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Financials 2007

SERIOUS ABOUT WEALTH

 **CAPITAL MARKETS**
L I M I T E D

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended September 30, 2007.

The profit and loss account shows profit before taxation of \$2,034,347,000 and profit after taxation of \$1,566,943,000. The retained earnings at September 30, 2007 amounted to \$6,640,633,000.

ACTIVITIES

The company is a licensed securities dealer and is a member of the Jamaica Stock Exchange. The company also has primary dealer status from the Bank of Jamaica.

DIRECTORS

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

Mr. Patrick Hylton - Chairman
Mr. Christopher Williams - Managing Director
Dr. Nigel Clarke
Miss Shamena Khan
Mr. Michael Ammar
Mr. Dennis Cohen
Mr. Mark Myers
Mr. Aubrey Garcia - Ceased to be a director on June 12, 2007
Dr. Cecil Bachelor
Mr. John Bell
Mrs. Yvonne Clarke
Mrs. Jennifer Dewdney-Kelly - Company Secretary

DIVIDENDS

The directors do not recommend the payment of an ordinary dividend.

SHARE CAPITAL

There was no issue of ordinary shares during the year.

AUDITORS

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

On behalf of the Board
NCB CAPITAL MARKETS LIMITED



Misheca Seymour-Senior (Mrs.)
Assistant Company Secretary

November 12, 2007

Auditors' Report



KPMG
Chartered Accountants
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 Kingston
 Jamaica W.I.

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To the Members of
 NCB CAPITAL MARKETS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of NCB Capital Markets Limited (“company”), set out on pages 5 to 38, which comprise the balance sheet as at September 30, 2007, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and 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 and the Jamaican Companies 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 misstatements, 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 company'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 company's internal control. 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Raphael E. Gordon
 Caryl A. Fenton
 Elizabeth A. Jones
 Patrick A. Chin
 Patricia O. Dailey-Smith

Linroy J. Marshall
 R. Tarun Handa
 Cynthia L. Lawrence
 Rajan Trehan
 Norman O. Rainford

Auditors' Report (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at September 30, 2007, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the Jamaican Companies Act.

Report on additional requirements of the Jamaican 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 12, 2007

Profit and Loss Account

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2007</u> <u>\$'000</u>	<u>2006</u> <u>\$'000</u>
Operating Income			
Interest income		6,169,948	6,519,737
Interest expense	3	<u>(4,610,686)</u>	<u>(5,006,792)</u>
Net interest income		<u>1,559,262</u>	<u>1,512,945</u>
Gains on asset trading	4	788,505	678,729
Dividend income		36,545	47,751
Other operating income		<u>424,535</u>	<u>271,533</u>
		<u>1,249,585</u>	<u>998,013</u>
		2,808,847	2,510,958
Operating Expenses			
Impairment loss	12	30,380	244,257
Staff costs	5	451,659	401,465
Other operating expenses		<u>292,461</u>	<u>316,132</u>
	6	<u>774,500</u>	<u>961,854</u>
Profit before Taxation	7	2,034,347	1,549,104
Taxation	8	<u>(467,404)</u>	<u>(313,564)</u>
NET PROFIT		<u>1,566,943</u>	<u>1,235,540</u>
Earnings per stock unit			
(expressed in \$ per share)	9	<u>\$1.30</u>	<u>\$1.02</u>

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

Balance Sheet

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2007</u> <u>\$'000</u>	<u>2006</u> <u>\$'000</u>
ASSETS			
Cash and deposits		490,748	603,396
Investment securities at fair value through profit or loss	10	1,025,768	1,132,938
Reverse repurchase agreements	11	3,494,763	14,972,111
Investment securities – available-for-sale	12	51,709,984	43,560,942
Receivable from clients		12,864	30,297
Receivable from brokers		68,925	11,891
Other assets	13	1,084,535	548,297
Retirement benefit asset	14	11,627	10,118
Property, plant and equipment	15	15,485	21,675
Intangible assets – computer software	16	13,035	7,167
Total Assets		<u>57,927,734</u>	<u>60,898,832</u>
LIABILITIES			
Repurchase agreements		45,192,234	50,258,040
Promissory notes and certificates of participation	17	319,993	2,286,612
Payable to clients		60,906	63,881
Payable to brokers		98,411	-
Taxation payable		593,901	180,329
Redeemable preference shares	22	1,098,770	300,000
Deferred income tax liability	18	181,378	497,790
Other borrowed funds	19	1,855,253	236,029
Other liabilities	20	449,802	276,563
Total Liabilities		<u>49,850,648</u>	<u>54,099,244</u>
EQUITY			
Share capital	21	1,221,115	1,207,615
Share premium	21	-	13,500
Fair value reserve	23	204,196	493,641
Capital reserve	24	11,142	11,142
Retained earnings		6,640,633	5,073,690
Total Equity		<u>8,077,086</u>	<u>6,799,588</u>
Total Liabilities and Equity		<u>57,927,734</u>	<u>60,898,832</u>

Approved for issue by the Board of Directors on November 12, 2007 and signed on its behalf by:



Patrick Hylton
Chairman



Christopher Williams
Director

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

Statement of Changes in Equity

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Share Premium \$'000	Fair Value Reserve \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balances at September 30, 2005	1,207,615	13,500	705,568	11,142	3,838,150	5,775,975
Realised gains on available-for-sale investments recognised in profit and loss account	-	-	(920,475)	-	-	(920,475)
Unrealised gains on available-for-sale investments, net of taxes	-	-	708,548	-	-	708,548
Net profit	-	-	-	-	1,235,540	1,235,540
Total recognised gains for the year	-	-	(211,927)	-	1,235,540	1,023,613
Balances at September 30, 2006	1,207,615	13,500	493,641	11,142	5,073,690	6,799,588
Transfer of share premium	13,500	(13,500)	-	-	-	-
Realised gains on available-for-sale investments recognised in profit and loss account	-	-	(509,305)	-	-	(509,305)
Unrealised gains on available-for-sale investments, net of taxes	-	-	219,860	-	-	219,860
Net profit	-	-	-	-	1,566,943	1,566,943
Total recognised gains for the year	-	-	(289,445)	-	1,566,943	1,277,498
Balances at September 30, 2007	1,221,115	-	204,196	11,142	6,640,633	8,077,086

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

Statement of Cash Flows

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2007</u> \$'000	<u>2006</u> \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	25	<u>5,668,692</u>	<u>14,162,275</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(3,724)	(11,991)
Acquisition of intangible assets – computer software		(16,870)	(7,427)
Proceeds from disposal of property, plant and equipment		-	1,202
Investment securities, net		<u>(8,442,068)</u>	<u>(13,390,499)</u>
Net cash used in investing activities		<u>(8,462,662)</u>	<u>(13,408,715)</u>
Cash Flows from Financing Activities			
Proceeds from issue of redeemable preference shares		777,381	300,000
Redemption of preference shares		-	(1,490)
Other borrowed funds		<u>1,615,261</u>	<u>37,931</u>
Net cash provided by financing activities		<u>2,392,642</u>	<u>336,441</u>
Net (decrease)/increase in cash and cash equivalents		(401,328)	1,090,001
Cash and cash equivalents at beginning of year		<u>2,917,271</u>	<u>1,799,278</u>
Effect of exchange rate changes on cash and cash equivalents		<u>12,280</u>	<u>27,992</u>
Cash and Cash Equivalents at End of Year		<u><u>2,528,223</u></u>	<u><u>2,917,271</u></u>
Comprising:			
Cash and deposits		490,748	603,396
Reverse repurchase agreements	11	<u>2,037,475</u>	<u>2,313,875</u>
		<u><u>2,528,223</u></u>	<u><u>2,917,271</u></u>

Cash and cash equivalents at September 30, 2007 include interest receivable of \$12,520,000 (2006 - \$9,248,000).

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

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

1. Identification and principal activities

NCB Capital Markets Limited (“the company”) is a wholly-owned subsidiary of National Commercial Bank Jamaica Limited (“the Bank”). Both companies are incorporated under the laws of Jamaica. The company is domiciled in Jamaica, with registered office at 32 Trafalgar Road, Kingston 10. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Mr. Michael Lee-Chin.

The company’s principal activities comprise those being a licensed securities dealer with the Financial Services Commission and became listed on the Jamaica Stock Exchange in September 2006. The company is also a member of the Jamaica Stock Exchange and has primary dealer status from the Bank of Jamaica.

2. Significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations issued by the International Accounting Standards Board (“IASB”), and the relevant provisions of the Jamaican Companies Act.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for investments classified as fair value through profit or loss and available-for-sale which are stated at fair value. They are presented in the company’s functional currency, Jamaican dollars, and are stated in thousands, unless otherwise stated. The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the balance sheet date and the reported amounts of income and expenses. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these 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. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

(i) Pension and other post-retirement benefits:

The amounts recognised in the balance sheet and profit and loss account 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.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(b) Basis of preparation (cont'd):

(i) Pension and other post-retirement benefits (cont'd):

The expected return on plan assets 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 estimate of yield on long-term government securities that have maturity dates approximating the terms of the branch'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. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Allowance for losses

In determining amounts recorded for allowance for 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 other receivables and other financial assets, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired financial assets as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant financial assets and the portfolio with similar characteristics, such as credit risks.

(iii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of the company's financial instruments is determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

(c) Standards, interpretations and amendments to published standards that are not yet effective:

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- *IFRS 7 - Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures* (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(c) Standards, interpretations and amendments to published standards that are not yet effective (cont'd):

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 October 2007;

- *IFRIC 10 - Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The company will apply IFRIC 10 from 1 October 2007, but it is not expected to have any impact on the company's accounts;
- *IFRS 8 - Operating Segments* (effective for annual periods beginning on or after 1 January 2009). IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It requires identification of operating segments on the basis of internal reports that are regularly reviewed by, and the amount reported for each operating segment item to be the measure reported to, the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 will replace IAS 14 – Segment Reporting. The company assessed the impact of IFRS 8 and concluded that there will be no material impact on the presentation of the accounts. The company will apply IFRS 8 from annual periods beginning 1 October 2009;
- *IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* addresses the availability of a refund of surplus or a reduction in future contributions when a minimum funding requirement exists. The company will apply IFRIC 14 from 1 October 2008. The impact, if any, of IFRIC 14 on the company's accounts has not yet been assessed;
- *IAS 23 (Revised) - Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense. The revised standard requires that a company capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The company will apply IAS 23 (Revised) from 1 October 2009, but it is not expected to have any impact on the company's accounts; and
- *IAS 1 (Revised 2007)* Presentation of Financial Statements requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and in a statement of comprehensive income. The standard becomes mandatory for the company's 2010 financial statements and will result in a change in the presentation of the profit and loss account and the statement of changes in equity.

The company has concluded that the following interpretations to existing standards, which are published but not yet effective, are not relevant to the company's operations:

- *IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(c) Standards, interpretations and amendments to published standards that are not yet effective (cont'd):

- *IFRIC 12 - Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008); and
- *IFRIC 13 - Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008).

(d) Foreign currency translation:

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. These rates represent the weighted average rates at which the Bank trades in foreign currencies.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit and loss account (applicable for investment securities at fair value through profit or loss), or within equity, if non-monetary financial assets are classified as available-for-sale.

(e) Interest and fees:

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on the accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities and accrued discount or premium on treasury bills and other discounted instruments. Interest income on impaired assets is recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount [note 2(g)].

Fees and commissions income are recognised on the accrual basis. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(f) Dividends:

Dividend income is recognised when the right to received income is established. Usually this is the ex-dividend date for equity securities.

(g) Investments:

Investments classified as fair value through profit or loss, including those held for trading, are carried at fair value, with changes in fair value being recognised in the profit and loss account. Securities acquired by the company by making funds available to debtors are classified as loans and receivables, provided they are not traded in an active market, and are measured at amortised cost less impairment losses.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(g) Investments (cont'd):

Other investments are classified as available-for-sale ("AFS") and are stated at fair value, with gains or losses arising from changes in fair value being included in the fair value reserve, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses.

When the securities are disposed of, or impaired, the related accumulated unrealised gains or losses included in equity are transferred to the profit and loss account. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount [note 2 (p)].

The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

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

Investments are recognised or derecognised by the company on the date of settlement and are initially recognised at cost.

(h) Repurchase and reverse repurchase transactions:

Securities sold under repurchase agreements (repurchase agreements) and securities purchased under resale agreements (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(i) Property, plant and equipment:

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets. 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 within 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 the income statement as incurred. Property, plant and equipment are periodically reviewed for impairment. Depreciation is calculated on the straight-line basis at annual rates that will write down the carrying value of each asset over the period of its expected useful life to its residual value. Annual depreciation rates are as follows:

Leasehold improvements	-	20%
Furniture and equipment	-	20%
Computer equipment	-	33⅓%
Motor vehicles	-	25%.

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(j) Intangible assets – computer software:

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These assets are stated at cost, less accumulated amortization and impairment losses, if any. The assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

(k) Borrowings:

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred.

Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

(l) Taxation:

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

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they relate to the same tax authority and when the legal right of offset exists.

Current and deferred taxes are recognised as income tax expense or credit in the profit and loss account except, where they relate to items recorded in equity, they are also charged or credited to equity.

(m) 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 vacation leave, and non-monetary benefits such as medical care and loans; post-employment benefits such as pensions; and 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

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(m) Employee benefits (cont'd):

entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

(i) Pension obligations:

The company operates two pension plans for all permanent employees, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the company, taking into account the recommendations of independent qualified actuaries. The company has both a defined contribution and a defined benefit plan.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate fund. The company has no legal or constructive obligation beyond paying these contributions. Contributions to the defined contribution plan are charged to the profit and loss account in the period to which they relate.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Employee benefits, comprising pensions and other post-employment assets and obligations included in the 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 are conducted in accordance with IAS 19, and the financial statements reflect the company's retirement benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount rates based on the market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the profit and loss account if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the profit and loss account over the average remaining service lives of the participating employees.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(ii) Other retirement obligations:

The company provides health care benefits to its retirees. The entitlement for these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

(n) Provisions:

Provisions are recognised when: there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

(o) Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers, and are carried at amortised cost. Cash equivalents are highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are held by the company in the management of its short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Impairment:

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

(i) Calculation of recoverable amount:

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

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

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(p) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

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

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

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

(q) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or predeterminable.

(r) Other assets:

Other assets are stated at amortised cost, less impairment losses.

(s) Other liabilities:

Other liabilities are stated at amortised cost.

(t) Preference shares:

Preference shares are included in the balance sheet as a liability and dividends paid thereon are treated as interest expense.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (cont'd)

(u) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other business segments.

The vast majority of the company's revenues arise in Jamaica, based on the geographical location of its clients. The vast majority of the company's assets are also located in Jamaica. At this time there are no material segments into which the company's business may be broken down.

(v) Comparative information:

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

(w) New standards and interpretations adopted:

During the year, the following new standards and interpretations became effective:

IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies
IFRIC 8	Scope of IFRS 2 - Share-based Payment
IFRIC 9	Reassessment of Embedded Derivatives
IAS 19	
Amendments	Actuarial Gains & Losses, Group Plans and Disclosures
IAS 39	
Amendments	The Fair Value Option, Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions and Financial Guarantee Contracts

The adoption of these standards did not result in any change in accounting policies and did not have any effect on the company's operating results or financial position. The adoption of IAS 19 Amendments resulted in additional disclosures in respect of post retirement benefits.

3. Interest Expense

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Repurchase agreements	4,286,388	4,654,033
Other borrowed funds	268,075	352,113
Preference dividend	<u>56,223</u>	<u>646</u>
	<u>4,610,686</u>	<u>5,006,792</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

4. Gains on Asset Trading

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Fixed income	741,789	774,545
Equities	<u>46,716</u>	<u>(95,816)</u>
	<u>788,505</u>	<u>678,729</u>

5. Staff costs

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Salaries and wages (including directors' remuneration)	369,801	336,586
Statutory contributions	29,971	31,160
Pension costs - defined contribution plan	9,425	9,166
Pension costs - defined benefit plan (note 14)	(691)	(566)
Allowances and benefits	<u>43,153</u>	<u>25,119</u>
	<u>451,659</u>	<u>401,465</u>

6. Expenses by nature

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Staff costs	451,659	401,465
Impairment loss	30,380	244,257
Depreciation and amortisation	20,916	21,324
Irrecoverable GCT	22,493	19,394
Licensing and processing fees	13,720	13,089
Marketing, advertising and donations	40,291	40,607
Technical, consultancy and professional fees	68,153	64,707
Property, maintenance, insurance and utilities	28,396	24,977
Communication, courier and transportation	13,147	12,244
Stationery and office supplies	14,662	13,320
Other	<u>70,683</u>	<u>106,470</u>
	<u>774,500</u>	<u>961,854</u>

7. Profit before taxation

The following have been charged/(credited) in arriving at profit before income tax:

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Directors' emoluments - fees	3,195	3,106
- management remuneration	37,122	32,932
Auditors' remuneration - current year	4,410	4,200
- prior year	-	40
Gain on disposal of property, plant and equipment	<u>-</u>	<u>(96)</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

8. Taxation

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Current tax expense:		
Current year	625,995	447,504
Adjustments for prior year	<u>13,098</u>	<u>(4,958)</u>
	639,093	442,546
Deferred tax:		
Origination and reversal of temporary differences (note 18)	<u>(171,689)</u>	<u>(128,982)</u>
	<u>467,404</u>	<u>313,564</u>

The effective tax rate for the year was 22.98% (2006: 20.24%) of pre-tax profits of \$2,034,347,000 (2006: \$1,549,104,000) compared to a statutory rate of 33 $\frac{1}{3}$ % (2006: 33 $\frac{1}{3}$ %). The actual tax expense differs from the "expected" tax expense as follows:

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Profit before income tax	<u>2,034,347</u>	<u>1,549,104</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	678,116	516,368
Income not subject to tax	(216,430)	(232,094)
Expenses not deductible for tax purposes	1,518	1,660
Under/(over) provision in prior year	13,098	(4,958)
Other	<u>(8,898)</u>	<u>32,588</u>
Taxation expense	<u>467,404</u>	<u>313,564</u>

9. Earnings per stock unit

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

	<u>2007</u>	<u>2006</u>
Net profit attributable to stockholders (\$'000)	1,566,943	1,235,540
Weighted average number of ordinary stock units in issue ('000)	1,207,615	1,207,615
Earnings per stock unit (\$)	<u>1.30</u>	<u>1.02</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

10. Investment securities at fair value through profit or loss

	<u>2007</u> \$'000	<u>2006</u> \$'000
Corporate debt securities	7,746	-
Government of Jamaica debt securities	384,871	397,852
Quoted equity securities	<u>622,001</u>	<u>731,679</u>
	1,014,618	1,129,531
Interest receivable on debt securities	<u>11,150</u>	<u>3,407</u>
	<u>1,025,768</u>	<u>1,132,938</u>
Principal maturing as follows:		
- Up to 12 months after the balance sheet date	62,034	284,756
- More than twelve months after the balance sheet date	330,583	154,816
- Other (no fixed maturity dates)	<u>622,001</u>	<u>689,959</u>
	<u>1,014,618</u>	<u>1,129,531</u>

11. Reverse repurchase agreements

The company enters into collateralised reverse repurchase agreements that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations.

	<u>2007</u> \$'000	<u>2006</u> \$'000
Reverse repurchase agreements	3,424,956	14,115,100
Interest receivable	<u>69,807</u>	<u>857,011</u>
	<u>3,494,763</u>	<u>14,972,111</u>

At the balance sheet date, the fair value of the securities obtained and held by the company under resale agreements was \$3,506,000,000 (2006: \$14,028,083,000).

Reverse repurchase agreements mature within twelve months after the balance sheet date.

Included in reverse repurchase agreements are the following amounts which are regarded as cash and cash equivalents for the purposes of the statement of cash flows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Reverse repurchase agreements with an original maturity of less than 90 days	<u>2,037,475</u>	<u>2,313,875</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

12. Investment securities- available-for-sale

	<u>2007</u> \$'000	<u>2006</u> \$'000
Corporate debt securities	5,597,787	2,749,380
Government of Jamaica debt securities	43,615,186	38,702,084
Unquoted equity securities	21,066	18,328
Quoted equity securities	<u>1,178,101</u>	<u>977,108</u>
	50,412,140	42,446,900
Interest receivable on debt securities	<u>1,297,844</u>	<u>1,114,042</u>
	<u>51,709,984</u>	<u>43,560,942</u>

The company has recognised impairment losses on its quoted equity securities as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Balance at beginning of year	244,572	-
Impairment loss recognised	30,380	244,572
Impairment loss recovered	<u>(47,081)</u>	-
Balance at end of year	<u>227,871</u>	<u>244,572</u>

The impairment loss recognised in 2006 was in respect of the company's investment in Supreme Ventures Limited (SVL). In January 2006, through an IPO, shareholders in SVL offered 124,740,125 shares for sale at \$4.81 each. The offer was fully underwritten by the company, representing a total underwriting commitment of \$600,000,000. The offer was undersubscribed and in February 2006 the company discharged its underwriting commitment by purchasing 94,013,276 shares, being the number of shares undersubscribed. This investment was classified as available-for-sale at a cost of \$435,104,000. On 28 February 2006, the shares of SVL were listed on the Jamaica Stock Exchange. As at 30 September 2006, the bid price of these shares was \$2.03, resulting in a decline of 56% in the purchase price. An impairment assessment was performed and the difference between the cost of the investment and the bid price was recognised in the profit and loss account as an impairment loss. During the year, the company recovered \$47,081,000 of the impairment loss from the sale of SVL shares.

At 30 September 2007, an impairment assessment of the company's portfolio of quoted equity securities was performed and the amount of \$30,380,000 was recognised in the profit and loss account as an impairment loss. Certificates of securities held amounting to \$200,000,000 (2006: \$200,000,000) are held by the Bank of Jamaica as security for overdraft, if any. At the balance sheet date, there was no overdraft with the Bank of Jamaica.

Available-for-sale investment securities mature from the balance sheet date, as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Within 1 year after the balance sheet date	6,719,836	9,623,302
More than twelve months after the balance sheet date	42,493,137	31,828,162
Other (no fixed maturity dates)	<u>1,199,167</u>	<u>995,436</u>
	<u>50,412,140</u>	<u>42,446,900</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

13. Other assets

	<u>2007</u> \$'000	<u>2006</u> \$'000
Withholding tax recoverable, net	772,517	408,382
Due from fellow subsidiary	139,672	120
Due from parent company	-	3,254
Margin account asset	-	585
Miscellaneous	<u>184,285</u>	<u>147,895</u>
	1,096,474	560,236
Less: Provision for doubtful debts	<u>(11,939)</u>	<u>(11,939)</u>
	<u>1,084,535</u>	<u>548,297</u>

14. Retirement benefit asset

Pension scheme:

The company operates a defined-benefit pension plan for all permanent employees. The assets of the plan are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the company, taking into account the recommendations of independent qualified actuaries. The latest actuarial valuation was carried out as at June 30, 2007.

(a) Retirement benefits asset:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Present value of funded obligations	(13,521)	(12,360)
Fair value of plan assets	<u>25,423</u>	<u>22,830</u>
	11,902	10,470
Unrecognised actuarial gains	<u>(275)</u>	<u>(352)</u>
Net asset at end of year	<u>11,627</u>	<u>10,118</u>

(b) Movements in the present value of funded obligations:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Balance at beginning of year	(12,360)	(11,013)
Benefits	2,016	357
Service and interest costs	(3,030)	(2,759)
Actuarial gain	<u>(147)</u>	<u>1,055</u>
Balance at end of year	<u>(13,521)</u>	<u>(12,360)</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

I4. Retirement benefit asset (cont'd)

(c) Movements in plan assets:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Fair value of plan assets at beginning of year	22,830	18,860
Contributions paid	2,027	1,905
Expected return on plan assets	2,512	2,160
Benefits paid	(2,016)	(357)
Actuarial gain	70	262
Fair value of plan assets at end of year	<u>25,423</u>	<u>22,830</u>

The amounts recognised in the profit and loss account are as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Current service costs	280	84
Interest cost	1,541	1,510
Expected return on plan assets	<u>(2,512)</u>	<u>(2,160)</u>
Total income included in staff costs (note 5)	<u>(691)</u>	<u>(566)</u>

The actual return on plan assets was \$2,582,000 (2006: \$2,422,000).

(d) Movements in the amounts recognised in the balance sheet:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Net asset at beginning of year	10,118	8,812
Total income, as above	691	566
Contributions paid	<u>818</u>	<u>740</u>
Net asset at end of year	<u>11,627</u>	<u>10,118</u>

(e) The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	12.0%	12.0%
Expected return of plan assets	11.0%	10.0%
Future salary increases	9.5%	9.5%
Future pension increases	<u>-</u>	<u>-</u>

(i) The expected long-term rate of return is based on market expectation of inflation of 8% plus a margin for real returns of 3% on a balanced portfolio of equities and bonds.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

I4. Retirement benefit asset (cont'd)

- (e) The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows (cont'd):
- (ii) Assumptions regarding future mortality are based on the American 1983 Group Annuity Mortality Tables GAM 83.
- (f) The company's best estimate of contributions expected to be paid to the plan during the next financial year is \$640,000.
- (g) Historical information:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	13,521	12,360	11,013	10,396	8,754
Fair value of plan assets	25,423	22,830	18,860	16,644	13,789
Surplus in the plan	11,902	10,470	7,847	6,247	5,035
Experience adjustments on plan liabilities	147	(1,950)	244	429	1,233
Experience adjustments on plan assets	70	262	633	327	581

I5. Property, plant and equipment

	Leasehold improvements	Furniture & equipment	Computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:					
At September 30, 2005	22,728	7,843	7,188	4,279	42,038
Additions	8,591	1,593	1,807	-	11,991
Disposals	-	-	-	(1,895)	(1,895)
At September 30, 2006	31,319	9,436	8,995	2,384	52,134
Additions	234	1,039	1,086	1,365	3,724
At September 30, 2007	31,553	10,475	10,081	3,749	55,858
Accumulated depreciation:					
At September 30, 2005	10,891	3,868	5,443	1,435	21,637
Charge for the year	6,037	1,608	1,217	750	9,612
Disposals	-	-	-	(790)	(790)
At September 30, 2006	16,928	5,476	6,660	1,395	30,459
Charge for the year	6,216	1,717	1,332	649	9,914
At September 30, 2007	23,144	7,193	7,992	2,044	40,373
Net book values:					
September 30, 2007	8,409	3,282	2,089	1,705	15,485
September 30, 2006	14,391	3,960	2,335	989	21,675
September 30, 2005	11,837	3,975	1,745	2,844	20,401

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

16. Intangible assets – computer software

	<u>2007</u> \$'000	<u>2006</u> \$'000
Net book value at beginning of year	7,167	11,452
Additions	16,870	7,427
Amortisation charge	<u>(11,002)</u>	<u>(11,712)</u>
Net book value at end of year	<u>13,035</u>	<u>7,167</u>
Cost	77,053	60,183
Accumulated amortisation	<u>(64,018)</u>	<u>(53,016)</u>
Net book value	<u>13,035</u>	<u>7,167</u>

17. Promissory notes and certificates of participation

	<u>2007</u> \$'000	<u>2006</u> \$'000
Promissory notes and certificates of participation	303,841	2,246,050
Interest payable	<u>16,152</u>	<u>40,562</u>
	<u>319,993</u>	<u>2,286,612</u>

Promissory notes and certificates of participation are repayable between 2007 and 2008 (2006: 2007 - 2008) and bear interest at 2 % - 14 % (2006: 0.5% - 14%) per annum.

18. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 33 $\frac{1}{3}$ %, and are attributable to the following:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Property, plant and equipment	6,951	4,881
Investment securities - available-for-sale	(26,141)	(165,402)
Investment securities at fair value through profit or loss	28,433	39,086
Interest receivable	(432,841)	(661,236)
Interest payable	237,113	286,698
Preference dividend payable	7,130	-
Retirement benefit asset	(3,875)	(3,372)
Accrued vacation leave	<u>1,852</u>	<u>1,555</u>
Net deferred income tax liability	<u>(181,378)</u>	<u>(497,790)</u>

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

18. Deferred income taxes (cont'd)

Movement in temporary differences during the year:

	Balance at 1 October	Recognised in income	Recognised in equity	Balance at 30 September
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	4,881	2,070	-	6,951
Investment securities				
- available-for-sale	(165,402)	(5,462)	144,723	(26,141)
Investment securities at fair value				
through profit or loss	39,086	(10,653)	-	28,433
Interest receivable	(661,236)	228,395	-	(432,841)
Interest payable	286,698	(49,585)	-	237,113
Preference dividend payable	-	7,130	-	7,130
Retirement benefit asset	(3,372)	(503)	-	(3,875)
Accrued vacation leave	1,555	297	-	1,852
	<u>(497,790)</u>	<u>171,689</u>	<u>144,723</u>	<u>(181,378)</u>

19. Other borrowed funds

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Customer long-term investments	298,210	231,842
Repurchase agreement - margin account	<u>1,548,893</u>	-
	1,847,103	231,842
Interest payable	<u>8,150</u>	<u>4,187</u>
	<u>1,855,253</u>	<u>236,029</u>

Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2007 and 2011 (2006: 2006 - 2009) and attract interest at 1% - 16.5% (2006: 0.5% - 16.5%) per annum.

The repurchase agreement - margin account represents borrowings from an overseas broker. The borrowings, which are fully collateralized by securities owned by the company, attract interest at 4.00% - 5.75% per annum (2006: nil) and have no specified maturity date.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

20. Other liabilities

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Clients' funds pending investment	84,610	90,700
Accruals	108,630	142,567
Due to fellow subsidiary	12,870	2,322
Due to parent company	13,597	14,080
Miscellaneous	<u>230,095</u>	<u>26,894</u>
	<u>449,802</u>	<u>276,563</u>

Other liabilities are due within 12 months after the balance sheet date.

21. Share capital

	<u>2007 and 2006</u>	
	Number of Stock Units '000	
Authorised -		
1,219,304,000 ordinary shares at no par value (2006: J\$1.00 each)		1,219,304
500,000,000 variable rate cumulative redeemable "A" preference shares at no par (2006: J\$0.01)		<u>500,000</u>
		<u>1,719,304</u>
17,500,000 7% cumulative redeemable preference shares of US\$ 0.01 each		<u>17,500</u>
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Issued and Fully Paid Up -		
1,207,614,900 ordinary shares at no par value (2006: J\$1.00 each)	1,207,615	1,207,615
Share premium	<u>13,500</u>	-
	1,221,115	1,207,615
100,000,000 11.75% cumulative redeemable preference shares at no par value (2006: J\$3.00 each)	300,000	300,000
250,768,080 11.75% cumulative redeemable preference shares at no par value	<u>777,381</u>	-
	2,298,496	1,507,615
Less: Redeemable preference shares required by IFRS to be accounted for as liabilities in the financial statements (note 22)	<u>(1,077,381)</u>	<u>(300,000)</u>
	<u>1,221,115</u>	<u>1,207,615</u>

At an extraordinary general meeting held on November 7, 2005, resolutions were passed to increase the authorised share capital by the creation of 500,000,000 preference shares of J\$0.01 each. 100,000,000 of the said shares were offered at a price of \$3.00 per share to the public by a public offering from July 25 to 28, 2006, and were subsequently listed on the Jamaica Stock Exchange on September 22, 2006.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

21. Share capital (cont'd)

In June 2007, the company executed a renounceable rights issue of 100,000,000 preference shares at a price of \$3.10 per share. The preference shares were offered to existing shareholders on record at June 18, 2007, who had the right to accept the shares and/or renounce some or all of the shares provisionally allotted.

Where existing preference shareholders neither accepted nor renounced the preference shares provisionally allotted, such shares fell into an 'excess shares' pool and members of the public were allowed to apply for shares from said pool. The company retained the right to upsize the offer and did so on two occasions, offering an additional 200,000,000 preference shares to existing preference shareholders. When the offer closed on August 17, 2007, a total of 250,768,080 preference shares had been allotted.

The 11.75% cumulative redeemable preference shares are redeemable at par at the company's option. Any arrears of dividends must be paid at the date of redemption.

Under the Jamaican Companies Act 2004 (the "Act"), all shares in issue are deemed to be shares without a par (or nominal) value, effective January 31, 2007. Accordingly, share premium is now included in share capital.

22. Redeemable preference shares

Interest-bearing borrowings comprise redeemable preference shares, details of which are set out in note 21. The amount is comprised of preference shares of \$1,077,381,000 (2006: \$300,000,000) and preference dividends payable of \$21,389,000 (2006: nil), which have been recognised in the profit and loss account as interest expense. The preference shares will mature 42 months from the first date of issue in July 2006.

23. Fair value reserve

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Unrealised gain on fair valuation of available-for-sale investment securities	306,293	740,462
Deferred tax liability on the fair value of available-for-sale investment securities	<u>(102,097)</u>	<u>(246,821)</u>
	<u>204,196</u>	<u>493,641</u>

24. Capital reserve

This represents the net balance, after the bonus share issue in 2003, of assets and liabilities transferred from N.C.B. (Investments) Limited on December 31, 2002 under a scheme of Reconstruction and Amalgamation.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

25. Cash flows from operating activities

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Net profit	1,566,943	1,235,540
Adjustments to reconcile net profit to cash flows provided by/(used in) operating activities:		
Depreciation of property, plant and equipment	9,914	9,612
Amortisation of intangible assets	11,002	11,712
Impairment of equity investments	30,380	244,257
Interest income	(6,169,948)	(6,519,737)
Interest expense	4,610,686	5,006,792
Income tax expense	639,093	442,546
Deferred tax credit	(171,689)	(128,982)
Gain on disposal of property, plant and equipment	-	(97)
Change in retirement benefits asset	(1,509)	(1,306)
(Gains)/losses on investments at fair value through profit or loss	<u>(31,958)</u>	<u>125,449</u>
	492,914	425,786
Changes in operating assets and liabilities:		
Investment securities at fair value through profit or loss	146,871	912,445
Reverse repurchase agreements	10,413,744	7,436,209
Repurchase agreements	(4,937,498)	5,582,210
Receivable from clients	17,433	118
Receivable from brokers	(57,034)	(11,891)
Payable to clients	(2,975)	28,768
Payable to brokers	98,411	(11,126)
Promissory notes and certificates of participation	(1,942,209)	(1,120,649)
Other assets and liabilities, net	<u>(362,998)</u>	<u>(118,441)</u>
	3,866,659	13,123,429
Interest received	6,765,607	6,651,503
Interest paid	(4,738,053)	(5,041,308)
Income tax paid	<u>(225,521)</u>	<u>(571,349)</u>
Net cash provided by operating activities	<u>5,668,692</u>	<u>14,162,275</u>

26. Risk management

By their nature, the company's activities are principally related to the use of financial instruments. The company accepts investments from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The company seeks to increase these margins by consolidating short-term funds and investing for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The company also trades in financial instruments where it takes positions to take advantage of short-term market movements in bond prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

26. Risk management (cont'd)

(a) Liquidity risk (cont'd):

The company is exposed to daily calls on its available cash resources from maturing investments. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk of the company is managed as part of the risk management practices of the Bank and its subsidiaries (the "Group"). The Group's Treasury Division seeks to have available a minimum proportion of maturing funds to meet such calls. The Group policy is to hold a high proportion of liquid assets to cover withdrawals at unexpected levels of demand.

The matching and control of mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for money market trades ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

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

As at September 30, 2007:

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets:						
Cash and deposits	490,748	-	-	-	-	490,748
Investment securities at fair value through profit or loss	287	-	62,349	225,222	737,910	1,025,768
Reverse repurchase agreements	2,265,945	1,228,818	-	-	-	3,494,763
Investment securities – available-for-sale	935,864	751,309	5,161,864	18,647,786	26,213,161	51,709,984
Other	350,730	79,083	717,571	18,940	40,147	1,206,471
	4,043,574	2,059,210	5,941,784	18,891,948	26,991,218	57,927,734
Liabilities:						
Repurchase agreements	20,967,684	12,472,086	11,688,220	64,244	-	45,192,234
Promissory notes and certificates of participation	101,481	103,819	109,405	5,288	-	319,993
Redeemable preference shares	-	-	21,389	1,077,381	-	1,098,770
Other borrowed funds	50,863	138,775	112,641	1,552,974	-	1,855,253
Other	449,802	159,317	593,901	181,378	-	1,384,398
	21,569,830	12,873,997	12,525,556	2,881,265	-	49,850,648
Net Liquidity Gap	(17,526,256)	(10,814,787)	(6,583,772)	16,010,683	26,991,218	8,077,086
Cumulative Liquidity Gap	(17,526,256)	(28,341,043)	(34,924,815)	(18,914,132)	8,077,086	

As at September 30, 2006:

Total Assets	7,641,986	2,765,892	16,707,803	16,354,781	17,428,370	60,898,832
Total Liabilities	26,984,086	13,744,914	12,557,764	812,480	-	54,099,244
Net Liquidity Gap	(19,342,100)	(10,979,022)	4,150,039	15,542,301	17,428,370	6,799,588
Cumulative Liquidity Gap	(19,342,100)	(30,321,122)	(26,171,083)	(10,628,782)	6,799,588	

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

26. Risk management (cont'd)

(b) Interest rate risk:

The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate risk of the company is managed as part of the risk management practices of the Group. The Group's Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The tables below summarise the company's exposure to interest rate risk. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at September 30, 2007:

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and deposits	316,974	-	161,254	-	-	12,520	490,748
Investments securities at fair value through profit or loss	10,851	37,622	13,561	94,292	236,291	633,151	1,025,768
Reverse repurchase agreements	1,370,610	354,518	1,699,828	-	-	69,807	3,494,763
Investment securities - available-for-sale	6,035,046	12,051,165	6,210,923	9,769,368	15,146,471	2,497,011	51,709,984
Other	-	-	-	-	-	1,206,471	1,206,471
	<u>7,733,481</u>	<u>12,443,305</u>	<u>8,085,566</u>	<u>9,863,660</u>	<u>15,382,762</u>	<u>4,418,960</u>	<u>57,927,734</u>
Liabilities							
Repurchase agreements	20,998,679	12,482,576	11,690,763	20,216	-	-	45,192,234
Promissory notes and certificates of participation	148,685	85,258	66,349	3,548	-	16,153	319,993
Redeemable preference shares	-	-	-	1,077,381	-	21,389	1,098,770
Other borrowed funds	-	-	-	1,847,103	-	8,150	1,855,253
Other	-	-	-	-	-	1,384,398	1,384,398
	<u>21,147,364</u>	<u>12,567,834</u>	<u>11,757,112</u>	<u>2,948,248</u>	<u>-</u>	<u>1,430,090</u>	<u>49,850,648</u>
Interest sensitivity gap	<u>(13,413,883)</u>	<u>(124,529)</u>	<u>(3,671,546)</u>	<u>6,915,412</u>	<u>15,382,762</u>	<u>2,988,870</u>	<u>8,077,086</u>
Cumulative interest sensitivity gap	<u>(13,413,883)</u>	<u>(13,538,412)</u>	<u>(17,209,958)</u>	<u>(10,294,546)</u>	<u>5,088,216</u>	<u>8,077,086</u>	

As at September 30, 2006:

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Assets	10,787,656	10,715,302	15,014,061	12,579,657	7,418,732	4,383,424	60,898,832
Total Liabilities	25,616,887	13,739,861	12,549,149	314,690	-	1,878,657	54,099,244
Interest sensitivity gap	<u>(14,829,231)</u>	<u>(3,024,559)</u>	<u>2,464,912</u>	<u>12,264,967</u>	<u>7,418,732</u>	<u>2,504,767</u>	<u>6,799,588</u>
Cumulative interest sensitivity gap	<u>(14,829,231)</u>	<u>(17,853,790)</u>	<u>(15,388,878)</u>	<u>(3,123,911)</u>	<u>4,294,821</u>	<u>6,799,588</u>	

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

26. Risk management (cont'd)

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

The tables below summarise the effective interest rate by major currencies for financial instruments of the company.

	2007				
	J\$	US\$	CAN\$	GBP	EURO
	%	%	%	%	%
Assets					
Cash and deposits	1.70 - 5.30	0.50 - 2.50	0.35 - 2.35	0.50	-
Reverse repurchase agreements	10.50 - 13.7	5.0 - 6.7	-	-	-
Investment securities at fair value through profit or loss	13.0 - 13.25	5.7 - 8.5	-	-	5.55 - 8.50
Investment securities— available-for-sale	11.12 - 14.70	5.75 - 14.8	-	-	-
Liabilities					
Repurchase agreements	0.60 - 13.47	0.60 - 9.60	-	2.9 - 4.0	4.01 - 5.56
Promissory notes and certificates of participation	0.61 - 13.43	0.61 - 7.29	-	-	-
Redeemable preference shares	11.75	-	-	-	-
Other borrowed funds	1.50 - 14.43	0.60 - 7.29	-	-	-

	2006				
	J\$	US\$	CAN\$	GBP	EURO
	%	%	%	%	%
Assets					
Cash and deposits	1.70 - 5.30	0.50 - 2.50	0.35 - 2.35	0.50	-
Reverse repurchase agreements	7.00 - 13.60	5.25 - 6.60	-	-	-
Investment securities at fair value through profit or loss	13.30 - 16.90	4.86 - 8.46	-	-	5.73 - 9.33
Investment securities— available-for-sale	10.78 - 17.49	4.17 - 13.52	-	-	6.47 - 9.33
Liabilities					
Repurchase agreements	0.50 - 14.10	0.50 - 10.80	-	3.00	4.00 - 5.25
Promissory notes and certificates of participation	0.50 - 14.00	0.50 - 7.25	-	-	-
Redeemable preference shares	11.75	-	-	-	-
Other borrowed funds	1.00 - 16.50	0.50 - 6.25	-	-	-

(c) Currency risk:

The company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The company's currency risk is managed as part of the risk management practices of the Group. The Group's Credit and Risk Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

The tables below summarise the exposure of the company to foreign currency exchange rate risk. Included in the table are the company's assets and liabilities at carrying amounts categorised by currency.

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Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

26. Risk management (cont'd)

(c) Currency risk: (cont'd)

As at September 30, 2007:

	JMD	US	GBP	EURO	CAN	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash and deposits	202,679	171,675	86,435	25,100	4,859	490,748
Investment securities at fair value through profit or loss	869,213	143,750	-	12,805	-	1,025,768
Reverse repurchase agreements	2,848,108	646,655	-	-	-	3,494,763
Investment securities— available-for-sale	28,264,943	23,087,345	-	357,696	-	51,709,984
Other	902,012	290,302	14,155	-	2	1,206,471
	<u>33,086,955</u>	<u>24,339,727</u>	<u>100,590</u>	<u>395,601</u>	<u>4,861</u>	<u>57,927,734</u>
Liabilities						
Repurchase agreements	26,751,000	18,190,892	93,488	156,854	-	45,192,234
Promissory notes and certificates of participation	316,758	3,235	-	-	-	319,993
Redeemable preference shares	1,098,770	-	-	-	-	1,098,770
Other borrowed funds	284,544	1,570,709	-	-	-	1,855,253
Other	1,244,726	139,672	-	-	-	1,384,398
	<u>29,695,798</u>	<u>19,904,508</u>	<u>93,488</u>	<u>156,854</u>	<u>-</u>	<u>49,850,648</u>
Net Position	<u>3,391,157</u>	<u>4,435,219</u>	<u>7,102</u>	<u>238,747</u>	<u>4,861</u>	<u>8,077,086</u>
As at September 30, 2006:						
Total Assets	41,320,058	19,361,464	30,479	185,357	1,474	60,898,832
Total Liabilities	36,293,754	17,675,751	28,398	101,240	101	54,099,244
Net Position	<u>5,026,304</u>	<u>1,685,713</u>	<u>2,081</u>	<u>84,117</u>	<u>1,373</u>	<u>6,799,588</u>

(d) 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 has no material exposure to market risk.

(e) 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 fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

27. Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

27. Fair values of financial instruments (cont'd)

For financial instruments where no market price is available, the fair values presented have been estimated using generally accepted alternative methods such as discounted cash flow.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (a) fair value through profit or loss securities are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;
- (b) financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- (c) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and
- (d) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

The following tables present the fair value of financial instruments based on the valuation methods and assumptions stated above.

	Carrying value 2007 \$'000	Fair value 2007 \$'000	Carrying value 2006 \$'000	Fair value 2006 \$'000
Financial assets:				
Cash and deposits	490,748	490,748	603,396	603,396
Investment securities at fair value				
through profit or loss	1,025,768	1,025,768	1,132,938	1,132,938
Reverse repurchase agreements	3,494,763	3,494,763	14,972,111	14,972,111
Investment securities – available-for-sale	51,709,984	51,709,984	43,560,942	43,560,942
Receivable from clients	12,864	12,864	30,297	30,297
Receivable from brokers	68,925	68,925	11,891	11,891
Other assets	1,124,682	1,124,682	587,257	587,257
Financial liabilities:				
Repurchase agreements	45,192,234	45,192,234	50,258,040	50,258,040
Promissory notes and certificates of participation	319,993	319,993	2,286,612	2,286,612
Redeemable preference shares	1,098,770	1,098,770	300,000	300,000
Other borrowed funds	1,855,253	1,855,253	236,029	236,029
Payable to clients	60,906	60,906	63,881	63,881
Payable to brokers	98,411	98,411	-	-
Other liabilities	1,225,081	1,225,081	954,682	954,682

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

28. Related party balances and transactions

A party is related to the company if:

- (a) directly or indirectly, the party:
 - (i) controls, is controlled by, or is under common control with the company;
 - (ii) has an interest in the entity that gives it significant influence over the company, or
 - (iii) has joint control over the company;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer
- (d) the party is a member of the key management personnel of the company;
- (e) the party is a close member of the family of any individual referred to in (a) or (b) above;
- (f) 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 (b) or (c); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the company, or 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.

- (a) The profit and loss account includes the following transactions with related parties:

	<u>2007</u> \$'000	<u>2006</u> \$'000
(i) The Bank:		
Interest expense	44,955	27,332
Interest income	24,808	21,318
Commissions paid	60,735	57,545
Rental and maintenance expenses	5,100	4,829
Other operating expenses	-	845
(ii) Fellow subsidiaries:		
Interest expense	102,852	86,157

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

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

(a) The profit and loss account includes the following transactions with related parties: (Cont'd)

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
(iii) Key management personnel:		
Short-term employee benefits (including directors' emoluments - see note 5)	82,133	81,718
Interest expense	212	3,404
(iv) Other related parties:		
Interest income	28,276	28,815
Commissions received	55,290	64,335
Directors' fees	3,195	3,106
Professional and consultancy expenses	<u>56,353</u>	<u>48,727</u>

(b) Year-end balances with related parties are as follows:

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
(i) The Bank:		
Cash and deposits	345,776	429,631
Reverse repurchase agreements	210,660	70,000
Repurchase agreements	506,430	1,093,880
Interest receivable	236	187
Interest payable	1,139	1,094
Other assets	-	585
Other liabilities	<u>13,597</u>	<u>14,080</u>

Cash and deposits include \$85,541,396 in fixed deposits used as additional security for staff loans issued (2006 - \$ 42,038,688).

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
(ii) Fellow subsidiaries:		
Repurchase agreements	635,991	1,293,537
Interest payable	11,749	38,491
Other assets	139,672	120
Other liabilities	12,870	2,322
(iii) Key management personnel:		
Repurchase agreements	27,832	36,728
Loans receivable	-	3,100
Interest payable	150	194
Other assets	-	267

Notes to the Financial Statements

Year ended September 30, 2007 (expressed in Jamaican dollars unless otherwise indicated)

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

(iv) Other related parties:

Investment securities – available-for-sale		
Corporate debt securities	176,550	176,550
Interest receivable	3,686	3,703
Other liabilities	-	23,041

29. Pledged assets

	Asset		Related liability	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Investment securities	46,264,468	53,717,341	45,107,249	51,920,597

Assets are pledged as collateral under repurchase agreements and other borrowed funds.

Notes



