Development Bank of Jamaica Limited

Facilitating Economic Growth & Development

ANNUAL REPORT

2009/10

The Development Bank of Jamaica Limited (DBJ) was created in April 2000, from the merger of the Agricultural Credit Bank of Jamaica Limited and the National Development Bank of Jamaica Limited. The operations, assets and liabilities of the National Investment Bank of Jamaica (NIBJ) were further amalgamated with the DBJ on September 1, 2006.

DBJ's mission is to facilitate the growth and development of all viable enterprises in the productive sectors of the Jamaican economy. These sectors include agriculture and agri-processing, manufacturing, information technology, mining and quarrying, energy, services and tourism. In fulfilling its mandate, the Bank provides the following services:

- Appropriate medium and long-term financing solutions [through alliances with Approved Financial Institutions (AFI) and other financiers] in a timely and efficient manner and atattractive interest rates to all entities, but with an emphasis on small and medium-sized enterprises.

- Direct lending for large projects in strategic areas.

- Management and privatization of national assets and investments.

The DBJ utilizes its own resources and borrows funds from external financial institutions for on-lending through its network of AFI partners.

VISION

We are:

- A catalyst for economic growth, development, job creation resulting in an improved quality of life for all Jamaicans.
- An innovative financier of economic activity.
- Supportive of national development.
- The best place to work.
- A world class development bank.

MISSION

To facilitate economic growth and development by providing:

- Appropriate financing solutions through alliances with AFIs and other financiers
- Direct lending for large projects in strategic areas
- Management and privatisation of national assets and investments

This we will achieve by:

- Aligning the organization to emerging trends and opportunities
- A highly motivated team, fully resourced to deliver

CORE VALUES

- **Integrity**
- **Accountability**
- **Professionalism**
- **Innovation**
- **Pro-activity**

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BOARD OF DIRECTORS

Joseph Matalon
Chairman

Milverton Reynolds
Managing Director

Richard Chen

Barrington Chisholm

Barclay Ewart

Sheron Henry

Paul Lalor

Edwin Mckie

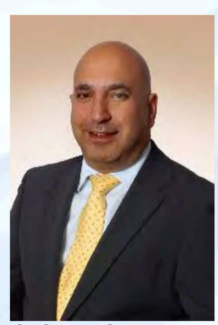
Errol Powell

Ann Marie Rhoden

Dr. Dhiru Tanna

Sancia Templer

Dr. Diana Thorburn



Christopher Zacca

MANAGEMENT TEAM

Back Row:

DOROTHEA SIMPSON
General Manager
Finance & Treasury

EDISON GALBRAITH
General Manager
Portfolio Management

YVONNE WILLIAMS
General Manager
Human Resource & Administration

MILVERTON REYNOLDS
Managing Director

BEVERLY VIRTUE
Manager
Corporate Planning

CLEVELAND MALCOLM
Manager
Management Information System

DENISE ARANA
General Manager
Direct Client Relationships

Front Row:

YVONNE LEWARS
General Manager
AFI Relationships

CLAUDETTE WHITE
Manager
Communication & Marketing

PEARLINE MILLER
General Manager
Internal Audit

SHERON HENRY
General Manager
Legal Counsel & Company Secretary

CHAIRMAN & MANAGING DIRECTOR'S REPORT

In the 2009-2010 financial year, the Development Bank of Jamaica Limited posted a net profit of J$316.4 million, its tenth straight year of profit, even though the institution operated in one of the most challenging economic environments both locally and globally. With the contraction of the world's largest economies including the United States, Great Britain and several other Western, industrialised nations, small countries struggled to keep afloat and Jamaica was no exception.

According to the Economic and Social Report published by the Planning Institute of Jamaica, in 2009 the Jamaican economy contracted by 2.7 per cent, the second consecutive annual downturn. Decline in several critical sectors contributed to this economic reduction.

They included: The Goods-producing sector by 8.5 per cent and Services industries by 0.6 per cent. The fiscal deficit rose to $96.3 billion and the inflation rate was 10.2 per cent.

The news, however, was not all negative as there was growth in the following sectors: Agriculture, 12.1 per cent; Electricity and Water Supply, 2.2 per cent; Finance and Insurance, 0.8 per cent; and Hotels and Restaurants (under which Tourism is subsumed), 1.4 per cent.

This growth was insufficient to reverse the fallout from the contraction of the bauxite industry of the previous year and continued adverse financial conditions forced the Government to turn to a borrowing relationship with the International Monetary Fund. The relationship with the IMF brought, among other restraints, restricted spending within Government-owned entities.

Even though the DBJ is not on the budget of the central government, it was not exempted from the budgetary constraints that affected all government agencies and the Bank operated in an environment of tight spending guidelines which affected all levels of its operations.

These restrictions, however, did not affect the DBJ's culture of excellence as internal targets continued to be met or surpassed by all departments of the Bank, in particular Accounts and Treasury and the loan-generating divisions such as AFI Relationships and Direct Client Relationships. During the year, the Bank continued to provide wholesale funding to its network of Approved Financial Institutions (AFI) for on-lending to the productive sector and expanded and improved its loan facilitation of small and medium-sized enterprises.

It is not coincidental that the productive sectors in which the DBJ invested were those which manifested the best indicators of domestic growth over the same period. These were the major sectors of the economy - namely agriculture, tourism, manufacturing and services. Entities in these sectors across the board, from micro to small and medium-sized to large enterprises, received DBJ support through various lines of credit and technical support.

At the same time, the Bank implemented a special wholesale lending window to the microfinance sector and an SME-specific wholesale lending window aimed at increasing access to credit by micro, small and medium-sized enterprises. The Bank also launched a Credit Enhancement Facility designed to encourage AFIs in the greater use of non-traditional credit assessment methodologies in their lending activities within the SME sector.

The Bank continued to assist the Government through its support of major divestment initiatives including the sugar industry, and certain assets of the Urban Development Corporation (UDC), among others.

As the only development bank operating in the country, it is noteworthy that the DBJ was able to post a profit during this period, albeit a 24.2 per cent decline when compared to the $417.4 million profit recorded in 2008/2009. This downturn was due to reduced net foreign exchange gains recorded in the 2009/10 financial year, when compared with the previous financial year.

This commendable performance would not have been possible without the participation of every employee and once again, the DBJ's Board of Directors, management and staff can feel justifiably proud for having completed another successful year during which the mission and objectives of the organisation have been realised.

There are considerable resource constraints facing the DBJ and the coming year will be a challenge for the Bank. However, based on past performance and the high commitment levels of staff there is no doubt that the targets will be achieved.

jmAA-RATING FOR DBJ

The Caribbean Information and Credit Ratings Services Limited (CariCRIS).CariCRIS assessed the Overall performance DBJ and assigned to it ratings of ***CariBBB*** (Foreign Currency Rating) and ***CariBBB+*** (Local Currency Rating) on its regional rating scale and ***jmAA-*** on the Jamaica national scale to the US$5 million debt issue (notional) of the DBJ. The regional ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean is **adequate**.

During the process, CariCRIS described the DBJ as "stable, highly experienced and with a well qualified senior management team, supported by a reputable Board of Directors." CariCRIS added that those business strengths were reflected in the Bank's strong capitalization and positive liquidity gaps, among other things.

Projections For 2010/2011

Lending Facilities

In the new financial year 2010-11, the DBJ expects to expand its provision of financing to the MSME and the agricultural sector through the network of National People's Co-operative Bank (NPCB) with projected loan approvals and disbursement of $3 billion via:

- The AFI-SME-Specific wholesale lending window approval being granted for $2 billion from the PetroCaribe Fund for on lending to small and medium-sized enterprises
- The wholesale lending window for microfinance. The DBJ will increase the financing available to this sector through assistance from multilateral funding agencies.
- Technical assistance and critical support for agricultural and other SME programmes of the NPCB.

Direct lending will remain relatively small in terms of numbers of loans approved.

Funding for DBJ PetroCaribe SME Energy Fund

In 2009-2010, the Inter-American Development Bank (IDB) approved grant funding of US$593,000 to implement support programmes for the DBJ PetroCaribe SME Energy Fund.

This includes the development of SME demonstration projects and support training of local energy sector professionals for a total cost of US$807,000 of which the IDB will fund US$593,000. It is anticipated that the implementation of these projects will increase SME's awareness of energy efficient and alternative energy technologies and spur demand for loans from the fund.

Privatisation

During the coming financial year, the DBJ will continue ongoing divestment transactions including the privatisation of the Norman Manley International Airport, shares owned by National Hotels and Properties Limited in Pegasus Hotels of Jamaica Ltd., Wallenford Coffee Company, Mavisbank Coffee Factory and several tourism and real estate assets for the Urban Development Corporation. The DBJ will also assist in facilitating the valuation of the Government of Jamaica's shareholdings in Clarendon Alumina Partners and the Jamaica Public Service Co. Ltd. as these entities prepare for divestment.

Financial Highlights

COMPARATIVE FINANCIAL SUMMARY

Year Ended March 31	2010	2009	2008	2007	2006
	J$M	J$M	J$M	J$M	J$M
Total Income	4,175.5	3,901.2	3,772.2	2,710.2	1,665.2
Total Interest Income	3,792.9	3,393.7	3,142.9	2,110.4	1,593.8
Total Interest Expense	2,992.2	2,500.6	2,184.7	1,537.6	1,181.9
Non-Interest/Other Income	382.6	507.5	629.3	599.8	71.9
Non-Interest Expense	705.3	890.9	973.9	1,154.6	301.0
Net Profit	316.4	417.4	371.9	391.0	39.7
Total Assets	49,686.2	46,414.5	46,262.7	38,520.3	19,400.6
Total Equity	9,536.1	8,921.9	6,359.6	6,029.6	5,511.6
Loans Payable	39,851.5	37,134.5	34,324.3	26,530.6	11,228.4
Regular Loan Portfolio	12,239.9	10,605.8	8,101.2	8,768.0	7,064.0
Special Loan Programmes	-	-	-	421.3	1,329.5
GOJ Infrastructural Loan Programmes	25,521.9	24,846.8	24,618.6	2,489.6	6,098.2

In the period under review, the DBJ recorded a net profit of $316.4 million, total assets of $49,686.2 million and a net worth of J$9,536.1 million at the end of the financial year 2009-10. These results were driven by strategic management of the institution's objectives, expert liquidity management, and proactive and effective management of risk. The Bank's strong Asset and Equity bases enabled it to play a pivotal and proactive role in the development of the Jamaican economy.

Income

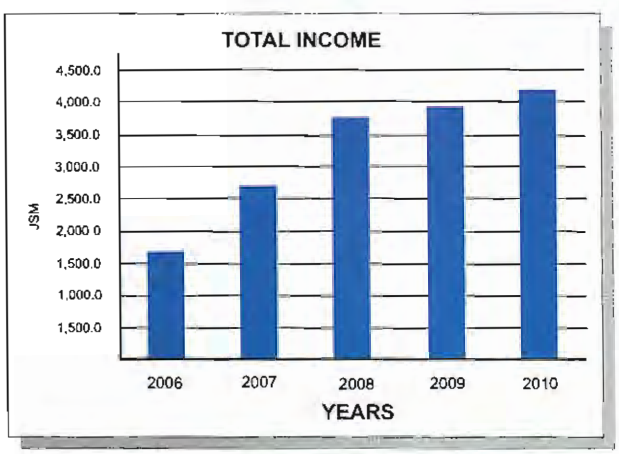
The DBJ's operating income of $4,175.5 million for the financial year ended 31 March 2010 grew by 7 per cent above the previous financial year and was mainly due to increased lending activities by the Bank.

Interest Income

Interest Income amounted to $3,792.9 million for the financial year 2009-10, an increase of 11.7 per cent over the previous financial year.

This increase resulted from our growth in total interest earning assets:-

- An increase in the Bank's loan portfolio by J$1,634.1 million or 15 per cent to J$12,239.9 million when compared to the 2008-09 financial year.
- The growth of DBJ's investment securities portfolio by J$792.3 million or 16 per cent to J$5,863.4 million over the previous year. The Jamaica Debt Exchange had no significant impact on the Bank's investment portfolio.



Other Income

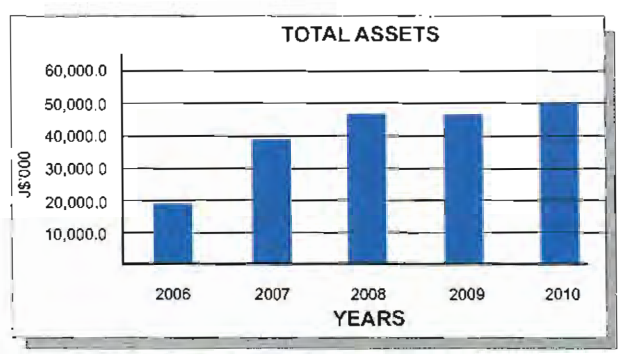
The DBJ's non-interest income which mainly comprises fees, rental income, net foreign exchange gains arising on the translation of Assets/Liabilities and gains from investment activities, declined by 24.6 per cent or J$124.9 million in the 2009-10 financial year when compared to the previous financial year. This reduction was due mainly to reductions in net foreign exchange gains due to the revaluation of the Jamaican dollar vis-à-vis the United States dollar.

Interest Expenses

Interest expenses for the financial year under review amounted to $2,992.2 million, a 19.65 per cent increase over the previous year's total of $2,500.6 million and was mainly attributable to additional borrowing from lending agencies.

Non-Interest Expenses

Administrative and other operating costs showed an overall decrease of 20.8 per cent below those of the previous financial year. This decrease was due mainly to the Bank's cost-containment programme which was pursued in a vigilant manner. Also playing a role was a lower impairment provision being made for the period under review. Staff costs decreased by 39 per cent below the amount incurred for the previous financial year, as two senior executive positions were not filled when the incumbents left the Bank.



Net Profit

The Bank recorded a net profit of J$316.4 million for the year, moving from a net profit of $417.4 million in the previous financial year, a decrease of 24.2 per cent. This reduction was due to reduced net foreign exchange gains as well as the increase in the losses of associated companies recorded in the 2009-10 financial year, when compared with the previous financial year.

ASSET AND EQUITY BASES

Asset Base

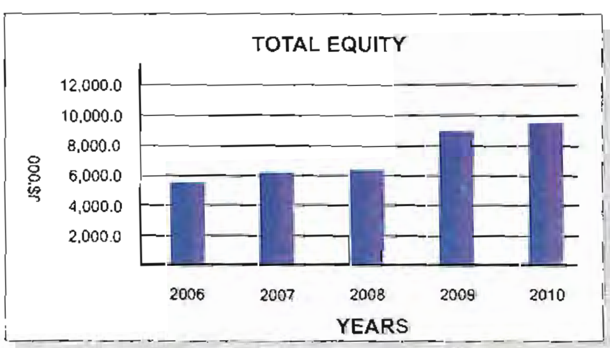
The DBJ's asset base which was $46,414.5 million as at 31 March 2009 saw an increase of 7 per cent to $49,686.2 million during the year. This increase reflected a net position and was due to two main factors: (1) the increase of investments in re-sale agreements and (2) an increase in the Bank's loan portfolio.

Equity Base

Shareholder's equity grew by 6.9 per cent up from $8,921.8 million at the end of the previous financial year to $9,536.1 million in this current year. This increase was due mainly to increases in other reserves, (fair value adjustments related to DBJ's investment portfolio) and an increase in retained earnings.

Solvency

At the end of the financial year, the Bank reported a debt/equity ratio of 4.2:1 in line with the ratio of 4.2:1 at the end of March 2009. This ratio remains within the guidelines stipulated by multilateral lending agencies of between 4:1 and 6:1. The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.



FUNDING

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows and internally generated cash provided from operations, as well as the following sources:

- J$1.265 billion from the PetroCaribe Fund for the SME Facility
- J$150 million from the National Insurance Fund
- US$10 million from China Development Bank Corporation Limited
- US$2.3 million (J$234 million) from the Caribbean Development Bank

FUNDS MANAGEMENT

As part of its overall functions the DBJ manages the following funds:

1. PetroCaribe Fund
2. Capital Development Fund
3. Private Sector Energy Fund
4. Intech Fund
5. IADB Liquidity Programme

The Bank also provides accounting services to the National Road Operating and Constructing Company (NROCC) Ltd., Harmonisation Ltd. and Silver Sands Estates Ltd.

LOAN PORTFOLIO

At the end of the financial year March 2010, the total outstanding loan portfolio of the Bank stood at J$12.2 billion compared to $10.6 billion for the financial year ended 31 March 2009, an increase of 15 per cent.

The distribution of the outstanding loan portfolio at the end of March 2010 is shown as follows:

	2010 J$'000	%	2009 J$'000	%
Loans to AFIs	5,330.3	44	4,610.5	43
Loans to PC Banks	1,158.6	9	928.6	9
Loans to direct borrowers	5,751.0	47	5,066.8	48
	12,239.9	100	10,605.8	100

REVIEW OF LENDING ACTIVITY

The Development Bank of Jamaica provided strong support to the Government's initiatives in implementing various lines of credit, making $3.3 billion available to the Micro, Small and Medium-sized Enterprises (MSME) sector and to larger projects in the areas of agriculture, agro-processing, manufacturing, mining, tourism and services.

During this period, the DBJ approved and facilitated through its Approved Financial Institutions (AFI), the National People's Co-operative Bank (NPCB), approved Microfinance Institutions (MFI) and direct loans, 2,496 local currency loans valuing over $2.8 billion and disbursed $3.1 billion (some disbursements are for approvals granted in 2008/2009). In addition, one direct loan for US$5 million was approved and US$1.899 million disbursed in the US-dollar loan portfolio.

Overall, the total loan value including foreign currency loans was approximately $3.28 billion, 10 per cent more than last year and with disbursements of $3.3 billion, 5 per cent more than last year. These loans maintained jobs for an estimated 15,200 persons and created an additional 1,827 new jobs.

Of the $2.8 billion in approvals, approximately $1,610 million was approved for MSMEs and $1,618 million was disbursed to these sectors. The remaining $1,230 million went to larger projects in the tourism, mining, agriculture and agro-processing sectors. During this year, a total of $150 million was earmarked for wholesaling to the National Export-Import (EXIM) Bank and the Jamaica Business Development Corporation for on-lending to small and medium-sized enterprises. Some $570 million was made available for agriculture through the NPCB and $548 million was disbursed during the year.

Below is the sectoral allocation of total approvals and disbursements under the Bank's regular lending programme:

TOTAL LOAN APPROVALS AND DISBURSEMENTS BY SECTOR (APRIL '09 TO MARCH '10)

	Approvals		Disbursements		EMPLOYMENT	
Sector	J$M	%	J$M	%	Existing	New
Agriculture	634.6	19	638.8	19	1,085	859
Agro-Industry	51.4	2	172.0	5	1,030	0
Manufacturing	873.1	27	765.1	23	3,147	84
Mining & Quarry	10.0	.3	10.0	.3	37	6
Services/Distribution & Transp.	685.0	21	631.2	19	3,711	39
Tourism	706.2	21	583.5	17	1,022	139
JBDC/EXIM	150.0	5	125.0	4	2,736	660
YEP	2.7	0.1	2.7	.1	-	22
MFI	174.2	5	174.2	5	2,440	18
*Special UDC Facility	0	0	227.5	7	-	-
**TOTAL	**3,287.7**	**100%**	**3,330.0**	**100%**	**15,208**	**1,827**

* Special UDC Facility - approval granted for $1B in the previous fiscal year and disbursed in current year
** Includes US$5 million loan approval and US$1.90 million disbursements

AFI Relationships

During the period under review the DBJ, through the AFI Relationships division, continued to provide significant support to the Government's initiatives for development of the productive sector by making $3.46 billion available through various lines of credit, for projects of all sizes (micro, small, medium and large).

As a result, the Bank facilitated a total of 2,491 projects, inclusive of 2,097 projects through the microfinance institutions and 394 through the AFIs and the NPCB network.

LOAN APPROVALS

During this period, the AFI Relationships division committed $2,564 million in loans. Of this amount, manufacturing received $854.3 million or 33%, while tourism received $163.3 million (6%), services received $685 million (27%) and agriculture and agri-processing received $474 million or approximately 19%.

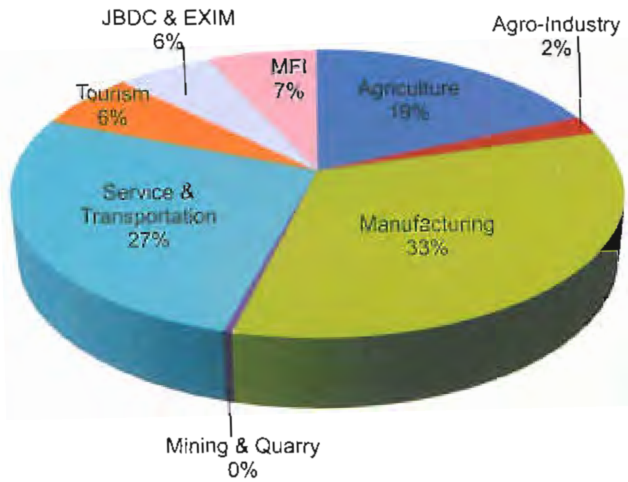
LOAN DISBURSEMENTS

Loan disbursements under the Bank's regular lending operations totaled J$2,668 million which represented a 25% increase over the 2008-09 figure $2,131 million.

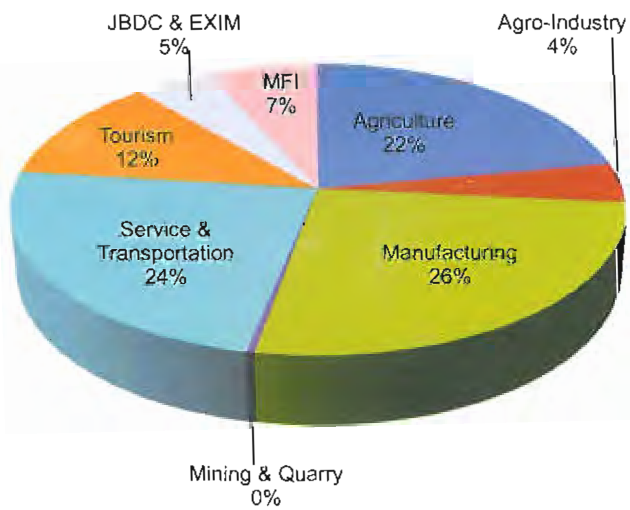
Disbursements to the NPCB totalled $547.7 million for the period ended 31 March 2010.

Disbursements to the AFIs amounted to $1,943.2 million and $177.4 million through the Micro Finance Institutions.

APPROVALS



DISBURSEMENTS



Projects Funded By Sector

AGRICULTURE

The YS Valley Farm, located in New Holland, St. Elizabeth, continued to receive DBJ funding through the National Commercial Bank allowing the proprietors to expand the farming operation. The 24.3 hectare (60 acres) farm currently supports hot pepper cultivation, a small ruminant business consisting of over 40 goats and 280 sheep and the production of food fish. The project promoters have integrated the farming efforts with a grill and juice bar that utilizes the products of the farm and accommodates visitors to the nearby tourism attraction of YS Falls. The company generates employment of over 20 persons.

One section of the diversified YS Valley Farm.

AGRO-PROCESSING

Stanmark Processors Company Limited is a manufacturer, distributor and exporter of agro-produce. With the opening up of the United States market for ackee and the demand for this and other products, the directors of the company seized the opportunity to renovate its factory in Yallahs, St.Thomas; introduce the Hazard Analysis Critical Control Points (HACCP) system; train its workers; and expand its operations and production levels. A DBJ loan through the National People's Co-operative Bank assisted this process.The company currently employs 21 persons.

Workers sorting and packing ackees at Stanmark Processors Company Limited, located in St. Thomas

MANUFACTURING

Jamaica Bedding Co. Ltd. is involved in the production of foam and associated products including bed bases, pillows and mattresses. This family-owned and managed manufacturing operation is located in Old Harbour, St. Catherine, and serves customers mainly in the southwestern and central parts of the island. The company utilized DBJ funding disbursed through the National Commercial Bank to purchase raw material that facilitated increased production and competitiveness as well as the employment of 43 persons.

O Jay Koolers Limited is a family-run operation that was incorporated in September 1987. It is involved in the production and sale of a variety of fruit juices using Jamaican fruits and concentrates, soy-based products and the bottling of water. The Old Harbour, St. Catherine-based company distributes its products through a mix of independent contractors and its own direct distribution. DBJ's assistance has allowed O Jay Koolers to expand its level of production and its distribution capacity involving a more diversified offering and the acquisition of refrigerated trucks. The company employs approximately 50 persons on a fulltime basis.

O Jay Koolers displays the variety of juices it produces

Quest Woodcraft Manufacturing Company is a family-run business that is geared towards the manufacturing and distribution of furniture and fixtures for both private and public sector companies. The company accessed DBJ funding, facilitated by the National People's Co-operative Bank to assist with the upgrading of its operations with more modern machinery and equipment in its effort to become more efficient. The company's operation is based in Kingston and generates employment of 23 persons.

Island Ice and Beverage Company Limited (IIBC) began operating in January 2009. The core business involves the manufacturing and distribution of packaged ice throughout Jamaica.

The company acquired and subsequently merged the operations of Happy Ice Limited and Kingston Ice Limited. The new entity, Island Ice and Beverage Company Limited, now represents 100% of the commercial packaged ice market in Jamaica.

Its headquarters is located on Hagley Park Road in Kingston with distribution depot and cold room storage facilities in Montego Bay, St. James. Six hundred merchandisers and a fleet of refrigerated trucks do deliveries islandwide. The company employs over 50 persons on a permanent basis.

A DBJ loan has assisted the company with the procurement of machinery, equipment and the expansion of the operation to better meet the needs of their customers.

A Jamaica Bedding Company employee checks machinery to ensure quality products

SERVICES

Economic Maintenance Products Limited (EMP), a family-owned and managed medium-sized business was established over 25 years ago. The company, a leading roof service provider and distributor of commercial and residential waterproofing systems, has introduced a new state of the art waterproofing system that utilizes the technology of spray polyurethane foam (SFP). This product provides a breakthrough in technology as it has a dual waterproofing and cooling action. In its move to widen its customer base and enhance its competitive advantage through direct sale of waterproof membrane, the company utilized DBJ funding which was accessed through the National People's Co-operative Bank. The company employs as many as 20 persons on a permanent basis.

Re-roofing operation in progress by Economic Maintenance Products Ltd.

TOURISM

Rapsody Cruise, Tours & Charter Limited is a tourism attraction that offers scuba diving and water sports to its clients. DBJ's financing through the Capital and Credit Merchant Bank supported the renovation and expansion of its Cornwall Beach facilities in Montego Bay, St. James, for a tourism attraction involving water sports and entertainment inclusive of sailing and snorkelling cruises. This family-run business employs 16 persons on a permanent basis.

Catamarans in a sailing tour organized by Rapsody Cruise, Tours & Charter Limited based at Cornwall Beach in Montego Bay, St. James.

DIRECT LOANS

Direct lending activity remained modest during the financial year ended March 2010. During this period the Direct Client Relationships division received Board approval for three direct loans totalling J$516 million. The loans were granted to Government of Jamaica and private sector entities operating in the agricultural and tourism industries.

Two loans totalling $66 million were committed to the Ministry of Agriculture and Fisheries (MoAF), through its subsidiary the Agricultural Development Corporation (ADC), for implementation of a Glut Management Programme and the construction of a Packing Plant facility in St Elizabeth. The projects will support the MoAF's *Improving Jamaica's Agricultural Productivity* programme which will facilitate increased, sustainable production and distribution of high quality produce to meet the demands of the Jamaican market and support import substitution of crops of strategic importance to the economy.

One loan for US$5 million was granted to Wingdown Holdings Ltd., for the expansion of Goldeneye, a boutique resort located in St. Mary. The project includes the refurbishment and expansion of six existing units and the construction of 16 additional residential units/service lots on the 37.5-acre property. The development will diversify Jamaica's tourism product and boost economic development in St. Mary by providing employment and business opportunities to community members especially in the town of Oracabessa.

FINANCIAL STRUCTURING

During the year, the Inter-American Development Bank (IDB) approved grant funding of US$593,000 towards the execution of an US$807,000 programme aimed at increasing the awareness of small and medium-sized enterprises (SME) of the benefits of energy conservation and alternative energy technology. It is anticipated that this programme of activities will stimulate demand for the DBJ-Petrocaribe SME Energy Fund Line of Credit which is earmarked by the DBJ for financing energy-related technology by SMEs.

The IDB funding will be used to:

- Assess the demand for investments in energy efficiency and conservation measures and alternate sources of energy by SMEs in Jamaica;
- Develop a training and certification course for energy auditors/managers;
- Develop and implement demonstration projects to showcase successful use of alternate energy, and
- Highlight the benefits of energy efficiency and conservation strategies within the SME sector.

DBJ is to contribute US$214,000 towards the implementation of the project and, as the executing agency, DBJ's responsibilities will include monitoring and reporting on the status of the project, procuring the required consulting services, and providing additional administrative resources and logistical support to consultants and local experts.

The Goldeneye project in Oracabessa, St. Mary

PRIVATISATION

During the two previous financial years, the DBJ focused mainly on bringing several divestment transactions to the point of sale and rationalizing the existing portfolio of assets mandated for divestment under Ministry Paper #34.

During this financial year, the DBJ divested six entities, recording a total sale transaction value of J$550 million. In addition, the Bank continued work on several ongoing divestments and assumed Secretariat responsibility for additional divestments.

Several divestment transactions were concluded during the financial year. The DBJ Secretariat provided technical and administrative support to the Sugar Negotiating Team which, in June 2009, divested three sugar factories with a sale transaction value of US$2 million. The Long Pond and Hampden sugar factories were sold to Everglades Farms Limited for US$1.5 million and the St. Thomas Sugar Factory was sold to Seprod Limited for US$500,000.

Both entities also entered into 50-year lease arrangements with the Jamaican Government for the agricultural lands available for sugar cultivation, which will generate lease income of US$317,000 per year.

Loading cane at Long Pond Sugar Factory in Trelawny

Also during the period under review, DBJ received Cabinet approval for three other divestments:

- In February 2010 Cabinet approved the sale of 21 acres of land (the former Cotton Polyester factory complex located in Old Harbour) to the Urban Development Corporation (UDC) for J$130 million. At the end of the financial year Cabinet was also requested to approve the sale of an additional 3.2 acres of the property (including buildings) to the UDC for $20 million. The UDC will utilise the property to develop the town of Old Harbour, St. Catherine, under their development plan for the Portmore to Clarendon Park Highway 2000 Corridor.

- In March 2010 Cabinet approved the sale of approximately 14 acres (with buildings) of the Ariguanabo property to the existing lessee New Era Homes for an aggregate sale price of J$163.9 million. New Era Homes, one of Jamaica's leading low and middle-income housing developers, will continue to utilise this property to house its window and door manufacturing operations.

- The sale of 524.76 acres of the Montpelier Citrus Company Limited lands (Section D) was approved by Cabinet in January 2010. The land will be sold to Ramble Enterprises Ltd, a small family-owned company which owns dairy farming and juice operations in St. James, for $52 million. Development plans for the property include the expansion of the dairy farm and the establishment of projects involving citrus, sheep rearing, milk, fruit juices, spring water and agro processing. Cabinet also approved the sale of Section C of the Montpelier lands to the Coconut Industry Board (CIB) for $50 million. However, the CIB ultimately declined to continue with the transaction.

Re-assigned Assets

Under Ministry Paper #34, the National Investment Bank of Jamaica (NIBJ) which merged into the DBJ in September 2006 was given responsibility to manage the divestment of several entities and their related parcels of land. These include the former Spring Plains project; the former rice milling project Black River Upper Morass Development Co. Ltd;. (BRUMDEC); and all assets (including lands) related to the six sugar factories. Based on certain requests, the DBJ has commenced the re-assignment of the assets noted above to various subject ministries/agencies for utilisation in other ventures.

During the year, the DBJ transferred the management of 552 acres of agricultural land at Spring Plains to the MoAF, at their request. The MoAF plans to make the property available to investors for agricultural production under the Agricultural Support Services & Productive Project Fund Limited. As at year end, the MoAF reported that 200 acres of the property had been cleared and allocated and that production of short-term crops had commenced on 70 acres for which the irrigation system has been rehabilitated. It is expected that the other 130 acres of cleared land will be irrigated later in the year and crops to be planted include yams, peppers and escallion.

The MoAF also indicated its desire to acquire management of the BRUMDEC Lands in St Elizabeth to facilitate the utilisation in rice production. As at the end of the year, the DBJ awaited further information from the MoAF on this request.

Subsequent to the divestment of the sugar entities in June 2009 and the formation of SCJ Holdings Limited (SCJH, t/a Sugar Divestment Enterprise), the DBJ was advised by this new entity of its intention to resume management of all lands owned by SCJ Holdings Limited. These include the Monymusk, Frome and Bernard Lodge Sugar Estates which are currently being privatised, the leased lands of previously divested sugar entities and other lands at Longville Park, Tarentum and Salt River in Clarendon and Roaring River in Westmoreland.

At year end, the DBJ was in discussion with the SCJH to finalise the re-assignment of responsibility for the assets.

ONGOING DIVESTMENT TRANSACTIONS

The DBJ continued its work on several ongoing transactions, including the Government's ordinary and preference shareholding in Kingston Industrial Works Limited, Mavisbank Coffee Factory and the remaining 2,442 acres of land at Montpelier, St. James.

In addition, the DBJ continued to provide Secretariat support to various Enterprise Teams for other divestment transactions, including Wallenford Coffee Company Limited, National Hotels and Properties Limited's shareholding in Pegasus Hotels of Jamaica Limited and other UDC-owned assets, such as its shareholding in Bloody Bay Hotel Development Company Limited and the Rooms on the Beach property.

During the year, the DBJ was requested by the Ministry of Energy and Mining to facilitate the valuation of the Government of Jamaica's shareholding in two entities, the Jamaica Public Service Company Limited and Clarendon Alumina Partners Limited.

NEW DIVESTMENT TRANSACTIONS

The DBJ was approached during the year by the UDC to manage the divestment of several other attractions, beaches and other real-estate assets, including Dunns River Falls, Reich Falls and Green Grotto Caves. As at year end, the DBJ was in the process of preparing the relevant Requests For Proposals in relation to the engagement of suitable consultants to undertake the divestment of the beaches and the attractions.

In January 2010 work on the NMIA divestment transaction commenced. The DBJ was previously appointed as Secretariat to the NMIA Enterprise Team. As at year end, the Enterprise Team was in the process of procuring suitable financial and legal consultants to undertake the divestment.

GOJ DIVESTMENT POLICY

At a meeting of the Economic Development Committee (EDC) in May 2009, the Prime Minister directed that a working committee be established to revise the existing privatisation guidelines to develop a comprehensive privatisation policy. The committee included representatives of the Attorney General's Department, Ministry of Finance and the Public Service and the Office of the Prime Minister.

The revised policy is integral to the DBJ's strategic planning process and covers matters including the structure and role of key stakeholders in the privatisation process (Cabinet, EDC, privatisation agency/secretariat and enterprise teams), modalities based on asset types, funding, utilisation of privatisation proceeds and fees payable to the privatisation agency.

As at year end, the committee awaited the comments of the Prime Minister to whom the draft policy had been submitted for review. The draft policy has since been circulated to several ministries and agencies for comments. It is expected that the policy will be finalised and resubmitted to the EDC for consideration during the coming financial year.

PORTFOLIO MANAGEMENT

During the year, the Portfolio Management division continued to undertake the disbursement and implementation of direct loans approved by the Board, monitoring of all direct loans and investments and provision of support to the Boards of DBJ's subsidiaries and associated companies.

Approvals were granted for new loans handled by the department totaling US$1.33 million and J$273.80 million, while disbursements totaled US$1.90 million and J$267.42 million. The Bank disbursed a further J$173.98 million to the UDC under their J$1.0 billion loan facility and capitalized a further J$59.96 million in interest bringing the total outstanding to J$874.65 million at the end of the year.

At the end of the year:

- The DBJ's direct loans and investment portfolio stood at J$7.90 billion
- Loans and investments in tourism at J$6.25

  billion accounted for 78.9% of the portfolio.
- J$6.10 billion or 77.0% of the portfolio is denominated in US dollars.J$5.06
- billion or 63.9% of the portfolio is made up of debt instruments
- Principal and interest/dividend arrears at J$604.17 million and J$231.53 million were 7.6% and 2.92% of the portfolio respectively.

In the period under review, the division employed various recovery strategies to address the level of arrears including working with clients to restructure loans and to arrive at settlement proposals where feasible as well as the initiation of recovery proceedings where applicable. In this regard a number of accounts currently reflected in arrears have agreed settlements that are to be implemented during the course of the new financial year, while others are slated for disposal of assets or divestment to settle the liabilities.

RECOVERIES

The Recoveries Unit was established in September 2006 to pursue recovery of the J$3.7 billion non-performing loans and investments of the merged entity. The recovery strategies employed over the period included negotiated settlements, litigation, and auction of mortgaged property. Collections on the portfolio to date have amounted to J$256.86M as below:

Summary of Collections to date (J$)	
Sep-06 to Mar-07	4,269,283
Apr-07 to Mar-08	43,465,830
Apr-08 to Mar-09	142,417,209
Apr-09 to Mar-10	66,709,674
	256,861,996

In keeping with the Board's instructions in April 2008, the Unit offered discounted settlement options to all loan and preference share accounts, some of which accepted, and where settlement was not achievable recovery proceedings were initiated. Bids were invited from several attorneys-at-law and collection agencies. The Unit assigned several accounts to collectors and attorneys-at-law to expedite recovery and worked directly with those accounts that demonstrated an ability to arrive at a short-term payout of their accounts or that had been meeting established repayment plans.

While properties have been listed at auction and private treaty there have been no sales through this medium. DBJ's Board had further mandated that the residual portfolio be reviewed and if it is determined that the strategies currently employed were not effective, the residual portfolio should be packaged and sold. It should be noted that of the 16 closed accounts only two were settled with support from external collectors or attorneys-at-law.

Of the overall portfolio, J$2.8 billion or 76% is represented by four large accounts of which three are GOJ controlled and the fourth is in receivership. These accounts have varying prospects for recovery of J$0.8 billion. The remaining portfolio of some 22 projects comprises a mixture of equity investments and loans with varying prospects for recovery. Of these remaining accounts with face value J$894 million, J$203 million is projected to be recoverable by various means including settlement, disposal of assets and litigation. It is expected that the majority of these accounts will be resolved during the course of the new financial year.

Below is a list of acronyms and their meanings as they appear in the 2009-2010 DBJ Annual Report:

AFI - Approved Financial Institutions

BRUMDEC - Black River Upper Morass Development Company Ltd.

CariCRIS - Caribbean Information and Credit Ratings Services Limited

CDB - Caribbean Development Bank

CDBC - China Development Bank Corporation Limited

EDC - Economic Development Committee

EXIM - National Export-Import Bank of Jamaica Limited

GOJ - Government of Jamaica

IDB - Inter-American Development Bank

JBDC - Jamaica Business Development Corporation

MoAF - Ministry of Agriculture and Fisheries

MFI - Microfinance Institutions

MSME - Micro, Small and Medium-sized Enterprises

NIBJ - National Investment Bank of Jamaica Limited

NMIA - Norman Manley International Airport

NPCB - National People's Co-operative Bank

NROCC - National Road Operating and Constructing Company Limited

SCJH - Sugar Company of Jamaica Holdings Limited

SME - Small and Medium-sized Enterprises

UDC - Urban Development Corporation

Directors Compensation

DIRECTORS COMPENSATION
For year ended 31 MARCH 2010

Position of Director	Fees ($)		Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
	Board Meetings	Committee Meetings				
CHAIRMAN	176,000	42,000	N/A	N/A	N/A	218,000
BOARD MEMBER 2	59,500	10,500	N/A	N/A	N/A	70,000
BOARD MEMBER 3	93,500	17,500	N/A	N/A	N/A	111,000
BOARD MEMBER 4	76,500	17,500	N/A	N/A	N/A	94,000
BOARD MEMBER 5	17,000	3,500	N/A	N/A	N/A	20,500
BOARD MEMBER 6	85,000	21,000	N/A	N/A	N/A	106,000
BOARD MEMBER 7	59,500	7,000	N/A	N/A	N/A	66,500
BOARD MEMBER 8	76,500	7,000	N/A	N/A	N/A	83,500
BOARD MEMBER 9	93,500	28,000	N/A	N/A	N/A	121,500
BOARD MEMBER 10	85,000	17,500	N/A	N/A	N/A	102,500
BOARD MEMBER 11	93,500	17,500	N/A	N/A	N/A	111,000
BOARD MEMBER 12	59,500	-	N/A	N/A	N/A	59,500
BOARD MEMBER 13	42,500	-	N/A	N/A	N/A	42,500
TOTALS	1,017,500	189,000				1,206,500

Note: Board member # 13 resigned from the Board in December 2009
Board member # 5 was added to the Board effective 1 January 2010

SENIOR EXECUTIVE COMPENSATION
For year ended 31 MARCH 2010

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)		Travelling Allowance or Value of Assigned Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances (Clothing) ($)	Non-Cash Benefits ($)	Total ($)
			Gratuity (Note1)	Performance Incentive (Note 4)					
Managing Director	2009-2010	9,660,000	2,415,000	480,566	1,085,000	N/A	N/A	N/A	13,640,566
GM 1	"	4,848,400	-	289,682	900,000	334,540	65,000	N/A	6,437,622
GM 2	"	5,355,263	-	319,966	900,000	369,513	65,000	N/A	7,009,742
GM 3	"	3,737,500	-	185,933	900,000	257,888	65,000	N/A	5,146,321
GM 4	"	5,020,785	1,255,196	299,982	900,000	N/A	65,000	N/A	7,540,963
GM 5	"	4,702,005		233,915	900,000	324,438	65,000	N/A	6,225,358
GM 6	"	3,737,500		185,933	900,000	257,888	65,000	N/A	5,146,321
GM 7	"	4,830,000		288,583	900,000	333,270	65,000	N/A	6,416,853
GM 8	(April–July '09)	1,710,625	427,656	0	300,000	N/A	N/A	N/A	2,438,281
Totals		**43,602,078**	**4,097,853**	**2,284,560**	**7,685,000**	**1,877,536**	**455,000**		**60,002,027**

Notes

1. The Managing Director and 2 General Managers (GMs) being contract officers whose positions do not fall under the company's pension scheme, receive gratuity of 25% on their compensation packages.
2. The amount shown for the Managing Director relates to the Value of Assigned Motor Vehicle.
3. GM 8 - separated 31 July 2009
4. Performance Incentive is approved by the Ministry of Finance and is paid based on performance (both Company and individual) for the preceding financial year. Maximum possible is 8% of basic.

AUDITED FINANCIAL STATEMENTS

2009/10

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Development Bank of Jamaica Limited (the company) set out on pages 31 to 97 which comprise the statement of financial position as at March 31, 2010, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

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

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

KPMG a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International") a Swiss entity

Elizabeth A. Jones
Caryl A. Fenton
R. Tarun Handa
Patrick A. Chin
Patricia O. Dailey-Smith

Linroy J Marshall
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

KPMG

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2010, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on other matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica
June 17, 2010

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Comprehensive Income
Year ended March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Net interest and other income			
Interest income		3,792,884	3,393,662
Interest expense		(2,992,235)	(2,500,585)
Net interest income	7	800,649	893,077
Other income	8	382,639	507,500
		1,183,288	1,400,577
Operating expenses			
Staff costs	9	225,125	368,430
Other operating expenses		192,226	205,634
Impairment losses on:			
Loans, net of recoveries	18(c)	(29,228)	(122,922)
Investment securities		64,295	167,820
Interest in associated companies	15	252,870	264,000
Interest discount	15	-	7,946
	10	705,288	890,908
Profit from operating activities		478,000	509,669
Profit from Credit Enhancement Facility Fund	22	19,842	-
Share of losses of associated companies	15	(181,400)	(92,248)
Profit for the year		316,442	417,421
Other comprehensive income			
Fair value reserve (available for sale investments):			
Net change in fair value	32(a)	448,312	(381,758)
Net amount transferred to profit or loss		(107,907)	-
Foreign exchange translation differences	32(f)	17,544	300,307
Amortisation of grants	31(d)	(158)	(1,216)
Other comprehensive income/(expenses) for the year		357,791	(82,667)
Total comprehensive income for the year		674,233	334,754

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Financial Position
March 31, 2010
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
ASSETS			
Cash and cash equivalents	11	402,910	378,055
Resale agreements	12	1,463,622	732,379
Investment securities	13	4,399,819	4,338,727
Investment properties	14	314,194	297,520
Interest in associated companies	15	1,464,792	1,859,618
Loans receivable, net of impairment allowance:			
Direct loans	16	5,751,092	5,066,770
Financial and agricultural institutions loans	17	6,488,866	5,539,068
Government of Jamaica infrastructural programmes	19	25,521,852	24,846,803
Recoverables from Government of Jamaica – Privatisation	20	34,302	53,766
– Other	21	2,251,954	2,066,162
Income tax recoverable		278,988	360,106
Due from Credit Enhancement Facility Fund	22	272,164	-
Other receivables	23	127,839	100,891
Employee benefit asset	24	230,757	126,918
Intangible assets	25	879	1,584
Property and equipment	26	682,180	646,113
		49,686,210	46,414,480
LIABILITIES			
Loans payable	27	39,851,468	37,134,526
Other	28	298,653	358,098
		40,150,121	37,492,624
EQUITY			
Share capital	29(a)	1,757,539	30,000
Share premium	29(b)	98,856	98,856
Advance on shares	30	-	1,727,539
Capitalisation reserve	31	1,421,864	1,422,022
Other reserves	32	4,669,570	4,291,336
Retained earnings		1,588,260	1,352,103
		9,536,089	8,921,856
		49,686,210	46,414,480

The financial statements on pages 31 – 97 were approved for issue by the Board of Directors on June 17, 2010 and signed on its behalf by:

_______________ Chairman
Joseph Matalon

_______________ Managing Director
Milverton Reynolds

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Changes in Equity
Year ended March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	Share capital $'000	Advance on shares $'000	Share premium $'000	Capitalisation reserve $'000	Other reserves $'000	Retained earnings $'000	Total
Balances at March 31, 2008		30,000	-	98,856	923,238	4,369,968	937,501	6,359,563
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	417,421	417,421
Other comprehensive income								
Change in fair value of available for sale investments	32(a)	-	-	-	-	(381,758)	-	(381,758)
Foreign exchange translation differences	32(f)	-	-	-	-	300,307	-	300,307
Amortisation of grants	31(d)	-	-	-	(1,216)	-	-	(1,216)
Total other comprehensive expense for the year		-	-	-	(1,216)	(81,451)	-	(82,667)
Total comprehensive income for the year		-	-	-	(1,216)	(81,451)	417,421	334,754
Transfers to special reserves	32(d)	-	-	-	-	2,819	(2,819)	-
Transactions with owners, recorded directly in equity								
Shares to be issued to settle liability		-	1,727,539	-	-	-	-	1,727,529
Funds for capital	31(a)	-	-	-	500,000	-	-	500,000
Balances at March 31, 2009		30,000	1,727,539	98,856	1,422,022	4,291,336	1,352,103	8,921,856
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	316,442	316,442
Other comprehensive income								
Fair value reserve (available for sale investments):								
Net change in fair value	32(a)	-	-	-	-	448,312	-	448,312
Net amount transferred to profit or loss		-	-	-	-	(107,907)	-	(107,907)
Foreign exchange translation differences	32(f)	-	-	-	-	17,544	-	17,544
Amortisation of grants	31(d)	-	-	-	(158)	-	-	(158)
Total other comprehensive income for the year		-	-	-	(158)	357,949	-	357,791
Total comprehensive income for the year		-	-	-	(158)	357,949	316,442	674,233
Transfer to special reserves	32(d)	-	-	-	-	443	(443)	-
Transfers to CEF Reserve	32(c)	-	-	-	-	250,000	-	250,000
Transfer from revenue reserve	32(g)	-	-	-	-	(250,000)	-	(250,000)
Transfer of profit on CEF		-	-	-	-	19,842	(19,842)	-
		-	-	-	-	20,285	(20,285)	-
Transactions with owners, recorded directly in equity								
Dividends	33	-	-	-	-	-	(60,000)	(60,000)
Issue of shares	29(a)	1,727,539	(1,727,539)	-	-	-	-	-
Balances at March 31, 2010		1,757,539	-	98,856	1,421,864	4,669,570	1,588,260	9,536,089

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Cash Flows
Year ended March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Net cash used by operating activities	35	(978,479)	(1,238,862)
Cash flows from investing activities			
Resale agreements		(731,243)	375,206
Investment securities, net		190,253	1,232,647
Investment in associated companies		(21,900)	(124,330)
Purchase of property and equipment	26	(65,660)	(24,007)
Purchase of intangible assets	25	(278)	(1,511)
Proceeds from disposal of property and equipment		1,579	-
Proceeds from disposal of investment properties		-	44,785
Additions to investment property		(16,674)	-
Net cash (used)/provided by investing activities		(643,923)	1,502,790
Cash flows from financing activities			
Loans drawn		3,002,218	395,983
Loans repaid		(1,311,470)	(1,515,676)
Dividends paid	33	(60,000)	-
Funds for capital		-	500,000
Net cash provided/(used) by financing activities		1,630,748	(619,693)
Net increase/(decrease) in cash and cash equivalents		8,346	(355,765)
Effect of exchange rate fluctuations on cash and cash equivalents		16,509	45,238
Cash and cash equivalents at beginning of year		378,055	688,582
Cash and cash equivalents at end of the year	11	402,910	378,055
Represented by:			
Cash		398,859	351,582
Fixed deposits		3,989	26,375
Interest receivable		62	98
		402,910	378,055

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

Notes to the Financial Statements
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

1. **Identification and principal activities**

(a) Development Bank of Jamaica Limited ("the company") was established on April 1, 2000, when the operations and certain assets and liabilities of National Development Bank of Jamaica Limited (NDB), a company incorporated in Jamaica, were merged with the Agricultural Credit Bank of Jamaica Limited (ACB), also incorporated in Jamaica. Thereafter, the name of ACB was changed to Development Bank of Jamaica Limited. The company is domiciled in Jamaica and its registered office is located at 11A Oxford Road, Kingston 5, Jamaica.

With effect from September 1, 2006, the company, under the terms of Cabinet decision # 26/06, dated July 24, 2006, took over the operations and certain assets and liabilities of National Investment Bank of Jamaica Limited (NIBJ). This resulted in net identifiable assets, amounting to $1,727,539,000 (see note 30). Certain non-performing assets were retained by NIBJ which continues to operate for the purpose of pursuing efforts to realise those assets.

(b) The company's mission is to facilitate economic growth and development by providing:
- Appropriate financing solutions through alliances with Approved Financial Institutions (AFIs) and other financiers
- Direct lending for large projects in strategic areas
- Management and privatisation of national assets

(c) The company is exempt from income tax under Section 12(b) of the Income Tax Act.

(d) The company has interests in the following associated companies [see note 3(a)], all of which are incorporated and domiciled in Jamaica:

Name of Investee	Principal Activities	Percentage Holding by Company	Percentage Holding by Other	Financial Year End
Ackendown Newtown Development Company Ltd	Owner and Lessor of hotel property	33%		March 31
Harmonisation Limited and	Property development	50%		March 31
(i) its 100% subsidiaries:				
• The Wharf Limited*	Property development		100%	March 31
• Silver Sands Estate Limited	Rental of resort accommodation		100%	March 31
(ii) its 49% associated company: Harmony Cove Limited	Property development		49%	March 31

* During the year, the assets of The Wharf Limited were sold and it was wound up.

The other shareholders of Ackendown Newton Development Company Limited are Urban Development Corporation (37%), a body owned by the Government of Jamaica, and Gorstew Limited (30%), a non-governmental private company.

The other 50% of Harmonisation Limited ("Harmonisation") is owned by the National Housing Trust, a statutory body.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

1. **Identification and principal activities (cont'd)**

(d) (Cont'd)

Harmonisation entered into a Joint Venture Agreement and a Members' Agreement with Tavistock Group Inc. to develop lands owned by Harmonisation in Trelawny, Jamaica. The development will be done through Harmony Cove Limited ("Harmony"), of whose ordinary share capital Tavistock Group Inc. owns 51% with Harmonisation owning the remaining 49%. The lands owned by Harmonisation were valued at US$45,000,000 for the purpose of their transfer to Harmony under the Joint Venture Agreement, dated September 28, 2006.

The joint venture agreement with Tavistock Group Inc. was amended on February 3, 2009, to reflect contribution by Harmonisation, through its subsidiary, Silver Sands Estate Limited, of additional parcels of lands. In consideration of the lands, Harmonisation shall be deemed to have subscribed for cumulative preference shares to be issued by Tavistock Group Inc. in the amount of US$6,662,460.

2. **Basis of preparation**

(a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the Jamaican Companies Act ("the Act").

New standards and interpretations of, and amendments to, existing standards effective during the year

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

- *IFRS 7 (Amendment), Financial Instruments – Disclosures* requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The additional disclosures are presented in note 6, and had no impact on the company's profit for the year.

- *IAS 1 (Revised), Presentation of Financial Statements*, requires the presentation of all non-owner changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. The company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes are presented in the statement of comprehensive income. Comparative information has been re-presented in conformity with the revised standard. The company adopted the single statement approach and the additional disclosures did not have any impact on the financial position or the comprehensive income of the company.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

2. **Basis of preparation**

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

New standards and interpretations of, and amendments to, existing standards effective during the year (cont'd)

- *IAS 38 (Amendment), Intangible Assets.* An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment also deleted wording that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. This amendment does not have any impact on the current year's financial statements.

- *IAS 36 (Amendment), Impairment of Assets.* Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment does not have any impact on the current year's financial statements.

New and revised standards and interpretations not yet effective:

At the date of authorisation of the financial statements, there were certain new standards, amendments to standards, and interpretations which were in issue but were not yet effective. They were not adopted early and have, therefore, not been applied in preparing these financial statements. Those which management considers may have an impact on the financial statements are as follows:

- *IAS 39 (Amendment), Financial Instruments: Recognition and Measurement* (effective for annual reporting periods beginning on or after July 1, 2009) provides clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:

  - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

  The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The company will apply this amendment from April 1, 2010.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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2. **Basis of preparation**

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

New and revised standards and interpretations not yet effective (cont'd):

- *IFRS 3 (Amendment), Business combinations* and consequential amendments to IAS *27, Consolidated and Separate Financial Statements, IAS 28, Investments in Associates and IAS 31, Interests in Joint Ventures* (effective for annual reporting periods beginning on or after July 1, 2009). These amendments introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results. Also, under the amended standards, a change in the ownership interest master of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. The revisions are not expected to have any significant impact on the company's financial statements.

- *IFRIC 17, Distribution of Non-Cash Assets to Owners* (effective from 1 July 2009 and is required to be applied prospectively; earlier application is permitted). A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between the fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The company will adopt this interpretation from April 1, 2010.

- *IFRS 5 (Amendment), Non-current Assets Held-for-sale and Discontinued Operations (*and consequential amendment to *IFRS 1, First-time adoption).* All of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The revision is not expected to have any significant impact on the company's financial statements.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

2. **Basis of preparation**

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

New and revised standards and interpretations not yet effective (cont'd):

- *IAS 19 (Amendment), Employee Benefits* (effective from July 1, 2009). This amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service give rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are to be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short-term and long-term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. There is also the deletion of guidance that states IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* requires contingent liabilities to be recognised. The company will apply this amendment from April 1, 2010.

- *IFRS 2 (Amendments), Group Cash-settled and Share-based Payment Transactions* (effective for annual reporting periods beginning on or after January 1, 2010). In addition to incorporating IFRIC 8, *Scope of IFRS 2*, and *IFRIC 11, IFRS 2 – Group and treasury share transactions*, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The revision is not expected to have any significant impact on the company's financial statements.

- *IFRS 9, Financial Instruments, part 1: Classification and Measurement* (effective for annual reporting periods beginning on or after January 1, 2013) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

2. **Basis of preparation**

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

New and revised standards and interpretations not yet effective (cont'd):

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investments. While adoption of IFRS 9 is mandatory from January 1, 2013, earlier adoption is permitted. The company is considering the implications of the standard, the impact on the company and the timing of its adoption by the company.

(b) **Basis of measurement**

These financial statements are prepared on the historical cost basis, modified for the revaluation of available-for-sale investment securities, investment properties and certain property and equipment, unless indicated otherwise.

(c) **Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS and the Act requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These judgements, estimates and assumptions affect the reported amounts of, and disclosures relating to, assets, liabilities, income, expenses, contingent assets and contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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 and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements and, therefore, have a significant risk of material adjustment in the next year are disclosed in note 4.

(d) **Functional and presentation currency**

The financial statements are presented in Jamaica dollars, which is the company's functional currency.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

3. **Significant accounting policies**

(a) **Associates**

Associates are those entities in which the company has significant influence, but not control, over the financial and operating policies. The financial statements include the company's share of profit or loss of associates on the equity basis, after adjustments to align the accounting policies with those of the company, where practicable, from the date that significant influence commences until the date that significant influence ceases. When the company's share of losses exceeds its interest in an associate, the carrying amount of the investment in that associate is reduced to $Nil and recognition of further losses is discontinued, except to the extent that the company has incurred legal or constructive obligations or made payments on behalf of an associate. If the associate subsequently reports profits, the company resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

(b) **Foreign currency translation**

(i) Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currencies are translated into Jamaica dollars using the closing exchange rate. The foreign currency gain or loss on the translation of monetary items is the difference between amortised cost in the functional currency, i.e., Jamaica dollars, at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. The foreign currency gain or loss arising on settlement of monetary items or on reporting the company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is recognised in profit or loss in the period in which it arises.

(iii) Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at historical cost are converted 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 functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, which are recognised directly in equity.

(iv) Foreign currency loans which are negotiated by the Government of Jamaica and on-lent to the company by the Ministry of Finance in Jamaica dollars, are stated in Jamaica dollars at the exchange rate prevailing at the date of disbursement, as the Government has agreed to bear the exchange risk.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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(Expressed in Jamaica dollars unless otherwise indicated)

3. **Significant accounting policies (cont'd)**

(b) **Foreign currency translation (cont'd)**

(v) Substantially all of the exchange losses (net of gains) arising on foreign currency liabilities are recoverable from the Government of Jamaica to the extent that the company has not been able to recover such losses from an additional 1% interest charge on loans funded out of such foreign currency liabilities. Other gains and losses arising from fluctuations in exchange rates are included in the determination of profit or loss.

(c) **Interest income and expense**

Interest income and expense are recognised in profit or loss for all interest-bearing instruments on the accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments.

IFRS require that when loans 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. However, such amounts as would have been determined in this way under IFRS are considered to be immaterial.

(d) **Fee and commission income**

Fee and commission income is recognised on the accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(e) **Cash and cash equivalents**

Cash comprises cash in hand and demand and call deposits with banks. 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. These include fixed deposits and investment balances maturing within 90 days of the date of acquisition.

Cash and cash equivalents are carried at cost.

(f) **Resale agreements**

Resale agreements are short-term contracts under which the company buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending – i.e., the securities purchased are reported not as securities but as receivables, and are carried in the statement of financial position at amortised cost.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(f) **Resale agreements (cont'd)**

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

(g) **Investment securities**

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the company does not intend to sell immediately or in the near term. Loans and receivables are initially measured at fair value plus incremental transaction costs, and subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on the settlement date - the date on which an asset is delivered to or by the company. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(g) **Investment securities (cont'd)**

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'gains and losses on investment securities'. Interest on available-for-sale securities, calculated using the effective interest method, is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established.

The fair values of quoted investments are based on current quoted bid prices. Unquoted securities are recorded at cost because management is unable to determine the fair value.

The company assesses, at each financial year end, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(h) **Loans and allowance for impairment losses**

Loans are stated net of unearned income and allowance for impairment losses. Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

An allowance for impairment losses on loans is established if there is objective evidence that the company will not be able to collect all amounts due according to the contractual terms of the loan. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The allowance for impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the financial year end date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers, and the current economic climate in which the borrowers operate.

A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(h) **Loans and allowance for impairment losses (cont'd)**

For impaired loans the accrual of interest income based on the original terms of the loan is discontinued. The increase in the present value of impaired loans over time is reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or where the debt is forgiven. Write-offs are charged against the previously established impairment allowance and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written off are credited to impairment expense in the statement of comprehensive income.

(i) **Acceptances and guarantees**

The company's potential liability under acceptances and guarantees are accounted for as off-balance-sheet transactions.

(j) **Employee benefits**

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, 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. Bonus/incentive payments are provided for only when a legal or constructive obligation exists as a result of past events and where a reliable estimate of the expected cost can be made. Termination benefits are recognised when the company has a detailed formal plan for the termination and is without possibility of withdrawal, i.e., irrevocable. 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 company's only post-employment benefit. Pension scheme costs included in profit or loss represent costs determined for the three schemes which the company operates:

(i) The first scheme is the former Agricultural Credit Bank of Jamaica Limited Pension Scheme which the company took over effective January 1999. This is the defined-benefit plan which the company operates for all full time permanent employees. Its assets are held in a separate trustee-administered Fund. This pension plan is funded by contributions from employees and the company, taking into account the recommendations of independent qualified actuaries.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(j) **Employee benefits (cont'd)**

(i) (Cont'd)

The effect on the financial statements of the undertaking to provide defined-benefit pensions are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset or obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The company's net asset or obligation in respect of the plan is calculated by estimating the pension obligation, i.e., the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value of such obligation, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government bonds of maturities approximating the terms of the company's obligation. The calculation of the pension cost for the year is performed by a qualified actuary using the projected unit credit method. Under this method, the cost of providing defined-benefit pensions is charged to profit or loss so as to spread the cost over the estimated average service lives of the employees on the basis of the actuaries' annual IAS 19 valuations.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

To the extent that any net cumulative unrecognised actuarial gain or loss at the end of the previous reporting period exceeds ten percent of the greater of the present value of the gross defined-benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over a period representing the average remaining working lives of staff members in the plan.

Where the calculation results in a pension surplus to the company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, less any unrecognised actuarial losses and past service costs.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(j) **Employee benefits (cont'd)**

(ii) The second scheme is the defined-contribution scheme that was established for employees of the former National Development Bank of Jamaica Limited (NDB). The company took over responsibility for it at the time that it took over the assets, liabilities and other operations of NDB. This Fund is administered by a life insurance company. This plan has no active members and is closed to new members. Accordingly, there are no costs included in the statement of comprehensive income in relation to this scheme.

(iii) The third scheme is the National Investment Bank of Jamaica Limited (NIBJ) Pension scheme. Following the transfer to the company of the assets, liabilities, and operations of NIBJ in September 2006, the company assumed oversight of this scheme, which is a defined-benefit plan. This plan still has active members but is closed to new members.

The costs included in the statement of comprehensive income and the asset or obligation included in the statement of financial position for this scheme are determined in the same manner as set out for the first scheme in (i) above.

(k) **Intangible assets**

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of two years. Costs associated with developing or maintaining computer software programs are recognised as expenses as incurred.

(l) **Property and equipment**

Freehold land and buildings are stated at their fair values based on triennial valuations by external valuers, less subsequent depreciation for buildings. Land is not depreciated. All other property and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Increases in the carrying amounts arising from the revaluation of freehold land and buildings are included in revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other reductions are taken directly to profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. **Significant accounting policies (cont'd)**

(l) **Property and equipment (cont'd)**

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components of property and equipment).

Depreciation is calculated on the straight-line basis at rates estimated to write down the cost of the assets to their residual values over their expected useful lives. Annual depreciation rates are as follows:

Buildings and signs	2½%
Furniture, fixtures and equipment	10% - 20%
Computer equipment	20% - 25%
Motor vehicles	20%

Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The depreciation methods, expected useful lives and estimated residual values are assessed at each reporting date.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining results for the year. Repairs and renewals are charged to profit or loss when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts in reserves are transferred to retained earnings.

(m) **Investment properties**

Investment property is property held to earn rental or for capital appreciation or both. Investment property is measured at fair value, with any change therein recognised in profit or loss.

If the use of a property changes such that it is classified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The fair value of investment property is based on valuations by an independent real estate appraiser.

(n) **Leased assets**

Assets leased out under operating leases are included in investment properties in the statement of financial position. Rental income is recognised on the straight-line basis over the lease term.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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3. Significant accounting policies (cont'd)

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants related to the purchase of property and equipment are recorded in the statement of financial position as capitalisation reserve [note 31(d)] and are credited to profit or loss on the straight-line basis over the expected useful lives of the related assets.

(p) Borrowings

Borrowings, including those arising under securitisation arrangements, are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings.

(q) Financial instruments

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

Financial instruments carried in the statement of financial position include cash and cash equivalents, resale agreements, investment securities, loans, GOJ receivables, due from Credit Enhancement Facility Fund, other receivables, loans payable and other liabilities.

The fair values of the company's financial instruments are discussed in note 6.

4. Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

The company's accounting policies provide scope for financial assets and liabilities to be designated on inception into different categories in certain circumstances.

In classifying financial assets as held-to-maturity, the company has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 3(g).

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(b) Key sources of estimation uncertainty

(i) Allowances for credit losses:

Assets accounted for at amortised cost are evaluated for impairment on a pre-established basis.

The component of the total allowance for impairment that is specific applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

(ii) Determination of fair values:

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Pension benefits:

The amounts recognised in the statement of financial position and profit or loss for defined pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligations. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iv) Residual value and expected useful life of property and equipment:

The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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4. **Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

(b) **Key sources of estimation uncertainty (cont'd)**

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

5. **Financial instrument risk management**

(a) **Overview**

The company's activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance through policies approved by its Board of Directors and implemented by Management.

The Board has established committees, with responsibility for developing and monitoring the company's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities. The Board committees and their activities are as follows:

(i) Investment, Finance and Loans Committee

This committee is responsible for monitoring market risks that affect the company's investment portfolio; approving credit requests above certain amounts; ensuring that all credit facilities conform to standards agreed by the Board; and approving the mix of the company's investment portfolio. The committee is also responsible for approving credit write offs, specific provision against financial assets and the terms for any renegotiated loans.

(ii) Audit and Conduct Review Committee

The Audit and Conduct Review Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the company. This committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Conduct Review Committee.

DEVELOPMENT BANK OF JAMAICA LIMITED

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5. **Financial instrument risk management (cont'd)**

(a) **Overview (cont'd)**

(iii) Compensation Committee

The Compensation Committee aims to develop a disciplined and motivated staff complement through the company's human resource policies. The committee ensures that staff is remunerated at competitive rates and that employees are properly trained to perform their duties in such a manner as to reduce the risk of fraud and errors.

(b) **Market risk**

Market risk is the risk that changes in market prices, such as foreign currency, interest rate and security prices, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The overall responsibility for market risk resides with the Investment, Finance and Loans Committee. Market risk exposures are measured using sensitivity analysis.

There has been no change to the company's exposure to market risk or the manner in which it measures and manages the risk.

(i) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company takes on exposure to address the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The company has special arrangements with the Bank of Jamaica to deal with the expeditious liquidation of foreign liabilities.

The company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the US Dollar, Euro and Pound Sterling. The company has no significant exposure to foreign currency risk.

At the financial year end, the Jamaica dollar equivalent of net foreign currency (liabilities)/assets was as follows:

			Exchange rates	
	2010 $'000	2009 $'000	2010	2009
United States dollars	150,493	819,943	89.2325	88.3850
Pounds Sterling	(25,875)	(73,367)	134.1880	126.9496
Euros	(92,896)	(98,701)	119.8057	116.5011
Japanese Yen	(4,189)	(11,717)	0.9598	0.9131
	27,533	636,158		

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5. **Financial instrument risk management (cont'd)**

(b) **Market risk (cont'd)**

(i) **Foreign Currency risk (cont'd)**

Sensitivity analysis:

A 5 percent strengthening of the Jamaica dollar against the following currencies at March 31 would have (decreased)/increased profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010 $'000	2009 $'000
United States dollar	7,525	40,997
Pounds Sterling	(1,294)	(3,668)
Euros	(4,645)	(4,935)
Japanese Yen	(209)	(586)
	1,377	31,808

A 5 percent weakening of the Jamaica dollar against these currencies at March 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

(ii) **Interest rate risk**

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

Variable rate instruments expose the company to a loss of future cash flow, while fixed rate instruments expose the company to loss in fair value. Interest rate risk is managed by holding primarily fixed rate financial instruments which form the majority of the company's financial assets.

The following tables summarise the company's exposure to interest rate risk. Included in the table are the company's assets and liabilities at carrying amounts to arrive at the company's interest rate gap, categorised by the earlier of contractual repricing and maturity dates.

DEVELOPMENT BANK OF JAMAICA LIMITED

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5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2010			
Assets							
Cash and cash equivalents	3,079	910	8,291	-	-	390,630	402,910
Resale agreements	794,620	469,283	177,913	-	-	21,806	1,463,622
Investment securities	-	28,021	-	2,019,451	1,833,542	518,805	4,399,819
Interest in associated companies	-	-	-	-	-	1,464,792	1,464,792
Loans, net of impairment losses	-	-	50,000	11,006,391	25,028,870	1,676,549	37,761,810
Recoverables from Government of Jamaica	-	-	-	-	-	2,251,954	2,251,954
Due from Credit Enhancement Facility Fund	-	-	-	-	-	272,164	272,164
Employee benefits asset	-	-	-	-	-	230,757	230,757
Other assets	-	-	-	272,164	-	1,166,218	1,438,382
Total assets	797,699	498,214	236,204	13,298,006	26,862,412	7,993,675	49,686,210
Liabilities							
Loans payable	-	-	50,000	9,609,440	24,558,430	5,633,598	39,851,468
Other liabilities	-	-	-	-	-	298,653	298,653
Total liabilities	-	-	50,000	9,609,440	24,558,430	5,932,251	40,150,121
On balance sheet interest sensitivity gap	797,699	498,214	186,204	3,688,566	2,303,982	2,061,424	9,536,089
Cumulative interest sensitivity gap	797,699	1,295,913	1,482,117	5,170,683	7,474,665	9,536,089	-
				2009			
Total assets	329,065	1,003,605	1,913,907	7,262,829	30,165,643	5,739,431	46,414,480
Total liabilities	-	204,276	2,674,267	7,642,943	25,055,251	1,915,887	37,492,624
On balance sheet Interest sensitivity gap	329,065	799,329	(760,360)	(380,114)	5,110,392	3,823,544	8,921,856
Cumulative interest sensitivity gap	329,065	1,128,394	368,034	(12,080)	5,098,312	8,921,856	-

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5. **Financial instrument risk management (cont'd)**

(b) **Market risk (cont'd)**

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

Sensitivity Analysis

Most of the company's financial instruments are fixed rate investments. Changes in interest rates will only affect the company's variable rate instruments. An increase or decrease of 200 basis points in interest rates would increase/decrease profit for the year by $8,192,000 (2009: $10,967,000)

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

(c) **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 incur a financial loss. The main financial assets giving rise to credit risk are loans, investment securities, Government of Jamaica recoverables, due from Credit Enhancement Facility Fund, resale agreements and cash and cash equivalents.

(i) **Exposure to credit risk**

Current credit exposure is the amount of loss that the company would suffer if all counterparties to which the company was exposed were to default at once; this is represented substantially by the carrying amount of financial assets shown in the statement of financial position, without taking account of the value of any collateral held.

There has been no change to the company's exposure to credit risk or the manner in which it measures and manages the risk.

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Notes to the Financial Statements (Continued)
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5. **Financial instrument risk management (cont'd)**

(c) **Credit risk (cont'd)**

(1) Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2010	2009
	$'000	$'000
Credit risk exposures relating to on statement of financial position are as follows:		
Cash and cash equivalents	402,910	378,055
Resale agreements	1,463,622	732,379
Investment securities	4,399,819	4,338,727
Loans	37,761,810	35,452,641
Government of Jamaica – Privatisation recoverable	34,302	53,766
Government of Jamaica – other recoverables	2,251,954	2,066,162
Due from Credit Enhancement Facility Fund	272,164	-
Other receivables net of provision	127,839	100,891
	46,714,420	43,122,621
Credit risk exposures relating to off statement of financial position items are as follows:		
Loan commitments	470,336	1,833,676
Guarantees	9,000	30,000
	479,336	1,863,676

The above table represents a worst-case scenario of credit risk exposure to the company at March 31, 2010 and 2009, i.e., without taking account of any collateral held or other credit enhancements. For recognised assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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Notes to the Financial Statements (Continued)
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5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(i) Exposure to credit risk (cont'd)

(2) *Concentration of credit risk*

	2010							
	Cash and cash equivalents	Loans	Guarantees	Investment securities	Resale agreements	Recoverables from Govt. of Jamaica	Other receivables	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	402,910	37,761,810	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420
Concentration by Sector:								
Financial institutions	401,938	-	-	2,560,694	1,441,817	-	127,839	4,532,288
Agriculture, fishing and mining	-	2,810,169	-	-	-	-	-	2,810,169
Government and public entities	-	24,613,420	-	-	-	2,286,256	1,192,388	28,092,064
Manufacturing	-	1,474,352	9,000	-	-	-	-	1,483,352
Professional and other services	-	2,637,002	-	-	-	-	272,164	2,909,166
Tourism and entertainment	-	4,822,728	-	1,857,238	-	-	-	6,679,966
Transportation, storage and communication	-	86,003	-	-	-	-	-	86,003
	401,938	36,443,675	9,000	4,417,932	1,441,817	2,286,256	1,592,391	46,593,008
Interest receivable	972	1,637,918	-	365,927	21,805	-	-	2,026,622
	402,910	38,081,693	9,000	4,783,859	1,463,622	2,286,256	1,592,391	48,61,630
Less: Impairment losses	-	(319,782)	-	(384,040)	-	-	(1,192,388)	(1,896,210)
	402,910	37,861,810	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420
Concentration by location:								
Jamaica	397,383	37,761,810	9,000	3,577,494	1,463,622	2,286,256	400,003	45,895,568
United States of America	5,527	-	-	822,325	-	-	-	827,852
	402,910	37,761,810	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420

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Notes to the Financial Statements (Continued)
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5. **Financial instrument risk management (cont'd)**

(c) **Credit risk (cont'd)**

(i) **Exposure to credit risk (cont'd)**

(2) ***Concentration of credit risk (cont'd)***

	2009							
	Cash and cash equivalents	Loans	Guarantees	Investment securities	Resale agreements	Recoverables from Govt. of Jamaica	Other receivables	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	378,055	35,452,641	30,000	4,338,727	732,379	2,119,928	100,891	43,152,621
Concentration by sector								
Financial institutions	377,957	25,000	-	2,187,616	721,296	-	-	3,311,869
Agriculture, fishing and mining	-	2,648,456	-	-	-	-	-	2,648,456
Government and public entities	-	24,386,444	-	361,272	-	2,119,928	1,224,478	28,092,122
Manufacturing	-	1,136,188	30,000	-	-	-	-	1,166,188
Professional and other services	-	1,820,167	-	-	-	-	-	1,820,167
Tourism and entertainment		4,657,477		1,792,229				6,449,706
Corporate	-	-	-	-	-	-	120,841	120,841
Transportation, storage and communication	-	79,987	-	-	-	-	-	79,987
	377,957	34,753,718	30,000	4,341,116	721,296	2,119,928	1,345,319	43,689,335
Interest receivable	98	1,024,849	-	317,355	11,083	-	-	1,353,385
	378,055	35,778,567	30,000	4,658,471	732,379	2,119,928	1,345,319	45,042,720
Less: Impairment losses	-	(325,926)	-	(319,745)	-	-	(1,244,428)	(1,890,099)
	378,055	35,452,641	30,000	4,338,727	732,379	2,119,928	100,891	43,152,621
Concentration by location:								
Jamaica	375,215	35,452,641	30,000	3,812,775	732,379	2,119,928	100,891	42,623,829
United States of America	2,840	-	-	525,952	-	-	-	528,792
	378,055	35,452,641	30,000	4,338,727	732,379	2,119,928	100,891	43,152,621

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Notes to the Financial Statements (Continued)
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5. **Financial instrument risk management (cont'd)**

(c) **Credit risk (cont'd)**

(i) **Exposure to credit risk (cont'd)**

(3) ***Credit quality of loans***

The credit quality of loans is summarised as follows:

	2010 $'000	2009 $'000
Neither past due nor impaired	35,875,376	33,912,032
Past due but not impaired:		
1 to 3 months	1,624,151	1,179,935
3 to 6 months	67,725	159,710
6 to 12 months	101,419	289,002
Over 12 months	412,921	237,888
Less allowance for loan losses	(319,782)	(325,926)
	37,761,810	35,452,641

An estimate of the fair value of the collateral held against past due loans is as follows:

	2010 $'000	2009 $'000
Past due but not impaired	3,599,887	9,242,631
Individually impaired	594,153	632,045

The carrying amount of renegotiated loans at the financial year-end was $1,920,368,000 (2009: $850,113,000).

(ii) **Management of credit risk**

The company manages its credit risk primarily by review of the financial status of each counter party, and structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower, including banks and brokers, is restricted by limits covering on and off-statement of financial position exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, obtaining collateral, corporate and personal guarantees, and by changing lending limits where appropriate.

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5. **Financial instrument risk management (cont'd)**

(c) **Credit risk (cont'd)**

(ii) **Management of credit risk (cont'd)**

Credit risk is managed for specific financial assets in ways that include the following:

(1) Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the management and the Investment, Finance and Loans Committee.

(2) Investment securities and resale agreements

The company limits its exposure to credit risk by investing only with counterparties that have high credit ratings. Therefore, management's expectation of defaults by any counterparty is low.

The company has documented investment policies, which serve as a guide in managing credit risk on investment securities and resale agreements. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(3) Balances with Government of Jamaica

Balances with Government of Jamaica are regarded as sovereign debts and therefore the company does not anticipate any default on the recovery of these balances.

(4) Loans

The management of credit risk in respect of loans is executed by the management of the company. The Investment, Finance and Loans Committee of the Board of Directors is responsible for the oversight of the company's credit risk and the development of credit policies. There is a documented credit policy in place, which guides the company's credit process.

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5. **Financial instrument risk management (cont'd)**

(c) **Credit risk (cont'd)**

(iii) **Collateral**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The company has guidelines that set out the acceptability of different types of collateral. The types of collateral held by the company are as follows:

Loans - mortgages over properties, lien over motor vehicles, other registered securities, hypothecation of shares, other guarantees and promissory notes.

Resale agreements – Government of Jamaica securities.

The credit risk relating to resale agreements is managed by limiting contracts to financially sound couterpaties and requiring collateral with a fair value that covers principal and expected interest, plus a margin. Estimates of fair values are based on value of collateral assessed at the time of lending and are generally not updated except when a loan is individually assessed as impaired.

(iv) **Impairment**

Impaired financial assets are assets for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The main consideration for impairment assessment for loans receivable include arrears of principal and interest for more than 90 days or known difficulties in the cash flows of the counterparty, or infringement of the original terms of the loan agreement.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the financial year-end on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

(v) **Past due but not impaired loans**

These are loans where contractual interest or principal payments are past due but the company believes that impairment is not appropriate based on the quality and value of security available or the stage of collection of amounts owed to the company.

(vi) **Loans with renegotiated terms**

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the company has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored.

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5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(vii) Write-off policy

The company writes off a loan (and any related allowances for impairment losses) when it determines that the loan is uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Loans for write-off must be submitted to the Investment, Finance and Loans Committee for approval.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

The company continually analyses the funding profile of the approved financial institutions in order to achieve maximum efficiency.

The company's investment securities are considered readily realisable as they are Government securities. The company also has the ability to borrow in the short term at reasonable interest rates to cover any shortfall that may arise from its operations.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Investment Committee. Daily reports cover the liquidity position of the company, including any exceptions, and remedial action taken, are submitted regularly to the Managing Director and detailed investments schedules are presented monthly to the investment committee.

The company is not subject to any imposed liquidity limit.

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

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5. Financial instrument risk management (cont'd)

(d) Liquidity risk (cont'd)

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2010			
Liabilities						
Loans payable	2,088,434	3,971,325	7,756,853	26,030,823	4,033	39,851,468
Other liabilities	134,801	3,923	124,308	-	35,621	298,653
	2,223,235	3,975,248	7,881,161	26,030,823	39,654	40,150,121
			2009			
Liabilities						
Loans payable	241,416	1,119,225	10,060,252	25,055,251	658,382	37,134,526
Other liabilities	319,909	30,912	5,113	-	2,164	358,098
	561,325	1,150,137	10,065,365	25,055,251	660,546	37,492,624

(e) Operation risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirement for the reconciliation and monitoring of transactions;
- compliance with legal requirements;

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Notes to the Financial Statements (Continued)
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5. Financial Instrument Risk Management (cont'd)

(e) Operation risk (cont'd)

- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- risk mitigation, including insurance where this is effective.

Compliance with the company's standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors.

(f) Capital management

The company is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the company seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and to maintain a strong capital base to support the development of its business. The company defines its capital base as share capital, capital and other reserves and retained earnings. The Board's determination of what constitutes a sound capital position is informed by the mission of the company [note 1(b)] and the fact of its government ownership. The Board's policy is to maintain a balance between a sound capital position, the shareholder's demand for dividends, and the risks of borrowing to finance its activities. The policies in respect of capital management are reviewed from time to time by the Board of Directors.

There were no changes in the company's approach to capital management during the year.

6. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year end. The quoted market price that is required by IFRS to be used for financial assets held by the company is the bid price at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

DEVELOPMENT BANK OF JAMAICA LIMITED

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6. **Fair value estimation (cont'd)**

(a) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

(b) The fair value of liquid assets and other assets and liabilities maturing within one year is assumed to approximate their carrying amount.

(c) The fair value of variable rate financial instruments is considered to approximate their carrying amounts.

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is considered to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the allowance for credit losses from both book and fair values.

The following tables present the fair value of financial instruments based on the preceding valuation methods and assumptions. The instruments shown are those whose fair values are different form the carrying amounts.

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Investment securities	2,584,638	2,659,849	2,498,888	2,661,705
Financial Liabilities				
Long-term loans	39,851,468	49,894,041	37,134,526	38,071,533

Investment securities classified as available-for-sale include Government of Jamaica instruments and unquoted equities.

Government of Jamaica securities are valued using pricing inputs and yields from an acceptable broker yield curve. Unquoted equities are not fair valued as there are no comparable securities against which they may be benchmarked.

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Notes to the Financial Statements (Continued)
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6. **Fair value estimation (cont'd)**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Total $'000
March 31, 2010			
Available-for-sale financial assets	-	2,094,839	2,094,839
March 31, 2009			
Available-for-sale financial assets	-	1,957,310	1,957,310

7. **Net interest income**

	2010 $'000	2009 $'000
Interest income		
Cash and cash equivalents	22,770	24,465
Resale agreements	140,538	132,849
Investment securities	117,749	103,338
Loans	3,511,827	3,133,010
Total interest income	3,792,884	3,393,662
Interest expense		
Long-term loans	(2,956,048)	(2,464,388)
Short-term loans	(36,187)	(36,197)
Total interest expense	(2,992,235)	(2,500,585)
Net interest income	800,649	893,077

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8. Other income

	2010 $'000	2009 $'000
Administrative fees	89,206	48,758
Commitment fees	27,174	24,308
Gain on disposal of property and equipment	750	5,983
Rental income	56,274	59,074
Dividends	7	245
Foreign exchange gains	41,447	297,399
Depreciation in fair value of investments	-	(20,581)
Gain on disposal of investments	107,907	-
Miscellaneous	59,875	92,314
	382,639	507,500

9. Staff costs and number of persons employed

	2010 $'000	2009 $'000
Salaries and wages	237,212	256,711
Performance incentive bonus	13,000	10,000
Statutory payroll contributions	15,537	15,832
Pension costs – defined benefit plan [note 24(b)(v)]	(93,396)	38,519
Redundancy costs	14,904	6,059
Staff training	3,082	7,456
Staff welfare	505	264
Other	34,281	33,589
	225,125	368,430

The number of persons employed at the end of the year was as follows:

	2010 No.	2009 No.
Full – time	106	104
Temporary	2	4
Contract	5	4
	113	112

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10. Expenses by nature

	2010 $'000	2009 $'000
Amortisation (note 25)	979	463
Advertising and public relations	12,096	21,383
Assistance to projects	23,835	23,548
Auditors' remuneration	4,000	3,800
Depreciation (note 26)	28,932	29,795
Directors' fees	1,207	1,209
Legal and other professional fees	15,844	9,315
Motor vehicle expenses	6,185	7,143
Occupancy costs – insurance, utilities, repairs, etc.	83,789	84,794
Net impairment loss on financial assets	287,937	316,844
Staff costs (note 9)	225,125	368,430
Travelling	5,226	8,629
Other operating expenses	10,133	15,555
	705,288	890,908

11. Cash and cash equivalents

	2010 $'000	2009 $'000
Cash	398,859	351,582
Fixed deposits	3,989	26,375
Interest receivable	62	98
	402,910	378,055

Cash and cash equivalents include interest-bearing balances totalling $173,331,000 (2009: $193,758,000) that are not available in the company's day to day operations. These comprise $165,040,000 (2009: $185,942,000) which represents funds held on behalf of the Hillside Farmers Support Project, the disbursement of which is at the discretion of the Government of Jamaica, and $8,291,000 (2009: $7,816,000) which represents funds with a financial institution securing loans by that institution to employees of the company.

12. Resale agreements

Resale agreements result in credit exposure in that the counterparty to the transaction maybe unable to fulfil its contractual obligation. At the reporting date, all agreements were collateralised by Government of Jamaica securities.

Included in resale agreements is interest receivable of $21,805,000 (2009: $11,083,000). At the reporting date, the fair value of securities provided to the company as collateral for resale agreements approximates carrying value.

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13. Investment securities

	Remaining term to maturity					
	Within 3 Month	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	\$'000	\$'000	\$'000	\$'000	\$'000 2010	\$'000 2009
Held to maturity:						
Government of Jamaica	77,837	49,816	199,816	162,331	489,799	541,578
Loans and receivables:						
Preferenee shares					820,743	817,415
Preferred equity interests					1,036,495	1,024,814
					1,857,238	1,842,229
Available-for-sale :						
Units in unit trust					3,431	370,566
Government of Jamaica bonds					2,091,408	1,586,744
					2,094,839	1,957,310
Interest receivable					341,983	317,355
					4,783,859	4,658,472
Allowance for impairment					(384,040)	(319,745)
					4,399,819	4,338,727

Investment securities include \$749,644,315 used as collateral against a margin account.

14. Investment properties

	2010 \$'000	2009 \$'000
Land at Drax Hall, St. Ann, held for capital appreciation	6,520	6,520
Rented residential property, Manor Park Apartment	10,900	-
Rented office complex, at 21 Dominica Drive, Kingston	296,773	291,000
Fair value of investment properties	314,194	297,520
Income earned from properties	29,201	30,474
Expenses incurred by properties	(9,493)	(8,039)

The carrying amount of investment properties is the fair value of the properties as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair values were determined having regard to, where available, recent market transactions for similar properties in the same location as the company's investment properties.

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15. Interest in associated companies

	2010 ($'000)	2009 ($'000)
Ordinary shares, at cost	540,762	540,762
Preference shares, at cost	641,858	641,858
Translation reserve [note 32(f)]	374,373	356,829
Advances and interest receivable thereon (see note 1 below)	854,053	832,153
	2,411,046	2,371,602
Valuation adjustments:		
Discounting adjustment		
At beginning of year	(194,588)	(186,642)
Charge for the year	-	(7,946)
At end of year	(194,588)	(194,588)
Allowance for impairment		
At beginning of year	(264,000)	-
Charge for the year	(252,870)	(264,000)
At end of year	(516,870)	(264,000)
	1,699,588	1,913,014
Share of (losses)/profits:		
At beginning of year	(53,396)	38,852
Recognised during year	(181,400)	(92,248)
At end of year	(234,796)	(53,396)
Carrying value	1,464,792	1,859,618

Note 1: During the year, the shareholders of Harmonisation Limited entered a new agreement between themselves to cease charging interest on the advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. In 2009, advances were unsecured and bore interest at 15% per annum, with no fixed repayment terms.

Summary financial information on associated companies:

	2010 ($'000)	2009 ($'000)
Assets	12,071,262	12,010,728
Liabilities	5,430,552	10,311,083
Revenue for the year	126,620	711,667
Loss for the year	(540,580)	(263,633)

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16. Direct loans

	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000 2010	$'000 2009
Loans receivable	151,968	376,158	1,380,113	3,442,848	5,351,087	4,843,841
Interest receivable					712,102	542,760
					6,063,189	5,386,601
Less impairment allowance [note 18(a)]					(312,097)	(319,831)
					5,751,092	5,066,770

The loans bear interest at rates ranging from 4% - 14% (2009: 4% -14%) per annum and repayment terms range from three to twelve years, in some cases subject to an initial moratorium on principal repayment for a period not exceeding three years.

17. Loans to financial and agricultural institutions

(a) These represent balances outstanding on loans to financial institutions and People's Co-operative Banks for on-lending to projects, and are secured.

	Interest rate %	2010 $'000	2009 $'000
Loans to financial institutions	4.875% - 10%	5,320,368	4,603,826
Loans to People's Co-operative Banks	1% - 10%	1,158,800	919,607
		6,479,168	5,523,433
Interest receivable from financial institutions		17,373	12,750
Interest receivable from People's Co-operative Banks		10	8,980
		17,383	21,730
		6,496,551	5,545,163
Less impairment losses on loans [note 18(a)]		(7,685)	(6,095)
		6,488,866	5,539,068

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17. Loans to financial and agricultural institutions (cont'd)

(b) Loans and interest receivable are repayable as follows:

	Remaining Term to Maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2010	Carrying value $'000 2009
Loans:						
Financial institutions	136,995	395,899	1,135,122	3,652,352	5,320,368	4,603,826
People's Co-operative Banks	49,295	142,674	305,152	661,679	1,158,800	919,607
	186,290	538,573	1,440,274	4,314,031	6,479,168	5,523,433
Interest receivable:						
Financial institutions					17,373	12,750
People's Co-operative Banks					10	8,980
					17,383	21,730
					6,496,551	5,545,163

18. Allowance for impairment of direct loans and loans to financial and agricultural institutions

(a) Summary of impairment losses on loans

	2010 $'000	2009 $'000
Loans to direct borrowers (note 16)	312,097	319,831
Loans to financial and agricultural institutions [note 17(a)]	7,685	6,095
	319,782	325,926

A specific allowance has been made for impairment losses.

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $60 million (2009: $59 million).

(b) The movement in the allowance for impairment losses is as follows:

	2010 $'000	2009 $'000
Allowance at beginning of year	325,926	459,652
Additions to, less reversal of, allowance for doubtful debts	(6,144)	(133,726)
At end of year	319,782	325,926

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18. Allowance for impairment of direct loans and loans to financial and agricultural institutions

(c) Impairment losses recognised in profit or loss:

	2010 $'000	2009 $'000
Direct write offs	3,600	10,804
Recoveries of debts previously written off	(26,684)	-
Reversal of allowance for doubtful debts	(6,144)	(133,726)
	(29,228)	(122,922)

19. Government of Jamaica Infrastructure Loan Programmes

		2010 $'000	2009 $'000
(a)	Road rehabilitation loans on-lent through Ministry of Finance	50,000	436,250
(b)	National Road Operating and Constructing Company Limited	24,563,419	23,950,194
		24,613,419	24,386,444
	Interest receivable	908,433	460,359
		25,521,852	24,846,803

(a) This represents loans on-lent to the Ministry of Transport and Works to finance the Government of Jamaica's Road Rehabilitation and Maintenance Programme [note 27 (xxi)].

(b) This represents loans to National Road Operating and Constructing Company Limited (NROCC) for the establishment, development, financing, operation and maintenance of a tolled highway. The company's assessment of NROCC's servicing of the loan for the foreseeable future has taken into account the fact that (1) Cabinet, by Decision No. 37/08, dated November 3, 2008, approved the issue of a Government Guarantee for these loans to the extent of €204.4 million with effect from April 1, 2009 and (2) the Government of Jamaica has paid all obligations under the loan during this year.

20. Recoverables from Government of Jamaica - Privatisation

This balance represents amounts advanced by the company in the process of divesting assets on behalf of the Government of Jamaica (GOJ) net of the proceeds of the divestments.

	Amount advanced $'000	Proceeds collected $'000	Net recoverable /(payable) $'000 2010	$'000 2009
Projects in progress	88,333	(46)	88,287	87,009
Projects completed	151	(21,278)	(21,127)	(20,478)
Others	396	(33,254)	(32,858)	(12,765)
	88,880	(54,578)	34,302	53,766

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Notes to the Financial Statements (Continued)
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21. Recoverable from Government of Jamaica - other

	2010 $'000	2009 $'000
Exchange losses on loans:		
(i) Caribbean Development Bank loans [note 3(b)(v) and note 27(xviii)]:		
Unrealised	258,509	280,900
Realised	1,242,603	1,102,832
	1,501,113	1,383,732
(ii) European Investment Bank loans [notes 3(b)(v) and note 27(xx)]:		
Unrealised	34,273	168,606
Realised	671,139	584,864
	705,412	753,470
(iii) Other loans [note 3(b)(v)]:		
Unrealised	45,429	(71,040)
	2,251,954	2,066,162

22. Credit Enhancement Facility Fund

The Credit Enhancement Facility (CEF or the fund), which was established during the year, is an arrangement between the Approved Financial Institutions (AFI) and the company, which is aimed at providing partial collateral guarantees to AFIs for loans to Small and Medium-sized Enterprises (SMEs) which do not meet the full collateral requirements. Losses arising from these guaranteed loans are shared on a *pari-passu* basis between the company and the AFIs.

The company indemnifies the AFIs for any losses incurred on loans made with the indemnity maximised at $5 million or 50 per cent of the value of the loan, whichever is less. The company has transferred $250 million from its investments and placed in a Trust managed by a Board of Trustees.

Under the arrangement governing the CEF, its profit or loss is to be accounted for in the company and any balance in the fund is to be returned to the company on termination of the facility.

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22. Credit Enhancement Facility Fund(cont'd)

The financial position and performance of the Fund during the year are detailed below:

Financial position

	$'000
Assets:	
Investments	250,000
Receivables	22,164
	272,164
Liabilities and fund capital:	
Payables	2,322
Fund capital	250,000
Profit for the period	19,842
	272,164

Financial performance

Income	22,164
Expenses	(2,322)
Profit for the period	19,842

23. Other receivables

	2010 $'000	2009 $'000
Prepayments	10,408	8,099
Staff receivables (a)	88,094	83,677
Receivable from ex-staff members (former NDB)	-	854
Recoveries, net	1,192,388	1,244,482
Provision for recoveries (b)	(1,192,388)	(1,244,428)
Other	29,337	8,207
	127,839	100,891

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23. Other receivables (cont'd)

(a) The company has a policy whereby staff can borrow up to twice their annual salary subject to their ability to repay. The tenure of loans ranges from one year to seven years and interest is charged at a rate of 5% per annum. All loans are fully secured.

Included in staff receivables are loans to directors and senior managers amounting to $19,986,000 (2009: $20,137,000).

(b) The amount due to the company in respect of the non-performing loans transferred to NIBJ Recoveries account is impaired; accordingly, a provision has been made for it.

24. Employee benefit asset

(a) The company operates a defined-contribution pension scheme for the former employees of National Development Bank of Jamaica Limited which is administered by NCB Insurance Company Limited. Benefits to retired members are based on employee and employer contributions, bonuses and interest credited. The assets of the funded plans are held independently of the company's assets in separate trustee administered funds. The scheme is subject to triennial actuarial funding valuations, the most recent valuation being at December 31, 2001, which revealed a past service surplus of $40,171,000. No recent valuation has been done as the Trustees are in the process of winding up the Scheme.

(b) Effective January 1999, the company took over the administration of the Agricultural Credit Bank of Jamaica Limited's superannuation scheme from the National Commercial Bank Trustee Department. This is a defined-benefit scheme, which is administered by Trustees appointed by the company. The scheme, which is open to all full time permanent employees, is funded by employer and employee contributions of 6.9% and 5% of salaries, respectively. In addition, the employee may voluntarily contribute a further 5%. The amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence. The funding valuation of the scheme as at December 31, 2006 had a past service surplus of $109,353,000.

(i) The amounts recognised in the statement of financial position are determined as follows:

	2010 $'000	2009 $'000
Present value of funded obligations	(307,686)	(210,859)
Fair value of plan assets	578,730	472,538
	271,044	261,679
Unrecognised actuarial gains	(40,287)	(76,699)
Limitations on recognition of surplus due to uncertainty of future benefits	-	(58,062)
Asset in the statement of financial postion	230,757	126,918

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24. Employee benefit asset (cont'd)

(b) (cont'd)

(ii) Movement in the asset recognised in the statement of financial postion:

	2010 $'000	2009 $'000
At beginning of year	126,918	155,320
Total income – (v) below	93,396	(38,519)
Contributions paid	10,443	10,117
At end of year	230,757	126,918

(iii) Movement in plan assets:

	2010 $'000	2009 $'000
Fair value of plan assets at the beginning of the year	472,538	406,732
Expected return on plan assets	71,853	49,454
Contributions	23,164	22,014
Benefits paid during the year	(10,206)	(11,243)
Actuarial gain on plan assets	21,381	5,581
Fair value of plan assets at end of the year	578,730	472,538

(iv) Plan assets consist of the following:

	2010 $'000	2009 $'000
Equities	45,329	23,273
Government of Jamaica securities	434,707	343,718
Resale agreements	60,497	81,763
Unitised investments	2,537	2,144
Term deposits	3,843	7,305
Net current assets	31,817	14,335
	578,730	472,538

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Notes to the Financial Statements (Continued)
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24. Employee benefit asset (cont'd)

(b) (cont'd)

(v) The amounts recognised in profit or loss are as follows:

	2010 $'000	2009 $'000
Current service cost	3,817	4,201
Interest cost	35,154	26,785
Expected return on plan assets	(71,853)	(49,454)
Net actuarial gain recognised in year	(2,454)	(1,074)
Change in unrecognised asset	(58,062)	58,062
Total, included in staff costs (note 9)	(93,396)	38,519

The actual return on plan assets was $93,234,000 (2009: $55,035,000).

(vi) The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	11.50%	16%
Expected return on plan assets	11.00%	15%
Future salary increases	8.50%	12%
Remaining working lives	12 years	12 years

- Assumptions regarding future mortality are based on PA(90) tables for pensioners with ages rated down by six years.
- The overall expected long-term rate of return of assets is 11%. The expected long-term rate of return is determined by combining the real return on planned assets and an assumed long-term rate of inflation.

(vii) Historical information – Pension Plan

Year ended March 31	2010	2009	2008	2007	2006
Present value of defined benefit obligation ($m)	(307.7)	(210.9)	(197.8)	(173.6)	(105.1)
Plan assets ($m)	578.7	472.5	406.7	364.5	303.0
Surplus / (deficit) ($m)	271.0	261.7	208.9	190.9	197.9
Experience adjustment on plan liabilities ($m)	11.9	(21.8)	(5.6)	(40.5)	(1.6)
Experience adjustment on plan assets ($m)	21.4	(5.6)	(3.5)	19.5	10.4

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24. Employee benefit asset (cont'd)

(b) (cont'd)

(viii) The estimated pension contributions expected to be paid into the plan during the next financial year is $23,164,000.

25. Intangible assets

	Computer software $'000
Cost:	
March 31, 2008	6,679
Additions	1,511
Adjustments	(3,604)
March 31, 2009	4,586
Additions	278
Adjustments	(4)
March 31, 2010	4,860
Amortisation:	
March 31, 2008	6,125
Charged during the year	463
Adjustments	(3,582)
March 31, 2009	3,002
Charged during the year	979
March 31, 2010	3,981
Net book value:	
March 31, 2010	879
March 31, 2009	1,584
March 31, 2008	554

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26. Property and equipment

	Freehold land, buildings & signs $'000	Furniture, fixtures, plant & equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
March 31, 2008	575,021	132,652	40,767	44,299	792,739
Additions	1,924	19,822	2,261	-	24,007
Revaluation	-	1,559	-	-	1,559
Adjustment	(4,075)	(22,155)	(20,781)	(754)	(46,795)
March 31, 2009	572,870	131,878	22,247	43,545	770,540
Additions	10,189	49,529	405	5,537	65,660
Disposal	-	(43)	-	(5,318)	(5,361)
Adjustment	-	151	-	136	287
March 31, 2010	583,059	181,515	22,652	43,900	831,126
Depreciation:					
March 31, 2008	11,185	64,328	37,653	30,375	143,541
Charge for the year	9,136	10,838	2,892	6,929	29,795
Written back on revaluation	-	(1,559)	-	-	(1,559)
Adjustment	4,725	(28,565)	(22,864)	(646)	(47,350)
March 31, 2009	25,046	45,042	17,681	36,658	124,427
Charge for the year	11,741	12,124	1,815	3,252	28,932
Disposal	-	(24)	-	(4,532)	(4,556)
Adjustment	-	20	-	123	143
March 31, 2010	36,787	57,162	19,496	35,501	148,946
Net book values:					
March 31, 2010	546,272	124,353	3,156	8,399	682,180
March 31, 2009	547,824	86,836	4,566	6,887	646,113
March 31, 2008	557,239	72,372	5,759	13,828	649,198

The company's freehold land and buildings, at cost of $94,572,000 (2009:$94,572,000), were last revalued in August 2007 at $312,990,000, on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $218,418,000 has been credited to the revaluation reserve within shareholders' equity [note 32(e)].

Included in property and equipment are motor vehicles and furniture, fittings and equipment received from the Government of the Netherlands, under the Hillside Farmers' Support Project and the Rural Financial Service Project [note 31(d)].

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27. Loans payable

		Interest Rate %	March 31, 2009 $'000	New loans/ Adjustments $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2010 $'000
(a)	Government of Jamaica						
(i)	Ministry of Agriculture	-	18	-	(18)	-	-
(ii)	Ministry of Mining and Energy	-	120	-	-	-	120
(iii)	Ministry of Finance and the Public Service:						
	(1) Caribbean Basin Initiative Loan 1993/2003	3.00	3,333	-	-	-	3,333
	(2) International Fund for Agricultural Development 1988/2002	5.00	3,021	-	-	-	3,021
	(3) Inter-American Development Bank 1991/2018	2.00	25,781	5,969	-	-	31,750
	(4) Inter-American Development Bank 1991/2007	7.00	22,614	-	-	-	22,614
	(5) International Bank for Reconstruction and Development 1994/2001	7.35	874,019	-	-	6,814	880,833
(iv)	International Fund for Agricultural Development Hillside Credit:						
	(1) 1992/2008	4.00	25,428	-	(26,683)	1,255	-
	(2) 1998/2002	4.00	113,486	-	-	-	113,486
(v)	Rural Financial Services: IFAD – 294- JA	8.00	58,425	-	-	-	58,425
(vi)	United States Agency for International Development Energy Credit Fund	3.00	5,113	(100)	-	-	5,013
(vii)	MOF – Dairy Sector	-	-	82,348	-	-	82,358
(viii)	MOF – US$40.36M	6.00	3,585,042	-	-	28,006	3,613,048
(ix)	MOF Advance	-	1,945	-	-	-	1,945
(x)	IFAD/GOJ	-	25,155	-	(25,155)	-	-
(xi)	MOF 400/Ton	-	95,173	-	-	-	95,173
(xii)	GOJ – Citrus Growers	6.00	-	60,000	-	-	60,000
(xiii)	GOJ – YEP Programmes	-	-	35,000	(16,651)	-	18,349
			4,838,673	183,227	(68,507)	36,075	4,989,468
(b)	Lending Agencies						
(xiv)	Micro Investment Development Agency		491	-	-	-	491
(xv)	IBRD US$ P.I.E.D. Line of Credit	variable	56,040	-	-	437	56,477
(xvi)	(1) OPEC Fund I	variable	161,484	-	(81,121)	1,009	81,372
	(2) OPEC Fund II	6.35	444,079	-	-	3,462	447,541
(xvii)	China Development Bank	variable	-	887,524	(6,443)	7,558	888,639
			662,094	887,524	(87,564)	12,466	1,474,520

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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27. Loans payable (cont'd)

		Interest Rate %	March 31 2009 $'000	New loans/ adjustments $'000	Transaction cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31 2010 $'000
(c)	**Direct Borrowings**						
(xviii)	Caribbean Development Bank 1987/2005:						
	8SFR J	4.80	63,300	-	(10,048)	469	53,721
	13OR J	4.80	18,146	-	(18,203)	57	-
	14OR J	4 80	43,882	-	(22,059)	289	22,112
	15OR J	4.80	95,860	-	(48,187)	631	48,304
	17OR J	4.80	117,014	-	(35,293)	827	82,548
	18OR J	4.80	196,273	-	(32,888)	1,451	164,836
	26OR J	4.80	2,023,397	-	(103,368)	48,357	1,968,386
	11SFR/ORJ	4.80	134,709	-	-	1,050	135,759
	20SFR/ORJ	2.50	-	231,467	-	1,475	232,942
(xix)	European Community	1.00	134,613	-	(7,642)	4,152	131,123
(xx)	European Investment Bank	3/4.15	182,975	-	(122,383)	3,024	63,616
(xxi)	BNS Road Rehabilitation	variable	436,250	-	(356,250)	-	50,000
(xxii)	Jamaica Development Bank						
	- Loan I	10.00	6,738	-	-	-	6,738
	- Loan II	8.00	138,876	-	-	-	138,876
(xxiii)	4H Club IDB Loan	-	105	-	(105)	-	-
(xxiv)	GOJ Kellits Loan Bank	-	18	-	(18)	-	-
(xxv)	Dehring, Bunting & Golding Limited	variable	30,000	-	(30,000)	-	-
(xxvi)	BNS Hurricane Fund	9 50	71,250	-	(25,000)	-	46,250
(xxvii)	BNS Productive Sector	9.50	66,250	-	(25,000)	-	41,250
(xxviii)	BNS Tourism/Agri. Sector	8.00 and 7.625	499,996	-	(100,004)	-	399,992
(xxix)	Venezuelan Loan	8 29	23,881,075	-	-	677,355	24,558,430
(xxx)	NHT Surchop Loan	12.0	84,416	-	(136)	-	84,280
(xxxi)	GOJ NIF Loan	4.0	223,323	-	(91,178)	150,000	282,145
(xxxii)	PetroCaribe Loan:						
	US$8 6M loan	5.0	739,177	-	(49,567)	5,667	695,277
	J$1.7bn loan	6.0	-	1,700,000	(48,070)	-	1,651,930
			29,187,643	1,931,467	(1,155,399)	894,804	30,858,115
(d)	**Other**						
(xxxiii)	Jamaica Development Bank	8 - 10	244,029			18,467	262,496
	Total loans payable		34,932,439	3,002,218	(1,311,470)	961,812	37,584,999
	Interest payable		2,202,087				2,266,469
			37,134,526				39,851,468

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Notes to the Financial Statements (Continued)
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27. **Loans payable (cont'd)**

In a letter dated January 31, 1985, the Government of Jamaica agreed to bear the exchange risk on loans negotiated and on-lent to the company by the Ministry of Finance. The loans which are covered by the agreement are on-lent to the company and are repayable to the Government in Jamaica dollars.

(i) The loan represented funds received to initiate a project at a People's Co-operative Bank. The amount was fully settled during the year.

(ii) This represents funds received for lending via the People's Co-operative Banks to establish a Biogas Programme.

(iii) These loans represent the Government of Jamaica contribution to the company in accordance with certain agreements. Regarding loan (a)(iii)(5), the International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity; at March 31, 2010, the financial position of the company disclosed a ratio of 4.2:1 (2009: 4.2:1).

(iv) These loans represent the Government of Jamaica's advances to the Hillside Credit Programme, one of which was fully repaid during the year. The loans were granted to:

(a) encourage coffee and cocoa development;
(b) provide credit to small scale rural enterprises; and
(c) provide for the introduction of perennial crops.

Included in this programme is a grant from the Government of the Netherlands.

(v) Loan No. 294-JA, which was negotiated by the Government of Jamaica from the International Fund for Agricultural Development (IFAD), is repayable over a period of 18 years and has a moratorium of 3 years, the final payment being due February 2011.

(vi) The Energy Credit Fund (ECF) is sponsored jointly by the Government of Jamaica (GOJ) and the United States Agency for International Development (USAID) and is managed by the company. GOJ's contribution represents counterpart funds to those provided by USAID for the ECF. Contributions to date by the sponsors are as follows:

	2010 $'000	2009 $'000
Government of Jamaica	3,904	3,904
USAID funds on-lent by GOJ	1,109	1,209
Total financing for Energy Credit Fund	5,013	5,113

The Government's contribution bears interest at a rate of 2% per annum for 10 years which commenced in March 1984, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments commencing March 1994.

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Notes to the Financial Statements (Continued)
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27. Loans payable (cont'd)

(vi) (cont'd)

USAID's contribution bears interest at 2% per annum for 10 years, which commenced in January 1986, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments commencing January 1996.

(vii) This represents loan from the Ministry of Agriculture (MOA) which is on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Diary Sector. The company does not earn or pay interest on the loan.

(viii) This loan was lent to NIBJ to facilitate investment in the development of Jamaica's South Coast through Ackendown Newtown Development Company Limited (ANDCO). The loan bears interest at a rate of 6% per annum and is to be repaid in 20 equal instalments on June 30 and December 31 each year.

(ix) These advances from the GOJ are interest free with no stated repayment dates.

(x) The liability amount represented funds from IFAD under the Hillside Credit programme. The programme has been completed and amounts were fully settled.

(xi) This represents the balance on loan from the Ministry of Finance on-lent to the Sugar Industry.

(xii) This loan was obtained from GOJ to be used for working capital purposes by the Citrus Growers Limited. The principal amount is to be repaid in monthly instalments after 3 months moratorium on the loan. Interest rate is fixed at 6%. No interest is charged by the company.

(xiii) This amount represents funds received from the GOJ for the Young Entrepreneurs Programme which is an initiative of the GOJ to provide training and funding for school leavers at high and tertiary levels to develop small businesses. No interest is charged by the company on these funds.

(xiv) This loan represents sums disbursed under an agency agreement between Micro Investment Development Agency Limited (MIDA) and the company. No interest is charged by the company. The loan has no fixed repayment date but is repaid based on collections from PC Banks.

(xv) This represents funds borrowed by Government of Jamaica under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and lent to the company for on-lending to private enterprises to support the development of export of goods and services. The loan is repayable January 2011.

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Notes to the Financial Statements (Continued)
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27. Loans payable (cont'd)

(xvi) (1) This loan represents funds borrowed from OPEC to on-lend to foreign-exchange-earning projects through Approved Financial Institutions. It is repayable November 2010.

(2) During 2008, a further loan of US$5M was drawn down, and is repayable May 2013.

(xvii) This represents loan from China Development Bank which is to be on-lent to projects purchasing goods and services out of China. The loan is for 5 years with a moratorium of one year on principal and bears interest at a rate of 6 month - Libor plus 310 basis points.

(xviii) These loans, negotiated by the company, are denominated in foreign currency and are repayable in 2020. The Government of Jamaica has undertaken to bear the exchange risk associated with all such CDB loans except for the 26 ORJ loan, the exchange risk on which is borne by the company.

(xix) This represents Euro 1,629,099 drawn down under an ECU 1.86 million line of credit granted under a Financing Contract dated April 2, 1986, between the company and the European Community. The loan bears interest at the rate of 1% per annum, and is repayable in 60 semi-annual instalments, the first being due on October 1, 1995. The loan is guaranteed by the Government of Jamaica.

(xx) This represents the balances of amounts drawn down under ECU 10 million, ECU 12 million, ECU 3 million and ECU 12 million loan agreements, dated July 8, 1986, August 22, 1991, December 31, 1991 and May 16, 1995, respectively, between the company and the European Investment Bank. The balances in the respective currencies at the financial year-end were as follows:

	NDB IV Global Loan	
	2010	2009
	'000	'000
Pounds sterling	192	569
United States dollars	375	1,102
Japanese Yen	4,351	12,794

The NDB IV Global loan bears interest at the rate of 4.15% per annum and is repayable in twenty semi-annual instalments, commencing November 5, 2000.

All balances are repayable in the currencies disbursed and all the loans are guaranteed by the Government of Jamaica.

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Notes to the Financial Statements (Continued)
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27. Loans payable (cont'd)

(xxi) This represents balances on amounts drawn down under a $7.5 billion credit facility which was obtained for on-lending to contractors approved under the Government of Jamaica's Deferred Financing Programme for road rehabilitation and maintenance. The applicable rate of interest in the draw-down period is fixed at 19.57% per annum. Thereafter, the applicable rate of interest will be the weighted average rate of the latest Government of Jamaica Treasury Bill tender plus 1.75% per annum, subject to semi-annual re-sets.

(xxii) Loan I is unsecured, bears interest at 10% per annum, and is repayable on demand.

Loan II is also unsecured, bears interest at 8% per annum and is payable on demand.

(xxiii) The loan represented funds received from the Jamaica 4H Club for on-lending to 4H Club members. No interest was charged on the loan, which was fully repaid during the year.

(xxiv) The loan represented funds received from the Inter-American Development Bank to set up PC Banks. This loan was interest free and was fully settled during the year.

(xxv) The proceeds of this loan were on-lent to the Ministry of Transport and Works under the Government of Jamaica Infrastruetural Loan programme. The loan was supported by a Letter of Undertaking from the Ministry of Finance and Planning and was repaid during the year.

(xxvi) This represents balances on amounts drawn down under a $300,000,000 credit facility which was obtained to provide relief to agricultural operations in need of rebuilding due to Hurricane Ivan. The principal is repayable in 24 quarterly instalments of $12,500,000, commencing January 1, 2006. The applicable rate of interest is 9.5% per annum.

(xxvii) This represents the balance on a loan of $110,000,000, on-lent to the productive sector. The principal is repayable in 24 quarterly instalments of $4,583,334, which commenced July 1, 2007. The applicable rate of interest is 9.5% per annum. The loan is secured by a promissory note of $110,000,000.

(xxviii) This is the balance on a $600,000,000 special purpose loan from BNS. Of this:

(1) An amount of $350,000,000 was for on-lending to Eligible Beneficiaries within the Tourism sector. The loan is for seven years, inclusive of a one year moratorium on principal from the date of the first advance, with the final instalment being due March 2013. The interest rate is 8% per annum.

(2) An amount of $250,000,000 was for on-lending to the Agricultural Sector through the People's Co-operative Banks to assist Small Farmers. The loan is for seven years, inclusive of a one year moratorium on principal, from the date of the first advance, the final instalment being due March 2013. The interest rate is 7.625% per annum.

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27. Loans payable (cont'd)

(xxix) This amount was on-lent to National Road Operating and Constructing Company Limited ("NROCC") to facilitate the refinancing of high cost debts, thus enabling highways to be constructed at a lower cost. Principal is to be repaid in a single payment, which becomes due in the year 2026. During the previous year, the company effected a currency swap on the coupon payments of the loan. This transaction was done at a spot rate of Euro 1: US$1.5240 and Euro coupons at 7.5% was swapped for US$ coupon at 7.75%. This loan was converted to a global note and offered on the market. It is administered by Duetche Bank – London. The company is indebted to the note holders who have an interest in the global note. The Government of Jamaica has issued a Parliamentary Guarantee to the company in respect of (1) loan of Euro 204.4 million from the company to NROCC, and (2) the company's satisfaction of certain conditions required by Citibank under the terms of the cross-currency swap entered into on March 1, 2008, to cover the amount of the maximum mark-to-market exposure of the transaction (estimated US$79 million). The company earns an interest spread of 0.25% on the loan.

(xxx) This represents the balance of amounts drawn down, together with interest capitalized, from National Housing Trust (NHT). The amount has been on-lent to sugar workers for the development of three hundred and ninety five (395) housing benefits under the Sugar Housing Redundancy Programme. The loan has no fixed repayment date and interest is no longer charged thereon, with effect from February 28, 2007.

Under the terms of the loan agreement, NHT is to provide mortgages to all purchases of lots who qualify for loans in accordance with the requirements of NHT. The loan financing, together with interest accrued, is to be converted to mortgages to the extent that the purchasers qualify for same.

NHT is also to purchase from NIBJ the lots not taken up by sugar workers. The proceeds of the mortgages and the sale of lots to NHT are to be applied to reduce the loan amounts. Any amount of the loan remaining thereafter is to be converted to a mortgage to be repaid by the company.

(xxxi) This amount represents the balance of amounts drawn down under a loan facility of $225 million received from the National Insurance Fund (NIF) for on-lending to small and medium enterprises (SME). The loan bears interest at a rate of 4% p.a., and is repayable in June 2011.

(xxxii) (i) This represents the balance under amounts drawn down under a US$ loan from the PetroCaribe Development Fund to provide financing to the productive sector. Interest is payable semi-annually at a rate of 5% per annum, and the loan matures in December 2023.

(ii) This represents amounts drawn under a loan from PetroCaribe Development Fund to provide financing to Small and Medium Enterprises (SME) and the energy sector. Interest is payable semi-annually at a rate of 6% per annum, and the loan matures in December 2023.

(xxxiii) This loan is denominated in Jamaica dollars and is payable on demand. Part of this loan was obtained by the company at the instance of the Government of Jamaica and on-lent to Sugar Company of Jamaica Limited for support to the sugar industry. It is evidenced by promissory notes, unsecured and bears interest at rates ranging from 8% to 10% per annum.

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28. Other liabilities

	2010 $'000	2009 $'000
Accruals	48,685	40,565
Statutory payroll liabilities	2,420	7,683
Other	247,548	309,850
	298,653	358,098

29. Share capital and share premium

(a) Share capital:

Authorised:
1,757,539,000 (2009: 30,000,000) ordinary shares at no par value

	2010 $'000	2009 $'000
Stated capital [note 29(b)]		
Issued and fully paid:		
1,757,539,000 (2009: 30,000,000) ordinary shares	1,757,539	30,000

All issued shares are held by or on behalf of the Government of Jamaica.

On July 24, 2009, a shareholders' resolution was passed to increase the authorised and issued share capital of the company by the creation of 1,727,539,000 ordinary shares at no par value to rank *pari-passu* with the existing ordinary shares. The 1,727,539,000 shares were issued to the Accountant General in trust for the Capital Development Fund (note 30).

(b) Share premium:

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium is not included in the company's stated capital [note 29(a)].

30. Advance on shares

The amount of $1,727,539,000, which was due to National Investment Bankof Jamaica Limited (NIBJ), represents the net identifiable assets transferred to the company following the business combination of the company and NIBJ effective September 1, 2006 [note 1(a)]. During the year, the company issued shares to the Accountant General, in trust for the Capital and Development Fund, in satisfaction of this amount [note 29(a)].

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31. Capitalisation reserve

		2010 $'000	2009 $'000
(a)	Funds for capital	1,179,817	1,179,817
(b)	Government subvention	83,180	83,180
(c)	Self-Supporting Farmers Development Programme	15,941	15,941
(d)	IDB grants	3,590	3,748
(e)	Capital reserves – NIBJ	139,336	139,336
		1,421,864	1,422,022

(a) Funds for capital

This includes amounts totalling $450 million and $500 million received during the year ended March 31, 1999, and March 31, 2009, respectively, from the Government of Jamaica through the Capital Development Fund as equity injections to finance the company's lending programmes.

(b) Government subvention

This represents the Government of Jamaica contribution to the company, of funds received from the Canadian International Development Agency.

(c) Self-Supporting Farmers Development Programme

This represents the balance of amounts recovered by the company and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated 27 May 1982, between the company and the Government of Jamaica in relation to the Self-Supporting Farmers Development Programme (SSFDP), it was agreed that:

(i) All assets be transferred to the company.

(ii) The portfolio be analysed and administered by the company. Reasonable steps should be taken to recover loans determined to be doubtful.

(iii) All loan recoveries be utilised to assist in the capitalisation of the company and such recoveries be employed in carrying out the functions of the company including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks in 1997 as a contribution to the equity of those banks.

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Notes to the Financial Statements (Continued)
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31. Capitalisation reserve (cont'd)

(d) Grants

	2010 $'000	2009 $'000
At beginning of year	3,748	4,964
Less: Amortised during the year	(158)	(1,216)
At end of year	3,590	3,748

These represent the cost of motor vehicles, furniture and equipment received from the Government of the Netherlands, under the Hillside Farmers' Support Project and the Rural Financial Services Project. The grants are being amortised over the life of the assets. These motor vehicles, furniture and equipment have been included in property and equipment (note 26).

(e) Capital reserves – NIBJ

This represents gains on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ.

32. Other reserves

		2010 $'000	2009 $'000
(a)	Fair value reserves	16,542	(323,864)
(b)	General reserve – Equalisation Fund	957,596	957,596
(c)	Revenue reserve	2,539,391	2,789,392
(d)	Special reserves	65,035	64,592
(e)	Revaluation reserve	446,791	446,791
(f)	Foreign currency translation reserve (note 15)	374,373	356,829
(g)	Credit Enhancement Facility Fund reserve	269,842	-
		4,669,570	4,291,336

(a) Fair value reserves

This represents unrealised surplus on the change in fair value of available-for-sale securities.

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Notes to the Financial Statements (Continued)
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32. Other reserves (cont'd)

(b) General reserve - Equalisation Fund

This reserve was established to absorb exchange losses on loans denominated in foreign currency which were negotiated directly by the company. A minimum of 20% of profit for the year (after crediting exchange gains but before crediting profits from other transfers) was transferred to the reserve. No transfer was made during the year as the loan to which the requirement for this transfer applies has been repaid.

(c) Revenue reserve

This represents an accumulation of a minimum of 40% of profits transferred over the years (after other transfers) to this reserve.

	2010 $'000	2009 $'000
At beginning of year	2,789,391	2,789,391
Transfer to Credit Enhancement Facility Fund (note 22)	(250,000)	-
At end of year	2,539,391	2,789,391

During the year, the company transferred $250 million to the Credit Enhancement Facility Fund, which was used as start up capital for the fund (note 22).

(d) Special reserves

	Technical Assistance		Exchange Equalisation		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at beginning of year	61,469	58,650	3,123	3,123	64,592	61,773
Transfers from retained earnings	443	2,819	-	-	443	2,819
Balance at end of year	61,912	61,469	3,123	3,123	65,035	64,592

(i) Technical assistance

The maintenance of this reserve is a requirement of a lending agreement between the company and the European Investment Bank [note 27 (xxiii)], which provides, during the period of the lending agreement, for the annual transfer of a portion of the interest differential on loans funded from the loan proceeds of the lending agreement.

It is to be applied by the company on a discretionary basis to provide technical assistance to entrepreneurs who do not otherwise qualify for financial support from the company, and for sectoral and market studies.

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Notes to the Financial Statements (Continued)
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32. Other reserves (cont'd)

(d) Special reserves (cont'd)

(ii) Exchange equalisation

The maintenance of this reserve is a requirement of a lending agreement between the company and the European Investment Bank [note 27 (xxiii)] which provides, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement.

(e) Revaluation reserve

This represents unrealised surplus on the revaluation of land and buildings.

(f) Foreign currency translation reserve

This represents foreign exchange gains on the translation of investment in associated companies (note 15).

(g) Credit Enhancement Facility Fund reserve

This represents funds transferred from revenue reserves [note 32(c)] to be used as start up capital for the fund, plus profit or loss from the fund (note 22) and is made up as follows:

	$'000
Fund capital	250,000
Profit for the period	19,842
	269,842

33. Dividends paid

At a Board Meeting, on June 18, 2009, a resolution was passed to declare an interim dividend out of retained earnings up to March 2009 in the amount of $60 million. The amount was paid to the Accountant General on June 30, 2009.

34. Related party transactions and balances

A party is related to the company if:

(i) directly or indirectly, the party:

- controls, is controlled by, or is under common control with the company;
- has an interest in the company that gives it significant influence over the company, or
- has joint control over the company;

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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34. Related party transactions and balances (cont'd)

A party is related to the company if:

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venture;

(iv) the party is a member of the key management personnel of the company;

(v) the party is a close member of the family of any individual referred to in (i) or (ii) above;

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether or not a price is charged.

(a) Related party transactions

The following transactions were carried out with government related entities and associated companies:

		2010 $'000	2009 $'000
(i)	Interest and other income		
	Interest income -		
	Government related entities	2,435,925	2,122,815
	Associated companies	Nil	72,051
	Other income - rental:		
	Government related entities	50,749	34,704
(ii)	Interest and other expenses		
	Interest expense - Government related entities	2,360,294	2,110,898
	Administrative fees - Government related entities	80,705	48,756

DEVELOPMENT BANK OF JAMAICA LIMITED

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

(b) Key management personnel compensation

	2010 $'000	2009 $'000
Salaries and other short-term employee benefits	61,378	66,487
Statutory payroll contributions	3,598	3,962
Pension benefits	2,078	2,278
	67,054	72,727
Directors' emoluments -		
Fees	1,207	1,209
Management remuneration (included above)	13,784	16,161

(c) Related party balances

Receivable from related parties:

	2010 $'000	2009 $'000
(i) Loans:		
Government related entities	24,613,420	24,386,444
Associated companies	1,752,363	1,729,269
(ii) Interest receivable:		
Government related entities	908,433	460,359
Associated companies	319,918	319,918

Payable to related parties:

	2010 $'000	2009 $'000
(i) Loans: Government related entities	4,989,468	4,819,040
(ii) Interest payable: Government related entities	1,265,262	1,157,309
(iii) Other payables/receivable: Associated companies	Nil	24,081

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35. Cash flows from operating activities

	Notes	2010 $'000	2009 $'000
Profit for the year		316,442	417,421
Adjustments for:			
Amortisation	25	979	463
Depreciation	26	28,932	29,795
Interest income		(3,792,884)	(3,393,662)
Interest expense		2,992,235	2,500,585
Allowance for impairment losses		311,021	306,040
Change in employee benefits asset		(103,839)	28,402
Share of loss in associated companies		181,400	92,248
(Gain)/loss on sale of property and equipment and investment properties		(773)	215
Amortisation of grants		(158)	(1,216)
Adjustments to property and equipment		(145)	(2,685)
		(66,790)	(22,394)
Changes in operating assets and liabilities:			
Government of Jamaica – privatisation recoverables		(185,792)	14,266
Loans to financial and agricultural institutions		(955,735)	(1,133,258)
Direct borrowers		(507,246)	(1,055,033)
Government of Jamaica infrastructural loan programmes		734,837	2,727,442
Government of Jamaica receivables		19,464	143,542
Income tax recoverable		81,118	(73,557)
Credit Enhancement Fund		(272,164)	-
Other receivables		(26,948)	55,533
Other liabilities		(59,445)	(3,094,841)
		(1,244,613)	(2,438,300)
Interest received		3,188,075	3,114,635
Interest paid		(2,927,853)	(1,915,197)
Net cash used by operating activities		(978,479)	(1,238,862)

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
(Expressed in Jamaica dollars unless otherwise indicated)

36. Commitments

(a) As at March 31, 2010, there were outstanding commitments to disburse loans totalling approximately J$536 million and US$5 million (2009: J$1,585.3 billion and US$2.8 million).

(b) The company had capital commitments, in respect of projects being undertaken, totalling approximately $88,950,000 (2009: $58,000,000).

(c) As lessee, the company had lease commitments under a non-cancellable operating lease for which the future minimum lease payments were, in relation to the reporting, as follows:

	2010 $'000	2009 $'000
Not later than one year	288	288
Later than one year and not later than five years	1,152	1,152
Later than five years	25,920	25,920
	27,360	27,360

37. Contingencies

The company is subject to various claims, disputes and legal proceedings, in the ordinary course of business. Provision is made for such matters when, in the opinion of management and its legal department, it is probable that a payment will be made by the company and the amount can be reasonably estimated.

The company has not provided for claims against it, for which management and legal counsel are of the opinion that such claims are without merit, can be successfully defended or will not result in material exposure to its financial position.

The significant claims are listed below:

(a) An action seeking damages for negligence and/or breach of contract has been brought against the company and others.

In 1996, National Development Bank of Jamaica Limited had agreed to on-lend, through National Commercial Bank Jamaica Limited, the sum of US$600,000 to the plaintiff. This sum was never disbursed because the company contends that the plaintiff failed to satisfy the conditions precedent for the disbursement of the said loan.

DEVELOPMENT BANK OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010
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37. Contingencies (cont'd)

(a) (Cont'd)

The plaintiff is now contending that the failure to disburse the sum was in breach of contract and/or negligence and consequently the plaintiff has suffered loss and damage which exceeds US$600,000. A defense has been filed on behalf of the company and the matter is now awaiting trial. Management is confident in its defense but, should it be unsuccessful, it would not materially affect its financial condition.

(b) A suit was brought by Gorstew Limited and Sandals Whitehouse Management Limited against Urban Development Corporation, National Investment Bank of Jamaica (NIBJ), now merged with Development Bank of Jamaica, and Ackendown Newtown Development Company Limited for damages for cost over-runs totalling US$28.9M, and for an order to restrain Ackendown Newtown Development Company Limited from paying or acknowledging any liability for costs overruns. The matter has been referred to arbitration.

Development Bank of Jamaica Limited

Facilitating Economic Growth & Development

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