

To the Members of
STERLING GLOBAL FUNDS LTD.

Auditors' Report

We have audited the financial statements of Sterling Global Funds Ltd (“Fund”), as at and for the year ended December 31, 2005, set out on pages 2 to 15, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the Fund’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 Fund as at December 31, 2005 and of the results of operations, changes in equity and cash flows for the year then ended.

May 11, 2006

STERLING GLOBAL FUNDS LTD.Balance Sheet
December 31, 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
ASSETS			
Accounts receivable	3	268,220	264,774
Investments	4	<u>30,420,517</u>	<u>21,221,863</u>
		<u>30,688,737</u>	<u>21,486,637</u>
LIABILITIES			
Accounts payable and accrued charges	5	211,514	249,016
Due to brokers	6	18,280,146	9,679,850
Due to related company	7,10(c)	<u>74,644</u>	<u>154,461</u>
		<u>18,566,304</u>	<u>10,083,327</u>
Net assets		US\$ <u>12,122,433</u>	<u>11,403,310</u>
Financed by:			
SHAREHOLDERS' EQUITY			
Share capital	8	-	-
HIGH YIELD BOND FUND	9	<u>12,122,433</u>	<u>11,403,310</u>
		US\$ <u>12,122,433</u>	<u>11,403,310</u>

The financial statements on pages 2 to 15 were approved for issue by the Board of Directors on _____, 2006 and signed on its behalf by:

Charles Ross Director

Mildred Moss Director

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

STERLING GLOBAL FUNDS LTD.High Yield Bond Fund Operating Statement
Year ended December 31, 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
Interest income		2,187,507	1,872,484
Amortised investment discounts		<u>16,125</u>	<u>68,123</u>
		2,203,632	1,940,607
Interest expense		(588,879)	(439,444)
Net interest income		<u>1,614,753</u>	<u>1,501,163</u>
Operating expenses:			
Audit fees		(6,000)	(5,341)
Decrease in fair value of investment		(29,798)	-
General expenses		(7,034)	(651)
Investment management fees		(238,828)	(166,929)
Legal fees		(31,281)	(8,560)
License and permits		(2,000)	(5,000)
Loss on sale of investments		(240,519)	-
Marketing expenses		(51)	(971)
Professional fees		(2,300)	(3,476)
Sales commissions		<u>(37,055)</u>	<u>(140,913)</u>
		<u>(594,866)</u>	<u>(331,841)</u>
Net operating income		1,019,887	1,169,322
Other operating income		<u>2,017</u>	<u>1,567</u>
		<u>1,021,904</u>	<u>1,170,889</u>
Net finance income:			
Interest income/(expense)		-	(546)
Foreign exchange gains		<u>425</u>	<u>5,478</u>
		<u>425</u>	<u>4,932</u>
Increase in High Yield Bond Fund for the year (Note 9)		US\$ <u>1,022,329</u>	<u>1,175,821</u>

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

STERLING GLOBAL FUNDS LTD.Statement of Changes in Shareholders' Equity
Year ended December 31, 2005

Share
capital
(Note 8)

Founder shares issued, being
balance at December 31, 2005 and 2004

US\$ -

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

STERLING GLOBAL FUNDS LTD.Statement of Cash Flows
Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in High Yield Bond Fund (HYBF) for the year	1,022,329	1,175,821
Adjustments to reconcile net increase in HYBF to net cash provided by operating activities:		
Items not affecting cash:		
Investment amortisation	(16,125)	(68,123)
Decrease in fair value of investments	29,798	-
Interest income	<u>(2,187,507)</u>	<u>(1,872,484)</u>
	(1,151,505)	(764,786)
Changes in operating asset and liabilities:		
Interest received	2,184,061	1,687,472
Due from related company	-	56,610
Account payable and accrued charges	(37,502)	204,032
Due to brokers	8,600,296	2,834,601
Due to related company	<u>(79,817)</u>	<u>19,304</u>
Net cash provided by operating activities	9,515,533	4,037,233
CASH FLOWS FROM INVESTING ACTIVITY		
Investments	(9,212,327)	(11,315,226)
CASH FLOWS PROVIDED BY FINANCING ACTIVITY		
Issue of Investor Shares, net of those redeemed	<u>(303,206)</u>	<u>7,277,993</u>
Net increase in cash, being cash at end of year	US\$ <u>-</u>	<u>-</u>

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

STERLING GLOBAL FUNDS LTD.Notes to the Financial Statements
December 31, 20051. Identification

Sterling Global Funds Ltd. (“Fund”) is an open-ended investment company incorporated in the Territory of the British Virgin Islands on January 9, 2002, under the International Business Companies Act, Cap. 291, and is domiciled in the British Virgin Islands. The registered office of the Fund is Simmonds Building, 30 DeCastro Street, P.O. Box 961, Road Town, Tortola, British Virgin Islands.

The Fund is a “Private Fund” within the meaning of the Mutual Funds Act, 1996, of the British Virgin Islands and accordingly, the making of an invitation to subscribe for a purchase of shares issued by the Fund shall be on a private basis only. The Fund is regulated by the Financial Services Commission (FSC) in the British Virgin Islands and, *inter-alia*, may not carry on business with persons resident in the British Virgin Islands.

The Fund has applied to the FSC to become a “Public Fund” and, as at balance sheet date, the application was still in process.

The principal activity of the Fund is the offering of certain classes of shares for subscription by investors for the purpose of establishing investment funds, the first of which is the “High Yield Bond Fund” (HYBF). The Fund has no employees and its activities are administered by a related company, Sterling Asset Management Limited, incorporated in Jamaica, for which a management fee is charged. The Fund is licenced by the Financial Services Commission in Jamaica to operate as a mutual fund under the Securities Act (see note 12). The investment assets are held by brokers, Morgan Keegan and Company and Oppenheimer and Company, USA, on behalf of the Fund.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

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

(b) Basis of preparation:

The financial statements are presented in United States dollars which is the functional currency of the Fund. They are prepared on the historical cost basis, modified for the inclusion of available-for-sale and held-for-trading investments at fair value, except for those for which a reliable measure of fair value is not available.

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

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

The significant accounting policies set out in notes 2(c) to 2(j) have been consistently applied to all periods presented in the financial statements and conform in all material respects to IFRS.

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements
December 31, 2005

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Accounts receivable:

Accounts receivable is stated at cost, less impairment losses [see note 2(h)].

(d) Accounts payable, accrued charges and provisions:

Accounts payable and accrued charges are stated at cost.

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

(e) Investments:

Investments may be classified as loans and receivables, held-to-maturity, held-for-trading and available-for sale securities. Management determines the appropriate classification of investments at the time of purchase.

Overseas securities which are provided directly to a borrower are classified as loans and receivables and are initially measured at cost and subsequently at amortized cost, using the effective interest method, less impairment losses.

Overseas securities with fixed or determinable payment and fixed maturity that the Fund has the positive intent and ability to hold to maturity are classified as held-to-maturity and are initially measured at cost and subsequently at amortized cost, using the effective interest method, less impairment losses. Premiums and discounts are included in the carrying amount of the related security and amortized based on the effective interest of the security.

Other overseas securities are classified as available-for sale and are measured at fair value. Where a quoted market price is not available, the fair value is estimated using pricing models or discounted cash flow techniques or a generally accepted alternative method.

Subsequent to initial recognition, trading assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses. Changes in fair value of trading securities are included in the HYBF operating statement, and changes in the fair value of available-for-sale securities are recognized directly in equity.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

Purchases and sales of securities are recognized at settlement date.

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements
December 31, 2005

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(f) Interest and expenses:

Interest income and expense are recognized in the HYBF operating statement on the accrual basis using the effective yield method.

(g) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the HYBF operating statement.

(h) Impairment:

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

The recoverable amount of the Fund's investments in held-to-maturity securities and receivables is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 held-to-maturity securities or receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. For all other assets, an impairment loss is reversed, if there has been a change in the estimate 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, if no impairment loss had been recognized.

(i) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include accounts receivable and investments. Similarly, financial liabilities include accounts payable, due to brokers and due to related company.

STERLING GLOBAL FUNDS LTD.Notes to the Financial Statements
December 31, 20052. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Related party balances and transactions:

A party is related to an entity if:

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

3. Accounts receivable

	<u>2005</u>	<u>2004</u>
Interest receivable on US Government Agency Bonds	259,060	258,151
Interest receivable on US Bonds	<u>9,160</u>	<u>6,623</u>
	US\$ <u>268,220</u>	<u>264,774</u>

4. Investments

	<u>2005</u>	<u>2004</u>
Loans and receivables:		
Securities denominated in United States dollars:		
US Government Agency Bonds	18,130,267	10,706,578
Held-to-maturity securities:		
Securities denominated in United States dollars:		
US Government Agency Bonds	<u>-</u>	<u>9,915,162</u>
	18,130,267	20,621,740
Held-for-trading securities:		
Securities denominated in Euros:		
Government of Jamaica Bonds	543,850	575,598
Securities denominated in United States dollars:		
Government of Belize Bonds	26,475	24,525
Available-for-sale securities:		
US Government Agency Bonds	<u>11,719,925</u>	<u>-</u>
	US\$ <u>30,420,517</u>	<u>21,221,863</u>

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements (Continued)
December 31, 2005

4. Investments (cont'd)

During the year, an investment classified as held-to-maturity was sold. As a result, the remaining investments in this category were reclassified as available for sale and remeasured at fair value. The fair value adjustment is reflected in the HYBF fund. The held-to-maturity classification will not be in use for the next two financial years.

- (i) The bonds have maturity dates ranging from 2014 - 2020 (2004: 2015-2019) and bear interest at an average rate of 9.3% (2004: 10%) per annum.
- (ii) The market value of the US Government Agency Bonds and other global sovereign bonds is determined by the price quoted by brokers in the United States bond market.
- (iii) The market value of the Fund's loans and receivables and held-to-maturity investments was US\$17,913,975 as at December 31, 2005 (2004: US\$20,868,673).
- (iv) The net asset value of the Fund is calculated on a weekly basis using the market values of the securities in the Fund's portfolio.
- (v) The US Government Agency Bonds are predominantly range notes issued by Federal Home Loan Bank.

5. Accounts payable and accrued charges

	<u>2005</u>	<u>2004</u>
Management fees and commissions – due to a related company	202,733	226,405
Accrued charges [see note 10(b)]	<u>8,781</u>	<u>22,611</u>
	<u>US\$211,514</u>	<u>249,016</u>

6. Due to brokers

These are margin loans due to overseas brokers, which bear interest at rates ranging from 4.96% - 5.5% (2004: 3.5% - 4.75%) per annum.

7. Due to related company

This balance represents operating expenses paid by Sterling Asset Management Limited on behalf of the Fund. This amount is non-interest bearing and has no fixed repayment schedule.

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements (Continued)
December 31, 2005

8. Share capital

	<u>2005</u>	<u>2004</u>
Authorized:		
47,499,750 shares of US\$0.01 each as follows:		
100 Class A shares	1	1
22,499,950 Class B shares	225,000	225,000
12,499,950 Class C shares	124,999	124,999
2,499,950 Class D shares	25,000	25,000
2,499,950 Class E shares	25,000	25,000
2,499,950 Class F shares	25,000	25,000
2,499,950 Class G shares	24,999	24,999
<u>2,499,950</u> Class H shares	<u>24,999</u>	<u>24,999</u>
<u>47,499,750</u>	<u>US\$474,998</u>	<u>474,998</u>
Issued and fully-paid:		
4 Class A shares	US\$ <u>-</u>	<u>-</u>

The Class A shares are *inter-alia*, non-redeemable Founder Shares entitled to one vote per share, to attend and receive notices of meetings of members.

The shares in Class B through to Class H are redeemable Investor Shares ("Investor Shares"). No voting rights are attached to the Investor Shares. The Investor shares shall have no right to attend or receive notices of meetings of members. The Investor Shares are entitled to participate equally in the net assets of their respective classes of shares, including any dividends or distributions of the Fund on a winding up.

9. High Yield Bond Fund

	<u>2005</u>		<u>2004</u>	
	<u>No of shares</u>	<u>US\$</u>	<u>No of shares</u>	<u>US\$</u>
Investor Shares (Class B) issued during the year	1,513,615	2,253,360	5,794,299	7,614,728
Investor Shares redeemed during the year	(1,685,356)	(2,478,074)	(284,745)	(336,735)
	(171,741)	(224,714)	5,509,554	7,277,993
Decrease in fair value of investments		(78,492)		-
Net increase in HYBF for the year (page 3)		<u>1,022,329</u>		<u>1,175,821</u>
		719,123		8,453,814
Balance at January 1, 2005	<u>7,999,433</u>	<u>11,403,310</u>	<u>2,489,879</u>	<u>2,949,496</u>
Balance at December 31, 2005	<u>7,827,692</u>	<u>12,122,433</u>	<u>7,999,433</u>	<u>11,403,310</u>
Net asset value per share		<u>1.55</u>		<u>1.42</u>

STERLING GLOBAL FUNDS LTD.Notes to the Financial Statements (Continued)
December 31, 20059. High Yield Bond Fund (cont'd)

During the year, (210,204) [2004: 532,935] Class B shares were (redeemed from)/issued to related parties [note 10 (c)]. The net asset value based on the market value of securities in the Fund's portfolio was \$1.51 (2004: \$1.46).

10. Related party disclosure

(a) The Fund has a related party relationship with its directors and close family members of key management personnel, as well as related companies, Sterling Asset Management Limited, Sterling Asset Management International Limited (incorporated in the British Virgin Islands) and their parent company, Sterling (St. Lucia) Holdings Limited (incorporated in St. Lucia), by way of common directors. As the Fund has no employees, "key management personnel", comprises the directors, who are also directors of the parent company, whose compensation for the current and prior year was \$Nil.

(b) Balances with related parties as at balance sheet date are as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Due to related company	74,644	154,461
Due to directors (see note 5)	127	975
Value of investor shares held in HYBF:		
Directors	164,437	150,646
Related parties	<u>384,516</u>	<u>650,782</u>

(c) Transactions with related parties during the year in the ordinary course of business were as follows:

	<u>2005</u>	<u>2004</u>
	US\$	US\$
Related company:		
Management fees and commissions	271,919	290,740
Directors:		
Sales commission	1,466	7,384
Related parties:		
(Redemption)/issue of Investor Shares (note 9)	<u>(311,856)</u>	<u>687,606</u>

11. Financial instruments

(a) Fair value of financial instruments:

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of accounts receivable, due to brokers and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature.

The fair values of investment are shown in note 4 and are determined as described in note 2(e).

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements (Continued)
December 31, 2005

11. Financial instruments

(b) Fair value of financial instruments (cont'd):

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

(i) Credit risk:

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

The Fund maintains loans and receivables, held for trading and held to maturity investments with overseas institutions. Investments are substantially held in US Government Agencies.

At the balance sheet date, with the exception of US Government Agencies securities, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund manages its interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities, to the extent practicable, given the nature of the business.

The following table summarizes the carrying amounts of balance sheet assets, liabilities and equity to arrive at the Fund's interest rate gap, based on the earlier of contractual repricing and maturity dates:

	2005					Weighted average interest rate %
	<u>Within 3 Months US\$</u>	<u>Three to 12 Months US\$</u>	<u>Over 12 Months US\$</u>	<u>Non-rate sensitive US\$</u>	<u>Total US\$</u>	
Assets:						
Interest receivable	-	-	-	268,220	268,220	-
Investments	-	-	<u>30,420,517</u>	-	<u>30,420,517</u>	<u>9.21</u>
Total assets	-	-	<u>30,420,517</u>	<u>268,220</u>	<u>30,688,737</u>	<u>9.21</u>
Liabilities and Shareholders' equity:						
Accounts payable and accrued charges	-	-	-	211,514	211,514	-
Due to brokers	-	-	18,280,146	-	18,280,146	4.99
Due to related company	-	-	74,644	-	74,644	3.50
Shareholder's equity	-	-	-	-	-	-
High Yield Bond Fund	-	-	-	<u>12,122,433</u>	<u>12,122,433</u>	-
Total liabilities and Shareholders' equity	-	-	<u>18,354,790</u>	<u>12,333,947</u>	<u>30,688,737</u>	<u>2.98</u>
Total interest rate sensitivity gap	-	-	<u>12,065,727</u>	<u>(12,065,727)</u>	-	
Cumulative gap	-	-	<u>12,065,727</u>	-		

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements (Continued)
December 31, 2005

11. Financial instruments

(b) Fair value of financial instruments (cont'd):

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

	2004					Weighted average interest rate %
	Within <u>3 Months</u>	Three to <u>12 Months</u>	Over <u>12 Months</u>	Non-rate <u>sensitive</u>	<u>Total</u>	
	US\$	US\$	US\$	US\$	US\$	
Assets:						
Interest receivable	-	-	-	264,774	264,774	-
Investments	-	-	<u>21,221,863</u>	-	<u>21,221,863</u>	<u>10.05</u>
Total assets	-	-	<u>21,221,863</u>	<u>264,774</u>	<u>21,486,637</u>	<u>10.05</u>
Liabilities and						
Shareholders' equity:						
Accounts payable and accrued charges	-	-	-	249,016	249,016	-
Due to brokers	-	-	9,679,850	-	9,679,850	4.13
Due to related company	-	-	135,157	19,304	154,461	3.5
Shareholder's equity	-	-	-	-	-	-
High Yield Bond Fund	-	-	-	<u>11,403,310</u>	<u>11,403,310</u>	-
Total liabilities and Shareholders' equity	-	-	<u>9,815,007</u>	<u>11,671,630</u>	<u>21,486,637</u>	<u>3.82</u>
Total interest rate sensitivity gap	-	-	<u>11,406,856</u>	<u>(11,406,856)</u>	<u>-</u>	
Cumulative gap	-	-	<u>11,406,856</u>	<u>-</u>	<u>-</u>	

(iii) 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, its issuer or factors affecting all securities traded in the market. The Fund is exposed to market risk as the financial instruments subject to this risk represents a significant portion of investment. The Fund balances this risk with respect to the duration of the securities included in order to minimize exposure and volatility based on projected market conditions.

(iv) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the Fund manages this risk by monitoring its working capital needs and obtaining liquidity support from custodian brokers.

STERLING GLOBAL FUNDS LTD.

Notes to the Financial Statements (Continued)
December 31, 2005

11. Financial instruments

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

(v) Cash flow risk:

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

The Fund manages this risk by contracting, as far as possible, at fixed interest rates.

12. Subsequent event

The Fund's licence in Jamaica (see note 1) expired during the previous year and the Fund applied for renewal. The process for the renewal of the licence took place over a protracted period, during which the Fund was not allowed to write any new business during the year.

Subsequent to balance sheet date, the licence was renewed under specified conditions for another year, effective January 20, 2006, to operate as a "non-diversified" fund, wherein there is a significant concentration of investments in a single issuer.

13. Adoption of new and revised IFRS and interpretations

At the date of approval of the financial statements for issue, certain new and revised standards and interpretations were in issue but were not effective until after balance sheet date. The standards and interpretations and their effective dates are as follows:

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

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