

# *Vision 2025*

JMMB is the market leader in creating products and services, backed by Caribbean and Central American asset classes, to the domestic and international market place.

We are acknowledged as experts by the regional and international markets in Caribbean and Central American asset classes.

We are the authoritative source of information and research related to Caribbean assets.

Clients rank JMMB as the preferred partner, enabling their financial empowerment.

We are a multifaceted financial institution.

JMMB invests in businesses where our core competencies can be leveraged to achieve significant contribution to profits.

JMMB's team members are passionate, purposeful, competent and fulfilled, having a genuine prospect for financial freedom.

JMMB is recognized as making meaningful contributions to the Caribbean's social and economic realities.

JMMB is established in the main international financial centres, leveraging our Caribbean heritage.

We are an international company, proud of our Jamaican roots.

JMMB is traded on the Caribbean and other international stock exchanges.

JMMB is acknowledged as dynamic, safe, stable and secure.



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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, Jamaica on Thursday, October 5, 2006 in the Blue Mountain Suite at 10:00a.m., for the purpose of transacting the following business, namely:

1. To consider the Company's Audited Consolidated Accounts and the Reports of the Directors and Auditors for the year ended March 31, 2006

To consider and (if thought fit) pass the following resolution:

"THAT the Directors' Report, the Auditors' Report and the Statements of Account of the Company for the year ended March 31, 2006 be received."

2. To approve and ratify interim dividends

To consider and (if thought fit) pass the following resolution:

"THAT the interim dividends of J\$0.10 cents paid on December 15, 2005 and J\$0.12 cents paid on June 30, 2006 making a total of J\$0.22 cents for the year, be and are hereby ratified and declared as final and that no further dividend be paid in respect of the year under review."

3. To elect directors and fix their remuneration

- i) The Directors retiring from office by rotation pursuant to Article 105 of the Company's Articles of Association are Mrs. Donna Duncan-Scott, Mr. Dennis L. Harris and Mr. V. Andrew Whyte, who being eligible, offer themselves for re-election.

- ii) Dr. M. Anne Crick, having been appointed to the Board since the last Annual General Meeting, shall retire and being eligible, offer herself for election.

To consider and (if thought fit) pass the following resolutions:

- a) "THAT Mrs. Donna Duncan-Scott be and is hereby re-elected a Director of the Company."

- b) "THAT Mr. Dennis L. Harris be and is hereby re-elected a Director of the Company."

- c) "THAT Mr. V. Andrew Whyte be and is hereby re-elected a Director of the Company."

- d) "THAT Dr. M. Anne Crick be and is hereby elected a Director of the Company."

- e) "THAT the amount shown in the accounts of the Company for the year ended March 31, 2006 as fees of the Directors, for their services as directors, be and is hereby approved."

4. To appoint auditors and authorise the Directors to fix the remuneration of the Auditors

To consider and (if thought fit) pass the following resolution:

"THAT KPMG, Chartered Accountants, having agreed to continue in office as auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."



Special Business

Stock Option Plan – Directors and Senior Management

5. To consider and (if thought fit) pass the following ordinary resolutions:

- a) “THAT the Stock Option Plan for Directors and Senior Management of the Company (“The Plan”) now presented to the meeting, and for the purposes of identification signed by the Chairman, adopted by the Directors on the 20th day of June 2006, be hereby confirmed, ratified and approved.”
- b) “THAT the Directors of the Company be authorized to do all acts and things necessary to establish and carry The Plan into effect.”

Dated this 20th day of June 2006

By Order of the Board



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Marc S. Harrison  
Company Secretary

REGISTERED OFFICE  
6 Haughton Terrace  
Kingston 10, Jamaica  
West Indies

NB: A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company. Enclosed is a proxy form for your convenience, which must be lodged at the office of the Registrar of the Company, KPMG Regulatory & Compliance Services, 6 Duke Street, Kingston, Jamaica, W.I. at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp duty of \$100.00. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the proxy.

## JMMB MILESTONES

2000

- June – Launch of the Joan Duncan Chair in Finance & Ethics at the University of Technology
- August – Caribbean Money Market Brokers Ltd. launched in Trinidad and Tobago

2001

- April – JMMB awarded the Jamaica Chamber of Commerce's top award – The Best of the Chamber
- December – JMMB Securities Limited started operations

2002

- December – JMMB made its Initial Public Offering to the market with 258 million shares

2003

- January – JMMB debuted as a listed company on the Jamaica Stock Exchange (JSE)
- February – JMMB listed on the Trinidad and Tobago Stock Exchange (TTSE)

2004

- February – Launch of JMMB Select Index Fund
- June – CMMB Barbados officially opened
- October – JMMB Insurance Brokers Limited opens
- November – JMMB introduced Financial Planning Services to its clients
- December - JMMB acquired 50% stake in Intercommercial Bank Group

2005

- January – JMMB was added to the JSE Select Index 15 most liquid blue-chip stocks
- July – CMMB St. Lucia Branch opens
- July - JMMB Insurance Brokers opened
- November - JMMB listed on the Barbados Stock Exchange

## Our Firsts

### First For Jamaica

We developed the “secondary market” for securities in Jamaica.

### First Among Primary Dealers

In 1994, the Central Bank (Bank of Jamaica) appointed us among its first seven primary dealers. We continue to facilitate a major portion of the secondary trades offered by the Central Bank.

### First in Bloomberg

We were the first Jamaican company invited to provide information for the International Bloomberg system. Through the Bloomberg Financial Information Network and the world-wide web, we access real time information on international capital markets.

### First US\$ Fund in Jamaica

We initiated the first US\$ Money Market Fund in Jamaica in December 1994. Investments now exceed US\$17million.

### First £ Sterling Investments in the Caribbean

We introduced the Pound Sterling money market fund in Jamaica. This was the first of its kind in Jamaica and the Caribbean.

### First on JSE

Pioneered the first 100% electronic share offer on the JSE, enhancing stockholders' access.

### First Indexed Fund

We created the first indexed mutual fund of Jamaican equities in the world.

## JMMB AT A GLANCE

For the financial year ended March 31, 2006, JMMB prevailed in a challenging operating environment marked by increasingly competitive market forces, increased US interest rates and reduced interest spreads. The Group was able to record profit attributable to stockholders of J\$1.67 billion, a 1.3% increase over the prior year's results.

Interest income increased by 6.4% to J\$8.19 billion primarily due to the growth in earning assets, which in total increased by J\$17.24 billion. As a result, net interest income grew by 3.1% to J\$1.97 billion. Gains on securities trading of J\$703.0 million was the primary contributor to the 10.8% increase in operating revenue net of interest expense, which closed the year at J\$2.85 billion.

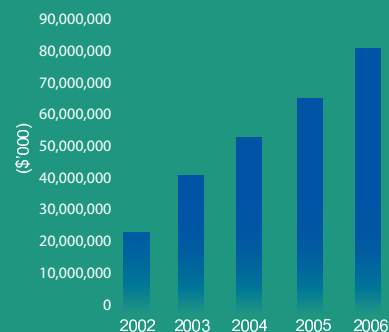
There was a rebound in the performance of our associated companies, which contributed J\$573.8 million to our pre-tax profits, an improvement of 45.3% over the prior year's results.

We are mindful of our Vision 2025 to become a world-class financial services provider. To this end, we strengthened the expertise in our investment, research and risk capabilities to support entry into new markets and deliver new product solutions to our clients. This, however, impacted administrative expenses, which grew by 24.0%.

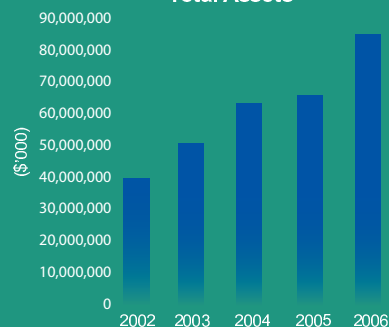
Stockholders' equity increased by 24.9% to J\$7.24 billion primarily due to the growth in retained profits.

While we pursue the delivery of exciting new product solutions and are penetrating new markets in the 2007 financial year, these actions may impact profit growth in the short-term. However we believe that these are essential for long-term growth and development of the Group.

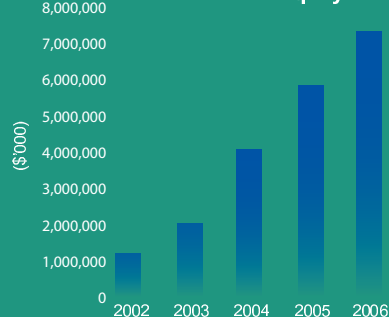
**Funds Under Management**



**Total Assets**



**Stockholders' Equity**

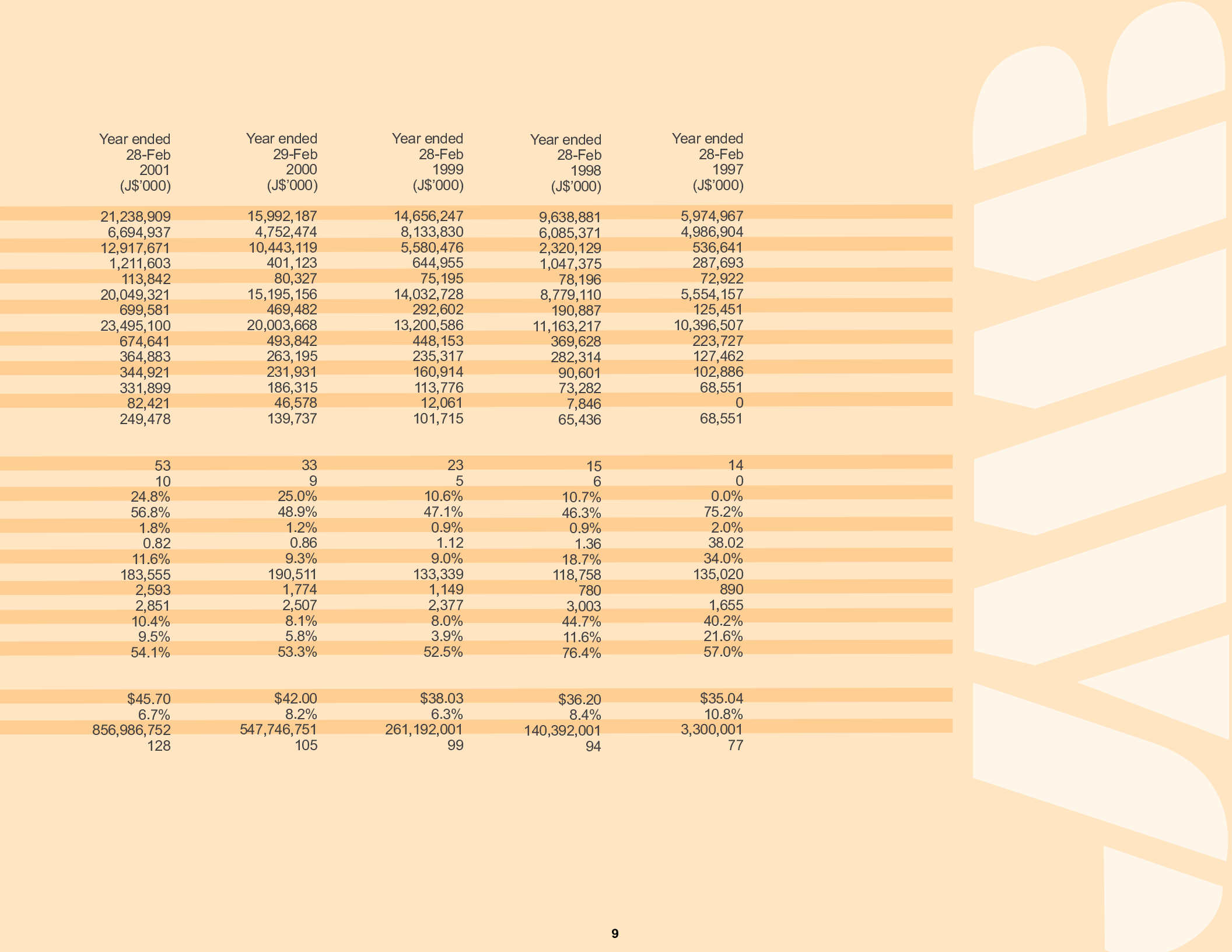


## TEN-YEAR STATISTICAL REVIEW

	Year ended 31-Mar 2006 (J\$'000)	Year ended 31-Mar 2005 (J\$'000)	13 months ended 31-Mar 2004 (J\$'000)	Year ended 28-Feb 2003 (J\$'000)	Year ended 28-Feb 2002 (J\$'000)
<b>FINANCIAL DATA</b>					
Total assets	81,931,009	63,889,888	61,370,724	48,945,993	39,079,097
Resale agreements	9,376,949	8,839,025	18,059,384	8,247,468	6,859,379
Investments	63,285,620	48,841,878	37,828,581	36,027,531	28,958,610
Other earning assets	5,276,891	3,021,790	3,400,938	2,164,638	1,854,618
Fixed assets	685,153	432,193	326,996	298,216	160,895
Repurchase agreements	70,761,258	54,791,793	55,185,862	46,184,956	36,692,555
Stockholders' equity	7,244,608	5,800,961	4,083,760	1,861,536	1,094,845
Funds under management	79,414,404	63,982,494	63,833,807	52,268,700	41,494,600
Operating revenue net of interest expense	2,845,131	2,566,810	1,990,529	1,521,068	957,155
Administrative expenses	1,496,190	1,206,293	1,001,663	834,320	487,672
Profit before tax	1,931,667	1,765,177	1,518,604	934,575	475,848
Net profit	1,670,349	1,648,481	1,547,155	1,038,252	488,461
Dividends (declared in respect of the financial year/period)	263,411	263,411	234,142	180,093	100,128
Profit retained (in respect of the financial year/period)	1,406,938	1,385,070	1,313,013	858,159	388,333
<b>RATIOS</b>					
Earnings per stock unit (cents)	114	113	103	71	38
Dividends per stock unit (cents)	18	18	16	12	7
Dividend payout ratio	15.8%	15.9%	15.5%	17.3%	18.2%
Return on average equity	25.6%	33.4%	50.6%	68.4%	58.6%
Return on average assets	2.3%	2.6%	2.7%	2.4%	1.8%
Stockholders' equity per stock unit (J\$)	4.95	3.96	2.79	1.27	0.80
Net interest margin	24.1%	24.8%	14.7%	12.7%	11.2%
Funds under management per team member (J\$'000)	282,614	271,112	324,029	305,665	257,730
Net profit per team member (J\$'000)	5,944	6,985	7,641	6,072	3,034
Administrative expenses per team member (J\$'000)	5,325	5,111	5,085	4,879	3,029
Administrative expenses to gross operating revenue	16.5%	14.4%	9.7%	12.4%	10.0%
Net profit to gross operating revenue	18.4%	19.7%	14.6%	15.4%	10.0%
Efficiency ratio (Admin exp/Operating revenue net of int exp)	52.6%	47.0%	50.3%	54.9%	51.0%
<b>OTHER DATA</b>					
Exchange rate J\$ per US\$1.00	\$65.50	\$61.54	\$60.90	\$53.74	\$47.53
Inflation rate year over year (%)	11.10%	12.4%	17.3%	5.7%	8.1%
Number of stock units at year end	1,463,386,752	1,463,386,752	1,463,386,752	1,463,386,752	1,463,386,752
Number of team members	281	236	197	171	161

Note: 2001 - 2006 consolidated

Note: 2002 - 2006 IFRS compliant



Year ended 28-Feb 2001 (J\$'000)	Year ended 29-Feb 2000 (J\$'000)	Year ended 28-Feb 1999 (J\$'000)	Year ended 28-Feb 1998 (J\$'000)	Year ended 28-Feb 1997 (J\$'000)
21,238,909	15,992,187	14,656,247	9,638,881	5,974,967
6,694,937	4,752,474	8,133,830	6,085,371	4,986,904
12,917,671	10,443,119	5,580,476	2,320,129	536,641
1,211,603	401,123	644,955	1,047,375	287,693
113,842	80,327	75,195	78,196	72,922
20,049,321	15,195,156	14,032,728	8,779,110	5,554,157
699,581	469,482	292,602	190,887	125,451
23,495,100	20,003,668	13,200,586	11,163,217	10,396,507
674,641	493,842	448,153	369,628	223,727
364,883	263,195	235,317	282,314	127,462
344,921	231,931	160,914	90,601	102,886
331,899	186,315	113,776	73,282	68,551
82,421	46,578	12,061	7,846	0
249,478	139,737	101,715	65,436	68,551
53	33	23	15	14
10	9	5	6	0
24.8%	25.0%	10.6%	10.7%	0.0%
56.8%	48.9%	47.1%	46.3%	75.2%
1.8%	1.2%	0.9%	0.9%	2.0%
0.82	0.86	1.12	1.36	38.02
11.6%	9.3%	9.0%	18.7%	34.0%
183,555	190,511	133,339	118,758	135,020
2,593	1,774	1,149	780	890
2,851	2,507	2,377	3,003	1,655
10.4%	8.1%	8.0%	44.7%	40.2%
9.5%	5.8%	3.9%	11.6%	21.6%
54.1%	53.3%	52.5%	76.4%	57.0%
\$45.70	\$42.00	\$38.03	\$36.20	\$35.04
6.7%	8.2%	6.3%	8.4%	10.8%
856,986,752	547,746,751	261,192,001	140,392,001	3,300,001
128	105	99	94	77



## CHAIRMAN'S REPORT

Dr. Noel A. Lyon, Chairman

"Yesterday is history, tomorrow is a mystery, and today is a gift; that's why they call it the present."  
Anonymous

Jamaica Money Market Brokers Limited (JMMB) continued to perform well and ended the year March 31, 2006, with net profit of J\$1.67 billion and total equity of J\$7.25 billion. This was achieved despite a challenging operating environment characterised by reduced interest margins, increased oil prices and weather related shocks from an active hurricane season. We were still, however, able to deliver the results as promised to the market in 2002.

At the time of our initial public offer in 2002, we made projections as to our future profitability. A comparison of actual performance against those projections shows that we have consistently out-performed those targets - a feat of which we are proud.

Financial Year	Projected Profit (J\$M)	Actual Profit (J\$M)
2003	863	1,038
2004	1,076	1,505
2005	1,217	1,648
2006	1,378	1,670

Over the same period, stockholders' equity grew by 289.2%. JMMB has performed much better than we dared to hope when we invited you to join our family as stockholders. We anticipate improving our performance and now highlight some of our initiatives.

### Regional Diversification

Regional diversification has always been a key element of JMMB's strategic thrust. In 2000, we entered the Trinidad and Tobago market through Caribbean Money Market Brokers Limited (CMMB) and then, with CMMB, moved to Barbados and other Eastern Caribbean countries. CMMB has performed superbly, contributing significantly to JMMB's profits.

Our 50% equity stake in Intercommercial Bank Group (IBL) in Trinidad and Tobago, which was acquired in December 2004, has started to show positive results.

We are continuing this regional expansion by targeting countries outside the English-speaking Caribbean. We have taken steps to establish a presence in the Dominican Republic as a prelude to other Latin-American markets. Diversification spreads our risk, enhances our understanding of financial markets elsewhere, strengthens our management capabilities and has added to our profitability.

#### Products and Services

We have expanded our products and range of services to meet the ever-growing needs of our clients. We also implemented new measures to make doing business with us more convenient.

JMMB Insurance Brokers Limited, having just completed its first full year of operations, has now received regulatory approval to offer general insurance products along with its current suite of health and life insurance products. Property and motor insurance solutions will be offered to JMMB clients and the general public commencing this financial year. We envisage slow but steady growth for this business and anticipate that within two years, it will begin to make a positive contribution to the Group's profits.

#### Local Expansion

Our Jamaican business has grown to nine (9) locations and other sites are being assessed.

#### Senior Management Changes

On December 1 2005, Keith Duncan was promoted to Group CEO, from his position as President & COO.

Donna Duncan-Scott, Managing Director of the Company since 1998, following the passing of founder Joan Duncan, requested a reduction in her day-to-day responsibilities. Donna has now been appointed Group Executive Director with responsibility for culture and leadership development, a new and very important position in the company. JMMB prides itself on its unique culture, which we intend to foster wherever we operate. Leadership development is crucial to our growth and we can look forward to some interesting and innovative initiatives.

On behalf of the Board, I wish to record our gratitude to Donna for her vital and exceptional role in guiding JMMB from a fledgling to a great company. Congratulations Donna, for a job well done.

We have great expectations of Keith moving the Company to even greater heights and we wish him God's blessing as he embarks on this exciting new role.

#### The Board

Marguerite Orane, regretfully, resigned from the Board to avoid possible conflict of interest concerns as she geared to expand her company's business. On behalf of the other Directors, I wish to express our sincere gratitude for her outstanding contribution to the Board's deliberations,

particularly with respect to governance and strategic planning issues. We wish her every success in her future endeavours.

Ramasundaram Ramesh resigned in June 2006. Ram has been asked by the Prime Minister of Trinidad and Tobago to assume certain public service duties, which will not allow him the necessary time to continue fulfilling his role as a JMMB director along with his responsibilities as CEO of CMMB. We wish to thank Ram for his invaluable contribution to the Board and extend our heartiest congratulations to him on his appointment.

Dr. M. Anne Crick, Senior Lecturer in the Department of Management Studies, was appointed to the Board effective June 20, 2006. Dr. Crick brings to the Board extensive expertise in the field of Organizational Management and we are happy to have her as a part of the team.

#### Philanthropy: Joan Duncan Endowment Fund

The Joan Duncan Endowment Fund in the amount of J\$50 million has been established at The University of Technology (UTech). The Endowment Fund is a tribute to Joan Duncan for her pioneering effort in developing the money market in Jamaica and for her emphasis on

ethical business practices.

Guided by trustees from both JMMB and UTech, the Endowment Fund will support a number of activities in the field of finance and ethics, among which are :-

- A Joan Duncan Annual Memorial Lecture
- Senior research fellowships
- Conference travel grants
- Thesis support grants
- Individual research grants

#### Appreciation

On behalf of the Board, I thank the entire JMMB team for a strong effort in moving us forward during the year. Their effort in this regard continues to honour our clients with the customer service and respect that has become the hallmark of the JMMB brand.

To our Board, I extend my gratitude. It has been my privilege and honour to work with you on some interesting and challenging issues over yet another year. Your unwavering dedication to the continued growth and success of JMMB, while maintaining your unique perspectives is appreciated. Moreover, you have delivered the solid insights and guidance necessary for effective governance of an increasingly diverse group of companies.

Finally and most importantly, I thank you our Stockholders and Clients. It is your interest which drives us to excel and to continue achieving new milestones of performance. Our focus on meeting and exceeding your expectations continues to motivate us. I thank you, one and all.

**"Diversification spreads our risk, enhances our understanding of financial markets elsewhere, strengthens our management capabilities and has added to our profitability."**



## BOARD OF DIRECTORS



Noel A. Lyon, PhD  
Chairman

Archibald A. Campbell, MSc., FCA  
Deputy Chairman

Keith P. Duncan, CFA  
Group CEO

Donna K. Duncan-Scott, CFA, MBA  
Group Executive Director

Dennis L. Harris, FCCA

### Noel A. Lyon, PhD Chairman

Dr. Lyon is the Chairman of JMMB. He is also Chairman of Caribbean Money Market Brokers Limited, Intercommercial Bank Limited and Intercommercial Trust and Merchant Bank Limited in Trinidad. He is a graduate of Harvard Graduate School of Arts and Sciences where he earned his PhD (Economics) in 1969.

### Archibald A. Campbell, MSc., FCA Deputy Chairman

Mr. Campbell is a graduate of the UWI where he read for both his BSc. Accounting and MSc. Accounting degrees. He lectures in both undergraduate and graduate courses in the Department of Management Studies, UWI. He is a Fellow of the Institute of Chartered Accountants of Jamaica as well as Treasurer of the Council of the Institute.

### Keith P. Duncan, CFA Group CEO

In 1994, Mr. Duncan joined the JMMB team as Trading Manager, a role he relinquished in 2000 to take on the responsibilities of Deputy Managing Director. In 2004, he was appointed President & COO and in 2005 was promoted to the post of Group CEO. Keith completed his undergraduate studies in Economics at the University of Western Ontario in Canada and gained his Certified Financial Analyst (CFA) accreditation in 2001. Keith is the President of the Jamaica Securities Dealers Association and currently holds the position of Chairman for the National Youth Service in Jamaica.

### Donna K. Duncan-Scott, CFA, MBA Group Executive Director

Mrs. Duncan-Scott became Managing Director of JMMB in 1998 after the passing of Joan Duncan. A trained Industrial Engineer, she earned her MBA from Richard Ivey School of Business at the University of

Western Ontario in Canada. She went on to gain her Certified Financial Analyst (CFA) accreditation in 1999. Donna demitted office of CEO in 2005 and assumed the position of Group Executive Director with special responsibilities for Culture & Leadership Development.

### Dennis L. Harris, FCCA

Mr. Harris is the Regional Finance Director of Courts Caribbean, the largest furniture and appliance retailer in the region, with responsibility for Finance, Treasury, IT and Consumer Credit. He was formerly Deputy Managing Director of Courts (Jamaica) Limited, where he headed Marketing and IT. Mr. Harris also serves as a director on the Board of Courts (Jamaica) Limited. Prior to returning to Jamaica, he worked extensively in publishing in the UK performing varying financial and management duties.





Wayne Sutherland, MBA

V. Andrew Whyte, MBA

Anne Crick, PhD

Richard J. Trotman, MSc, CA

Cedric Stewart, MSc.  
ESOP Representative

Marc S. Harrison, LLB  
Company Secretary

#### Wayne Sutherland, MBA

Mr. Sutherland is Managing Director of Jamaica Venture Fund, a company that makes venture capital investments. He also serves as a director of Caribbean Money Market Brokers Limited and Intercommercial Bank Limited. He served as a Director of the Securities Commission from 1993 to 2001. Mr. Sutherland is a graduate of the UWI and the Columbia University Graduate School of Business.

#### V. Andrew Whyte, MBA

Mr. Whyte is the Finance Manager at the Jamaica Producers Group where his responsibilities include treasury management. He possesses extensive banking experience. He studied Chemical Engineering at the Illinois Institute of Technology and later gained his MBA at the University of Illinois. He currently chairs his Church Board and has previously served as a director of a preparatory school.

#### Anne Crick, PhD

Dr. Crick holds a PhD in Organizational Management which she obtained from Rutgers State University in New Jersey in 2000. In addition, Dr. Crick attended Pennsylvania State University, where she obtained a MSc. (Hons.) in Organisational Management and the UWI, where she obtained a BSc. in Hotel Management. Presently, she is a Senior Lecturer at UWI, Mona, and an academic writer with works published in various journals including: Journal of Eastern Caribbean Studies, International Journal of Contemporary Hospitality Management and International Journal of Human Resource Development and Management.

#### Richard J. Trotman, MSc, CA

Mr. Trotman is the Executive Vice President & Chief Operating Officer at Clico Investment Bank Limited in Trinidad. A graduate of the UWI, he holds both BSc and MSc Degrees in Accounting. Mr. Trotman is a member of the Institute of Chartered Accountants of Trinidad and Tobago.

#### Cedric Stewart, MSc ESOP Representative

Mr. Stewart is an experienced personal financial planner and advisor. Currently, Mr. Stewart serves as Manager at JMMB, Tropical Plaza Branch. He read for his MSc Degree in Economics and Finance at the University of Kiev (Ukraine).

#### Marc S. Harrison, LLB Company Secretary

Mr. Harrison is a member of the Jamaica Bar Association and the Jamaica Advocates Association. He is Co-Author of 'Harrisons' Law Notes and Materials' and 'Assessment of Damages for Personal Injuries'. Mr. Harrison attained his Bachelor of Law Degree at the UWI and a Certificate of Legal Education from the Norman Manley Law School, Kingston, Jamaica. He serves as General Counsel and Compliance Officer for JMMB.



## OUR MANAGEMENT TEAM

### EXECUTIVE TEAM LEADERS

(Top left to right)

- Keith Duncan - Group CEO
- Donna Duncan-Scott - Group Executive Director
- Leo Williams - International Business Development Manager
- Sheldon Powe - Chief Information Officer
- Aaron Hou - Chief Risk Officer
- Dennis Chung - Group Financial Controller
- Cecile Cooper - Culture & Leadership Development Manager
- Glenford McLeish - Managing Director, JMMB Securities Limited
- Lancelot Henry - Managing Director, JMMB Insurance Brokers Limited
- Fayval Williams - Chief Investment Officer
- Julian Mair - Group Investment Strategist
- Marguerite Cremin - Marketing Manager
- Hugh Duncan - Seconded to IBL as Group CEO





## SENIOR TEAM LEADERS

(Top left to right)

- |                   |   |
|-------------------|---|
| Marc S. Harrison  | - General Counsel and Compliance Officer /<br>Company Secretary |
| Dean Johnson      | - Senior Systems Analyst  |
| Paul Taylor       | - Corporate Sales Manager                                       |
| Carolyn Dacosta   | - Technical Operations & Compliance Manager                     |
| Kisha Anderson    | - Manager, Business Administration                              |
| Janet Patrick     | - Chief Accountant  |
| Nerene Brown      | - Business Operations Manager,<br>Retail Services               |
| Paul Gray         | - Domestic Trading Manager                                      |
| Dr. Adrian Stokes | - Quantative Research Manager/<br>Portfolio Analyst             |



## HEADS OF DEPARTMENT

(Left to right)

- |                                       |   |
|---------------------------------------|---|
| Elizabeth Elliot                      | - Securities & Settlement Manager                     |
| Kashwayne Bryson                      | - Senior Accountant, Financial Operations             |
| Robert Parkes                         | - Senior Manager, Securities & Settlement             |
| Tanya Wilson                          | - Client Care Manager                                 |
| Jayant Thakur                         | - Systems Project Manager                             |
| Amilca Rodney                         | - Manager, Project Management Office                  |
| Jason Morris                          | - Senior Investment Strategist                        |
| Ricardo Ebanks                        | - Technical Manager                                   |
| Keisha Forbes                         | - Senior Trader                                       |
| Sasha Mulai                           | - Business Implementation Manager,<br>Retail Services |
| Joan Edwards                          | - Financial Planning Manager                          |
| Missing from photo<br>Curtis McDowell | - Market Development Project Manager                  |



## BUSINESS ENVIRONMENT - JAMAICA

### Macroeconomic Background

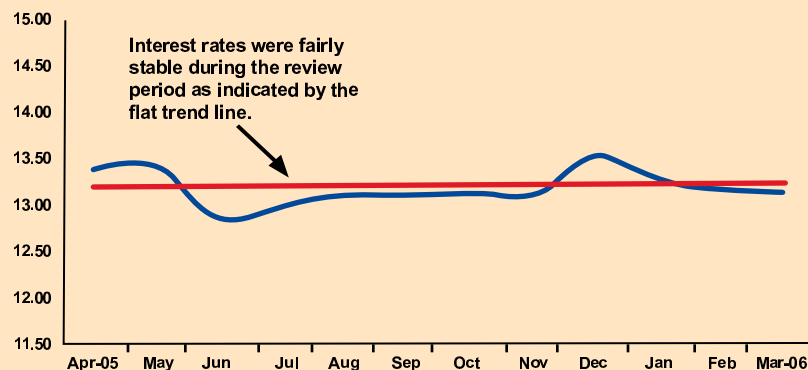
During fiscal year 2006 (April 1, 2005 to March 31, 2006), Jamaica's business environment experienced significant volatility primarily as a result of the damaging impact of Hurricanes Emily, Dennis and Wilma. The 2005 hurricane season was the most active on record. In addition to the negative impact of these weather-related shocks, the Jamaican economy also suffered from increased oil prices and a prolonged cement shortage. On the fiscal side, the Government missed its balanced budget target, eventually ending the year with a fiscal deficit of 3.3% of GDP rather than the expected balanced budget.

Despite these negatives, business and consumer confidence remained high. In March 2006, there was a change in leadership in government which had little impact on the domestic capital market. At the end of the first calendar quarter of 2006, consumer confidence was at an all time high while business confidence saw a rebound from lower levels during the year.

### Bank of Jamaica Actions

Interest rates remained stable during the fiscal year with bench-mark six month T-bill rates rarely deviating from the 13.15% to 13.43% range. The Bank of Jamaica ("BOJ") reduced interest rates by 15 to 20 basis points on May 12, 2006.

**BENCH-MARK 6-MONTH T-BILL RATES FY2006**



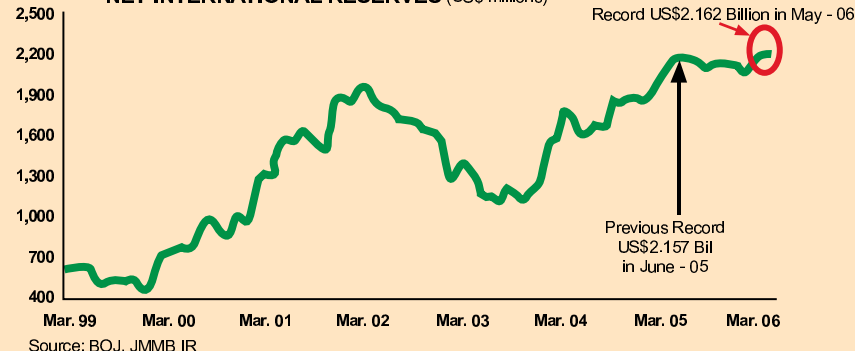
The BOJ's rationale for the rate cut included subdued inflation and the prospects of a return to single digit inflation for the full year, as well as buoyant net international reserves (above US\$2.1 billion). The Central Bank also removed the special deposit requirement on commercial banks effective May 1, 2006. The removal of the special deposit requirement returned approximately J\$1.56 billion to the local market. The BOJ eliminated its 270 and 360 day tenors, forcing investors to either accept shorter tenors (180 days or less) or longer tenors (2 years or more).

### The Jamaican Currency

The Jamaican currency was also relatively stable over the review period. The currency depreciated by 6.2% for the fiscal year. The local currency came under

pressure during the July to September period. Increased broker demand, as well as pressure from end-users (especially merchants) looking to buy foreign exchange to purchase goods for back-to-school and the Christmas season, placed the currency under some pressure. The Central Bank intervened strategically via its Net International Reserves (NIR), selling to end users as the need arose.

**NET INTERNATIONAL RESERVES (US\$ millions)**



### Jamaica's Sovereign Credit Rating

The international rating agencies, Standard and Poor's and Moody's, both reaffirmed their B/Stable and B1/Stable outlook on Jamaica. The ratings were reaffirmed on May 19, 2006 and June 2, 2006. Both rating agencies cited the Government's commitment to fiscal discipline and debt reduction, improving growth prospects boosted by the strong inflow of foreign direct investment ("FDI") and political stability as the sovereign's major strengths. On the other hand, the concerns included a high (albeit decreasing) Government debt burden, limited fiscal flexibility and the island's vulnerability to shocks (especially hurricanes).

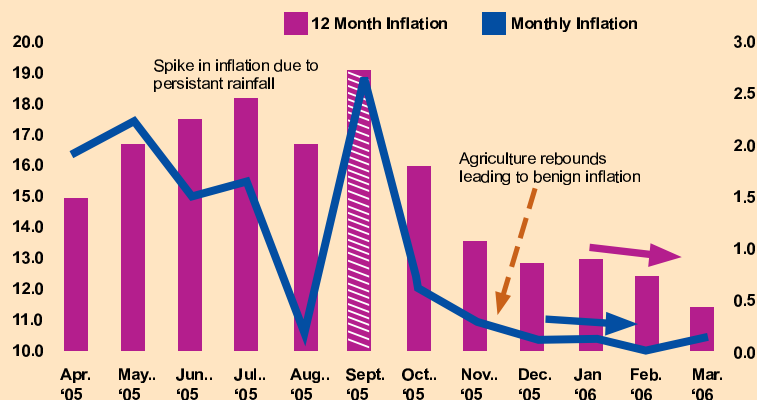
Jamaica was able to access the international capital market with relative ease during the fiscal year. The Government successfully issued a US\$250 million 30-year bond, with a coupon of 8.5% and a 19-year bond of similar size with a coupon of 9.25%. The instruments were oversubscribed (with particular interest from international pension fund managers). This was the first time that the Government had been able to issue an instrument with such a long tenor at such a low coupon. The use of lower coupon rate debt to refinance more expensive debt is a key strategy of the Government.

### Oil Pact with Venezuela

Jamaica signed the historic PetroCaribe oil agreement with Venezuela replacing the Caracas Accord. PetroCaribe is a Caribbean oil alliance with Venezuela to purchase Venezuelan oil on conditions of preferential payment. This was launched on June 29, 2005. The agreement also encompasses technical assistance and the expansion of the local PETROJAM oil refinery. Projected savings from the agreement should total between US\$180 million and US\$200 million per year or approximately 18% to 20% of the total oil bill.

## Inflation

Inflation for the fiscal year was 11.4%, 1.8 percentage points less than the previous year's 13.2%, but was above the GOJ's target of 9%.



## Memorandum of Understanding

Jamaica's macroeconomic stability continued to benefit from the historic Memorandum of Understanding ("MOU") between the Government and public sector employees. The agreement, however, came under pressure in the second quarter of the fiscal year as workers pressed for a wage increase to cushion the impact of inflation. The MOU "hardship payments" (J\$1.8 billion) was granted by the Government to offset additional expenses (including increased bus fare and electricity rates). In the final budget figures, wages and salaries were J\$1.7 billion above budget.

## GOJ Indebtedness

At the end of March 2006, total public debt stood at J\$847.3 billion. This represented an increase of 11.5% over the stock of J\$759.7 billion recorded at the end of March 2005. The debt to-GDP ratio stood at 131.5% at the end of FY2006, an improvement over the 138.2% recorded at the end of FY2005 and 140.0% at the end of FY2004.

## GDP Growth

Real GDP grew by 1.4% as measured by the Statistical Institute of Jamaica for the 2005 calendar year and is projected to have grown by 1.8% for the fiscal year, as measured by the Planning Institute of

Jamaica ("PIOJ"). The PIOJ projected fiscal growth in the services sector of 1.4% and 1.9% for the goods producing sector. The strongest performers were projected to have been Agriculture, Forestry & Fishing (7.5%) due mainly to a rebound from Hurricane Ivan, Electricity & Water (4.8%) and Miscellaneous Services (3.2%), which includes tourism.

## OUTLOOK

In April 2006, Jamaica's 2007 budget was presented, with the major revenue highlight being, no new taxes and no increase in the current tax rate. A second Memorandum of Understanding ("MOU II") was also signed between the Government and trade unions. The second agreement effectively caps wages at 20% over two years. Some workers including teachers, nurses and the police have not signed the agreement and are still in negotiation with the Government; thus we expect volatility around the issue in the coming months.

The estimate of expenditure for FY2007 was J\$358.09 billion, up 3.5%. Recurrent Expenditure (J\$ 211.6 billion) was up 10.1%, while Capital Expenditure (J\$ 28.9 billion) was up 86.7%. The increased capital expenditure is needed to deal with reconstruction of the nation's infrastructure due to two very active hurricane seasons.

Jamaica will continue to face challenges due to its small size and vulnerability to both internal and external shocks. However, historically the country has shown a strong resilience to shocks. Domestic agriculture continues to rebound following the devastation caused by Hurricane Ivan in 2004 and Hurricanes Emily, Dennis and Wilma in 2005. Consequently, 12-month annualized inflation has returned to single digit, the first time since May 2003. Tourism has also continued its record breaking path with three consecutive months of record stopover arrivals. The investment pipeline is also very encouraging with the 2007 Cricket World Cup on the horizon, the continued expansion of the tourism and construction sectors, despite the challenges of the cement crisis.

Our business environment will continue to face challenges but our resilience should ensure that the challenges are met head on and dealt with adequately.



## MANAGEMENT DISCUSSION & ANALYSIS

Keith Duncan, Group CEO

We are pleased to report that the JMMB Group had a successful year recording profit attributable to stockholders of J\$1.67 billion, a 1.3% increase over the prior year's results. This was achieved in spite of a challenging economic environment locally, increasingly competitive market forces and a marked increase in interest rates in the United States. This performance confirms the strength and resilience of our business model which seeks to maximize earnings in Jamaica while developing revenue sources outside of Jamaica.

### Net Interest Income

Against the backdrop of the continued reduction in yields on Government of Jamaica instruments throughout the year, there was a J\$495.3 million (6.4%) increase in interest income. This was due to a continuous growth in the Group's earning assets, which in total increased by J\$17.24 billion or 28.4%.

The competitive market environment led to a marked reduction in interest spreads. However, the net interest income of J\$1.97 billion for 2006 represents a J\$58.7 million (3.1%) increase over the prior year.

### Operating Revenue

Operating revenue net of interest expense, which increased by J\$278.3 million or 10.8% to J\$2.85 billion, is comprised of net interest income, gains on securities trading and income from fees, commissions and foreign currency trading. This performance was largely due to the growth in gains from trading securities, which increased by 29.4% to J\$703.0 million. We were able to achieve this result even though the trading performance of our subsidiary, JMMB Securities Limited (JMMBSL), recorded an unrealized loss of J\$73.1 million on its equity portfolio primarily as a result of the downturn on the Jamaican stock market.

## Administrative Expenses

There was an increase of 24.0% in administrative expenses during the year. This led to a deterioration in our efficiency ratio from 47.0% to 52.6%. Efficiency ratio is represented by administrative expenses as a percentage of operating revenue net of interest expense. This reduction was a result of our strategic initiative to expand organisational capacity, diversify revenue sources and position the Group for future growth. To this end, expertise was bolstered in our Investment, Research and Risk capabilities to support our entry into new markets and deliver new product solutions to our clients.

We expect these resources to bear fruit in the future. Additionally, we expanded our Client Care Centre and added the Personal Portfolio Management Centre to increase service levels to our clients.

## Associated and Subsidiary Companies

Our associated companies made a significant contribution to the Group's profit. The share of profits from associated companies increased by 45.3% in 2006, adding J\$573.8 million to pre-tax profits. This contribution represents a rebound from the decline reported in 2005. Caribbean Money Market Brokers Limited (CMMB), was the major contributor to this performance, benefiting largely from a TT\$74.9 million improvement in gains from bond trading.

The Intercommercial Bank Group (IBL) performed creditably during the year. IBL's net profit improved by 222% to TT\$3.1 million for the year ended December 31, 2005, while total assets increased by 31.6% to TT\$624.3 million. The repositioning of the Merchant Bank by relocating it to Port of Spain, in the heart of Trinidad's commercial operations, will facilitate an increased deal flow.

JMMB Insurance Brokers Limited (JMMBIB) provided health and life insurance solutions to its clients through strategic alliances locally and internationally. Since the end of the year, JMMBIB has received regulatory approval to offer general insurance brokerage services. While JMMBIB's performance to date has not met our profit expectations, it still plays a strategic role in enhancing our suite of products.

## Asset Performance

The Group's total assets increased by J\$18.04 billion or 28.2%, moving from J\$63.89 billion to J\$81.93 billion. This growth was funded largely by increases in repurchase agreements of J\$15.97

billion and retained profits of J\$1.38 billion. Total earning assets of the Group, which increased by 28.4% represent 95.1 % of total assets.

## Stockholders' Equity

Stockholders' equity increased by J\$1.44 billion (24.9%) to J\$7.24 billion primarily as a result of growth in retained profits. Book value per share at the end of the year was J\$4.95 as compared to J\$3.96 last year.

## Client Value Proposition

JMMB remains committed to our clients. We believe that the Company will continue to be highly profitable if it abides by sound ethical conduct, remains committed to its core values and is guided by a philosophy of unconditional love. Our primary goal is to provide solutions that meet the financial needs of our clients. Thus, we have expanded our platform of Financial

Planning Services (FPS) to position the organisation to meet client needs at every stage of their financial life cycle and we are currently enhancing offerings to our corporate clients. In the year ahead, we plan to deliver:

- enhanced consumer finance solutions
- capital market services
- additional mutual fund services through JMMBSL
- general insurance services through JMMBIB
- product offerings catering to various risk appetites

Our strong ties outside of Jamaica (CMMB, IBL) give us access to Caribbean research and allow us to provide for our clients a gateway to investment opportunities and financing solutions from the wider Caribbean.

We intend to make access to our products and services more convenient for our clients. This would be achieved by:

- expanding online transaction processing via the Internet,
- completing the integration of our Client Care Centre, facilitating local contact to JMMB through one telephone number and,
- establishing electronic transaction machines in targeted locations, accepting investments, facilitating encashments by dispensing cash and allowing access to accounts.

**"We are pleased to report that the JMMB Group had a successful year recording profit attributable to stockholders of J\$1.67 billion..."**

We opened a new branch in Santa Cruz, St. Elizabeth to expand our reach throughout Jamaica. Our Brown's Town branch, promised in the last financial year, has been put on hold as we seek to find the most suitable location.

We have consolidated our Island Life Branch into a single location (Knutsford Branch) at 11 Knutsford Boulevard in New Kingston. This new location offers more convenient access for our clients and is also the new home for JMMBSL. In the year ahead, two other branches will be relocated; Ocho Rios to a more central location with increased parking and Mandeville to a more spacious new building.

Regionally, in July 2005, CMMB opened a branch in St. Lucia to serve the Eastern Caribbean States.

#### Operational Efficiency

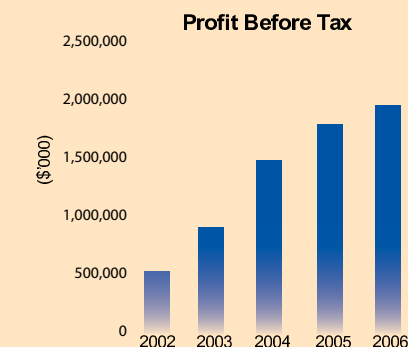
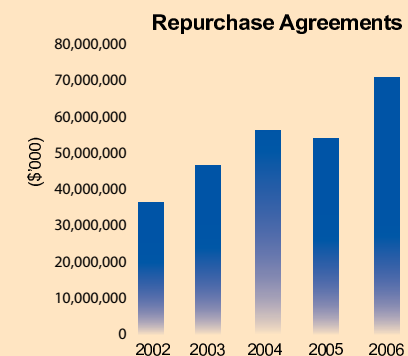
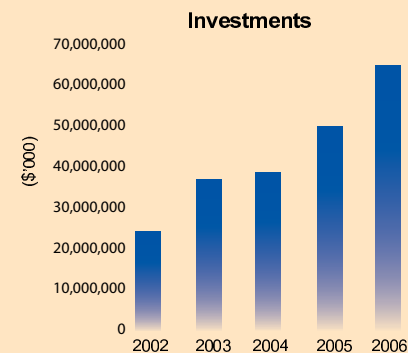
We are exploring a new enterprise-wide IT solution as we seek to improve our transaction processing capabilities and position the Company for future growth locally and internationally.

As part of our drive for continuous improvement, each team within JMMB has proposed efficiency measures that will constitute a part of their performance review. Team members are accountable not only for revenue generation but also for cost management, as collective responsibility has become the common thread throughout the JMMB team.

#### Human Capital

We are proud of the team of experts we have assembled at JMMB. Aaron Hou, our Chief Risk Officer, is the Regional Director of the Caribbean Chapter of Global Association of Risk Professionals (GARP); Leo Williams, International Business Development Manager, is the newly elected Deputy Chairman of the Jamaica Stock Exchange (JSE) and Keith Duncan currently serves as the President of the Jamaica Securities Dealers Association (JSDA).

Our team members continue to pursue academic growth, and as at March 2006 we had two Chartered Accountants and four Chartered Financial Analysts. Additionally, there are sixty-nine team members with graduate degrees and forty with post-graduate degrees. We are happy to report that 97% of our Client Relations Officers (CROs) have now attained our internal FPS certification and are qualified to deliver sound financial planning advice to our clients.





Our newly constituted Culture and Leadership Development Unit, headed by Donna Duncan-Scott, will support the organisation as we invest significant time and resources in performance management and leadership development. This unit will drive the upgrade of our performance management and monitoring system. It will also provide coaching training for our team members in achieving high performance.

To this end, we recently implemented a 360-degree feedback system and will begin the process of designing individual development plans with and for every team member. It is the objective and vision of the JMMB team that, consistent with our Vision of Love, we deepen accountability by continually transforming the nature and quality of our conversations and relationships. We see a future of high-performing individuals and teams consistently producing extraordinary results.

**“Our Vision 2025 was developed by team members and provides the Company with a road map for the achievement of several extraordinary goals. This is used as a strategic guide as the Company emerges onto the world stage.”**

through to the last quarter of this financial year, which will create a challenging environment for the entire industry. With a general election anticipated in Jamaica and the uncertainty that this creates, we do not expect to see any significant rebound in the stock market. All these factors taken together will limit any significant growth in revenues while we continue with our

expansion plans. Therefore, we expect the 2007 financial year to be a challenging one that will require careful management in balancing future expansion initiatives and current operations.

Our Vision 2025 was developed by team members and provides the Company with a road map for the achievement of several extraordinary goals. This is used as a strategic guide as the Company emerges onto the world stage.

#### Corporate Social Responsibility

In our AGM last year, our stockholders requested a more detailed update on our contribution to national development and outreach. I am pleased to report that this year we have dedicated a section of our report (page 34) to this purpose.

#### Outlook for 2007

While we pursue the delivery of exciting new product solutions and are penetrating new markets in the 2007 financial year, these actions may impact profit growth in the short-term. However, we believe that these are essential for long-term growth and development of the Group. These initiatives are taking place against a backdrop of declining net interest margins based on a flattening Jamaican yield curve and the increased short-term US interest rates. Interest rates in the USA and Jamaica are expected to remain at around the current levels

This year, our main international expansion initiative will be to establish a presence in the Dominican Republic. CMMB is also exploring further expansion opportunities.

Exciting times are ahead and I use this opportunity to thank you, the Stockholders and Clients, for your investment in JMMB-our Company. I also thank our supportive Board, our committed management team and the dedicated and passionate JMMB team members, who each day make our strategy real and live our vision of love. JMMB is committed to increasing stakeholder value and making a positive contribution to the Jamaican economy. We continue to believe that

VISION + VALUES + EXPERTISE = PHENOMENAL SUCCESS.

Glenford McLeish, Managing Director

During the year, JMMB Securities Limited (JMMBSL) executed transactions on the Jamaica Stock Exchange (JSE) with trade value in excess of J\$2.19 billion. The year proved to be a challenging one for the stock market as the JSE experienced a 37.5% reduction in number of transactions as well as a 35.0% decline in value traded and this affected our results. We increased our activity on the other major stock markets of the English-speaking Caribbean, which has enhanced our ability to meet our client needs.

The Company incurred an overall net loss of J\$56.8 million which was primarily driven by portfolio revaluation loss of J\$73.1million.

The JMMB Select Index Fund, which trades the fifteen most liquid stocks on the JSE, closed the year at a net asset value of J\$284.7 million with 43.3 million units in issue. We created a fourth series of shares, Series D, designed to meet the investment needs of our institutional clients. We were also able to secure registration of the Fund in Trinidad and Tobago, and Barbados to facilitate regional distribution.



The core of our thrust is to innovate products and service offerings to our clients. In this regard, we worked towards the completion and launch of the Trinidad Select Index Fund, which will complement the existing Fund and demonstrate our regional presence and outlook. We now offer our clients the convenience of enhanced trade execution through online order placement and management. Additionally, as part of our vision to continually empower our clients, we hosted a combination of educational seminars and market-based presentations with other members of the Group.

We value the contribution of a committed and dedicated team to the Company's growth and development. Most importantly, we thank our clients for the opportunity to be at their service and look forward to assisting them achieve their financial goals.



[www.jmmbscurities.com](http://www.jmmbscurities.com)

**"We now offer our clients the convenience of enhanced trade execution through online order placement and management."**

Lancelot Henry, Managing Director

JMMB Insurance Brokers Limited (JMMBIB), having begun operations in October 2004, realized a loss of J\$12 million in its first full year of operations. We have recently broadened our product offering beyond life and health insurance both for individuals and groups, to include motor and property insurance. JMMBIB is now positioned to offer a full suite of risk mitigation products not only from Caribbean-based providers but also from select international providers.

Operational integration and synergy with the JMMB Group has been a priority. With licensed Client Relations Officers located at select branches, we have also added five insurance specialists to give advice to our clients. This cadre will be expanded as demand increases. In the coming year, there will be a strong promotion to the wider Jamaican community.

To supplement our Blue Care health insurance product we have added the Smart Life insurance product with accidental death and critical illness 'add-ons' as well as the Family Indemnity Plan. We will also tailor solutions to fit our clients' needs.

I would like to thank our clients for their support and team members for their dedication and hard work.



*In Your World.....When it matters Most*

# ACROSS THE CARIBBEAN

“We are acknowledged as experts by regional and international markets in Caribbean and Central American asset classes”

Excerpt from JMMB's Vision 2025

Jamaica  
JMMB Group

Dominican Republic  
JMMB - Coming Soon

St. Lucia  
CMMB

Barbados  
CMMB

Trinidad and Tobago  
CMMB  
IBL Bank Group



### Financial Highlights

In a clear demonstration of the resilience and reliability of our business model, Caribbean Money Market Brokers Limited (CMMB) reported profit before tax of TT\$105.6 million for its 2006 financial year compared to TT\$85.7 million for the prior year – an increase of approximately 23% year-on-year.

This performance is particularly noteworthy given the upward trend in interest rates, both regionally and internationally, which presented challenges to our interest rate spreads, along with the adverse movement in bond prices. In the US, the Federal Reserve increased its policy rate – the Fed Funds rate – 17 times since June 2004, which led to a rise in our cost of funds. Despite this changed environment, CMMB's top line interest income grew 35%, while net interest income increased by 6%.

CMMB's performance was also driven by gains from bond trading which amounted to TT\$73.7 million compared to a net loss of TT\$1.2 million last year. Additionally, we realised some gains during the early part of the year as prices of emerging market bonds rebounded, and this facilitated the implementation of our strategy to shorten the portfolio duration. As a result of these actions, our net profit margin improved considerably from 68% to 77% year-on-year and the operating profit margin moved from 69% to 88%.

Assets under management continued to trend upward, increasing 5% to TT\$8.68 billion or approximately US\$1.4 billion. Shareholders' equity increased 49% from TT\$288 million to TT\$431 million. Apart from the growth in retained earnings, this increase in shareholders' equity was also due to the increase in fair value reserves resulting from reclassifications within the bond portfolio.

### Barbados

Over the past year, our operation in Barbados continued to grow despite tightening liquidity conditions in the market. Assets under management increased from BD\$99 million to BD\$142 million, an increase of 43% over the previous year. This was during a period where Treasury Bill rates moved from 3.28% in March 2005 to 6.22% at the end of March 2006.

We also expanded our operations by opening a second branch in November 2005, located in the Hastings Plaza.



Ram Ramesh, CEO

St. Lucia/Organisation of Eastern Caribbean States (OECS)

The OECS experienced similar conditions — rising interest rates coupled with tightened liquidity — as many projects are underway across the region related to World Cup Cricket 2007, as well as other large scale tourism projects.

On average, economic growth for the Eastern Caribbean Currency Union economies was 4.0%, with strong performances from St. Lucia at 5.4% and Anguilla at 9.0%.

CMMB's EC\$ portfolio grew approximately 30% while our newly established office in St. Lucia turned a profit in its first year. Our St. Lucia branch also completed its first EC\$ Capital Market transaction, arranging and underwriting an EC\$30 million bond issue carrying a 10-year tenor on behalf of the Government of St. Vincent and the Grenadines.

#### CMMB Securities

Our sister company, CMMB Securities Limited (CMMBSL), also continued to make strides in developing the equity markets across the region.

CMMBSL, which is a member of the Trinidad and Tobago Stock Exchange (TTSE), returned a commendable performance in 2006 recording profits before tax of TT\$3.5 million, an increase of 90% over the previous year. This was despite a lethargic performance of the stock market during the period. Net profit margin rose to 40%, compared to 22% last year resulting in after-tax profits of TT\$2.96 million compared to TT\$1.67 million last year.

#### Living our Mission

When CMMB was launched in 2000, our mission then was “to create an active secondary market for fixed income securities in Trinidad and Tobago and the wider Caribbean.” Now, with

offices in Trinidad, Barbados and St. Lucia, covering the OECS markets, we have upgraded our mission statement. We now commit to “educating, nurturing and developing the capital markets of the Caribbean and other emerging markets.”

We fully recognize that a market can only develop if the people in the market develop. We have been actively engaged in the

development of our human capital through various seminars and workshops on investment and other related topics. This year, we made a special effort to bring greater awareness and investment know-how to the OECS markets. Of the 29 seminars and workshops we hosted, 15 were outside of Trinidad and Tobago. More than 1,000 individuals attended our seminars and workshops, which have become so popular among investment managers as well

as the investing public that we have had to repeat several of them in other islands.

#### Creating our Future

Over the past six years, CMMB has consolidated its position as the leading full-service brokerage house in this part of the Caribbean with assets of over US\$1.4 billion, a capital base of over US\$70 million and profits rising to over US\$18 million in 2006.

Based on this phenomenal success in such a short period of time, the Board of Directors has now mandated that we take the model beyond the Caribbean. In this regard, we expect 2007 to be a year of ‘strategic investment’ in our talent, technology and brand which form the three pillars of our global thrust.

#### Exchange Rates:

BD\$1=TT\$3.15; BD\$2=US\$1

EC\$1=TT\$2.4; EC\$2.5=US\$1

**“We now commit to educating, nurturing and developing the capital markets of the Caribbean and other emerging markets.”**

**“...we have taken the decision to refocus our core business to provide quality banking services and products through efficient delivery systems to our valued customers.”**



Hugh Duncan, Group CEO

It is my pleasure and privilege to present the performance review of the Intercommercial Banking Group - Intercommercial Bank Limited (IBL) and Intercommercial Trust and Merchant Bank Limited (ITMBL) - for the financial year ended December 31, 2005.

The buoyant economic conditions in Trinidad and Tobago generated a year of growth within the financial services sector. The local financial market has remained robust in light of the economic policies prescribed by the Central Bank of Trinidad and Tobago, which has taken a leading role in designing initiatives to move the local financial market to a new level of efficiency and sophistication. Initiatives included an auction system launched in July 2004 for Central Government bonds; a reduction in the required reserve from 14% to 11% in September of that same year; a 1% increase in repo rates during the 2005 fiscal year and more recently, in February of this year, the introduction by the Central Bank of the Government Securities Settlement System. This latter system is linked to the Real Time Gross Settlement System (RTGS) which was introduced to facilitate simultaneous transfer of funds and securities.

The year 2005 marked the twelfth year of consecutive economic growth for Trinidad and Tobago. Caribbean Governments made definitive movements towards the establishment of the Caribbean Single Market and Economy (CSME). With these changes, the country has emerged as a major source of regional financing as many local distributors, manufacturers and service providers have expanded their presence throughout CARICOM and are seeking financiers with the knowledge and expertise to enable them to maximise their profits and presence throughout the region and beyond.

#### Financial Overview

The competitive spirit between IBL and other more established banks as well as the new generation of financial services providers intensified in the past year. The Group was able to achieve a profit after tax of TT\$3.1 million, an increase of TT\$2.1 million or 222% increase over prior year. Despite a significant increase in profit, the Group's profit was negatively affected by a TT\$1.6 million loss, resulting from the restructuring of the Government of Grenada bonds.

Operating income for the Group closed at TT\$33.2 million, an increase of 36% over the previous year. The main contributor to

this performance was net interest margin, which registered an increase of 38% over 2004. Net interest margin of TT\$24.2 million accounted for 73% of operating income.

The Group's total assets closed at TT\$624.3 million, which represented an increase of TT\$150 million or 31.6% over the previous year. The main area of growth was loans and advances, which increased by TT\$123 million or 52%, and now represents 58% of total assets.

Customer deposits and other funding instruments grew by 39% to TT\$463 million.

#### Our Strategy for Continued Success

Our successful performance would not be possible were it not for the carefully defined strategy of consolidation that we began in the latter part of 2004. Since that time, we have taken the decision to refocus our core business to provide quality banking services and products through efficient delivery systems to our valued customers. We also took advantage of opportunities that presented themselves as a result of our alliance with Jamaica Money Market Brokers Limited (JMMB) for the mutual benefit of both parties.

These initiatives were instrumental to the overall accomplishments of the IBL Group for 2005. Now that we are seeing the fruits of our hard work and endeavours, we are prepared and energized to enter the next phase in our Group's development with growth and expansion programmes in the years ahead.

#### Our Culture

Our philosophy at the IBL Group values relationships and we have made a conscious decision to adopt a values-based culture. Our goal is to embed our values of "Transparency, Trust, Integrity and Love" into the Group's culture and to transform these values into our daily decision-making and behaviour. The values are integrated into our strategic initiatives, policies, procedures and orientation activities. 'How to live them' is disseminated through learning and development activities, including leadership development. Having a culture based on strong core values helps shape ethical norms that can enhance and continue the high standards of conduct that are the hallmark of both IBL and ITMBL.



### Human Capital

One major area of emphasis in the Bank's development is our investment in our human capital. Our goal "to become the most admired financial services organisation in every country in which we operate", will be accomplished by attracting intelligent, qualified personnel who are fully committed to our corporate goals and objectives and who will embrace our values-based system. Some of the business areas we strengthened in 2005 included Human Resources, Retail & Corporate Banking, Finance & Planning, Group Treasury, Information Technology and Trust & Merchant banking. We remain steadfast in inculcating the Group's core values within each member of staff to ensure that they are aligned to our vision and mission.

### Delivery Channels – New Port of Spain Office

In 2005, a decision was taken to change the direction of our Trust & Merchant banking operations, from playing a relatively passive role in providing support services to the parent bank, to that of making a significant and strategic shift into the capital markets arena. Our move to Port of Spain, the capital of Trinidad and Tobago, in February 2006 was part of a carefully planned strategy to kick-start our drive of achieving national and regional prominence in the capital markets. Our position in the heart of Trinidad's commercial operations has given us new confidence and enthusiasm, which will allow us to revolutionise the way financial services are delivered to the emerging corporates in the country and the wider Caribbean.

### Product and Service Development

IBL continues to seek avenues to aggressively market its products and services. A major accomplishment in this area was the agreement between IBL and a major Port of Spain credit union to offer Visa International debit cards to its membership, the only such product in Trinidad and Tobago and indeed, the English speaking Caribbean.

Our Visa International debit cards allow the credit union members to access their funds via a global point-of-sale system of over 19 million merchants worldwide. Cash withdrawals would also no longer be limited to the credit union's branch offices, but could be transacted at any Visa branded ATM, both locally and internationally.

IBL was also proud to support the Central Bank's decision to reform the electronic payments structure, which gave birth to the Trinidad and Tobago Interbank Payments System or TTIPS initiative. TTIPS has allowed the local financial sector to enter a new era of banking as it allows for timely, automatic electronic salary and payment transfers.

We continue to work alongside the other financial institutions to create a seamless network that connects us, allowing payments to flow smoothly across the banking system.

**"Our move to Port of Spain, the capital of Trinidad and Tobago, in February 2006 was part of a carefully planned strategy to kick-start our drive of achieving national and regional prominence in the capital markets."**

### The Way Forward

IBL is focused on creating a customer-centric environment through the provision of highly personalised service to all of our customers. We are implementing an upgrade to our information technology platform and instilling a more robust compliance program throughout the organisation.

In 2006, we will expedite our expansion plans for our Chaguanas Head Office and branch as well as rolling out an enhanced sales structure that provides for multiple, customer-centric delivery channels.

The IBL Group has the stability and expertise to take financial services to a new level. There is confidence in the team, products, services and in the economies within which we operate.

## CORPORATE GOVERNANCE

The Board of Directors is comprised of ten members, seven of which are non- executive. During the year, there were ten Board meetings and two weekend retreats for strategic review and budget planning, respectively. There is a strong respect for Corporate Governance within the JMMB Board as we continue to strive for international best practices. To this end, a new Board charter is being developed to guide our actions .

Currently there are four key subcommittees, namely Risk, Finance, Audit and Human Resources. Each subcommittee meets quarterly, is chaired by a Non-Executive Director and comprises other members of the Board and senior management.

Non-Executive Directors	Risk	Finance	Audit	Human Resources
Archibald A. Campbell	√	Chairman	Chairman	
Dennis L. Harris		√	√	
Dr. Noel A.Lyon				√
Marguerite Orane (resigned 31.12.05)				Chairman
Richard J. Trotman	Chairman			
V. Andrew Whyte	√	√	√	

## Report from the Board Audit Subcommittee

The mission of the Audit Committee is to assist the Board in discharging its duties with respect to internal controls and regulatory requirements. The primary duties and responsibilities of the Committee are:-

- Recommending the appointment of an independent external auditor, and their compensation
- Examining the scope of audits conducted by external and internal auditors
- Ensuring appropriate internal audit resources are in place to facilitate adequate internal controls
- Ensuring the integrity of client and financial accounts
- Ensuring compliance with regulatory requirements
- Reviewing and recommending changes to the existing accounting policies and practices

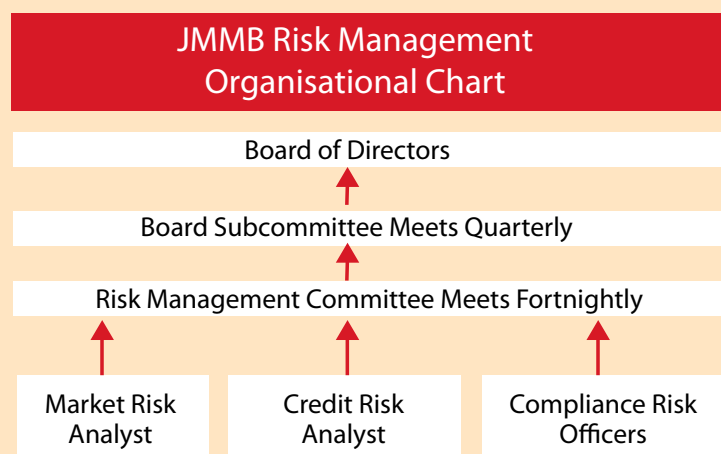
PricewaterhouseCoopers (PWC) is the internal auditor of the Company. During the financial year, PWC conducted financial, operational, compliance and IT audits on key areas within the Company. PWC attends Committee meetings to present and discuss the audit reports and other audit related issues.

The Committee consists of three non-executive directors of which one is appointed by the Board as the Committee's Chairman. In addition, Mrs. Patricia Sutherland, a Non-Executive Director of JMMD Securities Limited, also serves on the Committee. The non-executive directors, including its Chairman are appointed annually and are eligible for re-appointment.

There were six meetings held during the 2006 financial year.

## RISK MANAGEMENT

JMMB, as a leading firm in Jamaica's financial sector, is also a leader in risk management practices. The Company has taken an integrated approach to manage the following risks: credit, market, liquidity and operational. JMMB also manages its capital, applying a Risk Adjusted Return on Capital (RAROC) approach, to provide a return to its stockholders while protecting the Company's balance sheet from identifiable risks. Comprehensive policies and procedures have been developed to manage each type of risk. Our internal risk management practices are very conservative and rigorous with effective management and Board oversight.



JMMB is committed to continuously benchmarking against international best practices. The Risk team has a wealth of expertise in risk management practices and has established the infrastructure to facilitate Vision 2025.

As a leading regional firm, we have taken a proactive approach to increase awareness and improve risk management practices throughout the Caribbean. In September 2005, we hosted our first risk seminar, which is scheduled to be held annually. Additionally, our Chief Risk Officer, Aaron Hou, initiated the Caribbean Chapter of the Global Association of Risk Professionals (GARP), and currently serves as its Regional Director.

As the Company executes its various growth strategies, the Risk team will play a critical supporting role.

### Market Risk

Market risk is the potential loss in the economic value of the investment portfolio as a result of negative movements in the following key factors: interest rate, foreign exchange rate and equity prices.

Interest rate risk - the risk that an investment's value will change due to a change in:

- the absolute level of interest rates or the spread between two rates
- the shape of the yield curve
- any other interest rate relationship

Foreign Exchange Risk – risk that arises from the change in the price of one currency against another.

JMMB uses the Value at Risk (VaR) methodology (namely Monte Carlo Simulation and Historical Simulation) to actively measure and monitor its market risk exposure. VaR provides an aggregate risk statistic on potential investment losses based on a defined probability for a specified period of time. It is the best known market risk practice and has been widely adopted by major global investment firms. VaR can be calculated for each sub-portfolio or by individual positions and allows for easy identification of risk contribution and correlation. These analyses, which are complemented by scenario and routine stress testing, help to inform our investment decisions. Back testing is also conducted regularly to validate the models' accuracy.

We have adopted economic capital as the base to support our business activities. Economic capital has proven to be a more appropriate standard to measure risk capacity since such illiquid items as fixed assets, deferred taxation and interest in associated companies are excluded. The capital adequacy level, capital allocation and risk limits are established by utilizing economic capital as the base.

Additionally, the Board has established VaR limits with defined action plans to be executed when these limits are breached. These limits are strictly adhered to and are subject to periodic review. Based on the predefined VaR limits, JMMB continues to effectively measure and manage its market risk on a daily basis.

In keeping with Vision 2025, we are committed to continuously improving our market risk practices and policies in accordance with world class standards. As such, the Risk team keeps abreast of all new global developments such as BASLE II and other major regulatory changes that affect both international and domestic markets.

**“As a leading regional firm,  
we have taken a proactive  
approach to increase  
awareness and improve  
risk management practices  
throughout the Caribbean.”**

### Liquidity Risk

Liquidity risk is defined as the financial risk that arises from the inability of an institution to meet its financial obligations at a reasonable cost and in a timely manner. Liquidity risk may also arise in circumstances where it is difficult to sell assets at a reasonable market price. During the financial year, the Risk team placed a great deal of emphasis on developing a liquidity risk measurement, monitoring and management system that meets international standards. As a part of our monitoring and measurement system, analyses of maturity gaps and cash flow forecasting are done on a daily basis. This assists us to determine current and future requirements for cash thus mitigating potential liquidity crunch.

Additionally, detailed funding source segmentation, funding analysis, funds flow analysis and a liquidity risk action plan are now in place, with help to determine reserve liquidity requirements.

### Credit Risk

Credit risk is the potential loss of capital should a counterparty fail to fulfil its actual or implied contractual obligation. Credit risk arises in investment activities where counterparties have contractual arrangements to repay at a specified period in the future. To mitigate this risk, we have adopted international best practices to evaluate, measure, and monitor credit risk. The CAMELS methodology is presently used to evaluate counterparties' credit worthiness and to determine credit limits, based on available qualitative and quantitative data.

JMMB is positioned to effectively manage its credit risk. Counterparty limits are reviewed and approved by the Board and its Risk Subcommittee. Exposure limits are centralized for better controls and updated periodically to reflect changing business environment and economic conditions.

JMMB manages its credit risk in a proactive manner drawing on all available information at a given point in time to make informed credit decisions.

### Operational Risk

Operational risk is the risk of loss resulting from deficient internal processes, human behaviour or external events. In the management of operational risk, the Board has ensured that there are adequate controls in operating processes and systems. These include authority limits, segregation of duties and performance standards. Regular audits are conducted by our internal auditors, PricewaterhouseCoopers, and are reviewed quarterly by the Board's Audit Subcommittee. There is also oversight of the Company's day-to-day operations by JMMB's Compliance Unit.

### Capital Management

Effective capital management is critical to the expansion of our business activities. Capital management involves the allocation of capital amongst the different business lines. We have developed a system to dynamically redistribute the Company's total capital. This is achieved through frequent assessments of RAROC. The RAROC methodology computes a ratio, which is the return on each business activity to the risk capital employed in that activity. This risk capital represents the amount that would be necessary to offset probable losses due to market, credit and liquidity risks. This approach ensures that risk taking is consistent with strategic business objectives and the Company's overall risk tolerance. The RAROC assessment is a proactive approach that limits the overall risk exposures, whilst maximising stockholder value. It provides a natural link between our responsibility to the stockholders and our obligation to satisfy regulatory requirements. Proactive capital management will ensure that our expansion is effectively managed.

## CORPORATE SOCIAL RESPONSIBILITY

"JMMB is actively and publicly involved in voluntary charitable activities within the society and recognises and accepts its social responsibility, understanding that it has everything to do with JMMB which is part of the link in the wider chain". - Excerpt from Our Vision of Love.

Through love and a strong sense of social accountability, JMMB has for many years provided support to individuals, organisations and communities to assist them in realising their potential and dreams.

### JMMB Foundation

We have chosen to put more structure and focus to our social corporate giving and to this end, we intend to establish a non-profit foundation called JMMB Foundation for Love, Power and Possibility.

The purpose of the Foundation would be to support:

- Building a society where we all recognise our power within and manifest our power to the benefit of ourselves, our organisations and our society
- Building a vision-led and values-based society
- Imparting the disciplines - impact thinking, knowledge, behaviours and practices - for success
- Ensuring that we all take responsibility for the environment towards sustainable development

We believe that by fulfilling this purpose we will be contributing to the creation of a successful, prosperous and abundant society, both socially and financially.

The Foundation will have five areas of focus:

- a. The Joan Duncan Fund for Power and Possibility which focuses on:
  - i. People development and mentorship programmes, which facilitate education about ourselves and our heritage and also training in life skills and changing mental models and attitudes
  - ii. Providing scholarships
  - iii. Leadership development
  - iv. Community development - empowering communities to source funds for their own development
  - v. Enhancing our education system and other national people development systems

b. The Noel Lyon Fund for Entrepreneurship will initially focus on the sponsoring of a competition among tertiary institutions to develop innovative business plans, the most viable of which we will offer financial assistance.

c. Nation Building Fund which will focus on contributing to the building of a transparent political process by providing equal funding to the Secretariats of major political parties for campaigns at general election time.

d. Financial Empowerment Fund which will focus on training in financial planning for the financial empowerment of individuals.

e. Environment Protection Fund

These activities will be funded through the dedication of 1% of pre-tax profits to the Foundation each year. Expenditure will be managed by a steering committee comprised of board and team members and other individuals.

We will also ensure that:

- JMMB team members participate in the organisation, programme or project being assisted
- There is a fit with JMMB's Brand, Vision, Values and Principles
- The organisations' leadership or programme/project sponsors have demonstrated a high level of integrity and accountability
- The outcome of the initiative funded is sustainable

### Team Member Initiatives

Team members will be encouraged to give their time, money and expertise in order to fulfil their responsibility of providing leadership/mentorship in their communities. JMMB will facilitate forty hours per year of work time in approved programmes developed internally or otherwise. Within a specified annual limit, the Company will match the donations made by team members to entities whose objectives are consistent with the Foundation's purpose.

Some beneficiaries to date are:

- The Committee for the Upliftment of the Mentally III (CUMI )
- CUMI Children
- August Town Sports and Community Development
- The Strachan Sisters
- Build Jamaica Foundation
- Jamaicans for Justice

We are thankful that God has enabled us to do our part as a corporate entity, recognising that it is our responsibility and indeed our purpose to support the building of our society. In essence, it is about realising dreams, achieving our full potential as individuals, communities and a nation and recognising our power within. It is about love and respect but most of all it is about a willingness to serve which is an intrinsic characteristic of any leader.

**“We are thankful that God has enabled us to do our part as a corporate entity, recognising that it is our responsibility and indeed our purpose to support the building of our society.”**



## BRANCH MANAGERS & INFORMATION

Jacqueline Mullings  
Mandeville, Santa Cruz,  
May Pen



Lorna Hall  
Montego Bay



Teverly Gray  
Portmore



Horace Wildes  
Ocho Rios



Cedric Stewart  
Tropical Plaza



Fornia Young  
Knutsford Blvd



Yolanda Johnson  
Haughton Terrace





HAUGHTON  
6 Haughton Terrace,  
Kingston 10, Jamaica  
Tel: (876) 920 5050  
Fax: (876) 920 7281  
Yolanda Johnson, Manager

KNUTSFORD  
(Formerly in Island Life Mall)  
11 Knutsford Boulevard  
Kingston 5, Jamaica  
Tel: (876) 926 3684  
Fax: (876) 960 3927 / 960 4455  
Fornia Young, Manager

TROPICAL PLAZA  
Shop #2 Tropical Plaza  
12 - 14 Constant Spring Road  
Kingston 10, Jamaica  
Tel: (876) 929 8358 / 968 7395  
Fax: (876) 968 3803  
Cedric Stewart, Manager

PORTMORE  
47- 48 West Trade Way  
Portmore Town Centre  
Portmore, St. Catherine,  
Jamaica  
Tel: (876) 939 3205 / 939 3206  
Fax: (876) 939 3207  
Teverly Gray, Manager

MANDEVILLE  
4 Perth Road  
Mandeville, Manchester,  
Jamaica  
Tel: (876) 625 2351 / 625 4450-2  
Fax: (876) 625 2352  
Jacqueline Mullings, Manager

MONTEGO BAY  
Shop 19, Montego Bay  
Shopping Centre  
Howard Cooke Blvd.  
Montego Bay, St. James,  
Jamaica  
Tel: (876) 979 6052 / 979 6055  
Fax: (876) 979 1566  
Lorna Hall, Manager

MAY PEN  
Shop 28B Bargain Village Plaza  
35 Main Street, May Pen,  
Clarendon, Jamaica  
Tel: (876) 786 0101  
Fax: (876) 786 3660  
Jacqueline Mullings, Manager

OCHO RIOS  
Office #4  
Ocean Village Shopping Centre  
Ocho Rios, St. Ann, Jamaica  
Tel: (876) 795 3627  
(876) 795 3542  
Fax: (876) 795 3886  
Horace Wildes, Manager

SANTA CRUZ  
Shop #2, Oasis Plaza  
Coke Drive  
Santa Cruz, St. Elizabeth,  
Jamaica  
Tel: (876) 966 2512 / 966 3493  
Fax: (876) 966-9816  
Jacqueline Mullings, Manager

CLIENT CARE  
CENTRE  
Toll Free:  
Within Jamaica:  
1-888-GET-JMMB  
(1 888 438 5662)

From the  
USA & Canada:  
1 877 533 5662  
From the UK:  
0 800 9176040  
Website: [www.jmmb.com](http://www.jmmb.com)  
Email: [info@jmmb.com](mailto:info@jmmb.com)

# DIRECTORS' REPORT

For the year ended March 31, 2006

The Directors are pleased to present their Report for the year ended March 31, 2006. The Report represents the results for Jamaica Money Market Brokers Limited and its subsidiaries (collectively referred to as "the Group") and the Group's interest in its associated companies.

## Group Results

- Operating revenue net of interest expense was J\$2.85 billion, reflecting an increase of 10.8% over prior year.
- Profit before income tax was J\$1.93 billion, reflecting an increase of 9.4% over prior year.
- Profit attributable to equity holders of the parent was J\$1.67 billion, reflecting an increase of 1.3% over prior year.
- Stockholders' equity was J\$7.24 billion, representing growth of 24.9% over the last year.

## Dividends

The Directors recommend that the interim dividends paid on December 15, 2005 and June 30, 2006 be ratified and declared as final and that no further dividend be paid in respect of the year under review.

## Executive Changes

Mr. Keith P. Duncan was appointed Group CEO effective December 1, 2005. Mrs. Donna Duncan-Scott demitted office as CEO and was appointed Group Executive Director with responsibility for culture and leadership development.

## Directors

The members of the Board of Directors as at March 31, 2006 were as follows:-

Dr. Noel A. Lyon	Chairman and Non-Executive
Mr. Archibald A. Campbell	Deputy Chairman and Non-Executive
Mr. Keith P. Duncan	Group CEO
Mrs. Donna Duncan-Scott	Group Executive Director
Mr. Dennis L. Harris	Non-Executive
Mr. V. Andrew Whyte	Non-Executive
Mr. Wayne Sutherland	Non-Executive
Mr. Richard J. Trotman	Non-Executive
Mr. Ramasundaram Ramesh	Resigned June 20, 2006
Mr. Cedric Stewart	ESOP Representative

Mr. Marc S. Harrison                      Company Secretary

Dr. M. Anne Crick was appointed a director on June 20, 2006.

During the year, Ms. Marguerite Orane tendered her resignation which became effective December 31, 2005.

In accordance with Article 105 of the Company's Articles of Association, the directors retiring from office by rotation are Mrs. Donna Duncan-Scott, Mr. Dennis L. Harris and Mr. V. Andrew Whyte, who being eligible, offer themselves for re-election.

Dr. M. Anne Crick, having been appointed to the Board since the last Annual General Meeting, shall retire and being eligible, offer herself for election.

## Share Option Plan – Directors and Senior Management

The Directors recommend that the Stockholders ratify a Share Option Plan for Directors and Senior Management.

## Auditors

Messrs. KPMG, the external Auditors, have indicated their willingness to continue in office pursuant to Section 154 of the Companies Act, 2004.

The Directors wish to express their thanks to the Management and all Team Members for the work done during the year, and to the Clients for their continued support.

By Order of the Board  
Dated this 20th day of June, 2006



Marc S. Harrison  
Company Secretary

## CORPORATE DATA

### SUBSIDIARY COMPANIES

JMMB Securities Limited  
11 Knutsford Boulevard,  
Kingston 5, Jamaica  
Tel: (876) 920 5050

Website: [www.jmmbsecurities.com](http://www.jmmbsecurities.com)  
Email: [info@jmmbsecurities.com](mailto:info@jmmbsecurities.com)

Board of Directors  
Dr. Noel A. Lyon  
Donna K. Duncan-Scott  
Keith P. Duncan  
Archibald A. Campbell  
Patricia Sutherland  
Robert Mayers  
Glenford McLeish, Managing Director  
Marc S. Harrison, Company Secretary  
Pat Salter, Recording Secretary

JMMB Insurance Brokers Limited  
Shop #2 Tropical Plaza  
12 - 14 Constant Spring Road,  
Kingston 10, Jamaica  
Tel: (876) 920 5050

Website: [www.jmmbinsurance.com](http://www.jmmbinsurance.com)  
Email: [info@jmmbinsurance.com](mailto:info@jmmbinsurance.com)

Board of Directors  
Dr. Noel A. Lyon  
Donna K. Duncan-Scott  
Keith P. Duncan  
Cecile Cooper  
Lancelot Henry, Managing Director  
Archibald A. Campbell

### ASSOCIATED COMPANIES

Caribbean Money Market Brokers  
Limited (CMMB)  
1 Richmond Street  
Ground Floor, Furness Court  
Independence Square  
Port of Spain, Trinidad and Tobago  
Tel: (868) 623 7815  
Fax: (868) 624 4544

Website: [www.mycmmb.com](http://www.mycmmb.com)

Unit 01, Gulf City Shopping Plaza  
La Romaine  
San Fernando  
Trinidad and Tobago  
Tel: (868) 657 2662  
Fax: (868) 653 4871

Caribbean Money Market Brokers  
(Barbados) Ltd.  
1 White Park Road  
St. Michael, Barbados  
Tel: (246) 426 2020  
Fax: (246) 426 2058

Units 11 & 12  
Hastings Plaza  
Hastings  
Christ Church  
Barbados  
Tel: (246) 426 2020

CMMB St. Lucia (Branch of CMMB  
Ltd.)  
Clico Building, 1st Floor  
9 - 11 Brazil Street  
Castries, St. Lucia  
Tel: (758) 450 7984  
Fax: (758) 451 7984

CMMB Securities Limited  
1 Richmond Street  
Ground Floor, Furness Court  
Independence Square  
Port of Spain, Trinidad and Tobago  
Tel: (868) 623 7815  
Fax: (868) 624 4544

Website: [www.cmmbsecurities.com](http://www.cmmbsecurities.com)

Intercommercial Bank Limited  
DSM Plaza  
Old Southern Main Road  
Chaguana  
Trinidad and Tobago  
Tel: (868) 665 4425  
Fax: (868) 665 6663

Website: [www.ibltd.com](http://www.ibltd.com)

Intercommercial Trust and Merchant  
Bank Limited  
Furness Building  
90 Independence Square  
Port of Spain, Trinidad and Tobago  
Tel: (868) 627 3264/627 5068  
(868) 623 0924

### CORPORATE DATA

Registered Office  
6 Houghton Terrace  
Kingston 10, Jamaica

Auditors  
KPMG  
6 Duke Street  
Kingston, Jamaica

Registrar & Transfer Agent  
KPMG  
Regulatory & Compliance  
Services  
6 Duke Street  
Kingston, Jamaica

Bankers  
National Commercial Bank  
Jamaica Limited  
RBTT Bank Jamaica Limited  
Citibank, N.A.

Attorneys-At-Law  
Hart Muirhead Fatta  
2 St. Lucia Avenue  
Kingston 5  
Jamaica

Myers, Fletcher & Gordon  
21 East Street  
Kingston, Jamaica

Marc S. Harrison  
6 Houghton Terrace  
Kingston 10  
Jamaica

Internal Auditors  
PricewaterhouseCoopers,  
Scotiabank Centre,  
Corner of Duke and Port Royal  
Streets, Kingston, Jamaica

## STOCKHOLDINGS

As at March 31, 2006

### 10 LARGEST STOCKHOLDERS

CLICO INVESTMENT BANK LIMITED	404,409,710
TRUSTEES JMMB ESOP	171,949,033
COLONIAL LIFE INSURANCE CO LIMITED	112,151,468
CONCISE E.I. LIMITED	63,649,343
CONCISE O.N. LIMITED	64,469,343
CONCISE A.V. LIMITED	64,469,342
CONCISE R.I. LIMITED	62,461,632
JVF E.I. LIMITED	52,337,543
JVF O.N. LIMITED	52,337,543
JVF O.E. LIMITED	50,707,741
JVF R.I. LIMITED	50,707,741

### STOCKHOLDINGS OF DIRECTORS AND CONNECTED PARTIES

DIRECTORS	PERSONAL STOCKHOLDINGS	CONNECTED PARTY	STOCKHOLDINGS
DONNA K. DUNCAN-SCOTT	7,678,110	CONCISE O.N. LIMITED JVF O.N. LIMITED ALWYN SCOTT EST. JOAN DUNCAN	64,469,343 52,337,543 28,548 35,477
RAMASUNDARAM RAMESH	5,390,349		
KEITH P. DUNCAN	4,246,745	CONCISE E.I. LIMITED JVF E.I. LIMITED EST. JOAN DUNCAN	63,649,343 52,337,543 35,477
RICHARD J. TROTMAN	13,870		
ARCHIBALD A. CAMPBELL	8,400	ODETTE CAMPBELL	344,827
DR. NOEL A. LYON	NIL	GRACELYN O.E. LIMITED JVF O.E. LIMITED NICOLE LYON	47,431,005 50,707,741 10,000
WAYNE SUTHERLAND	NIL	CONCISE R.I. LIMITED JVF R.I. LIMITED	62,461,632 50,707,741
V. ANDREW WHYTE	NIL		
CEDRIC STEWART	NIL		
DENNIS L. HARRIS	NIL		



## STOCKHOLDINGS OF OTHER SENIOR MANAGERS

SENIOR MANAGERS	PERSONAL STOCKHOLDINGS
SHELDON POWE	4,277,831
LEO WILLIAMS	95,900
CECILE COOPER	82,189
HUGH DUNCAN	4,828
GLENFORD MCLEISH	1,525
AARON HOU	NIL
DENNIS CHUNG	NIL
FAYVAL WILLIAMS	NIL
LANCELOT HENRY	NIL
JULIAN MAIR	NIL
MARGUERITE CREMIN	NIL





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  
email: firmmail@kpmg.com.jm

To the Members of  
JAMAICA MONEY MARKET BROKERS LIMITED

### Auditors' Report

We have audited the financial statements of Jamaica Money Market Brokers Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group") as of, and for the year ended, March 31, 2006, set out on pages 44 to 82, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company and the group as at March 31, 2006, and of the results of operations, changes in equity and cash flows of the group for the year then ended and comply with the provisions of the Companies Act.

June 20, 2006

KPMG, a Jamaican Partnership,  
is the Jamaican member firm of KPMG  
International, a Swiss cooperative.

Raphael E. Gordon  
Patrick A. Chin  
R. Tarun Handa

Caryl A. Fenton  
Patricia O. Dailey-Smith  
Cynthia L. Lawrence

Elizabeth A. Jones  
Linroy J. Marshall  
Rajan Trehan



COMPANY BALANCE SHEET  
March 31, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
<b>ASSETS</b>			
Cash and cash equivalents	4	847,082	597,482
Interest receivable		2,041,425	1,992,593
Income tax recoverable		790,810	453,165
Notes receivable	5	1,873,269	685,986
Other receivables	6	507,142	341,664
Resale agreements	7	9,376,949	8,839,025
Investments	8	63,094,653	48,608,623*
Interest in subsidiaries	10	446,849	370,291
Interest in associated companies	11	2,167,694	1,415,839*
Computer software	13	100,367	73,072
Property, plant and equipment	14	<u>571,407</u>	<u>341,904</u>
		<u>81,817,647</u>	<u>63,719,644</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	365,847	365,847
Share premium		13,775	13,775
Investment revaluation reserve		884,890	917,890
Cumulative translation reserve		259,078	192,427
Retained profits		<u>5,630,342</u>	<u>4,227,771</u>
		<u>7,153,932</u>	<u>5,717,710</u>
<b>Liabilities</b>			
Interest payable		1,248,891	1,113,767
Accounts payable		180,209	204,858
Repurchase agreements	16	70,761,258	54,791,793
Notes payable	17	1,961,400	1,505,525
Loan payable	18	214,997	259,933
Deferred tax liability	12	<u>296,960</u>	<u>126,058*</u>
		<u>74,663,715</u>	<u>58,001,934</u>
		<u>81,817,647</u>	<u>63,719,644</u>

The financial statements on pages 44 to 82 were approved for issue by the Board of Directors on June 20, 2006 and signed on its behalf by:

Archibald Campbell  
Deputy Chairman

Keith P. Duncan  
President & CEO

\* Restated (see note 23)

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



	Notes	2006 (\$'000)	2005 (\$'000)
<b>ASSETS</b>			
Cash and cash equivalents	4	876,674	614,173
Interest receivable		2,041,425	1,992,593
Income tax recoverable		791,991	453,840
Notes receivable	5	1,853,269	685,986
Other receivables	6	433,597	293,569
Resale agreements	7	9,376,949	8,839,025
Investments	8	63,285,620	48,841,878*
Membership share	9	15,000	15,000
Interest in associated companies	11	2,546,948	1,721,631*
Deferred tax asset	12	24,383	- *
Computer software	13	108,274	83,345
Property, plant and equipment	14	576,879	348,848
		<u>81,931,009</u>	<u>63,889,888</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	365,847	365,847
Share premium		13,775	13,775
Investment revaluation reserve		896,856	917,890*
Cumulative translation reserve		279,437	192,427
Retained profits		<u>5,688,693</u>	<u>4,311,022</u>
		7,244,608	5,800,961
Minority interest		<u>4,680</u>	<u>7,501</u>
Total equity		<u>7,249,288</u>	<u>5,808,462</u>
<b>Liabilities</b>			
Interest payable		1,248,891	1,113,767
Income tax payable		-	31,378
Accounts payable		198,215	247,607
Repurchase agreements	16	70,761,258	54,791,793
Notes payable	17	1,961,400	1,505,525
Loan payable	18	214,997	259,933
Deferred tax liability	12	<u>296,960</u>	<u>131,423*</u>
		<u>74,681,721</u>	<u>58,081,426</u>
		<u>81,931,009</u>	<u>63,889,888</u>

The financial statements on pages 44 to 82 were approved for issue by the Board of Directors on June 20, 2006 and signed on its behalf by:



Archibald Campbell  
Deputy Chairman



Keith P. Duncan  
President & CEO

\* Restated (see note 23)

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



GROUP INCOME STATEMENT  
Year ended March 31, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Net interest income and other operating revenue			
Interest income		8,188,358	7,693,067
Interest expense		<u>(6,218,120)</u>	<u>(5,781,548)</u>
Net interest income		1,970,238	1,911,519
Gains on securities trading, net		703,015	543,278
Fees earned from managing funds on behalf of clients		15,308	12,013
Other fees and commissions		80,350	73,343
Foreign exchange margins from cambio trading		<u>76,220</u>	<u>26,657</u>
Operating revenue net of interest expense		2,845,131	2,566,810
Other income/(expenses)			
Dividends		9,668	8,502
Share of profits of associated companies		573,830	394,901
(Loss)/gain on disposal of property, plant and equipment		<u>( 772)</u>	<u>1,257</u>
Profit before administrative expenses		<u>3,427,857</u>	<u>2,971,470</u>
Administrative expenses			
- staff costs	19	( 769,908)	( 605,681)
- other		<u>( 726,282)</u>	<u>( 600,612)</u>
		<u>(1,496,190)</u>	<u>(1,206,293)</u>
Profit before income tax	20	1,931,667	1,765,177
Income tax	21	<u>( 264,139)</u>	<u>( 113,504)</u>
Profit for the year		<u>1,667,528</u>	<u>1,651,673</u>
Attributable to:			
Equity holders of the parent		1,670,349	1,648,481
Minority interest		<u>( 2,821)</u>	<u>3,192</u>
Profit for the year		<u>1,667,528</u>	<u>1,651,673</u>
Earnings per stock unit	22	<u>\$ 1.14</u>	<u>1.13</u>

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

STATEMENT OF CHANGES IN EQUITY  
Year ended March 31, 2006



Company	Share capital (note 15) (\$'000)	Share premium (\$'000)	Investment revaluation reserve (\$'000)	Cumulative translation reserve (\$'000)	Retained profits (\$'000)	Total (\$'000)
Balances as at March 31, 2004:						
As previously reported	365,847	13,775	662,749	113,593	2,893,676	4,049,640
Prior year adjustment (note 23)	<u>-</u>	<u>-</u>	<u>192,325</u>	<u>-</u>	<u>-</u>	<u>192,325</u>
As restated	365,847	13,775	855,074	113,593	2,893,676	4,241,965
Realised gains on available-for-sale portfolio	-	-	( 4,586)	-	-	( 4,586)*
Change in fair value of available-for-sale securities, net of taxes	-	-	67,402	-	-	67,402*
Foreign exchange translation differences	-	-	-	78,834	-	78,834*
Profit for the year ended March 31, 2005	-	-	-	-	1,597,506	1,597,506*
Dividends paid (see note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 263,411)</u>	<u>( 263,411)</u>
Restated balances at March 31, 2005	<u>365,847</u>	<u>13,775</u>	<u>917,890</u>	<u>192,427</u>	<u>4,227,771</u>	<u>5,717,710</u>
Balances at March 31, 2005:						
As previously reported	365,847	13,775	403,818	192,427	4,227,771	5,203,638
Prior year adjustment (note 23)	<u>-</u>	<u>-</u>	<u>514,072</u>	<u>-</u>	<u>-</u>	<u>514,072</u>
As restated	365,847	13,775	917,890	192,427	4,227,771	5,717,710
Change in fair value of available-for-sale securities, net of taxes	-	-	( 33,000)	-	-	( 33,000) *
Foreign exchange translation differences	-	-	-	66,651	-	66,651*
Profit for the year ended March 31, 2006	-	-	-	-	1,695,249	1,695,249*
Dividends paid (see note 24)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 292,678)</u>	<u>( 292,678)</u>
Balances at March 31, 2006	<u>365,847</u>	<u>13,775</u>	<u>884,890</u>	<u>259,078</u>	<u>5,630,342</u>	<u>7,153,932</u>

\* Total recognised gains and losses: Company \$1,728,899,000 (2005: \$1,739,156,000)  
The accompanying notes form an integral part of the financial statements.



STATEMENT OF CHANGES IN EQUITY  
Year ended March 31, 2006

	Share capital (note 15) (\$'000)	Share premium (\$'000)	Investment revaluation reserve (\$'000)	Cumulative translation reserve (\$'000)	Retained profits (\$'000)	Total attributable to equity holders of the parent (\$'000)	Minority interest (\$'000)	Total (\$'000)
<b>Group</b>								
Balances as at March 31, 2004:								
As previously reported	365,847	13,775	662,749	113,593	2,927,796	4,083,760	-	4,083,760
Prior year adjustment (note 23)	-	-	192,325	-	-	192,325	-	192,325
As restated	365,847	13,775	855,074	113,593	2,927,796	4,276,085	-	4,276,085
Minority share of retained profits	-	-	-	-	( 1,844)	( 1,844)	1,844	-
Minority's investment	-	-	-	-	-	-	2,465	2,465
Realised gains on available-for-sale portfolio	-	-	( 4,586)	-	-	( 4,586)	-	( 4,586)*
Change in fair value of available-for-sale securities, net of taxes	-	-	67,402	-	-	67,402	-	67,402*
Profit for the year ended March 31, 2005	-	-	-	-	1,648,481	1,648,481	3,192	1,651,673*
Foreign exchange translation differences	-	-	-	78,834	-	78,834	-	78,834*
Dividends paid (see note 24)	-	-	-	-	( 263,411)	( 263,411)	-	( 263,411)
Restated balances at March 31, 2005	<u>365,847</u>	<u>13,775</u>	<u>917,890</u>	<u>192,427</u>	<u>4,311,022</u>	<u>5,800,961</u>	<u>7,501</u>	<u>5,808,462</u>
Balances at March 31, 2005:								
As previously reported	365,847	13,775	403,818	192,427	4,311,022	5,286,889	7,501	5,294,390
Prior year adjustment (note 23)	-	-	514,072	-	-	514,072	-	514,072
As restated	365,847	13,775	917,890	192,427	4,311,022	5,800,961	7,501	5,808,462
Change in fair value of available-for-sale securities, net of taxes	-	-	( 21,034)	-	-	( 21,034)	-	( 21,034)*
Profit for the year ended March 31, 2006	-	-	-	-	1,670,349	1,670,349	( 2,821)	1,667,528*
Foreign exchange translation differences	-	-	-	87,010	-	87,010	-	87,010*
Dividends paid (see note 24)	-	-	-	-	( 292,678)	( 292,678)	-	( 292,678)
Balances at March 31, 2006	<u>365,847</u>	<u>13,775</u>	<u>896,856</u>	<u>279,437</u>	<u>5,688,693</u>	<u>7,244,608</u>	<u>4,680</u>	<u>7,249,288</u>

\* Total recognised gains and losses: Group \$1,793,323,000 (2005: \$1,733,503,000)  
The accompanying notes form an integral part of the financial statements.



STATEMENT OF GROUP CASH FLOWS  
Year ended March 31, 2006



	2006 (\$'000)	2005 (\$'000)
<b>Cash flows from operating activities</b>		
Profit for the year	1,667,528	1,651,673
Adjustments for:		
Depreciation and amortisation	72,664	80,077
Share of profits retained in associated companies	( 573,830)	( 394,901)
Loss/(gain) on disposal of property, plant and equipment	772	( 1,257)
Amortisation of bond premium	21,539	24,056
Unrealised (gain)/loss on trading securities	( 83,396)	3,565
Increase in provision for bad debts	5,923	2,661
Interest income	( 8,188,358)	(7,693,067)
Interest expense	6,218,120	5,781,548
Income tax provision	<u>264,139</u>	<u>113,504</u>
	( 594,899)	( 432,141)
Cash flows from operating assets and liabilities:		
Income tax recoverable, net	( 338,151)	( 137,805)
Notes receivable	( 1,167,283)	( 381,565)
Other receivables	( 145,950)	( 79,315)
Accounts payable	( 49,394)	( 11,592)
Resale agreements	( 537,924)	9,220,359
Repurchase agreements	<u>15,969,465</u>	<u>( 394,069)</u>
	13,135,864	7,783,872
Interest received	8,139,526	8,264,041
Interest paid	( 6,082,996)	( 6,448,815)
Income tax paid	<u>( 31,378)</u>	<u>( 1,185)</u>
Net cash generated from operating activities	<u>15,161,016</u>	<u>9,597,913</u>
<b>Cash flows from investing activities</b>		
Increase in investments, net	(14,690,381)	(10,734,154)
Interest in associated companies	-	( 305,791)
Additions to computer software	( 51,562)	( 50,584)
Purchase of property, plant and equipment	( 279,710)	( 138,325)
Proceeds of disposal of property, plant and equipment	<u>4,877</u>	<u>4,892</u>
Net cash used in investing activities	<u>(15,016,776)</u>	<u>(11,223,962)</u>
<b>Cash flows from financing activities</b>		
Minority interest investment	-	2,465
Notes payable	455,875	1,505,525
Loan payable	( 44,936)	259,933
Dividends paid	<u>( 292,678)</u>	<u>( 263,411)</u>
Net cash generated from financing activities	<u>118,261</u>	<u>1,504,512</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	262,501	( 121,537)
<b>Cash and cash equivalents at beginning of the year</b>	<u>614,173</u>	<u>735,710</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>876,674</u></u>	<u><u>614,173</u></u>

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



NOTES TO THE FINANCIAL STATEMENTS  
Year ended March 31, 2006

1. Identification

Jamaica Money Market Brokers Limited ("the company") is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. It has three subsidiaries incorporated in Jamaica, and there are other subsidiaries incorporated outside of Jamaica. Three of the subsidiaries are operating (note 10). The company and its subsidiaries are collectively referred to as "group"; the group has interests in four associated companies, as detailed in note 11.

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

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

2. Statement of compliance and basis of preparation

(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 Companies Act.

(b) Basis of preparation:

The financial statements are presented on the historical cost basis except for investments classified as fair value through profit or loss and available-for-sale, which are carried at fair value. They are presented in Jamaica dollars (\$), which is the functional currency of the company, 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 the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. 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.

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

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

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) 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 notes receivable 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.

(ii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the group's financial instruments was 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.

3. Significant accounting policies

(a) Basis of consolidation:

The consolidated financial statements combine the financial position, results of operations and cash flows of the company and its subsidiaries (note 1), and the group's interest in its associated companies.

3. Significant accounting policies (cont'd)

## (a) Basis of consolidation (cont'd):

## (i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## (ii) Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on the equity basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

## (iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the group's interest.

## (b) Financial instruments:

## (i) General

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.

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



3. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd):

(i) General (cont'd)

Fair values:

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

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

<u>Financial instrument</u>	<u>Method</u>
Cash and cash equivalents, notes receivable, other receivables, resale agreements, accounts payable, and repurchase agreements	Considered to approximate their carrying values, due to their short-term nature.
Quoted equities	Quoted market bid prices.
Units in unit trusts	Prices quoted by unit trust managers
Non-Jamaican sovereign bonds and corporate bonds	Estimated using mid-prices published by major overseas brokers.
Government of Jamaica securities and Bank of Jamaica certificates of deposit:	
- Traded overseas	Estimated using mid-prices published by major overseas broker.
- Other	Estimated by discounting future cash flows using balance sheet date yields of similar instruments.
Interest in money market fund	Considered to be the carrying value because of the short-term nature and variable interest rate.
Notes and loan payable	Considered to be carrying value as the coupon rate approximates the market rate.

3. Significant accounting policies (cont'd)

## (b) Financial instruments (cont'd):

## (ii) Specific instruments

## (1) Cash and cash equivalents:

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other broker/dealers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## (2) 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 group income statement. Securities acquired by the group 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. Where the group has the positive intent and ability to hold investments to maturity, they are classified as held-to-maturity investments and measured at amortised cost less impairment losses. Other investments are classified as available-for-sale ("AFS") and are stated at fair value, with gains or losses arising from changes in fair value being included in investment revaluation reserve, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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.

Investments are initially recognised at cost.

3. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd):

(ii) Specific instruments (cont'd)

(3) Resale and repurchase agreements:

Transactions involving purchases of securities under resale agreements ('resale agreements' or 'reverse repos') or sales of securities under repurchase agreements ('repurchase agreements' or 'repos') are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the balance sheet and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the balance sheet at amortised cost. It is the policy of the group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

Interest earned on resale agreements and interest incurred on repurchase agreements is recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

(4) Other receivables:

Other receivables are stated at cost less impairment provisions.

(5) Accounts payable:

Accounts payable are stated at their cost.

(c) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Freehold buildings	2 1/2%
Leasehold improvements	The shorter of the estimated useful life and the period of the lease
Motor vehicles	20%
Computer equipment	25% (2005:33 1/3%)
Other equipment, furniture and fittings	10%

3. Significant accounting policies (cont'd)

## (c) Property, plant and equipment (cont'd):

During the year, the company revised the estimate of the useful life of computer equipment from three to four years. The effect of the change for the current and future periods is considered immaterial.

## (d) Computer software:

Computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on the straight-line basis over the useful lives of the assets at a rate of 25% (2005: 33 1/3%) per annum and is included in 'administrative expenses - other' in the income statement. During the year, the estimate of the useful life of computer software was changed from three to four years. The effect of the change on the current and future periods is considered to be immaterial.

## (e) Foreign currencies:

- (i) Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined.

Exchange differences arising on a monetary item that, in substance, forms a part of the company's net investment in a foreign entity is included in equity in these financial statements until the disposal of the net investment, at which time they are recognised as income or expense.

Exchange differences arising on settlement of monetary items or on reporting the group's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expense in the period in which they arise.

- (ii) The assets and liabilities of foreign operations, all of which are "foreign entities", as defined, are translated into Jamaica dollars for the purpose of inclusion in these financial statements as follows:

- (1) all assets and liabilities at the rate ruling at the balance sheet date;
- (2) all income and expense items at the exchange rate ruling at the dates of the transactions;
- (3) the resulting exchange differences are included in equity until the disposal of the investment.



3. Significant accounting policies (cont'd)

(f) Interest-bearing borrowings:

Interest-bearing borrowings [other than repos, which are described in note 3(b)(ii)(3)] are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption being recognised in the income statement over the period of the borrowings on an effective interest basis.

(g) Taxation:

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

(h) Impairment:

The carrying amounts of the group's assets, except for deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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.

3. Significant accounting policies (cont'd)

## (h) Impairment (cont'd):

## (i) Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## (ii) Reversals of impairment

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

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.

## (i) Interest income and expense:

Interest income and expense are recorded on the accrual basis. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. When financial assets become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount, which is the original effective interest rate of the instrument calculated at the acquisition or origination date.

3. Significant accounting policies (cont'd)

(j) Allowance for losses:

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

IFRS permits only specific loan loss provisions and requires that the future cash flows of impaired loans be discounted and, thereafter, the increase in the present value be reported as interest income. The difference between the provision recognised in the financial statements and the requirements of IFRS is immaterial.

(k) Membership share:

Membership share is stated at cost less impairment provisions.

(l) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employments 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 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.

Pensions are the group's only post-employment benefits. Pension scheme costs included in the group income statement represent contributions to the defined-contribution scheme which the group operates to provide retirement pensions for the group's employees (note 27). Contributions to the scheme, made on the basis provided for in the rules, are accrued and charged off when due.

(m) Operating leases:

Payments made under operating leases are recognised in the income statement on a straight line basis over the terms of the leases.

(n) Segment reporting:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

4. Cash and cash equivalents

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cash	840,833	595,438	841,079	595,679
Cash equivalents	<u>6,249</u>	<u>2,044</u>	<u>35,595</u>	<u>18,494</u>
	<u>847,082</u>	<u>597,482</u>	<u>876,674</u>	<u>614,173</u>

Cash equivalents of the company and group include \$5,629,464 (2005: \$5,307,266) deposited at an interest rate of 12% (2005: 12%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the group for its employees.

5. Notes receivable

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
J\$ promissory notes [0% - 14.9% (2005: 0% - 19.50%)]	1,052,563	303,050	1,032,563	303,050
US\$ promissory notes and debentures (4.24% - 10.4%)				
US\$7,937,241 [2005: (10.6% - 11.1%) US\$6,231,668]	<u>820,706</u>	<u>382,936</u>	<u>820,706</u>	<u>382,936</u>
	<u>1,873,269</u>	<u>685,986</u>	<u>1,853,269</u>	<u>685,986</u>
Maturing as follows:				
- Up to 12 months after the balance sheet date	788,332	623,936	768,332	623,936
- More than twelve months after the balance sheet date	<u>1,084,937</u>	<u>62,050</u>	<u>1,084,937</u>	<u>62,050</u>
	<u>1,873,269</u>	<u>685,986</u>	<u>1,853,269</u>	<u>685,986</u>

Certain notes receivable are pledged as security for certain repurchase agreements (note 16). Notes receivable include an interest-free revolving advance of \$216,000,000 (2005: \$216,000,000) to the trustees of the Group's Employee Share Ownership Plan ("ESOP"), the repayment date for which has not yet been fixed [see also note 6 (a)(ii)].

6. Other receivables

- (a) Other receivables of the company and the group:
- (i) are shown after a provision for doubtful debts of \$19,519,038 (2005: \$14,256,520); and
  - (ii) include the balance on an interest-free loan amounting to \$25,149,287 (2005: \$29,955,801) to the group's ESOP, repayable over a period of five years. The number of shares held by the ESOP at March 31, 2006 was 177,699,605 (2005: 181,685,980).
- (b) Other receivables of the group include \$5,099,158 (2005: \$5,567,000) due to a subsidiary, JMMB Securities Limited, by JMMB Select Index Fund Ltd.



7. Resale agreements

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Denominated in Jamaican dollars	2,364,352	3,490,982
Denominated in United States dollars		
[US\$107 million (2005: US\$86.1 million)]	6,996,738	5,288,798
Denominated in Pounds Sterling		
[£141,042 (2005:£516,164)]	<u>15,859</u>	<u>59,245</u>
	<u>9,376,949</u>	<u>8,839,025</u>

Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (note 16).

The securities that the group obtains as collateral under resale agreements may be used as collateral under repurchase agreements.

At the balance sheet date, the fair value of the securities obtained and held by the company under resale agreements was \$11,296,876,649 (2005: \$9,353,358,491).

Resale agreements include balances with related parties as set out in note 25. Resale agreements mature within twelve months after the balance sheet date.

8. Investments

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Loans and receivables</b>				
Certificates of deposit	14,474,576	11,190,753	14,474,576	11,190,753
Corporate bonds - other	<u>119,886</u>	<u>-</u>	<u>119,886</u>	<u>-</u>
	<u>14,594,462</u>	<u>11,190,753</u>	<u>14,594,462</u>	<u>11,190,753</u>
<b>Available-for-sale securities</b>				
Government of Jamaica securities:				
Treasury bills	-	123,369	-	123,369
Local registered stock	15,127,301	9,921,518	15,127,301	9,921,518*
Notes and debentures	10,187,936	13,756,170	10,187,936	13,756,170*
Eurobonds	1,826,755	6,251,621	1,826,755	6,251,621*
Corporate bonds:				
- US Government Agencies	191,138	-	191,138	-
- Other	3,015,207	-	3,015,207	-
Sovereign bonds	1,811,276	60,260	1,811,276	60,260
Quoted equities	197,360	92,730	197,360	92,730
Units in unit trusts	30,578	18,730	30,578	18,730
Money Market Fund	<u>162,847</u>	<u>240,900</u>	<u>162,847</u>	<u>240,900</u>
	<u>32,550,398</u>	<u>30,465,298</u>	<u>32,550,398</u>	<u>30,465,298</u>
Carried forward	<u>47,144,860</u>	<u>41,656,051</u>	<u>47,144,860</u>	<u>41,656,051</u>

\*1 \*2 \*3 Included, for the company and the group, are the amounts of \$6,715,175, \$7,809,237, and \$181,261, in the order listed, previously classified as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

8. Investments (cont'd)

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Brought forward	<u>47,144,860</u>	<u>41,656,051</u>	<u>47,144,860</u>	<u>41,656,051</u>
<b>Fair value through profit and loss</b>				
Government of Jamaica securities:				
Treasury bills	-	24,674	-	24,674
Local registered stocks	270,860	217,800	270,860	217,800
Notes and debentures	1,556,664	817,254	1,556,664	817,254
Eurobonds	321,192	442,616	321,192	442,616
Corporate bonds - other	3,265	-	3,265	-
Sovereign bonds	5,922	135,159	5,922	135,159
Quoted equities	<u>10,313</u>	<u>-</u>	<u>201,280</u>	<u>233,255</u>
	<u>2,168,216</u>	<u>1,637,503</u>	<u>2,359,183</u>	<u>1,870,758</u>
<b>Held to maturity</b>				
Government of Jamaica securities:				
Eurobonds	4,961,758	4,700,569	4,961,758	4,700,569
Corporate Bonds - US Government Agencies	5,736,781	-	5,736,781	-
- other	<u>3,083,038</u>	<u>614,500</u>	<u>3,083,038</u>	<u>614,500</u>
	<u>13,781,577</u>	<u>5,315,069</u>	<u>13,781,577</u>	<u>5,315,069</u>
	<u>63,094,653</u>	<u>48,608,623</u>	<u>63,285,620</u>	<u>48,841,878</u>

Investments mature, from the balance sheet date, as follows:

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Government of Jamaica securities:				
Within 3 months	430,148	509,681	430,148	509,681
From 3 months to 1 year	3,534,148	4,988,646	3,534,148	4,988,646
From 1 year to 5 years	15,237,424	14,512,770	15,237,424	14,512,770
Over 5 years	<u>15,050,746</u>	<u>16,244,494</u>	<u>15,050,746</u>	<u>16,244,494</u>
	<u>34,252,466</u>	<u>36,255,591</u>	<u>34,252,466</u>	<u>36,255,591</u>
Certificates of deposit				
Within 3 months	11,025,008	2,585,988	11,025,008	2,585,988
From 3 months to 1 year	<u>3,449,568</u>	<u>8,604,765</u>	<u>3,449,568</u>	<u>8,604,765</u>
	<u>14,474,576</u>	<u>11,190,753</u>	<u>14,474,576</u>	<u>11,190,753</u>
Sovereign bonds and corporate bonds:				
From 3 months to 1 year	84,444	-	84,444	-
From 1 year to 5 years	2,653,177	60,260	2,653,177	60,260
Over 5 years	<u>11,228,892</u>	<u>749,659</u>	<u>11,228,892</u>	<u>749,659</u>
	<u>13,966,513</u>	<u>809,919</u>	<u>13,966,513</u>	<u>809,919</u>
Other (see note below)	<u>401,098</u>	<u>352,360</u>	<u>592,065</u>	<u>585,615</u>
	<u>63,094,653</u>	<u>48,608,623</u>	<u>63,285,620</u>	<u>48,841,878</u>

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

Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (note 16).

Government of Jamaica securities having an aggregate face of \$207 million (2005: \$80 million) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.

9. Membership share

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

10. Interest in subsidiaries

			Place of	Company	
			% Shareholding	incorporation	
					2006
					2005
					(\$'000)
					(\$'000)
JMMB Securities Limited:		95	Jamaica		
Shares, at cost	- equity			10,000	10,000
	- preference			69,000	24,000
Subordinated loan				<u>8,000</u>	<u>8,000</u>
				<u>87,000</u>	<u>42,000</u>
JMMB Insurance Brokers Limited:		100	Jamaica		
Shares, at cost	- equity			37,000	10,000
Subordinated loan				<u>283</u>	<u>12,500</u>
				<u>37,283</u>	<u>22,500</u>
Jamaica Money Market Brokers (Trinidad & Tobago) Limited		100	Trinidad and Tobago		
Shares, at cost	- equity			-	-
Loan				<u>322,566</u>	<u>305,791</u>
				<u>446,849</u>	<u>370,291</u>

11. Interest in associated companies

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

11. Interest in associated companies (cont'd)

	<u>% Shareholding</u>	<u>Place of incorporation</u>	<u>Principal activities</u>
Intercommercial Bank Limited and its subsidiary, Intercommercial Trust and Merchant Bank Limited	50	Trinidad and Tobago	Commercial and Merchant banking

Caribbean Money Market Brokers (Barbados) Limited commenced operations on May 21, 2004. The acquisition of the interest in Intercommercial Bank Limited and its subsidiary, Intercommercial Trust and Merchant Bank Limited, was finalised on December 29, 2004.

The balance is made up as follows:

	<u>Company</u>		<u>Group</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>
Shares, at cost	51,167	51,167	356,959	356,959
Share of post-acquisition profits	1,526,152	1,017,388	1,567,289	1,017,388
Share of investment revaluation reserve	331,298	154,857	343,264	154,857
Cumulative translation reserve	<u>259,077</u>	<u>192,427</u>	<u>279,436</u>	<u>192,427</u>
	<u>2,167,694</u>	<u>1,415,839</u>	<u>2,546,948</u>	<u>1,721,631</u>

Summary financial information on associated companies:

	<u>Company</u>		<u>Group</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>
Assets	92,327,010	86,232,662	98,476,152	86,232,662
Liabilities	87,367,547	81,915,464	92,834,200	81,915,464
Revenue	6,018,729	4,477,354	6,578,228	4,477,354
Profit	<u>1,152,275</u>	<u>865,238</u>	<u>1,186,528</u>	<u>865,238</u>

12. Deferred tax asset/(liability)

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

	<u>Company</u>		<u>Group</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>
Interest receivable	(629,302)	(589,617)	(630,242)	(589,617)
Investments	(282,078)	(336,410)	(257,684)	(339,758)
Property, plant and equipment	( 38,514)	( 9,415)	( 39,848)	( 11,615)
Accounts payable	8,867	3,131	8,867	3,131
Interest payable	416,297	371,256	416,715	371,439
Tax value of loss carry-forward	<u>227,770</u>	<u>434,997</u>	<u>229,615</u>	<u>434,997</u>
Net deferred tax liabilities	<u>(296,960)</u>	<u>(126,058)</u>	<u>(272,577)</u>	<u>(131,423)</u>

12. Deferred tax asset/(liability) (cont'd)

(a) Deferred tax assets/(liabilities) are attributable to the following (cont'd):

The amount for the group is comprised of the following:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Deferred tax liability in the company	(296,960)	(126,058)
Deferred tax asset/(liability) in subsidiary	<u>24,383</u>	<u>( 5,365)</u>
Group net deferred tax liability	<u>(272,577)</u>	<u>(131,423)</u>

(b) Movement in temporary differences during the period:

**Company**

	Balance at <u>01. 04. 05</u> (\$'000)	Recognised <u>in income</u> (\$'000)	Recognised <u>in equity</u> (\$'000)	Balance at <u>31. 03. 06</u> (\$'000)
Interest receivable	(589,617)	( 39,685)	-	(629,302)
Investments	(336,410)	( 45,199)	99,531	(282,078)
Property, plant and equipment	( 9,415)	(29,099)	-	( 38,514)
Interest payable	371,256	45,041	-	416,297
Accounts payable	3,131	5,736	-	8,867
Tax value of loss carry-forward	<u>434,997</u>	<u>(207,227)</u>	<u>-</u>	<u>227,770</u>
Net deferred tax liabilities	<u>(126,058)</u>	<u>(270,433)</u>	<u>99,531</u>	<u>(296,960)</u>

**Group**

	Balance at <u>01. 04. 05</u> (\$'000)	Recognised <u>in income</u> (\$'000)	Recognised <u>in equity</u> (\$'000)	Balance at <u>31. 03. 06</u> (\$'000)
Interest receivable	(589,617)	( 40,625)	-	(630,242)
Investments	(339,758)	( 17,251)	99,325	(257,684)
Property, plant and equipment	( 11,615)	( 28,233)	-	( 39,848)
Interest payable	371,439	45,276	-	416,715
Accounts payable	3,131	5,736	-	8,867
Tax value of loss carry-forward	<u>434,997</u>	<u>(205,382)</u>	<u>-</u>	<u>229,615</u>
Net deferred tax assets/liabilities	<u>(131,423)</u>	<u>(240,479)</u>	<u>99,325</u>	<u>(272,577)</u>



NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

13. Computer software

	<u>Company</u> (\$'000)	<u>Group</u> (\$'000)
Cost:		
March 31, 2004	140,881	158,638
Additions	<u>46,175</u>	<u>50,584</u>
March 31, 2005	187,056	209,222
Additions	<u>49,166</u>	<u>51,562</u>
March 31, 2006	<u>236,222</u>	<u>260,784</u>
Amortisation:		
March 31, 2004	99,350	104,732
Charge for the year	<u>14,634</u>	<u>21,145</u>
March 31, 2005	113,984	125,877
Charge for the year	<u>21,871</u>	<u>26,633</u>
March 31, 2006	<u>135,855</u>	<u>152,510</u>
Net book values:		
March 31, 2004	<u>41,531</u>	<u>53,906</u>
March 31, 2005	<u>73,072</u>	<u>83,345</u>
March 31, 2006	<u>100,367</u>	<u>108,274</u>

14. Property, plant and equipment

**Company**

	<u>Freehold land and buildings</u> (\$'000)	<u>Leasehold improvements</u> (\$'000)	<u>Motor vehicles</u> (\$'000)	<u>Computer equipment</u> (\$'000)	<u>Other equipment, furniture and fittings</u> (\$'000)	<u>Total</u> (\$'000)
Cost:						
April 1, 2004	157,771	21,539	58,545	86,404	78,882	403,141
Additions	47,143	13,291	27,919	21,451	24,485	134,289
Disposals	-	-	(3,564)	(423)	(25)	(4,012)
March 31, 2005	204,914	34,830	82,900	107,432	103,342	533,418
Additions	182,193	17,118	8,916	25,607	45,817	279,651
Disposals	-	-	(9,750)	(436)	-	(10,186)
March 31, 2006	<u>387,107</u>	<u>51,948</u>	<u>82,066</u>	<u>132,603</u>	<u>149,159</u>	<u>802,883</u>
Depreciation:						
April 1, 2004	8,614	19,356	17,057	63,036	27,447	135,510
Charge for the year	2,355	1,468	13,002	32,336	8,168	57,329
Eliminated on disposals	-	-	(1,325)	-	-	(1,325)
March 31, 2005	10,969	20,824	28,734	95,372	35,615	191,514
Charge for the year	3,250	824	18,081	11,265	11,079	44,499
Eliminated on disposals	-	-	(4,415)	(122)	-	(4,537)
March 31, 2006	<u>14,219</u>	<u>21,648</u>	<u>42,400</u>	<u>106,515</u>	<u>46,694</u>	<u>231,476</u>
Net book values:						
March 31, 2004	<u>149,157</u>	<u>2,183</u>	<u>41,488</u>	<u>23,368</u>	<u>51,435</u>	<u>267,631</u>
March 31, 2005	<u>193,945</u>	<u>14,006</u>	<u>54,166</u>	<u>12,060</u>	<u>67,727</u>	<u>341,904</u>
March 31, 2006	<u>372,888</u>	<u>30,300</u>	<u>39,666</u>	<u>26,088</u>	<u>102,465</u>	<u>571,407</u>

14. Property, plant and equipment (cont'd)**Group**

	Freehold land and buildings (\$'000)	Leasehold improvements (\$'000)	Motor vehicles (\$'000)	Computer equipment (\$'000)	Other equipment, furniture and fittings (\$'000)	Total (\$'000)
Cost:						
April 1, 2004	157,771	21,539	62,735	87,188	80,951	410,184
Additions	47,143	13,291	31,520	21,756	24,615	138,325
Disposals	-	-	(5,521)	(423)	(25)	(5,969)
March 31, 2005	204,914	34,830	88,734	108,521	105,541	542,540
Additions	182,193	17,118	8,916	25,607	45,876	279,710
Disposals	-	-	(9,750)	(435)	-	(10,185)
March 31, 2006	<u>387,107</u>	<u>51,948</u>	<u>87,900</u>	<u>133,693</u>	<u>151,417</u>	<u>812,065</u>
Depreciation						
April 1, 2004	8,614	19,356	18,094	63,482	27,548	137,094
Charge for the year	2,355	1,468	14,125	32,617	8,367	58,932
Eliminated on disposals	-	-	(2,334)	-	-	(2,334)
March 31, 2005	10,969	20,824	29,885	96,099	35,915	193,692
Charge for the year	3,250	824	19,248	11,422	11,287	46,031
Eliminated on disposals	-	-	(4,415)	(122)	-	(4,537)
March 31, 2006	<u>14,219</u>	<u>21,648</u>	<u>44,718</u>	<u>107,399</u>	<u>47,202</u>	<u>235,186</u>
Net book values:						
March 31, 2005	<u>149,157</u>	<u>2,183</u>	<u>44,641</u>	<u>23,706</u>	<u>53,403</u>	<u>273,090</u>
March 31, 2005	<u>193,945</u>	<u>14,006</u>	<u>58,849</u>	<u>12,422</u>	<u>69,626</u>	<u>348,848</u>
March 31, 2006	<u>372,888</u>	<u>30,300</u>	<u>43,182</u>	<u>26,294</u>	<u>104,215</u>	<u>576,879</u>

Freehold land and buildings of the company and the group include land at a cost of approximately \$157,319,975 (2005: \$86,517,000).

15. Share capital

	2006 (\$'000)	2005 (\$'000)
Authorised:		
1,466,400,000 (2005: 1,466,400,000) ordinary stock units of \$0.25 (2005: \$0.25) each	<u>366,600</u>	<u>366,600</u>
Issued and fully paid:		
1,463,386,752 ordinary stock units	<u>365,847</u>	<u>365,847</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

## 15. Share capital (cont'd)

The Companies Act 2004, which became effective on February 1, 2005, (the new Act) provides that all shares in issue have no par or nominal value, unless the company, by ordinary resolution, had elected, by July 31, 2005, to retain its shares with a par value for a period of eighteen months from the date of the election. The company, on July 28, 2005, elected to retain its existing shares at a par value of \$0.25 each.

At the July 2005 Annual General Meeting, a resolution was passed to increase the authorised share capital of the company from \$366,600,000 to \$391,600,000, by the creation of an additional 100,000,000 ordinary shares of \$0.25 each ranking *pari passu* in all respects with the existing ordinary shares. Another resolution was passed to convert the said ordinary shares into ordinary stock units transferable in units of \$0.25 as soon as they are fully paid up.

## 16. Repurchase agreements

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Denominated in Jamaican dollars	38,802,487	30,969,498
Denominated in United States dollars [US\$466.9 million (2005: US\$365.2 million)]	30,532,224	22,442,169
Denominated in Pounds Sterling [£12.7 million (2005: £12.0 million)]	<u>1,426,547</u>	<u>1,380,126</u>
	<u>70,761,258</u>	<u>54,791,793</u>

Repurchase agreements are collateralised by certain securities and other instruments held by the company and the group, with carrying value \$73,396,000 (2005: \$55,043,000) (notes 5, 7 and 8).

Repurchase agreements include balances with related parties as set out in note 25.

## 17. Notes payable

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
(i) 8.25% US\$12,500,000 promissory note	817,250	768,125
(ii) 8.25% US\$12,000,000 promissory note	784,560	737,400
(iii) 8.25% US\$5,500,000 promissory note	<u>359,590</u>	<u>-</u>
	<u>1,961,400</u>	<u>1,505,525</u>

(i) This note is unsecured and the entire amount is repayable on November 19, 2009 (2005: November 19, 2009). Interest is paid semi-annually, and may be varied at the option of the promisee, in consultation with the promisor, provided that the rate does not exceed the Central Bank of Trinidad and Tobago's 90-day Treasury bill rate.

17. Notes payable (cont'd)

- (ii) This note is unsecured and the entire amount is repayable on January 18, 2010 (2005: January 18, 2010). Interest is paid semi-annually and may be varied at the option of the promisee, in consultation with the promisor provided that the rate does not exceed the Central Bank of Trinidad and Tobago's 90-day Treasury bill rate.
- (iii) This note is unsecured and the entire amount is repayable on June 2, 2010. Interest is paid semi-annually and may be varied at the option of the promisee, in consultation with the promisor provided that the rate does not exceed the Central Bank of Trinidad and Tobago's 90-day Treasury bill rate.

18. Loan payable

This represents the balance of US\$3,288,426 (2005: US\$4,230,000) on an instalment loan, the principal of which is repayable in twenty equal quarterly instalments of US\$235,000. The loan bears interest at a fixed rate of 6.5% per annum. Certain GOJ securities owned by the company are pledged as collateral for this loan.

Amount due within twelve months of the balance sheet date is 61,457,200 (2005: \$57,763,000).

19. Staff costs

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Salaries and benefits, including profit-related pay	643,148	487,408
Statutory payroll contributions	58,335	41,148
Pension scheme contributions	15,288	10,845
Training and development	18,835	26,135
Staff welfare	<u>34,302</u>	<u>40,145</u>
	<u>769,908</u>	<u>605,681</u>

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

	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Full time	250	216	269	227
Part time	<u>12</u>	<u>9</u>	<u>12</u>	<u>9</u>
	<u>262</u>	<u>225</u>	<u>281</u>	<u>236</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

20. Profit before income tax

The following are among the items charged/(credited) in arriving at profit before income tax:

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Depreciation and amortisation	72,664	80,077
Directors' emoluments:		
Fees	12,252	6,504
Management remuneration	48,619	37,102
Auditors' remuneration		
- current	8,250	5,500
- prior	1,800	275
Bad debts, less recoveries	5,923	13,449
Gain in fair value of securities classified as 'fair value through profit or loss' estimated using a valuation technique	<u>(72,655)</u>	<u>(60,202)</u>

21. Income tax

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

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
(i) Current income tax		
Share of associated companies tax charge @ 30%	23,660	7,628
Subsidiary's tax charge @ 33_%	-	33,598
Prior year overprovision	<u>-</u>	<u>( 1,035)</u>
	23,660	40,191
(ii) Deferred income tax		
Origination and reversal of temporary differences	35,097	( 24,956)
Benefit of tax losses utilised	<u>205,382</u>	<u>98,269</u>
	<u>264,139</u>	<u>113,504</u>

(b) Reconciliation of effective tax rate:

	<u>2006</u>		<u>2005</u>	
	%	(\$'000)	%	(\$'000)
Computed "expected" tax expense	33.33	657,593	33.33	588,392
Tax effect of treating the following items differently for financial statements than for tax reporting purposes:				
Depreciation and capital allowances	1.06	20,938	0.39	6,876
Unrealised gains/losses on investments	-	-	4.54	80,064
Tax-free income	(16.23)	(320,125)	(24.73)	(436,601)
Disallowed expenses	1.74	34,421	( 0.05)	( 861)
Share of profits of associated companies	( 9.20)	(181,401)	( 7.05)	(124,366)
Adjustment to prior year estimate of tax losses	<u>2.67</u>	<u>52,713</u>	<u>-</u>	<u>-</u>
Actual tax charge	<u>13.37</u>	<u>264,139</u>	<u>6.43</u>	<u>113,504</u>



21. Income tax (cont'd)

- (c) At the balance sheet date, taxation losses, subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately \$653,000,000 (2005: \$1,144,000,000) for the company and \$670,000,000 (2005: \$1,153,000,000) for the group.

In his April 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of taxation losses would be restricted to five years, with effect from January 1, 2006. Up to June 20, 2006, the date of approval of these financial statements, enabling legislation had not been passed. The amounts disclosed, therefore, do not reflect any change in the current treatment of taxation losses.

22. Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing profit attributable to equity holders of the parent of \$1,670,349,000 (2005: \$1,648,481,000) by the number of stock units in issue during the period, numbering 1,463,386,752 (2005: 1,463,386,752).

23. Prior year adjustment

As a result of a change in accounting policy, following adoption of amendments to IAS 39, *Financial Instruments: Recognition and Measurement*, investments previously classified as loans and receivables and measured at amortised cost, have been reclassified. The investments are now classified as available-for-sale and carried at fair value. This has been treated as a prior year adjustment, and the comparative figures restated accordingly, as follows:

**Company**

	Interest in associated companies \$'000	Investments \$'000	Deferred tax \$'000	Investment revaluation reserve \$'000
Balances as at March 31, 2005:				
As previously reported	<u>1,273,633</u>	<u>48,050,824</u>	<u>59,875</u>	<u>(403,818)</u>
Impact of reclassifying investments and measuring them at fair value:				
Effect on amounts reported in 2004	—	288,488	( 96,163)	(192,325)
Effect on amounts reported in 2005	<u>142,206</u>	<u>269,311</u>	<u>( 89,770)</u>	<u>(321,747)</u>
Total effect	<u>142,206</u>	<u>557,799</u>	<u>(185,933)</u>	<u>(514,072)</u>
As restated	<u>1,415,839</u>	<u>48,608,623</u>	<u>(126,058)</u>	<u>(917,890)</u>



NOTES TO THE  
FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

23. Prior year adjustment (cont'd)

<b>Group</b>	Interest in associated companies \$'000	Investments \$'000	Deferred tax \$'000	Investment revaluation reserve \$'000
Balances as at March 31, 2005:				
As previously reported	<u>1,579,425</u>	<u>48,284,079</u>	<u>54,510</u>	<u>(403,818)</u>
Impact of reclassifying investments and measuring them at fair value:				
Effect on amounts reported in 2004	-	288,488	( 96,163)	(192,325)
Effect on amounts reported in 2005	<u>142,206</u>	<u>269,311</u>	<u>( 89,770)</u>	<u>(321,747)</u>
Total effect	<u>142,206</u>	<u>557,799</u>	<u>(185,933)</u>	<u>(514,072)</u>
As restated	<u>1,721,631</u>	<u>48,841,878</u>	<u>(131,423)</u>	<u>(917,890)</u>

24. Dividends

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Paid:		
Final in respect of 2004 @ 10.0 cents per stock unit	-	146,339
Interim in respect of 2005 @ 8.0 cents per stock unit	-	117,072
Final in respect of 2005 @ 10.0 cents per stock unit	146,339	-
Interim in respect of 2006 @ 10.0 cents per stock unit	<u>146,339</u>	<u>-</u>
	<u>292,678</u>	<u>263,411</u>

25. 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

## 25. Related party balances (cont'd)

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

	Company		Group	
	2006 (\$'000)	2005 (\$'000)	2006 (\$'000)	2005 (\$'000)
<b>Directors</b>				
Notes receivable	3,342	-	3,342	-
Interest payable	( 208)	( 670)	( 208)	( 670)
Repurchase agreements	( 104,899)	( 64,501)	( 30,868)	( 64,501)
<b>Major shareholders</b>				
Notes receivable	220,556	216,000	220,556	216,000
Repurchase agreements	-	(262,389)	-	( 262,389)
Other receivables	-	-	-	-
Interest payable	-	1,190	-	1,190
<b>Subsidiaries</b>				
Notes receivable	20,524	-	-	-
Other receivables	188,658	102,172	-	-
<b>Associated companies</b>				
Resale agreements	3,281,643	1,918,509	3,281,643	1,918,509
Repurchase agreements	( 107,505)	-	( 107,505)	-
Other receivables	-	17,040	-	17,040
Interest receivable	8,223	11,675	8,223	11,675
Interest payable	( 46,518)	( 33,800)	( 46,518)	( 33,800)
Notes payable	(1,961,400)	1,505,525	(1,961,400)	1,505,525

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

	2006 (\$'000)	2005 (\$'000)
<b>Directors</b>		
Interest income	-	1
Interest expense	149	441
<b>Major shareholders</b>		
Interest expense	20,767	1,020
<b>Associated companies</b>		
Interest income	10,757	11,675
Interest expense	4,123	7,426
Consultancy fees	-	7,623
<b>Key management compensation is as follows:</b>		
Short-term employee benefits (including directors fees - see note 20)	329,399	377,583
Post-employment benefits	2,319	1,377
	331,718	378,960

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
Year ended March 31, 2006

26. Financial instruments

(a) Fair values:

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

**Company**

	2006		2005	
	Carrying value (\$'000)	Fair value (\$'000)	Carrying value (\$'000)	Fair value (\$'000)
Government of Jamaica securities	34,252,466	35,048,676	36,255,591	36,527,747
Sovereign bonds	1,817,198	1,817,198	195,419	195,821
Corporate bonds	12,149,315	11,687,508	614,500	589,090
Quoted equities	207,673	207,673	92,730	92,730
Interest in money market fund	162,847	162,847	240,900	240,900
Units in unit trust	30,578	30,578	18,730	18,730
Certificates of deposit	<u>14,474,576</u>	<u>14,474,576</u>	<u>11,190,753</u>	<u>11,190,753</u>

**Group**

	2006		2005	
	Carrying value (\$'000)	Fair value (\$'000)	Carrying value (\$'000)	Fair value (\$'000)
Government of Jamaica securities	34,252,466	35,048,676	36,255,591	36,527,747
Sovereign bonds	1,817,198	1,817,198	195,419	195,821
Corporate bonds	12,149,315	11,687,508	614,500	589,090
Quoted equities	398,640	398,640	325,984	325,984
Interest in money market fund	162,847	162,847	240,900	240,900
Units in unit trusts	30,578	30,578	18,730	18,730
Certificates of deposit	<u>14,474,576</u>	<u>14,474,576</u>	<u>11,190,753</u>	<u>11,190,753</u>

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

(b) Financial instruments risks:

Exposure to credit, interest rate, foreign currency, liquidity and market risks arises in the ordinary course of the group's operations.

(i) General approach to financial instruments risk management

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

(ii) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

26. Financial instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

The excess of short-term interest bearing liabilities over short-term interest earning assets is managed by ensuring, to the extent it is under the group's control, stability in the group's client base and investing mainly in marketable securities.

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

**Company**

	Within 3 months (\$'000)	More than 3 months less than 12 months (\$'000)	More than 12 months (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
<b>2006</b>					
Cash and cash equivalents	847,082	-	-	-	847,082
Interest receivable	-	-	-	2,041,425	2,041,425
Income tax recoverable	-	-	-	790,810	790,810
Notes receivable	1,415,609	457,660	-	-	1,873,269
Other receivables	-	-	-	507,142	507,142
Resale agreements	9,369,961	6,988	-	-	9,376,949
Investments	23,104,233	6,124,799	33,627,441	238,180	63,094,653
Interest in subsidiaries	-	-	-	446,849	446,849
Interest in associated companies	-	-	-	2,167,694	2,167,694
Computer software	-	-	-	100,367	100,367
Property, plant and equipment	-	-	-	571,407	571,407
<b>Total assets</b>	<b>34,736,885</b>	<b>6,589,447</b>	<b>33,627,441</b>	<b>6,863,874</b>	<b>81,817,647</b>
Equity	-	-	-	7,153,932	7,153,932
Interest payable	-	-	-	1,248,891	1,248,891
Accounts payable	-	-	-	180,209	180,209
Repurchase agreements	56,105,465	14,638,548	17,245	-	70,761,258
Notes payable	-	-	1,961,400	-	1,961,400
Loan payable	-	-	214,997	-	214,997
Deferred tax liability	-	-	-	296,960	296,960
<b>Total equity and liabilities</b>	<b>56,105,465</b>	<b>14,638,548</b>	<b>2,193,642</b>	<b>8,879,992</b>	<b>81,817,647</b>
<b>Total interest rate sensitivity gap</b>	<b>(21,368,580)</b>	<b>( 8,049,101)</b>	<b>31,433,799</b>	<b>(2,016,118)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(21,368,580)</b>	<b>(29,417,681)</b>	<b>2,016,118</b>	<b>-</b>	<b>-</b>
<b>2005</b>					
Total assets	21,726,125	15,326,461	21,567,070	5,099,988	63,719,644
Total equity and liabilities	42,834,388	11,957,405	1,765,458	7,162,393	63,719,644
<b>Total interest rate sensitivity gap</b>	<b>(21,108,263)</b>	<b>3,369,056</b>	<b>19,801,612</b>	<b>(2,062,405)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(21,108,263)</b>	<b>(17,739,207)</b>	<b>2,062,405</b>	<b>-</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

## 26. Financial instruments (cont'd)

### (b) Financial instruments risks (cont'd):

#### (ii) Interest rate risk (cont'd)

#### Group

	Within 3 months (\$'000)	3 months less than 12 months (\$'000)	More than 12 months (\$'000)	Non-rate sensitive (\$'000)	Total (\$'000)
<b>2006</b>					
Cash and cash equivalents	876,674	-	-	-	876,674
Interest receivable	-	-	-	2,041,425	2,041,425
Income tax recoverable	-	-	-	791,991	791,991
Notes receivable	1,395,609	457,660	-	-	1,853,269
Other receivables	-	-	-	433,597	433,597
Resale agreements	9,369,961	6,988	-	-	9,376,949
Investments	23,104,233	6,124,799	33,627,441	429,147	63,285,620
Membership share	-	-	-	15,000	15,000
Interest in associated companies	-	-	-	2,546,948	2,546,948
Deferred tax asset	-	-	-	24,383	24,383
Computer software	-	-	-	108,274	108,274
Property, plant and equipment	-	-	-	576,879	576,879
Total assets	<u>34,746,477</u>	<u>6,589,447</u>	<u>33,627,441</u>	<u>6,967,644</u>	<u>81,931,009</u>
Stockholders' equity	-	-	-	7,244,608	7,244,608
Minority interest	-	-	-	4,680	4,680
Interest payable	-	-	-	1,248,891	1,248,891
Accounts payable	-	-	-	198,215	198,215
Repurchase agreements	56,105,465	14,638,548	17,245	-	70,761,258
Notes payable	-	-	1,961,400	-	1,961,400
Loan payable	-	-	214,997	-	214,997
Deferred tax liability	-	-	-	296,960	296,960
Total equity and liabilities	<u>56,105,465</u>	<u>14,638,548</u>	<u>2,193,642</u>	<u>8,993,354</u>	<u>81,931,009</u>
Total interest rate sensitivity gap	(21,358,988)	( 8,049,101)	31,433,799	(2,025,710)	-
Cumulative gap	<u>(21,358,988)</u>	<u>29,408,089</u>	<u>2,025,710</u>	<u>-</u>	<u>-</u>
<b>2005</b>					
Total assets	21,742,816	15,326,461	21,567,070	5,253,541	63,889,888
Total equity and liabilities	<u>42,834,388</u>	<u>11,957,405</u>	<u>1,765,458</u>	<u>7,332,637</u>	<u>63,889,888</u>
Total interest rate sensitivity gap	(21,091,572)	3,369,056	19,801,612	(2,079,096)	-
Cumulative gap	<u>(21,091,572)</u>	<u>(17,722,516)</u>	<u>2,079,096</u>	<u>-</u>	<u>-</u>

26. Financial instruments (cont'd)

## (b) Financial instruments risks (cont'd):

## (ii) Interest rate risk (cont'd)

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

**Company and Group**

	Within 3 months (%)	More than 3 months, less than 12 months (%)	More than 12 months (%)
<b><u>2006</u></b>			
J\$ cash and cash equivalents	–	–	–
US\$ cash and cash equivalents	00.70 – 01.50	–	–
£ cash and cash equivalents	1.00	–	–
J\$ notes receivable	0.00 – 14.89	–	–
US\$ notes receivable	04.24 – 10.39	8.75	–
J\$ resale agreements	13.25 – 18.00	18.00	–
US\$ resale agreements	0.48 – 10.00	3.10	–
£ resale agreements	8.00 – 08.50	–	–
J\$ investments	12.60 – 17.00	13.10 – 24.62	13.75 – 19.50
US\$ investments	0.00 – 09.01	10.75 – 11.75	3.87 – 12.75
£ investments	4.60	–	–
J\$ repurchase agreements	03.00 – 16.00	10.00 – 15.25	10.00 – 13.55
US\$ repurchase agreements	01.00 – 08.00	01.00 – 11.25	05.75 – 07.50
£ repurchase agreements	01.12 – 06.00	04.25 – 06.10	–
US\$ loan payable	–	–	06.50
<b><u>2005</u></b>			
J\$ cash and cash equivalents	–	–	–
US\$ cash and cash equivalents	00.70 – 01.50	–	–
£ cash and cash equivalents	01.00	–	–
J\$ notes receivable	00.00 – 17.00	19.50	–
US\$ notes receivable	10.55 – 11.09	–	–
J\$ resale agreements	08.50 – 16.40	16.00	–
US\$ resale agreements	04.00 – 10.00	03.00 – 10.00	–
£ resale agreements	05.00 – 08.00	–	–
J\$ investments	13.83 – 29.25	13.46 – 28.50	14.13 – 24.60
US\$ investments	10.88	11.63 – 12.00	09.75 – 12.75
£ investments	–	–	10.00
Euro investments	–	–	11.00
J\$ repurchase agreements	11.00 – 17.00	07.00 – 18.00	–
US\$ repurchase agreements	01.00 – 08.00	03.00 – 08.00	–
£ repurchase agreements	02.00 – 08.00	05.00 – 07.00	–
US\$ notes payable	–	–	08.25
US\$ loan payable	–	–	06.50

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

## 26. Financial instruments (cont'd)

### (b) Financial instruments risks (cont'd):

#### (iii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to suffer a financial loss.

The group's financial instruments that are exposed to credit risk consist primarily of interest-bearing investments, cash and cash equivalents, resale agreements and notes receivable.

The group maintains cash and cash equivalents with major financial institutions which management believes to be strong and financially sound. The majority of the group's investments are in Government of Jamaica securities. The group holds investments in the securities of other Governments, the repayment of which is dependent on the financial stability of those countries' national economies.

The group obtains possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

The group assesses, analyses and quantifies the credit risks associated with notes receivable through its internal credit rating system which assigns a credit rating to individual issuers, and determines acceptable exposure.

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

The maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

#### (iv) Foreign currency risk

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

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

	Company and Group	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
United States dollars	5,432,263	2,487,127
Great Britain pounds	( 362,622)	237,365
Euros	( 390,223)	528,092
Trinidad and Tobago dollars	19,094	1,561,680
Barbados dollars	( 3,496)	17,731
Canada dollars	<u>( 939)</u>	<u>10,236</u>

26. Financial instruments (cont'd)

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

(v) Market risk

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

(vi) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management requires the group to maintain sufficient cash and marketable securities, and have funding available through an adequate amount of committed facilities. The group manages this risk through (i) the maintenance of high levels of liquid investments and (ii) the forecasting and monitoring of the levels of cash investments and payouts.

27. Post-employment benefit

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

The scheme is administered by trustees and the assets are held separately from those of the group; some of the assets are included in funds being managed by the company [note 28(a)]. The scheme is subject to triennial actuarial valuations. The most recent actuarial valuation, which was conducted as at December 31, 2002, disclosed a surplus, which the trustees have decided will be allocated to the members accounts.

The contributions for the period amounted to \$14,203,667 (2005: \$10,329,233) for the company and \$15,288,211 (2005: \$10,834,878) for the group.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

## 28. Managed funds

- (a) The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. This includes some of the assets of the company's pension fund (note 27). Although the company is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested have been excluded from these financial statements.

At March 31, 2006, for the company and the group, funds managed in this way amounted to \$10,801,592,391 (2005: \$9,057,441,455) which includes pension scheme contributions (note 27), inclusive of accrued interest, amounting to \$114,765,344 (2005: \$36,641,748) for the company and the group. The financial statements include the following assets held in/(liabilities payable to) the managed funds:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Other receivables (net)	( 114,520)	12,404
Investments (see note 8)	162,847	240,900
Interest payable	( 40,639)	( 40,836)
Repurchase agreements	<u>(4,755,365)</u>	<u>(3,724,822)</u>

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

At March 31, 2006, the face value of these certificates amounted to \$168,749,412 (2005: \$100,249,503) for the company and the group.

## 29. Lease commitments

Commitments under non-cancellable operating lease agreements, expiring between 2006 and 2010, amounted to \$67,728,000 at March 31, 2006 (2005: \$26,927,000). The lease rentals are payable as follows:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Within one year	16,213	14,300
Subsequent years	<u>51,515</u>	<u>12,627</u>
	<u>67,728</u>	<u>26,927</u>



### 30. Contingent liability

As indicated in note 28, the company's business includes managing funds on behalf of clients. The Commissioner, Taxpayer Audit and Assessment Department ("TAAD"), wrote to the company in the previous year advising that consideration received for this service is subject to General Consumption Tax ("GCT"). However, in common with other licensed securities dealers providing this type of service in Jamaica, the company has not charged or paid GCT on the consideration received for this service. Counsel for the Jamaica Securities Dealers Association has written to the TAAD giving reasons why the consideration concerned is not subject to GCT. Based on the foregoing, the amount of the liability, if any, in respect of the relevant periods ended on March 31, 2006 has not yet been determined.

### 31. New and revised standards and interpretations effective in 2005

During the year, the group adopted the following new and revised IFRS:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Presentation
IAS 36 (revised 2003)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003 and 2004)	Financial Instruments: Recognition and Measurement
IFRS 2 (new)	Share-based Payment
IFRS 4 (new)	Insurance Contracts
IFRS 5 (new)	Non-Current Assets Held for Sale and Discontinued Operations

Of the above-listed standards, only IAS 1, IAS 8, IAS 24 and IAS 39 affected the financial statements, as follows:

- (i) IAS 1 resulted in additional disclosures and in changes to the format of the income statement;
- (ii) IAS 8 resulted in retrospective application (where applicable) and disclosure of new and revised standards and interpretations effective for 2005, and disclosure of those issued but not yet effective;
- (iii) IAS 24 resulted in disclosure of key management compensation (see note 25); and
- (iv) IAS 39 resulted in securities traded in an active market no longer being included as loans and receivables. See note 23 for the effect of this change.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended March 31, 2006

### 32. New and revised IFRS and interpretations that are not yet effective

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The standards and interpretations and their effective dates are as follows:

IFRS 6	Exploration for Evaluating of Mineral Resources	1. January 1, 2006
IFRS 7	Financial Instruments: Disclosure	2. January 1, 2007
IFRIC 4	Determining whether an Arrangement Contains a Lease	3. January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	4. January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	5. December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	6. March 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	7. January 1, 2006
IAS 39 Amendments	The Fair Value Option	8. January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	9. January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	10. January 1, 2006
IFRIC 8	Scope of IFRS 2	11. January 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	12. June 1, 2006

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 financial statements.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of JAMAICA MONEY MARKET BROKERS LIMITED hereby  
appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, Jamaica on Thursday, October 5, 2006 in the Blue Mountain Suite at 10:00a.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
No. 1		
No. 2		
No. 3 (a)		
No. 3 (b)		
No. 3 (c)		
No. 3 (d)		
No. 3 (e)		
No. 4		
No. 5 (a)		
No. 5 (b)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
Signature

Place  
Stamp  
Here  
\$100

#### Notes

1. In the case of a Body corporate, this form should be executed under Seal or under the hand of an office or attorney duly authorised.
2. The Form of Proxy must be completed, impressed with stamp duty of \$100 and lodged at the office of the Registrar of the Company, KPMG Regulatory & Compliance Services, The Victoria Mutual Building, 6 Duke Street, Kingston at least forty-eight hours before the time appointed for holding the meeting. The stamp duty may be paid by adhesive stamp(s), which are to be cancelled by the person executing the Proxy.
3. The Proxy need not be a Member of the Company.
4. In the absence of instructions, the Proxy may vote or abstain from voting as he thinks fit on any other matter which may properly come before the meeting.