eliminated on disposals	-	(133)	-	(133)
December 31, 2005	41,903	54,705	11,937	108,545
Charge for the year	20,562	704	7,917	29,183
Eliminated on disposals	-	(173)	-	(173)
December 31, 2006	<u>62,465</u>	<u>55,236</u>	<u>19,854</u>	<u>137,555</u>
Net book values:				
December 31, 2006	<u>7,569</u>	<u>25,439</u>	<u>23,432</u>	<u>56,440</u>
December 31, 2005	<u>19,707</u>	<u>19,742</u>	<u>10,544</u>	<u>49,993</u>
December 31, 2004	<u>18,974</u>	<u>23,203</u>	<u>5,346</u>	<u>47,523</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200611. Deposits

The deposit portfolio is comprised as follows:

	<u>Number of Accounts</u>		<u>2006</u> \$'000	<u>2005</u> \$'000
	<u>2006</u>	<u>2005</u>		
Financial institutions	101	93	1,520,109	1,197,070
Commercial and Business enterprises	1,713	1,629	4,086,240	3,274,209
Personal	5,333	5,381	4,382,749	3,000,346
Others	<u>55</u>	<u>12</u>	<u>417,262</u>	<u>2,150,330</u>
	<u>7,202</u>	<u>7,115</u>	<u>10,406,360</u>	<u>9,621,955</u>

12. Due to specialized banks

These represent loans from Development Bank of Jamaica Limited (DBJ) and the National Export-Import Bank of Jamaica Limited (Ex-Im) for the purpose of on-lending to customers approved by DBJ and Ex-Im. The DBJ loans bear interest at 10% (2005: 10%) per annum., the Ex-Im loans bear interest at an average of 11% (2005: Nil%) and both are repayable in equal monthly installments. The loans are secured by promissory notes executed by the companies.

13. Obligations under finance leases

	<u>2006</u> \$'000	<u>2005</u> \$'000
Due from the date of the balance sheet as follows:		
2006	-	3,401
2007	1,565	1,565
2008	<u>913</u>	<u>913</u>
Total future minimum lease payments	2,478	5,879
Less: Future interest charges	(369)	(1,011)
Present value of minimum lease payments	<u>2,109</u>	<u>4,868</u>
Due within 12 months	1,254	2,759
Due after 12 months	<u>855</u>	<u>2,109</u>
	<u>2,109</u>	<u>4,868</u>

14. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Employee benefit asset, net	(7,185)	(2,758)	2,968	15,961	(4,217)	13,203
Property, plant and equipment	(4,933)	(2,459)	1,262	3,149	(3,671)	690
Investments	-	-	96,498	75,689	96,498	75,689
Other liabilities	(5,599)	(14,370)	-	-	(5,599)	(14,370)
Net tax (assets)/liabilities	(17,717)	(19,587)	100,728	94,799	83,011	75,212

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200614. Deferred tax liabilities (cont'd)

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

	<u>2006</u>	<u>2005</u>
	\$'000	\$'000
Net deferred tax liability at beginning of year	75,212	76,428
Recognised in revenue – tax credit (note 23)	(13,894)	(7,341)
Recognised in equity	<u>21,693</u>	<u>6,125</u>
Net deferred tax liability at end of year	<u>83,011</u>	<u>75,212</u>

15. Other liabilities

	<u>2006</u>	<u>2005</u>
	\$'000	\$'000
Interest payable	246,740	208,104
Managers' cheques	147,060	50,871
Accruals	56,438	31,318
Withholding tax payable	18,941	57,904
Other	<u>153,631</u>	<u>4,701</u>
	<u>622,810</u>	<u>352,898</u>

16. Share capital

Authorised:

627,684,764 ordinary shares at no par value

Stated capital:

	<u>2006</u>	<u>2005</u>
	\$'000	\$'000
Issued and fully paid - 627,684,764 ordinary shares	<u>627,685</u>	<u>627,685</u>

In accordance with Section 37 (1) of the Companies Act 2004 ("Act"), which became effective on February 1, 2005, the company at the annual general meeting of the members on May 24, 2005, elected to retain par value and continue the issue of share with a nominal or par value of \$1.00 each. This remained in effect for a period of eighteen months from that date, and in accordance with the Act, on November 25, 2006, the shares in issue were deemed to be shares without par value.

17. 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. 8.9% of profit for the year has been transferred to the Reserve Fund, bringing the balance of the Fund equal to the paid-up capital of the company.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200618. Fair value reserve

This represents the unrealized gains/losses on the revaluation of available-for-sale investments [note 4(g)(iv)] net of attributable taxation.

19. Loan loss reserve

This is a non-distributable reserve, representing general loan loss provision (note 7).

	<u>2006</u> \$'000	<u>2005</u> \$'000
Balance at beginning of year	28,886	22,597
Transferred from general provision for loans	<u>11,700</u>	<u>6,289</u>
Balance at end of year	<u>40,586</u>	<u>28,886</u>

20. Retained earnings reserve

Transfers to the retained earnings reserve are made at the discretion of the Board. All such transfers are notified to the Bank of Jamaica. The directors authorised the transfer of the balance, being 88.20% (2005: 90.43%) of retained profits to this reserve.

21. Employee numbers and costs

At the end of the year, the company has 128 (2005: 123) full-time and 24 (2005: 22) part-time employees. Related staff costs are as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Salaries and wages	259,550	218,097
Statutory payroll contributions	20,356	18,308
Contributions for pension and other plans	10,398	5,577
Other staff costs	<u>13,768</u>	<u>22,526</u>
	<u>304,072</u>	<u>264,508</u>

22. Profit before taxation

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Directors' emoluments [note 25(c)]:		
Fees	1,889	1,146
Management remuneration	10,877	9,877
Auditors' remuneration	2,700	2,500
Gain on disposal of property, plant and equipment	<u>(173)</u>	<u>(957)</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200623. Income tax

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
(i) Current tax expense:		
Income tax at 33½%	118,428	160,962
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 14)	(13,894)	(7,341)
Total taxation recognized in statement of revenue and expenses	<u>104,534</u>	<u>153,621</u>

(b) The effective tax rate for the company was 20.43% (2005: 27.42%) compared to a statutory rate of 33½% ((2005: 33½%). The actual tax expense differed from the expected tax expense for the year as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Profit before taxation	<u>511,443</u>	<u>560,417</u>
Computed "expected" tax expense	170,481	186,806
Difference between profit for financial statements and tax reporting purposes on:-		
Depreciation and capital allowances	3,683	1,974
Tax-free income	(63,636)	(38,924)
Others	(5,994)	<u>3,765</u>
Actual tax expense	<u>104,534</u>	<u>153,621</u>

24. Earnings per share

The computation of earnings per share is based on net profit for the year of \$406,909,000 for the company (2005: \$406,796,000), divided by 627,684,764 (2005: 627,684,764) being the average number of issued and fully paid ordinary shares during the year.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200625. Related party balances and transactions

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Loans, net of provision for probable losses:		
Parent company	-	9,856
Fellow subsidiaries	48,154	54,319
Directors and other key management personnel	13,774	-
Other related entities	56,301	7,469
Other assets:		
Fellow subsidiary	9,435	1,787
Deposits:		
Parent company	102,151	81,583
Fellow subsidiaries	701,500	715,126
Directors and other key management personnel	93,171	31,422
Other related entities	188,839	286,099
Securities sold under repurchase agreements:		
Parent company	12,330	46,514
Fellow subsidiaries	480,626	109,763
Directors and other key management personnel	4,408	4,021
Other related entities	215,876	263,648
Obligations under finance leases:		
Fellow subsidiary	-	1,731
Other related entities	2,109	3,137
Other liabilities:		
Fellow subsidiaries	<u>650</u>	<u>608</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Revenue:		
Income from reverse repos:		
Fellow subsidiaries	(1,427)	(3,450)
Income from loans:		
Parent company	(1,981)	-
Fellow subsidiaries	(7,001)	(9,417)
Directors and other key management personnel	(775)	(257)
Other related entities	(2,295)	(4,854)
Other operating income:		
Parent company	(1,283)	
Fellow subsidiaries	(2,128)	(5,127)
Directors and other key management personnel	(78)	-
Other related entities	(3,065)	-
Expenses:		
Interest:		
Parent company	15,135	6,281
Fellow subsidiaries	51,358	74,090
Related companies	29,642	156,548
Directors and other key management personnel	1,467	2,174
Other operating expenses:		
Fellow subsidiaries	41,651	15,103
General administration expenses:		
Parent company	<u>43,131</u>	<u>30,610</u>

- (c) Compensation of key management personnel is as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Directors' fees (note 22)	1,889	1,146
Salaries and other employee benefits, included in staff costs (note 21):		
Directors (note 22)	10,877	9,877
Other key management personnel	<u>24,579</u>	<u>30,248</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

26. Financial instruments

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

(a) Fair value:

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

Determination of fair value:

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

The fair value of available-for-sale investments is assumed to be equal to the estimated market values as provided in note 6. The estimated fair values of loans are assumed to be the principal receivable less any provision for losses and impairment.

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

(b) Financial instrument risks:

Exposure to interest rate, market, foreign currency, credit, liquidity and cash flow risks arises in the ordinary course of the company's business. No derivative financial instruments are presently used to reduce exposure to financial instrument risks.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Position risk is the exposure of the company to the effect of price changes on the market value of its portfolio of financial instruments, both on and off balance sheet.

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

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 interest rate gap based on the earlier of contractual repricing and maturity dates.

	2006				
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate sensitive \$'000	Total \$'000
<u>Financial assets</u>					
Cash and cash equivalents	1,046,411			2,289,802	3,336,213
Investments	2,703,571	1,339,901	9,169,255	5,020	13,217,747
Loans	400,898	864,197	2,780,909	-	4,046,004
Securities purchased under resale agreements	400,000	-	-	-	400,000
Cheques and other instruments in-transit	-	-	-	136,270	136,270
Other assets	-	-	-	587,534	587,534
Customers' liabilities under guarantees, as per contra	-	-	-	670,249	670,249
Total financial assets	<u>4,550,880</u>	<u>2,204,098</u>	<u>11,950,164</u>	<u>3,688,875</u>	<u>22,394,017</u>
<u>Financial liabilities</u>					
Deposits	7,376,749	2,967,495	62,116	-	10,406,360
Due to specialized banks	-	-	220,401	-	220,401
Securities sold under repurchase agreements	6,502,528	1,195,496	-	-	7,698,023
Obligations under finance leases	192	1,062	855	-	2,109
Other liabilities	-	-	-	622,810	622,810
Guarantees, per contra	-	-	-	670,249	670,249
Total financial liabilities	<u>13,879,469</u>	<u>4,164,053</u>	<u>283,372</u>	<u>1,293,059</u>	<u>19,619,953</u>
Total interest rate sensitivity gap	(9,328,589)	(1,959,955)	11,666,792	2,395,816	2,774,064
Cumulative gap	(9,328,589)	(11,288,544)	378,248	2,774,064	-
<u>2005</u>					
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate sensitive \$'000	Total \$'000
Total interest rate sensitivity gap	(7,000,437)	(75,874)	7,689,583	1,809,059	2,422,331
Cumulative gap	(7,000,437)	(7,076,311)	613,272	2,422,331	-

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200626. 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:

	2006			<u>Total</u> (%)
	<u>Within</u> <u>3 months</u> (%)	<u>3 to</u> <u>12 months</u> (%)	<u>Over</u> <u>12 months</u> (%)	
Cash and cash equivalents	5.03	-	-	5.03
Investments	13.20	13.81	10.26	11.75
Loans	14.92	11.82	13.34	13.17
Securities purchased under resale agreements	8.76	-	-	8.76
Deposits	7.39	7.67	9.43	7.49
Due to specialized banks	-	-	10.00	10.00
Securities sold under repurchase agreements	7.85	7.92	-	7.86
Obligations under finance leases	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>

	2005			<u>Total</u> (%)
	<u>Within</u> <u>3 months</u> (%)	<u>3 to</u> <u>12 months</u> (%)	<u>Over</u> <u>12 months</u> (%)	
Cash and cash equivalents	-	-	-	-
Investments	15.27	14.41	10.70	12.68
Loans	24.10	10.94	14.63	16.44
Securities purchased under resale agreements	5.47	-	-	5.47
Deposits	7.43	7.42	7.90	6.17
Due to specialized banks	-	-	10.00	10.00
Securities sold under repurchase agreements	10.13	10.60	12.75	10.19
Obligations under finance leases	<u>26.00</u>	<u>25.00</u>	<u>20.00</u>	<u>23.81</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

26. Financial instruments (cont'd)

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

(ii) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company manages this risk by applying the relevant hedging techniques and maintaining the appropriate gapping strategy. Management has also established limits for specific financial instruments with regard to liquidity and tenure. The investment portfolio presently consists mainly of Government of Jamaica instruments denominated in both US and Jamaican dollars, which are all tradable. The loans are adequately secured. At the balance sheet date, financial instruments subject to this risk amounted to \$13,612,727,000 (2005: \$12,241,054,000).

(iii) Foreign currency risk:

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

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
<u>Currency</u>		
United States dollars	(6,445)	(3,749)
Canadian dollars	(37)	(145)
Pounds sterling	669	554
Euro	<u>(3,837)</u>	<u>441</u>

(iv) Credit risk:

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

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

26. Financial instruments (cont'd)

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

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

	<u>2006</u>		
	<u>Loans</u>	<u>Guarantees and letters of credit</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Public sector	1,417,535	-	1,417,535
Professional & other services	1,367,989	539,979	1,907,968
Individuals	924,388	55,898	980,286
Agriculture	24,212	-	24,212
Manufacturing	41,396	-	41,396
Transportation	94,372	4,372	98,744
Distribution	26,505	-	26,505
Tourism	<u>149,607</u>	<u>70,000</u>	<u>219,607</u>
	<u>4,046,004</u>	<u>670,249</u>	<u>4,716,253</u>
	<u>2005</u>		
	<u>Loans</u>	<u>Guarantees and letters of credit</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Public sector	1,406,598	-	1,406,598
Professional & other services	1,031,990	189,489	1,221,479
Individuals	442,228	74,809	517,037
Agriculture	6,699	-	6,699
Manufacturing	41,539	-	41,539
Transportation	13,177	6,248	19,425
Distribution	32,731	-	32,731
Tourism	<u>5,303</u>	<u>70,000</u>	<u>75,303</u>
	<u>2,980,265</u>	<u>340,546</u>	<u>3,320,811</u>

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business, the management of the company aims at maintaining flexibility in funding by having adequate credit facilities and marketable financial instruments. The company has in place the appropriate limits with regard to liquid instruments and total assets and continues to apply the appropriate gapping strategy to ensure there is adequate cash resources to meet maturing and call instruments.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements (Continued)
December 31, 200626. Financial instruments (cont'd)(v) Liquidity risk (cont'd)

The table below analyses financial assets and liabilities of the company into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2006				<u>Total</u> \$'000
	<u>Within</u> <u>3 months</u> \$'000	<u>3 to 12</u> <u>months</u> \$'000	<u>Over</u> <u>12 months</u> \$'000	<u>No specific</u> <u>maturity date</u> \$'000	
<u>Financial assets</u>					
Cash and cash equivalents	1,046,411			2,289,802	3,336,213
Investments	4,827,260	1,695,736	6,689,731	5,020	13,217,747
Loans	817,412	460,878	2,767,714	-	4,046,004
Securities purchased under resale agreements	400,000	-	-	-	400,000
Cheques and other instruments in-transit	-	-	-	136,270	136,270
Other assets	-	-	-	587,534	587,534
Customers' liabilities under guarantees, as per contra	-	-	-	670,249	670,249
Total financial assets	<u>7,091,083</u>	<u>2,156,614</u>	<u>9,457,445</u>	<u>3,688,875</u>	<u>22,394,017</u>
<u>Financial liabilities</u>					
Deposits	7,376,749	2,967,495	62,116	-	10,406,360
Due to specialized banks	-	-	220,401	-	220,401
Securities sold under repurchase agreements	6,502,528	1,195,496	-	-	7,698,023
Obligations under finance leases	192	1,062	855	-	2,109
Other liabilities	-	-	-	622,810	622,810
Guarantees, per contra	-	-	-	670,249	670,249
Total financial liabilities	<u>13,879,469</u>	<u>4,164,053</u>	<u>283,372</u>	<u>1,293,059</u>	<u>19,619,953</u>
Total liquidity gap	<u>(6,788,386)</u>	<u>(2,007,439)</u>	<u>9,174,073</u>	<u>2,395,816</u>	<u>2,774,064</u>
Cumulative gap	<u>(6,788,386)</u>	<u>(8,795,825)</u>	<u>378,248</u>	<u>2,774,064</u>	<u>-</u>
	2005				
	<u>Within</u> <u>3 months</u> \$'000	<u>3 to 12</u> <u>months</u> \$'000	<u>Over</u> <u>12 months</u> \$'000	<u>Non-rate</u> <u>sensitive</u> \$'000	<u>Total</u> \$'000
Total liquidity gap	<u>(6,742,111)</u>	<u>(75,874)</u>	<u>7,684,563</u>	<u>1,555,753</u>	<u>2,422,331</u>
Cumulative gap	<u>(6,742,111)</u>	<u>(6,817,985)</u>	<u>866,578</u>	<u>2,422,331</u>	<u>-</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements (Continued)
December 31, 2006

26. Financial instruments (cont'd)

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

(vi) Cash flow risk:

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

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

27. Litigation

In separate suits, 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 suits claim unquantified damages for fraud and breach of contract. The company has filed a defence to the claims, denied the allegations and counter claimed for the debts owing. A trial date has been set for only one of the lawsuits.

Two employees have also sued the company for wrongful dismissal.

With respect to the lawsuits by the customers and one employee, the company's lawyers are unable to provide a meaningful opinion as to the outcome of the litigations, as it will depend on oral evidence given at the trial, and the judge's opinion as to the truth of that evidence.

In the opinion of the company's lawyers, the Bank has a good defense to the claim filed by the other employee.

No provision has been made in the financial statements in these regards.