Development Bank of Jamaica Limited

Facilitating economic growth and development

ANNUAL REPORT

2014 - 2015

Development Bank of Jamaica Limited

Facilitating economic growth and development

CORE VALUES

Professionalism

Integrity

Accountability

Innovation

VISION

In 2020 the Development Bank of Jamaica, an inclusive, innovative, accountable, customer-centric and strategy-focused employer of choice in Jamaica; has facilitated the creation of over 250,000 new jobs over the past seven years while being a major contributor to the country's economic growth and social transformation.

MISSION

The Development Bank of Jamaica provides opportunities to all Jamaicans, to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy.

The Development Bank of Jamaica was established in April 2000, the outcome of a merger between two wholly owned Government of Jamaica institutions, the Agricultural Credit Bank of Jamaica Limited and the National Development Bank of Jamaica Limited.

In September 2006, the operations of the National Investment Bank of Jamaica were merged with the DBJ.

The Ministry of Finance and Planning has portfolio responsibility for the DBJ.

BACKGROUND

Table of Contents

Board of Directors

Joseph M. Matalon
Director

Milverton Reynolds
Managing Director

Richard Burgher

Jeffrey Cobham

Marc Harrison

Dennis Morrison

Shakira Pickersgill
Company Secretary

Errol Powell

Ann Marie Rhoden

Dr. Dhiru Tanna

Maureen Webber

Management Team

Milverton Reynolds
MANAGING DIRECTOR

Dorothea Simpson
GENERAL MANAGER
Finance & Treasury

Edison Galbraith
GENERAL MANAGER
Loan Origination & Portfolio Management

Denise Arana
MANAGER
Public-Private Partnerships & Privatisation Services

Sheron Henry
GENERAL MANAGER
Legal Services

Claudine Tracey
GENERAL MANAGER
Strategic Services

Tamara Baugh-Brissett
GENERAL MANAGER
Auditing Services

Yvonne Williams
GENERAL MANAGER
Human Resources & Administration

Cleveland Malcolm
GENERAL MANAGER
Management Information Systems

Courtney Lodge
GENERAL MANAGER
Micro Finance

Claudette White
MANAGER
Communication & Marketing

Chairman & Managing Director's Report

DBJ Delivers!

Redefining strategy in response to market needs

The DBJ set out on its journey in 2014/15 under the theme 'Transforming to be purpose driven.' This was bolstered by a revamped strategic plan that redefined its Mission Statement with a renewed vision for adding greater value to Jamaica.

The new Mission Statement, *The Development Bank of Jamaica provides opportunities to all Jamaicans, to improve their quality of life through development financing, capacity building, public private partnership and privatization solutions in keeping with Government policy,* underpins the DBJ's commitment to contributing to economic growth with social inclusion.

The Bank was able to deliver on its strategies and programmes for the 2014/15 Financial Year by achieving most of its traditional as well as several new major performance indicators as the DBJ deepened its mandate as Jamaica's only development bank.

While we had hoped to make a significant impact on employment during 2014/15 with a target of 8.600 jobs, we fell short on our expectations. However, the Bank's lending and capacity development programmes did facilitate the creation of over 3,600 jobs and the maintenance of close to 20,000 existing ones. The 2014/15 employment figures suggest that the DBJ's interventions in the economy are bearing fruit, albeit slowly.

The lower-than-expected employment creation outturn is attributed to the fact that DBJ's job target was heavily dependent on loans to the labour-intensive ICT/BPO sector. While loan applications from this sector were less than expected in 2014/15, an upsurge in viable loan demand for the Bank's ICT/ BPO credit facility is expected in 2015/16.

Delivering on Investments

•Total investments supported by DBJ (Lending and Privatisation and PPPs) exceeded the target by 13% with investment of $28 billion in 2014/15 relative to the target of $25 billion.

Supplying credit to Jamaican MSMEs

The DBJ approved J$4.3 billion in MSME financing, 36% ahead of the targeted J$3.0 billion in the financial year under review. This represents 9,046 MSME loans.

Focus on Financing to the MSME Sector

•To keep the Bank focused on addressing the market failure of inadeqaute credit for MSMEs, DBJ set itself a target to ensure that at least 28% of its loan portfolio consisted of MSME loans. The Bank once again signaled the importance of the MSME sector with a ratio of MSME loans to total number of loans of 56% . This is above the target by 28 percentage points.

Facilitating the creation of new businesses

•The Bank set itself a new major objective of increasing the "number of new businesses supported by DBJ" in 2014/15 to focus its efforts on addressing the challenges faced by startups in accessing financing. The target of 50 new businesses was surpassed, with 62 new businesses supported in 2014/15. Notably 61 of these startups were supported through the Bank's capacity building programme, increasing the likelihood of business survivability.

Generating cost savings for the Government of Jamaica

•Another new objective set in 2014/15 was to realise "Cost Savings from Privatisations and PPPs" . A target of J$50 million was set which the Bank was able to significantly exceed with actual cost savings of J$330 million.

Economic Overview

It is important to place DBJ's performance within the context of Jamaica's socio-economic environment.

Jamaica is currently in the second year of a four-year Extended Fund Facility (EFF) Programme with the International Monetary Fund (IMF), which was signed in May 2013 for approximately US$952.0 million.

During Financial Year 2014/15, the Government of Jamaica continued to implement several required economic reforms in order to reduce the heavy debt burden, facilitate sustainable economic growth and meet its quantitative targets under quarterly EFF reviews which have been successfully completed for seven consecutive review periods. According to Ministry of Finance and Planning sources, some of the structural reforms implemented include:

- Enhanced Fiscal Rules
- Tax Reform
- Public Financial Management Reform
- Public Sector Reform
- Financial Sector Reform; and
- Growth Enhancing Reform

Employees prepare packaging at Coffee Roasters of Jamaica. The company has benefited from DBJ funding and the Credit Enhancement Facility.

The improvement in Jamaica's fiscal performance has contributed to the improvement in:

- Jamaica's economic outlook, which was upgraded from stable to positive by ratings agency Standard & Poor's in September 2014.
- Jamaica's ranking in the Doing Business Index and the Global Competitiveness Index. Jamaica was ranked 58th out of 189 countries in the 2015 Doing Business Report, representing a ranking improvement of 27 places; while it was ranked 86th out of 144 countries in 2014, with the country improving in 11 of the 12 pillars.
- Confidence in the Jamaican economy, allowing a return to the international capital markets, with the GOJ raising US$800 million by way of a new bond issue in July 2014; and
- Both local consumer and business confidence, with these indices showing substantial improvement during the financial year.

These accomplishments came as a result of the measures implemented under the IMF agreement and, as such, the Government remains committed to the success of the programme, thereby laying a sound foundation for acceleration of economic growth.

Real Sector

Real Gross Domestic Product (GDP) grew by an estimated 0.1% during Financial Year 2014/15, with the Services Industry representing the largest share of growth (0.6%), while the Goods Producing Industries declined by 1.6%. The industries that were the main sources of growth in the fiscal year were Hotels & Restaurants, with growth of 3.9%; Construction (up 1.4%); and Transport, Storage & Communication (up 1.2%). The industries that recorded the largest declines during the year were Agriculture (down 4.8%), Electricity & Water Supply (down 2.0%) and Manufacturing (down 1.7%).

According to a review by the Planning Institute of Jamaica, the economy's performance was driven by:

- Continued implementation of initiatives aimed at improving productivity and output in the agriculture industry e.g. Agro Parks.
- The improved global economic environment particularly for the major service industries, Hotels & Restaurants; and Transport Storage & Communication.
- An improvement in domestic demand, as a result of the strengthening of both business and consumer confidence levels.
- The intensification of road rehabilitation and repair works, new road construction and other building construction, including Phases 1 and 3 of the North-South link of Highway 2000, and Hotel construction and expansion.
- Construction of new office space to facilitate the expansion of Business Process Outsourcing (BPO) activities.
- Growth in stopover arrivals; and
- Increased global demand for and production of bauxite and alumina.

Exchange Rate

Between March 2014 and March 2015, the Jamaican dollar depreciated by 5.0%, in comparison to 10.8% between March 2013 & March 2014. The exchange rate at the end of March 2015 was $115.04, compared to $109.57 at the end of March 2014. The decline in the pace of depreciation is expected to continue over the medium term, supported by continued improvements in the current account and ongoing strong fiscal consolidation efforts.

Inflation

For the FY 2014/15 the inflation rate was 4.0%, based on movements in the All Jamaica 'All Divisions' Consumer Price Index (CPI), compared to 8.3% in the FY 2013/14. The inflation outturn for the 2014 calendar year was 6.4%; this was the lowest rate in 15 years. The calendar year inflation for 2013 was 9.7%.

The main sources of inflationary pressure during the 2014/15 fiscal year were:

- Continued drought conditions during the first and second quarter adversely affected agricultural prices
- Increases in bus fares implemented by the Jamaica Urban Transit Company during the second quarter
- Increases in the wages for carpenters, masons, plumbers, painters and electricians in February 2015; and
- Higher rates for electricity in 2014/15

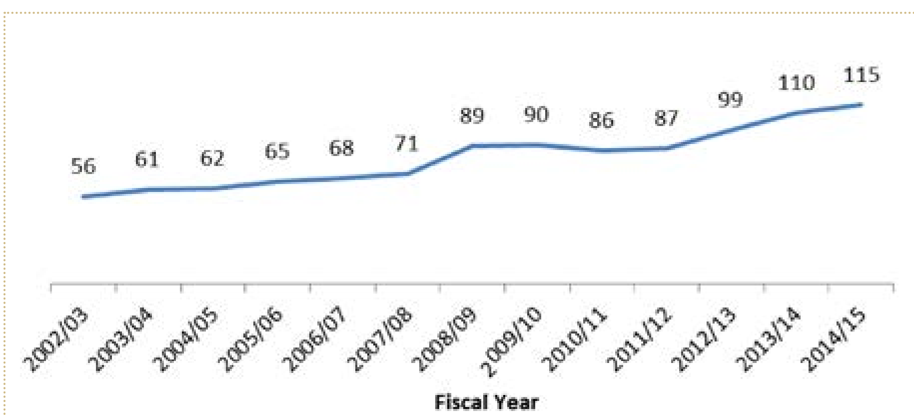
Labour Force

In January 2015, there were 1,132,700 persons employed in Jamaica, consisting of 643,400 males and 489,300 females. This is a negligible (0.23%) increase compared with total employed of 1,130,100 in January 2014.

In January 2015, the overall unemployment rate was 14.2 per cent for both sexes with a higher rate among females than males (18.5% and 10.7% respectively). This overall unemployment rate reflected an increase of 0.8% when compared to January 2014, when the unemployment rate was 13.4 per cent.

The unemployment rate among youths (14-24 years) was 34.5 per cent in January 2015. This was an increase of 1.2 percentage points when compared with 33.3% in January 2014. Female youths have a higher unemployment rate of 39.6% when compared to males at 30.8%.

End Of Period Exchange Rate, $J : $Us



Source: Bank of Jamaica
Note: Fiscal year runs from April 1 to March 31

DBJ's 2014/15 Performance

Delivering financing opportunities for Micro, Small and Medium-sized Enterprises (MSME)

The DBJ had an ambitious loan target of $3,000 million for the MSME sector for 2014/15. The Bank delivered 9,046 MSME loans valued at $4,259 million, 42% more than the targeted amount. This unlocked investments of $15.7 billion and new jobs for 3,639 persons employed to Jamaican micro, small and medium-sized enterprises.

Notably, total micro loans approved amounted to $911.4 million, surpassing the year's target and is the largest volume of micro loans extended in any one year since inception of the activity in 2009. The Bank remains committed to the micro finance industry. In recognition of the increasing importance and complexity of this portfolio, a General Manager for Micro Finance was appointed to head a division focusing solely on micro finance activities.

Increase in the Number of Approved Financial Institutions (AFIs)

A significant element of the DBJ's strategy to increase the supply of credit to the market involves the expansion of its distribution channels. By the end of 2014/15, there were 16 approved financial institutions which on-lend development financing to MSMEs on DBJ's behalf. JN Fund Managers Limited and COK Sodality Cooperative Credit Union were among the most recent additions.

Responsive to Market Needs

Improvements to the Credit Enhancement Facility (CEF)

A major factor inhibiting MSMEs from accessing credit is a lack of adequate collateral. The DBJ's Credit Enhancement Facility (CEF) is an effective product that aims to significantly increase access to credit by providing AFIs with additional collateral coverage on loans made to SMEs. In response to market needs, the DBJ further enhanced the CEF by making it more attractive for lenders and borrowers, resulting in an increase in the coverage amount, a reduction in the qualifying period for start-ups, increased percentage coverage on smaller loans, and improved claim and payout terms for AFIs.

These improvements yielded a significant increase in utilization with the CEF facilitating $487.38 million in SME loans compared to $225.99 million in the prior year. As outlined in the table below the CEF has since inception allowed 195 SME sub-borrowers to access $1,044 million in loans for which they would not otherwise have qualified.

CEF Loan Approvals and Guarantees Since Inception 2010 (by year)

YEAR END	Loan	Guarantee	#
Mar-10	30,000,000	8,320,000	4
Mar-11	10,800,000	3,956,000	3
Mar-12	34,700,000	10,750,000	3
Mar-13	254,969,378	166,797,000	108
Mar-14	225,994,000	83,957,150	26
Mar-15	487,378,123	218,662,568	51
TOTAL	**1,043,841,501**	**492,442,718**	**195**

Capacity Development

The DBJ continued to respond to market needs relating to capacity development for MSMEs, allowing an increase in the demand for development financing which, in turn, causes businesses to grow, invest, create employment and become more sustainable.

Delivering a healthy and Innovative Entrepreneurship Ecosystem

The DBJ was able to support 61 start-ups in their most difficult and critical stage of business development in 2014/15. Many of them have been able to deliver innovative products and services that will ultimately boost Jamaica's competiveness and sustainable growth. They include innovators in the creation and operation of software applications and inventors who utilized the process of conversion of water into hydrogen gas to power motor vehicles.

A worker in the Milk department of Ramble Enterprises Limited (REL) in Hanover. REL expanded its businesses after acquiring 210 hectares of lands in Montpelier from the DBJ's Public-Private Partnerships and Privatisation Department.

On a larger scale the DBJ supported the Start-Up Jamaica Incubator, a programme spearheaded by the Ministry of Science, Technology, Energy and Mining in partnership with large private sector sponsors. This incubator supported several start-ups, three of whom received equity investment from a Middle East-based accelerator company, Oasis500, which trains and funds start-up tech companies.

Capacity Development Achievement Highlights

95 vouchers for technical assistance issued potentially unlocking loans of **$500 Million. (12% above target of 85)**

61 NEW businesses have been created or supported by the business development programmes

(22% above target of 85)

114 jobs have been created as a result of DBJ facilitated business development programmes

(52% above target of 75)

26 energy audits approved with the potential to J$305M in investments in energy efficiency and renewable energy.

(Target 25)

Over 500 MSMEs have benefitted from capacity development initiatives or DBJ supported programmes

Traditionally, the campuses of our universities have been fertile ground for unearthing creativity and innovation. The DBJ's support of the National Business Model Competition, for the second year running, continues to bear fruit as evidenced by the many innovative business models pitched by the young entrepreneurs from a wide cross-section of faculties within the universities.

The competition, ultimately, has the potential to create a deal flow of innovative, high potential enterprises that are attractive to local and international angel and venture capital financiers.

Establishing a dynamic ecosystem for venture capital through the Jamaica Venture Capital Programme

The catalytic role that the DBJ has played in developing the VC ecosystem has resulted in the emergence of new players including a number of local and international fund managers, and fund raising from local institutional and corporate investors, with the goal of establishing venture capital funds for investment in Jamaican companies. Apart from these venture capital funds, 2014/15 also saw the establishment of two angel investor groups: FirstAngelsJA and Alpha Angels, filling a large void in the Jamaican entrepreneurial ecosystem.

While the newly established angel investor groups will focus primarily on seed and early stage companies, it is significant that a number of the venture funds have strategies which also include modest allocations to seed and early-stage companies. This augurs well for entrepreneurs who have been nurtured through the incubators and accelerators as well as the business model competitions, and are seeking the 'smart' capital offered by angel and venture capital investors.

The successful mobilisation of private sector investment funds will leverage the $1 billion of capital earmarked by the DBJ for investment in VC funds, creating a sizeable pool of investment capital

Employees complete their tasks at Lifespan Water Company in Portland. DBJ funding allowed the company to expand in 2014-15.

available for investment over the next few years.

Delivering Investments and Cost-Saving Opportunities for the Government of Jamaica

Through the Privatisation and Public-Private Partnerships (P4) Department, the DBJ was able to facilitate $13 billion of investments in the economy and contribute to $345 million of annual savings to the Government. Additionally, the P4 Department earned fees of $65 million to sustain its operations.

Three transactions were completed, while significant progress was made on several others. Of the completed transactions, we are particularly pleased with the privatisation of the Kingston Container Terminal, which will yield an upfront concession fee of US$75 million and US$15 million in annual recurring concession fees to the Government. The successful bidder is committed to investments totaling US$425 million in the first phase of the privatised operations.

DBJ's PPP & Privatisation Programme ranked 8th in Latin America and the Caribbean by the Inter-American Development Bank (IDB)

In the period under review, the DBJ continued its extensive work in the effective and efficient management of PPP/Privatisation investment opportunities, working closely with other ministries, departments and agencies of Government.

Indeed, the Bank's public-private partnership activities have been recognized by the Latin American and Caribbean Infrascope 2014 Report which increased Jamaica's PPP programme's ranking from 13th in 2012 to 8th in 2014. The DBJ was particularly pleased that Jamaica's PPP programme was also ranked number one in the Caribbean.

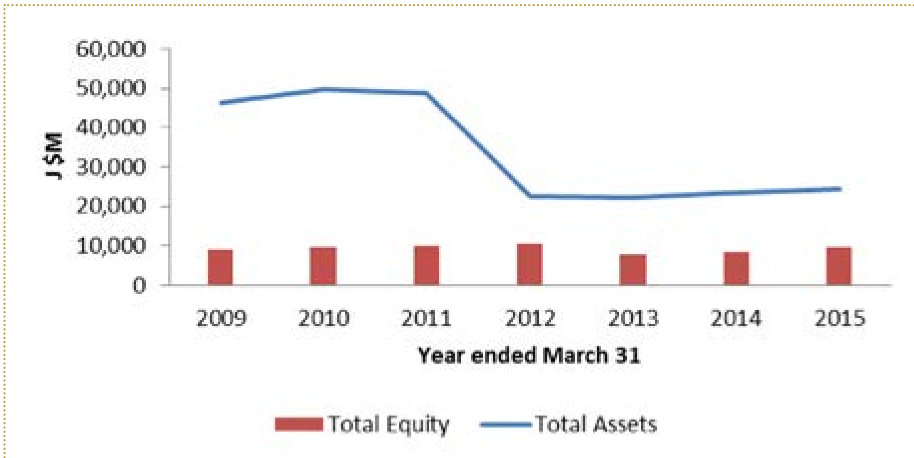
Delivering on a solid and sustainable financial base

The DBJ continues to deliver strong financial performance, enabling the long-term implementation of its mandate. In this regard, the Bank posted a net profit $1,108.2 million, total assets of $24,407.9 million, revenues of $2,342.4 million and net worth of $9,616.1 million for the 2014/ 2015 Financial Year.

The DBJ Receives an Improved Credit Rating

Our efforts at continued strategic, financial and operational improvement has been recognized by the Caribbean credit ratings agency, CariCRIS, with an improved credit rating of CariBBB+ (Foreign Currency Rating), CariA- (Local Currency Rating) on the regional rating scale and jmAA on the Jamaica national scale to the debt issue (notional) of US$5 million. The DBJ has always enjoyed an 'investment grade' credit rating, but its new 2014/15 rating represents a one level improvement, and signals the Bank's commitment to the implementation of international best practices in development banking.

Total Assets and Equity



Net Profit before Impairment

Corporate Governance

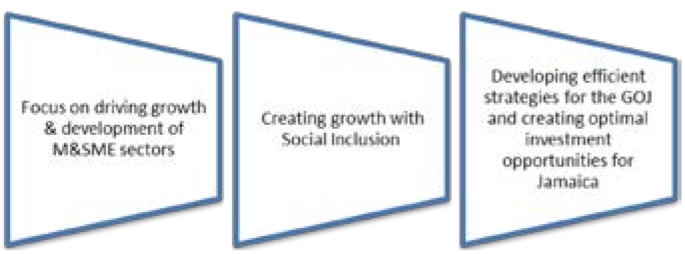
The DBJ believes that strong corporate governance is imperative to achieving its mandate. In 2014/15 the following new policies were approved by the Board of Directors: Anti-Money Laundering & Anti-Terrorism Financing Policy, Compliance Policy, as well as the Capacity Development Policy and Procedures Manual.

The DBJ will continue to deliver in 2015/16 and beyond

The DBJ remains committed to fulfilling its mandate and delivering on its goals and strategy built on the pillars of its medium-term strategy:

Elton Cawley, a bee farmer since 1988, owns 1,000 colonies in 23 locations across St Elizabeth. In addition to honey and bee pollen that he produces commercially, Mr Cawley also makes and supplies hive bodies, frames, bottoms and covers with components to other beekeepers in and around the parish. DBJ funding has allowed Mr Cawley to expand production to over 7,000 gallons of honey per year.

An employee at Lifespan Water Company oversees a task. The Portland-based company received DBJ funding which enabled its expansion.



In this way, the DBJ will continue to increase investments, new job creation, new business generation, public sector efficiencies and national output while improving the quality of life for all Jamaicans.

Without a dedicated and loyal management and staff, much of this performance would not have taken place and, on behalf of the Board, we would like to express our appreciation to all who made it possible.

The table below highlights the skills set of the individual directors on the DBJ Board.

Board Directors	Public Sector (Pub)/ Private Sector (Pvt)	General Manage-ment	Finance / Devel-opment Finance / Economics	Audit	Strategic Manage-ment	Human Resources	Risk Man-agement	Marketing & Commu-nication	Legal
Joseph M. Matalon	Pvt	✓	✓	✓	✓	✓	✓		
Richard Burgher	Pvt	✓	✓		✓		✓		
Jeffrey Cobham	Pvt	✓	✓		✓	✓	✓	✓	
Marc Harrison	Pvt	✓	✓	✓	✓		✓		✓
Dennis Morrison	Pub	✓	✓		✓		✓	✓	
Errol Powell	Pvt	✓	✓	✓	✓	✓	✓	✓	
Ann Marie Rhoden	Pub	✓	✓	✓	✓		✓		
Dhiru Tanna	Pvt	✓	✓		✓	✓	✓		
Maureen Webber	Pvt	✓	✓	✓	✓	✓	✓		
Milverton Reynolds	Pub	✓	✓	✓	✓	✓	✓		

DBJ Financial Highlights

Comparative Financial Summary (J$M)

Year Ended 31-Mar	2015	2014	2013	2012	2011	2010	2009	2008
Total Income	2,342.4	2,110.3	1,586.40	2,740.60	4,413.20	4,175.50	3,901.20	3,772.20
Total Interest Income	1,255.5	1,198.6	1,142.50	1,764.80	3,688.50	3,792.90	3,393.70	3,142.90
Total Interest Expense	494.3	531.0	477.1	1,053.50	2,889.50	2,992.20	2,500.60	2,184.70
Non-Interest/Other Income	1,086.9	911.7	443.9	975.8	724.7	382.6	507.5	629.3
Non-Interest Expense	724.9	650.1	603.1*	567.3	805.8	705.3	890.9	973.9
Net Profit Before Impairment Loss	1,123.3	929.2	506.2	1,119.90	1,002.60	604.3	980.1	684.6
Impairment Loss	0.0	(177.4)	(2,928.30)	(407.50)	(279.10)	(287.90)	(562.70)	(312.70)
(Loss)/Profit for year	1,108.2	742.8	(2,453.2)	691.7	723.5	316.4	417.4	371.9
Total Assets	24,407.9	23,269.2	22,167.8	22,624.4	48,928.0	49,686.2	46,414.5	46,262.7
Total Equity	9,616.1	8,468.2	7,641.3	10,634.6	9,978.7	9,536.1	8,921.9	6,359.6
Loans Payable	14,294.5	14,433.5	14,125.6	11,491.2	38,597.9	39,851.5	36,473.1	34,324.3
Regular Loan Portfolio	16,729.2	15,263.5	11,966.7	11,948.2	9,060.9	12,239.9	10,605.8	8,101.2
GOJ Infrastructural Loan Programme	21.0	29.0	183.4	181.5	25,156.5	25,521.9	24,846.8	24,618.6

The financial year ended March 31, 2015, marked another year of creditable performance as indicated by the Bank's financial results. Total Assets amounted to $24,407.9 million, the Equity base stood at J$9.6 billion and the Bank reported a Net Profit of J$1,108.2 million. The Bank's Statement of Financial position continued to reflect a strong financial position.

Income

The DBJ's Total income of $2,342.4 million represents an increase of 11 per cent above the previous financial year and was significantly impacted by the recovery of previous impairment loss provisions amounting to J$705.4 million.

Interest Income

Interest Income amounted to $1,255.5 million for the Financial Year 2014/15 representing an increase of 5% above the previous financial year. The breakdown of total interest income was as follows:

	2014/15 $'m	2013/14 $'m
Loan Portfolio	1,006.0	898.6
Investment	249.5	300.0
	1,255.5	1,198.6

The Bank's interest earning assets increased, except for Investments in resale agreements when compared with the values recorded for the previous financial year.

- The Bank's Loan Portfolio increased by 10%, moving from $15,263.5 million at the beginning of the financial year, to $16,729.2 million at the end of March 31, 2015. Interest income from the Loan Portfolio amounting to $1,006.0 million reflected a 12% increase above the earnings recorded for the previous year. This increase was mainly due to the high demand for DBJ loan products.

- The Bank's Investment in resale agreements declined by $388.1 million or 54 per cent when compared with the Investments in this category for the previous financial year. The decline was mainly due to financing of the

DBJ's loan products. Interest income for the year 2014/15 on Investments amounted to $249.5 million and was 17% below the earnings recorded for the previous financial year.

- Interest in Associated Companies increased from $924.9 million at the beginning of the year to $940.6 million at March 31, 2015. The increase was mainly due to additional funding provided by the Bank.

Other Income

During the Financial Year 2014/15, the Bank recorded other income amounting to J$1,086.9 million, of which 65% or J$705.4 million arose from the recovery of previously impaired loans. Other items included administrative fees, rental income, commitment fees, appreciation in fair value of investment properties and net foreign exchange gains arising on the translation of Assets and Liabilities.

	2015 $'000	2014 $'000
Administrative Fees	17,867	17,668
Commitment Fees	41,644	57,171
Rental Income	89,581	89,142
Privatisation Fees	65,314	16,546
Foreign Exchange gains	132,726	167,562
Appreciation in Fair value of investment properties	28,657	113,730
Gain on disposal of property and equipment	693	1,103
Other non- interest income	5,149	40,183
Bad Debt Recoveries	**705,367**	**408,573**
	1,086,998	**911,678**

The 'category other non-interest income,' relates to interest from staff loans, processing fees from loans and penalty interest arising on late payments and other miscellaneous income. The decline in this category resulted from a higher than usual miscellaneous income in Financial Year 2013/14.

Interest Expenses

Interest expense for the financial year under review amounted to $494.3 million, representing a decrease of 7% below the previous year's interest expense of $531.0 million. This decrease was mainly due to significant net loan repayments during the year.

Non-Interest Expenses

During the period under review the company incurred operating costs totaling $724.9 million and this represented an increase of 11% above the costs incurred in the previous financial year 2013/14 of $650.1million. The Bank continues to monitor its costs closely, as well as implementing cost-containment measures.

The following items which are included in non-interest expenses are significant or showed increases over the previous year.

	2014/15	2013/14
Staff Costs	**J$M**	**J$M**
Salaries	286.3	268.1
Vacation Leave	10.7	7.9
Clothing Allowance	6.8	6.3
	303.8	**282.3**

The 7.6% increase in salaries amounting to $18.2 million is attributable to the approval of an incremental pay system which the company instituted during the current year and staff vacancies which were filled.

- Professional Fees, which totaled $26.2 million for the year under review included:
  - CarisCris annual fee - US$15,000
  - Technical assistance to the Government's Growth Agenda Programme - $8 million
  - Technical assistance to the Ministry of Transport & Works - $8.3 million
  - Valuation of properties and IAS 19 Valuation for audited financial purposes - $1.7 million.

- Occupancy costs, which include electricity, Insurance, security and repairs and maintenance recorded an increase of 3% above the previous financial year. The increase resulted from the costs of repairs to buildings with a number of projects being undertaken, the most significant being repairs to the sewerage system at the Bank's Oxford Road premises.

Net Profit

The DBJ recorded a net profit of $1,108.2 million for the year ended March 31, 2015, and continues to carry out its mandate of providing financial solutions to viable projects and facilitate growth and development in the economy. The Bank has adequate reserves and assets to continue this mandate.

Asset & Equity Bases

Asset Base

The DBJ's asset base stood at $24,407.9 million as at 31 March 2015, representing an increase of 5% above the Total Assets recorded for the Financial Year 2013/14, amounting to $23,269.2 million. This was mainly due to increased loan disbursements to viable projects in the economy.

Equity Base

Shareholder's Equity increased by 14 per cent, moving from $8,468.2 million at the beginning of the current financial year under review to $9,616.1 million at the end of March 2015. The Equity base remains strong providing the foundation for the Bank to execute

A scene from Caymanas Track Limited which is being privatised through the DBJ.

Employees in the Packaging Unit at Lifespan Water Company in Portland. In 2014/15, the company benefited from DBJ funding which allowed it to broaden its market reach.

its mandate and play a pro-active role in fostering growth in the economy.

Funding

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows, internally generated cash provided from operations, as well as loans drawn amounting to over J$1.1 billion. Included in this amount was US$3.5 million from the Petro Caribe Development Fund, J$442.9 million from the National Insurance Fund (NIF) and US$1.3 million from the World Bank Energy line.

During the financial year under review the DBJ successfully negotiated a debt exchange with the Government of Jamaica amounting to J$520 million.

Funds Management

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

1. Capital Development Fund
2. Intech Fund
3. Rio Tinto Alcan Legacy Fund
4. Credit Enhancement Fund (CEF)

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

Loan Portfolio

At the end of the Financial Year March 2015, the total outstanding loan portfolio of the Bank stood at $16,729.2 million compared to $15,263.5 million for the financial year ended 31 March 2014, an increase of 10 per cent. The distribution of the outstanding loan portfolio at the end of the year 2015 and 2014 is shown as follows:-

	2015 J$'000	2014 J$'000
Loans to AFIs	9,314.9	7,780.3
Loans to PC Banks	1,078.9	1,264.5
Loans to direct borrowers	3,631.5	3,358.2
Loans to MFIs	768.0	537.1
Mortgage receivable	1,935.7	2,323.4
	16,729.0	**15,263.5**

Solvency

At the end of the period under review, the Bank reported a debt/equity ratio of 1.4:1 compared with the ratio of 1.8:1 at the end of March 2014. This ratio remains within the guidelines of the multilateral lending agencies, which stipulate a maximum range of 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.

Loan Origination & Portfolio Management (LOPM)

In 2014/15, the DBJ's lending operations continued to deliver outstanding results in support of the Government's Growth Agenda.

The Bank's continued emphasis on growth with social inclusion was highlighted by the provision of loan financing to support the creation of thousands of new jobs and by increasing access to financing by micro, small and medium-sized enterprises (MSME) through the delivery of over 9,000 MSME loans.

The DBJ's intensified engagement of MSMEs and Approved Financial Institutions (AFIs) continued to bear fruit with loans to MSMEs increasing by 86% to $4,259 million (or 56% of overall lending); while the value of loans issued through DBJ's AFI channel grew to $4,557 million or 59% of overall lending.

Review of Lending Activities

During the year, the Bank's lending activities facilitated new investments of $15,678 million and the creation of 3,639 new jobs while maintaining 19,809 existing jobs. This reflects a continued improvement on the $15,429 million in investments, 4,436 potential new jobs and 15,992 jobs maintained in 2013/14.

The loans approved, investments supported and potential new jobs created for 2014/15 were distributed by sector as below:

Loan Approvals

The DBJ's impact on new investments and job creation was facilitated through the approval of 9,083 new loans with a total value of $7,670 million compared to 9,815 new loans with a total value of $8,197 million in the previous year.

Loan approvals were distributed to various sectors and through the following channels as in Table 2.

Domestic Currency Approvals

Local currency loan approvals for the year amounted to 9,074 loans valued $4,287 million. These loans were realized through the following channels:

- Approved Financial Institutions – 107 loans valued at $3,279 million, up from 65 loans valued at $3,318 million

Table 1

	No. of Loans		Approvals		Investments		New Jobs	
Sector		**%**	**J$M**	**%**	**J$M**	**%**		**%**
Agriculture	975	10.7%	699.595	9.1%	1,079.302	6.9%	82	2.3%
Agro-Industry	4	0.0%	420.000	5.5%	721.386	4.6%	120	3.3%
Manufacturing	359	4.0%	1,075.540	14.0%	1,783.510	11.4%	190	5.2%
Mining & Quarry	0	0.0%	-	0.0%	-	0.0%	-	0.0%
Service & Transport	7,697	84.7%	2,085.814	27.2%	4,410.261	28.1%	465	12.8%
ICT/BPO	13	0.1%	1,591.840	20.8%	2,185.036	13.9%	2,518	69.2%
Tourism	35	0.4%	1,797.366	23.4%	5,499.453	35.1%	264	7.3%
TOTAL	**9,083**	**100.0%**	**7,670.156**	**100.0%**	**15,678.948**	**100.0%**	**3,639**	**100.0%**

Kingsley Palmer, a farmer for over 25 years in the Munro area of St. Elizabeth, grows vegetables using greenhouse technology. In 2014/15, a DBJ loan through the National People's Co-operative Bank allowed him to establish three greenhouses totaling 12,000 sq ft.

- National People's Co-operative Bank – 35 loans valued at $212 million, down from 84 loans valued at $428 million
- Micro Finance Institutions – 8,932 loans valued at $796 million, down from 9,642 loans valued at $620 million
- Direct Lending – 0 loans valued $0 million, down from four loans valued $676 million

Foreign Currency Approvals

Foreign currency loan approvals for the year amounted to nine loans valued at US$29.5 million. These loans were realized through the following channels:

- Approved Financial Institutions – three loans valued at US$11.0 million, up from two loans valued at US$7.8 million
- Direct Lending - six loans valued at US$18.5 million, compared with four loans valued at US$21.1 million

Loan Disbursements

The DBJ's loan disbursements for the year amounted to $5,340 million.

Local Currency Disbursements

Local currency disbursements for the year amounted to $3,964 million. These loans were realized through the following channels:

- Approved Financial Institutions –$2,731 million, down from $3,063 million in the previous year
- National People's Co-operative Bank – $220 million, down from $478 million
- Micro Finance Institutions – $854 million, up from $571 million
- Direct Lending – $159 million, down from $521 million

Foreign Currency Disbursements

Foreign currency disbursements for the year amounted to US$12 million. These loans were realized through the following channels:

- Approved Financial Institutions – US$0.8 million, down from US$7.8 million in 2013/14
- Direct Lending – US$11.1 million, down from US$18.1 million

Table 2

Channel	# of Loans	Loan Approval in J$'M	%
NPCB	35	212.133	2.8%
AFI	110	4,544.166	59.2%
MFI	8,932	795.938	10.4%
Direct	6	2,117.919	27.6%
Total	**9,083**	**7,670.156**	**100.0%**

Review of Lending Programmes

DBJ's Lending through Approved Financial Institutions (AFI)

The DBJ's primary channel for lending to the productive sector remains the extensive branch network of its AFIs which include all commercial banks as well as other lending institutions.

The DBJ's efforts during the year focused on increasing lending through existing AFIs as well as increasing its reach to MSMEs through the expansion of its distribution channels to new AFIs.

In October 2014, DBJ's board approved the expansion of the Bank's AFI network through the removal of the minimum $1,000 million net worth qualifying criterion. As a result, smaller regulated lenders such as individual credit unions that satisfy DBJ's risk criteria may now become accredited as DBJ AFIs. This will significantly expand the availability of the DBJ's loan, credit guarantee and capacity-building products to MSMEs.

JN Fund Managers Limited and COK Cooperative Credit Union were accredited as DBJ AFIs in 2014/15 with additional lenders being evaluated for accreditation in 2015/16.

During the year, the Bank continued its intensive engagement of its AFIs at all levels and all across the island. This included meetings with:

- Senior executives to explore solutions for lending to SMEs and secure institutional buy in on DBJ's SME and other initiatives
- Credit, risk and loan underwriting managers to ensure the suitability of DBJ products to their needs and streamline loan processing
- Loan officers to keep them updated on DBJ's products, generate leads and facilitate interaction with MSMEs; and
- AFI customers and MSME groups arranged by AFIs to market DBJ financing solutions

The Andrew Simpson farm in St Mary is a mix of bananas, plantains and coconuts; and livestock such as pigs and goats. A DBJ loan in this financial year allowed Mr Simpson to construct and equip a packing and processing facility to prepare bananas and plantains for the market and to purchase irrigation equipment.

These strategies continued to yield positive results in 2014/15 with 110 loans valued at $4,557 million approved through AFIs up from 75 loans totaling $4,225 million in the prior year. In addition, most of DBJ's AFIs have now established dedicated SME loan departments and products.

DBJ's Lending to Micro, Small and Medium-sized Enterprises

During the year, the Bank provided strong support to initiatives designed to increase access to affordable credit for MSMEs, resulting in MSME loans increasing by 86% over the previous year.

Initiatives undertaken during the year included the assignment of account executives to SME associations to understand and address the financing needs of their members while communicating the benefits of the DBJ's products and facilitating interaction with AFIs. DBJ account executives travelled island-wide, meeting with MSMEs, generating loan leads and following through to conversion. They were also assigned to MSME associations and sector groups to understand their needs, educate members about DBJ products and provide support with applications through AFIs. The Bank will further extend its reach to service groups of MSMEs who are part of larger supply chains, whether as purchasers of goods and services or as suppliers of inputs to larger firms.

In 2014/15, the DBJ facilitated the approval of 9,046 loans with a value of $4,259 million through its intermediaries for MSME sub-borrowers compared to 9,773 loans with a value of $2,289 million in 2013/14. Of this total, the vast majority – 8,932 loans totaling $796 million - were facilitated through the Micro Finance Institutions, while 25 loans valued $115 million went through the National People's Co-operative Bank; and 89 loans valued at $3,348 million were facilitated by Approved Financial Institutions to MSMEs.

SME Lending Window

The DBJ's local currency lending to SMEs increased by 101 per cent from $1,669 million in 2013/14 to $3,347 million in 2014/15. This follows a 118 per cent increase in 2012/13. It is expected that SME lending will continue to increase with DBJ's continued engagement of AFIs and MSMEs, the increased appetite of existing AFIs for SME lending, expansion of DBJ's AFI network and the increased delivery of capacity building products and credit guarantees.

In this regard, SMEs were able to access 20 loans valued $168.3 million through the National People's Co-operative Bank, and 64 loans valued at $1,149.5 million through Approved Financial Institutions.

This compares to 84 loans valued $428 million through the National People's Co-operative Bank, and 53 loans valued at $1,240.6 million through Approved Financial Institutions to SMEs in 2013/14.

An employee of Lifespan Water Company in Portland prepares crates of the finished product for delivery to clients. DBJ funding allowed the company to expand, in the process creating nine new jobs.

CEF Loan Approvals and Guarantees Since Inception 2010 (by year)

YEAR END	Loan	Guarantee	#
Mar-10	30,000,000	8,320,000	4
Mar-11	10,800,000	3,956,000	3
Mar-12	34,700,000	10,750,000	3
Mar-13	254,969,378	166,797,000	108
Mar-14	225,994,000	83,957,150	26
Mar-15	487,378,123	218,662,568	51
TOTAL	1,043,841,501	492,442,718	195

The DBJ's loans to the SME sector supported new investments of $5,191 million and 2,795 new jobs, while maintaining 2,712 existing jobs. This reflects a significant improvement on new investments of $2,677 million, 419 new jobs and 1,865 maintained in 2013/14.

In 2014/15, the DBJ's SME loans through the NPCB supported $319.7 million in new investments while creating 34 new jobs and maintaining 162, compared with $593.4 million in new investments while creating 44 new jobs and maintaining 497. The Bank's SME loans through AFIs supported new investments of $2,080.6 million, while creating 244 new jobs and maintaining 2,550 compared to prior year new investments of $2,128.0 million, while creating 375 new jobs and maintaining 1,368.

National People's Co-operative Bank

The National People's Co-operative Bank (NPCB) continues to be a critical distribution channel for ensuring access to financing for the growth of small and medium-sized farmers and enterprises in the wider rural economy.

During the year, the NPCB continued to increase lending from its own resources and, as a result, DBJ's lending through the NPCB further declined from 84 loans valued at $428 million to 35 approved loans valued at $212 million. The DBJ's loans supported $380 million in new investment and 50 potential new jobs.

DBJ's Lending to Small Farmers

The DBJ's lending for agriculture was significantly impacted by the prolonged drought that negatively impacted the livelihood of small farmers who continue to be vital players in the thrust towards national food security.

In this regard, 975 local currency loans were approved at a value of $700 million for this sector supporting investments of $1,079 million and 82 new jobs. This reflects a decrease from the 1,182 loans valued of $1,978 million in 2013/14.

Lovers' Leap, an historical site and tourist attraction in St. Elizabeth, is a 518-metre cliff overlooking the Caribbean Sea. The DBJ's Privatisation Unit is overseeing the efforts by the Ministry of Tourism to find private investors to develop and operate the property.

Micro Finance Institutions and the NPCB continue to be key channels for loans to the agriculture sector. Of the amount approved for lending to agriculture, 939 loans totaling $73 million were issued to small agriculture enterprises through MFIs, compared with 1,091 loans totaling $53 million. In the period under review, the NPCB facilitated 29 loans to farmers with a value $182.4 million down from 77 loans with a value $302 million in 2013/14, and 94 loans valued $455 million in 2012/13. AFIs accounted for seven loans to SMEs in agriculture valued at $444 million up from a total of six loans valuing $424 million made by AFIs for agriculture during the year.

It is expected that the DBJ's lending to small farmers will increase in 2014/15 with improved weather conditions, the continued expansion of agro-parks and individual holdings, as well as the expansion of the Bank's AFI network and the availability of capacity building and loan guarantees.

SME Credit Enhancement Facility

The Credit Enhancement Facility (CEF) was established with the objective to significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs.

Through the CEF, the DBJ is able to leverage the island-wide AFI network to issue more loans to SMEs, while the guarantees allow the AFIs to build experience in the SME market. Under the programme AFIs apply to DBJ for guarantees to support SMEs who are otherwise well qualified but lack sufficient collateral.

During the year, based on its ongoing engagement of SMEs and AFIs, and with technical assistance from the World Bank, the DBJ undertook developments to further increase the utilization of the CEF by SMEs and AFIs.

These amendments resulted in an increase in the coverage amount of guarantees from $10M to $15M; the reduction in the qualifying period for start-ups from two years to one year; increased percentage coverage on smaller loans; expanding coverage to AFI funded loans; and improved claim and payout terms for AFIs.

CEF guarantee coverage is available as follows:

- General SME loans - 50% of loan up to a maximum of J$15 million
- SME Energy loans - 80% of loan up to a maximum of J$15 million
- Small loans of J$6.25 million or less - 80% of loan up to a maximum of J$5 million

During the year, utilization of the CEF more than doubled with the Bank approving $218.6 million in guarantees through eight AFIs to allow 51 SMEs to access $487.38 million in loans. This compares to 26 guarantees valuing $83.95 million and supporting $225.99 million in loans through seven AFIs in 2013/14.

Since inception, the CEF has issued guarantees totaling $492 million allowing 195 SME sub-borrowers to access $1,044 million in loans for which they would not otherwise have qualified. The annual results are summarized in Table 1.

Guarantees under the CEF supported loans which created over 80 new permanent jobs, 90 new temporary jobs and maintained 700 existing jobs across various sectors.
The Agriculture sector received a total 135 of the 195 loan guarantees from the CEF and accounted for 40.1% of the total number of guarantees issued. The Services sector accounted for 33.9% with 37 guarantees issued, with Manufacturing at 22.6%, Agro-processing 2.6%, and Distribution 0.9%.

During 2014/15, the DBJ's Credit Enhancement Facility received an award from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for its role in addressing the challenges of MSMEs' access to finance.

Table 1

YEAR END	No. of Loans	Project Cost (J$)	Loan Approved (J$)
Mar-10	5	68,725,000	68,725,000
Mar-11	5	135,089,683	58,326,800
Mar-12	7	506,617,000	174,500,000
Mar-13	77	2,093,837,787	658,230,714
Mar-14	39	1,990,078,067	658,786,124
Mar-15	41	1,073,576,995	595,595,407
TOTAL	**174**	**5,867,924,532**	**2,214,164,044**

Rio Tinto Alcan Legacy Fund for Jamaica (RTALF) – Loan Guarantee Fund Programme

Rio Tinto Alcan Inc., a Canadian company, has committed funds totaling US$1.8 million to establish a self-sustaining endowment fund to be called the "Rio Tinto Alcan Legacy Fund" (RTALF) in order to promote rural development in St. Ann, St. Catherine and Manchester. This initiative is consistent with the Government's development strategy by targeting low income households and increasing lending and providing training programs to the agricultural sector.

The RTALF agreement provides for the annual surpluses of income to be allocated to scholarships and loan guarantees in the proportions of 25% and 75 % respectively. To date the fund has realized an accumulated net increase of US$400,000.00 and net assets of US$2.2 million.

Since 2011, the RTALF has issued more than 100 agricultural scholarships valuing over US$72,000.00 to secondary and tertiary students from the approved parishes. Additionally, the Fund will provide loan guarantees for micro enterprises undertaking agriculture projects in the targeted parishes through DBJ's accredited micro finance institutions in 2015/16.

The RTALF has issued more than 100 agricultural scholarships valuing over US$72,000.00

DBJ's Lending for Energy Conservation, Efficiency and Renewable Energy

During the year, the Bank continued to support the national efforts toward energy conservation, energy efficiency and the adoption of renewable energy solutions by providing and promoting financing for energy investments to MSMEs and householders through its AFIs and MFIs. DBJ continued to market its energy loans, guarantees and audit grants and has also partnered with energy efficiency providers to increase the availability of DBJ's products to reach their customers.

The Bank's loan financing for energy projects, while focused on MSMEs, is available to all businesses and is not restricted to those in the productive sector. The Bank also provides loans for training and conducting energy audits, as well as for suppliers of energy equipment.

During the period under review, 41 loans totaling $595.6 million were approved under the DBJ's Energy lines. In 2013/14, DBJ made Energy loans to 39 projects totaling $658.78 million; including one loan for $198 million to Caribbean Broilers to install photovoltaic panels on 65 poultry houses for their farmers.

As outlined below, the DBJ has significantly increased its lending for energy since 2009 and has approved energy loans totaling $2,214.1 million to 238 projects.

Direct Lending

DBJ-PetroCaribe ICT/BPO Loan Facility

In November 2011, the DBJ in conjunction with the PetroCaribe Development Fund, the Ministry of Industry Investment and Commerce and Jamaica Promotions Limited (JAMPRO) launched a line of credit to provide direct loans for the construction of Information Communication Technology/Business Processing Outsourcing facilities.

The facility, which is the DBJ's major job creation initiative, provides loans at 4.5% per annum, repayable over 12 years to encourage developers to construct, expand or renovate large facilities of a minimum 40,000 sq. ft. or 800 seats each.

Since inception, the Bank has received 10 applications for US$47.6 million. Of this total, seven projects were approved for US$34.4 million to create approximately 449,000 sq. ft. of ICT space and over 12,000 jobs, reflecting among the highest number of jobs per dollar of investment of projects in Jamaica.

These facilities include:

- A 48,000 sq. ft. facility at the University of the West Indies, Mona, St. Andrew
- Two 50,000 sq. ft. facilities at Barnett Tech Park in Montego Bay, St. James
- A 99,750 sq. ft. facility in Mandeville, Manchester
- A 52,000 sq. ft. facility in Portmore, St. Catherine
- A 75,000 sq. ft. facility at Montego Freeport, Montego Bay, St. James; and
- A 74,000 sq. ft. project comprising three buildings in New Kingston, St. Andrew, and Spanish Town, St. Catherine.

A loan for US$2.3 million to construct a 40,000 sq. ft. facility was subsequently decommitted.

Most of the DBJ-funded facilities have either been completed and leased to an operator, or are under construction with advanced negotiations for lease. As a result, the Bank is seeing increased demand from developers for funding to establish facilities.

This demand is driven in part by the Jamaica's growing image as a BPO destination with the presence of various major global BPO operators, and by Government initiatives to facilitate the sustainable growth of the industry. These initiatives included the development of a National Five-Year Outsourcing Strategy that was approved by Cabinet in March 2015 and will set the stage for focused expansion of the industry to exploit Jamaica's comparative advantages.

To facilitate this growth, the Bank is collaborating with private sector and multilateral financiers to complement the DBJ's own funding by participating in meeting the construction and working capital requirements of the industry.

A frontal view of K&T Development Limited, located in Mandeville, Manchester. DBJ funding allowed the company to build, lease and manage the 100,000 sq. ft. Business Process Outsourcing facility which has the potential of seating 2,000 employees,

Micro Finance Institutions

The DBJ is the Government's lead agency for the co-ordination of all related interventions in the micro finance sector and is mandated to attract and facilitate donor and commercial funding for the local micro finance industry.

Recognizing the importance of micro enterprises to the development process, in April 2009 the Government approved the DBJ's initiative to open a Micro Finance Lending Window with the following objectives:

a. To accredit Micro Finance Institutions (MFIs) in Jamaica
b. To provide loan funds, on a revolving basis, to these DBJ-accredited MFIs
c. To increase loan funding available to micro-entrepreneurs; and
d. To act as an incentive for increased activity in this sector.

Based on the success of the Bank's intervention in this sector, in 2014 the DBJ expanded its role in the development of micro businesses by upgrading its MFI unit to a Department with a General Manager.

Micro businesses, which are enterprises with fewer than five employees and less than J$10 million in annual sales revenues and/or assets, represent more than 90% of all businesses in Jamaica. The DBJ fully understands that 'the Micro Business of Today, is the Small and Large Business of Tomorrow' and that 'Micro Businesses = Macro Impact' on the Jamaican economy.

Micro Loan Performance 2014/2015

MFI DIVISION	FY 2014/2015 MICRO LOAN PERFORMANCE			
LOANS PERFORMANCE	TARGET '000	ACTUAL '000	VARIANCE '000	%
TOTAL APPROVALS	$ 900.00	$ 911.36	$ 11.36	1.26%
TOTAL DISBURSEMENTS	$ 670.19	$ 1,048.96	$ 378.77	56.52%

Since 2009, DBJ has accredited 12 MFIs through which more than $3 billion has been disbursed to micro business owners via 44,414 loans in sectors that include manufacturing, service, agriculture, distribution and trading, tourism, entertainment and energy, among others.

Loan Disbursement Target Exceeded

Total disbursement of micro loans for the year was $1,048.964 million which is $378.77 million (56.52%) above the annual target of $670.191 million.

Loan Approval Target Exceeded

For the same period, total approvals of micro loans amounted to $911.4 million, surpassing the $900.00 million target by $11.36 million (1.26%).

More Loans Being Extended

The $911.4 million loans extended in 2014/2015 is the largest volume of micro loans extended in any one year since the introduction of the MFI Window in 2009.

Loans Quadrupled

Annual disbursements of loans to microenterprises more than quadrupled, growing from $200 million in 2009 to over $900 million in 2014/2015, a 450% increase.

Micro-loans Extended

A total of 8,957 loans were issued in the 2014/2015 Financial Year alone. This is the largest number of loans issued in any one year so far.

Over $1 billion in Investments in 2014/2015:

For the first time, the DBJ surpassed the $1 billion mark ($1,111,359,593) in total investments facilitated in one year.

Micro Loans - 1 March 2009 to 31 March 2015

Year ended	No. of Loans	Approved	Disbursed	Percent of Total
31-Mar-09	4,347	200,000,000.00	200,000,000.00	6.46%
31-Mar-10	2,077	174,172,970.32	174,172,970.32	5.63%
31-Mar-11	4,215	228,602,855.37	228,602,855.37	7.39%
31-Mar-12	6,995	491,482,736.12	491,482,736.12	15.89%
31-Mar-13	8,207	613,682,596.97	575,479,632.51	18.60%
31-Mar-14	9,642	620,030,451.00	570,233,415.46	18.43%
31-Mar-15	8,931	795,938,877.17	853,938,877.17	27.60%
Total	**44,414**	**3,123,910,486.95**	**3,093,910,486.95**	

Job Creation/Retention

The DBJ facilitated the creation of 273 new jobs during the financial year. Loans through the MFI Department assisted with the retention of 10,623 existing jobs, and 938 temporary jobs.

Loan Distribution by Sector

For Financial Year 2014/2015, the distribution of loans disbursed was to the following sectors as indicated: Distribution/Trading (51%), Service (30%), Agriculture (9%), Manufacturing (3%), Transportation (3%), and other areas (3%).

Major MFI Division Initiatives 2015/2016

Micro Credit Act (MCA)

For several years now, the DBJ has been facilitating, and will continue to facilitate, consultations and feedback from stakeholders to assist with the timely drafting and enactment of an effective and empowering Micro Credit Act to regulate the micro finance sector.

Micro Insurance

In an effort to reduce the financial vulnerability faced by many microenterprises, the DBJ is seeking to have micro insurance available to micro borrowers. Micro insurance helps to create financial resilience by ensuring that loans are paid out by insurance proceeds in the event of death or incapacitation of the borrower. Instead of the borrowers' assets (for example, a car) being taken from the family to honour the debt, the insurance pays out the loan and the "debt dies with the debtor." The DBJ is now being represented on the Micro-insurance Consultative Committee, which was formed by the regulator of the insurance industry, the Financial Services Commission (FSC).

Financial Inclusion

Micro insurance also facilitates greater levels of financial inclusion by giving micro finance institutions more comfort in offering loans to persons who otherwise would not have qualified. The DBJ is a member of the World Bank-led National Financial Inclusion Strategy (NFIS) Committee, and the DBJ has being making its contributions thereto.

Unlocking Innovation in the Productive Sectors

In order to further facilitate robust and sustainable economic growth and development, the DBJ will be offering more loans to the productive sectors, so that pent-up ingenuity and innovativeness can be unleashed, especially among microenterprises. A new loan product, geared towards the productive sectors will be introduced within the financial year.

> The DBJ will be offering more loans to the productive sectors, so that pent-up ingenuity and innovativeness can be unleashed

Social Inclusion Projects

The highlighted projects in this section represent examples of the Bank's activities in the micro, small and medium-sized enterprises sector and across the social spectrum so as to empower all Jamaicans to improve the quality of their lives and contribute to the country's development.

Knots & Wishes Logistics

Located in the Trinityville area of St. Thomas, Knots & Wishes Logistics is a micro business that is involved in the provision of services that allow a stress-free experience for their clients. Included in the services it provides are decorations for all events, dry cleaning and steam pressing, floral arrangements, and rental of bridal wear and formal clothing, among others.

The company, which was established in April 2014, takes the burden off persons getting married, grieving or otherwise. According to proprietors Andeous Gillings and Denise Logan, "Whatever the occasion is, we onus the responsibility. We cover all needs for conferences, parties, wedding, funerals and other occasions."

Knots & Wishes Logistics has benefited from several loans from Proactive Financial Services, a DBJ-approved micro finance institution.

Milverton Reynolds, seated right, DBJ's Managing Director, and Novlet Deans, seated centre, Chief Executive Officer of Environmental Health Foundation, sign the agreement under which the DBJ will provide approximately $7 million to the EHF to provide a range of services to the Parade Gardens community in Central Kingston. Seated at left is Claudine Tracey, DBJ's General Manager for Strategic Services; and standing, from left, are Charmaine Brimm, Technical Specialist for Socio-economic Development in the Community Renewal Programme at the Planning Institute of Jamaica; Edward Bailey, EHF Director; Shaka Payne, Vice President of the Parade Gardens Community Centre; and Shakira Pickersgill, Legal Officer at the DBJ.

A class in session at Kidz in Paradise Nursery and Pre-School

Kidz in Paradise Nursery and Pre-School

Established in 2004, Kidz in Paradise Nursery and Pre-School is based in the Windward Road area of eastern Kingston. It provides nursery, pre-school and after-care services in a safe and secure environment for approximately 90-100 children between the ages of 12 months and six years.

The institution currently provides fulltime employment for 12 employees and plans to expand its workforce and its facilities to accommodate special needs children.

Since 2007, the Founder and Manager Janice Martin has been a customer of Access Financial Services, a DBJ-approved micro finance institution, and has had 17 loans with them.

U-TOUCH 2

U-TOUCH 2 is a fully functional multimedia software using both Jamaican Sign Language and Jamaican Standard English and functions both on Microsoft PC and Android platforms. It is expected to improve the understanding and use of the English language and enhance reading and comprehension skills among deaf and hard-of-hearing students at the pre-primary to high school levels.

In recognition of the project's potential to (a) facilitate growth with social inclusion, (b) develop the capacity of potential clients from a disadvantaged entrepreneurial community and (c) increase DBJ's visibility among the deaf and hard of hearing community, in November 2014 the DBJ's Board of Directors approved grant funding to UTech in the amount of J$7,229,600 out of the total project cost of $10,328,000 towards the development of the project and the public awareness related activities to it.

According to UTech, the benefits deriving from the Project include:

a. Enhancement of the likelihood of the beneficiaries' satisfactorily completing their secondary education and benefitting from higher education

b. Improvement of the status of local sign language

c. Potential to assist the entire local deaf and hard of hearing community which is estimated at 75,000, including adult learners

d. Potential for similar content to be developed to assist students with other learning challenges

e. Improvement in teachers' pedagogical strategies for quality output

f. Preparation of a research paper with a proposed framework on how to develop multimedia learning software targeting learners and students with learning challenges; and

g. Potential for replication of the project throughout the Caribbean.

Empowering Parade Gardens, Kingston

In February 2015, the DBJ board approved funding of $7 million of a total project cost of $21.5 million to a 12-month social intervention project in the inner-city community of Parade Gardens in central Kingston which includes volatile areas such as Southside and Tel-a-Viv.

Under the programme, the skill sets of 90 residents of the community will be developed by means of behavioural change workshops and certified skills training in renewable technologies, food preparation, and driving lessons to secure driver's licences and employment opportunities. The project will also include outfitting the Parade Gardens Community Centre with a 10KW solar power system and LED lighting, along with 35 households in the community being outfitted with LED lighting.

The project will be administered by the Environmental Health Foundation in partnership with the HEART Trust/NTA, the Planning Institute of Jamaica, Caribbean Maritime Institute, the Social Development Commission and the Citizen Security and Justice Programme.
Approximately 11,000 members of the community are expected to benefit directly from its implementation.

G & M Farm Produce

G & M Farm Produce was formed in 2008 by Mr. Gareth O. Gayle who launched his venture of growing wholesome crops to offer safe and fresh-off-the-farm produce, with a difference. He produces melon, tomatoes, sweet pepper and cabbage and operates a green grocery delivery service of fruits, fresh vegetables, ground provisions, green seasoning, meat and eggs in Kingston to business places and private homes.

Over two years ago, Mr. Gayle ventured into animal husbandry, specifically in the area of pig rearing. Although it initially posed some challenges, his pig farm has continued to grow and he has been able to supply quality pork to meet the demands of the Jamaican market. His clients include not only butchers but also supermarkets in Kingston and Manchester.

Working under the slogan 'Safe and fresh is always best' G & M Farm Produce enthusiastically supports the "Buy Jamaica, Build Jamaica" campaign.

Mr. Gayle has been a client of the DBJ-accredited MFI McKayla Financial Services for over four years and currently employs four part-time workers and can be found on the Internet www.facebook.com/gandmfarmproduce.

Natural I Foods

Natural I Foods is a drinking water purification and health smoothies business in Mid-Spring Plaza on Constant Spring Road in St. Andrew. Established in 2011, it is owned and operated by Rohan Henry who first started with selling water that was filtered via a purification process which produces ionized alkaline and acid water through electrolysis.

Mr. Henry invested in a technological purification unit called Enagic Kangen Water Ionizer and expanded into bottling and supplying the product to his customers. He then set up a water bar and by 2012 expanded his offerings to include fruit and vegetable smoothies.

Mr. Henry, who is a client of the DBJ-accredited micro finance institution JN Small Business Loans Limited, said that loan funds have been used to purchase equipment and to renovate his new location, among many other things. He is about to seek additional funding to set up a lounge area for patrons, purchase additional equipment and facilitate wholesale purchases. He is also contemplating installing a water tank and a solar system to reduce energy consumption.

One of the beautiful products created at Knots & Wishes Logistics

Strategic Services

The Strategic Services Division (SSD) provides services for the DBJ by

- Facilitating capacity development to improve access to financing for the micro, small and medium-sized enterprises (MSME) sector
- Developing new products for the DBJ to deliver greater value
- Providing enterprise-wide research and analytics support to measure and monitor DBJ's impact
- Providing enterprise-wide risk management and compliance management services
- Managing relationships with key stakeholders in the MSME sector
- Managing special projects that will strengthen the DBJ's ability to support Jamaica's economic growth; and
- Managing the DBJ's strategic planning process and execution of strategy

Addressing Gaps and Market failures through Capacity Development

As a development bank, the DBJ is mandated to support and execute programmes that will benefit firms in strategic sectors of the economy and address gaps in areas that are underserved by private entities.

A huge gap that continues to exist is efficient business management. To address this gap, the DBJ provides capacity development support to MSME firms in priority areas to allow improvement in access to financing, global markets and supply chains; improving the flow of information between MSMEs and stakeholders, and fostering innovation and entrepreneurship.

These key areas are underpinned by components of SME development through mentorship and coaching and adherence to global standards. Once the market gaps are addressed, improved results are expected in employment and business efficiency, ultimately contributing to the sustainable growth of the enterprises.

The DBJ utilizes a research-driven approach when developing capacity development programmes that are often influenced by needs indicated by the stakeholders within the MSME industry. Some areas of focus include the development of the manufacturing and agricultural sectors, energy efficiency and capacity building for new and emerging sectors, industries and products. Additionally, the Bank has a counterpart investment strategy that leverages its own funds with that from our local and international partners including the Inter-American Development Bank [IDB] and the World Bank.

Impact in Financial Year 2014/15

- Over 500 MSMEs have benefitted from capacity development initiatives or DBJ-supported programmes focusing on business formalisation, integration of export strategies, provision of incubation services, training to pitch to investors and improving access to credit financing.
- Over 109 jobs have been created as a result of DBJ-facilitated business development initiatives. These firms were able to become formalized or to improve their existing business activity.
- The DBJ issued 65 vouchers for technical assistance, potentially unlocking loans of J$775 million over the 12-month pilot project, to SMEs who were actively seeking credit for their businesses. These businesses were able to redeem their vouchers at one of the DBJ's approved business development organizations and are now empowered not only to access credit, but also to improve their businesses and put them on a path of growth and sustainability.
- Over 60 new businesses have been created or supported by the business development programmes. New businesses were created in the areas of energy sustainability, information technology (IT) solutions, services and agricultural innovations

Fighting Information Asymmetry - Equipping SMEs with knowledge

The DBJ, in partnership with the University of the West Indies, launched a financing directory which provides a comprehensive list of funding opportunities for micro, small and medium-sized businesses that are seeking financing opportunities to make their entrepreneurial ideas a reality.

The directory not only lists a range of financing options such as loans, grants, venture capital and equity financing but also details the features of these financing options and the eligibility criteria.

An entrepreneur is now able to a search for any type of financing using this web portal. The user is provided with information on the financing options and is shown how to access the relevant institutions which provide the financing. The directory is user friendly and provides a one-stop shop for all the necessary information on sources of financing.

Over 60 private, public and multilateral funding institutions have provided information on some 72 financing products present in this finance directory. The MSME simply has to log on to www.findmsmefinancing.com.jm to access the information.

Milverton Reynolds (seated right), DBJ's Managing Director, and Wayne Lawrence, Managing Director, Denway Corporation Ltd, on March 31, 2015, signed an agreement under which small and medium-sized enterprises will be able to access critical marketing and business administrative support from DenWay through the Voucher for Technical Assistance programme. Standing are Denise Watts-Lawrence (left), Director, Business Development, DenWay Corporation, and Joan Lawrence, DBJ Account Executive.

Addressing business inefficiencies - Equipping SMEs with tools to build their capacity

After entrepreneurs have identified the kind of financing in which they are interested, they may encounter challenges in accessing the funding. For example, the entrepreneur who wishes to borrow from a financial institution, but lack business documentation required to access credit from financial institutions, can now get a Voucher for Technical Assistance to pay for these documents and support services. Such services include bankable business plans, marketing plans, up to date financial statements and also mentorship and coaching to improve the outlook of the entrepreneur.

The entrepreneur can be issued a voucher by any business banker from one of DBJ's Approved Financial Institutions

The Story of the First Voucher

The first voucher was issued to an agro-processor in Yallahs, St. Thomas, employing 70 persons and which was seeking a loan of $30 million to expand its operations and begin manufacturing year round.

The proprietor had a strong business model and a vision for the growth of his company that he wanted to make a reality. The financial institution that he approached was at first unable to issue a loan because he did not have financial statements. But the business banker was armed with

Richard Burgher, DBJ Board Member; Milverton Reynolds, DBJ Managing Director; Joseph M. Matalon, Chairman of the DBJ; Claudine Tracey, General Manager of Strategic Services, DBJ; and Professor Densil Williams, Executive Director of Mona School of Business & Management (MSBM) celebrate the launch of 'Jamaica's MSME Finance Directory' on January 21. The directory, which is accessible at www.findmsmefinancing.com.jm, provides information on a range of financing options and technical assistance available to entrepreneurs.

electronic vouchers from the DBJ for exactly this situation.

The agro-processor received a voucher to prepare his financial statements with the assistance of a DBJ-approved business development organisation and was able to return to the bank with the required documents in hand. The Bank issued the loan which enabled investments of $58 million, allowed an additional 60 fulltime and 130 part-time workers, and increased production to employ these persons year round producing canned ackee, callaloo and breadfruit as well as teas for export to the United States, United Kingdom and Canada.

All commercial banks are now participating in the project, and have issued vouchers which should generate approximately $775 million in loans. The value of the vouchers issued during the period under review amounts to $17.7 million.

Supporting Innovation & Entrepreneurship

U-TOUCH Software

Individuals and MSMEs of the deaf and hard-of-hearing community, estimated at 75,000 are expected to benefit from DBJ's grant support to University of Technology to further develop the U-TOUCH software that will improve the understanding and use of the English language. This project is indicative of the DBJ's social inclusion strategy, providing opportunities for a better quality of life for all Jamaicans.

CRIMEBOT Application

Think Brite Solutions, a participant of the accelerator programme in Jordan, has received a DBJ grant of $1.5 million for the launch and operation of its software application – 'CRIMEBOT.' The platform of this application allows mobile users to anonymously report on crimes, view hot spots for their personal security and view crime statistics.

Bakari Digital Labs

Bakari Digital Labs Limited, a Jamaican software manufacturing company, has created an innovative cloud accounting software called HeadOffice. HeadOffice provides key performance indicators, invoicing, recording of bills, management of inventory, staff records, GCT returns, payroll and the generation of income tax documentation specifically for Jamaican businesses. The DBJ's grant of $1.5 million is being used to provide external validation of the software by a subject matter expert. The testing of the software has commenced where the computerized instructions which will be stored and used as standards for new developments.

H2-Flex Hydrogen Generator

Inventor Harlo Mayne received an innovation grant of $1.9 million for the patenting of the H2-Flex Hydrogen Generator. The H2-Flex Hydrogen Generator provides high quality, inexpensive, and clean renewable energy for the transport industry by converting water into hydrogen gas on-demand for all internal combustion engines (ICEs), hybrid and electric vehicles.

Start-UP Jamaica Incubator

The Youth Employment in Digital and Animation Industries project has received a DBJ grant of $10.5 million for consultancy services to kick-start Component 2: Establishment of Start-up Jamaica (SUJ) of this project. This component has resulted in three companies supported to participate

in the accelerator programme in Jordan, where seed capital from project's partner Oasis500 will be provided to the companies.

Institutional Strengthening to Intermediaries

Strengthening the operations of the Jamaica Society of Energy Engineers

The Jamaica Society of Energy Engineers (JSEE) is an independent, not-for-profit organisation established primarily to be the official Chapter of the Association of Energy Engineers (AEE). The JSEE is franchised to train and certify energy professionals for the Certified Energy Manager's (CEM) exams.

It has received a grant of $6 million to establish a programme to strengthen its operations while increasing the number of Certified Energy Managers (CEM) and energy professionals in the industry, who will be able to support the adoption of and investment in energy efficient methodologies and renewable technologies in Jamaica.

During 2014/15, $850,000 was disbursed to JSEE and, within the same period, 11 CEMs have been trained, eight of whom have acquired CEM certification from JSEE bringing the total number of CEMs to 40.

Support through Energy Programmes

Productivity & Business Improvements

The DBJ continues to execute a programme to provide entities with grant funding to analyze their energy usage and provide recommendations on how to reduce the overall cost of energy to the business. That is, to conduct an energy audit. The energy audit reports have revealed that, on average, 40% of the energy costs can be reduced by making an investment in energy efficiency practices. To achieve this, the programme provides a maximum of $200,000to eligible businesses to conduct energy audits.

A total of 26 energy audits have been approved through the DBJ's energy grant programme this year with the potential to unlock a total

Claudine Tracey (seated left), DBJ's General Manager of Strategic Services and Mignon Manderson-Jones (standing left), Manager of Capacity Development at the DBJ, join Ambassador Burchell Whiteman (second left), Chancellor of the University of Technology; Dr. Paul Golding , Associate Professor & Dean, College of Business and Management; Professor Colin Gyles, Deputy President; and Dr. Claire Sutherland, Senior Director, International and Institutional Linkages, at the signing of an agreement for the DBJ to provide funding to the university to develop software to assist Jamaica's deaf and hard-of-hearing community.

over J$150 million in investments in energy efficiency and renewable energy.

Mobile Money for Microfinance

Another imperative for the DBJ is to increase financial inclusion and reduce lending transaction costs especially in the micro finance industry. The main strategy for this is through electronic retail payment services via its Mobile Money for Micro Finance Project.

A primary objective of the project involves the introduction of mobile money technology to help reduce operating costs and introduce efficiencies for participating micro finance institutions, as well as increase their outreach to a wider target customer base.

Savings arising from the reduction in the operating and transaction costs of can be passed on to micro-entrepreneurs in the form of lowered interest rates.

The implementation of mobile money technology is expected to increase micro business survival and growth as a result of the increased access to microfinance services.

Countries that have implemented mobile money initiatives have seen up to 80% reduction in transaction costs. This benefit would be passed on to end borrowers in reductions in interest rates on loans.

Significant progress has been made with the development of the mobile money services platform and the integration of the platform with the national payments gateway, which is a key component being facilitated by our banking partners at National Commercial Bank.

In January 2015, the DBJ and its partners completed preliminary acceptance testing of the services with a select group of microfinance employees and customers. In March 2015, the Inter-American Development Bank executed the first grant disbursement to the project, a significant portion of which will be used to strengthen financial education and financial awareness of micro entrepreneurs.

Strengthening of the Enterprise Risk Management (ERM) and Compliance Programmes

The Bank implemented an ERM programme in 2012 to manage its risk on an eenterprise-wide basis, ensuring on-going, continuous risk management which is embedded within the business cycle, starting with strategic planning and carrying through to execution and evaluation.

Regular meetings of the Enterprise Risk Management (ERM) Committee of the Board have been held to review risk reports and make critical decisions and recommendations to the Board to minimize the Bank's risk exposure and manage its strategic and key business risks.

In 2014/15 following the policies were approved:

- ERM Policy
- Compliance Policy
- Anti-Money Laundering (AML) Policy

The DBJ therefore remains committed to developing and sustaining an effective and efficient environment for the MSME industries by strengthening the capacity of MSMEs to borrow, invest and expand. We will also ensure that our business intermediaries in the M&SME ecosystem, such as our AFIs, MFIs and business development organizations are equipped to provide adequate business development services, financing and support.

The implementation of mobile money technology is expected to increase micro business survival and growth

Jamaica Venture Capital Programme

A vibrant venture capital and private equity (VC-PE) industry operates on multiple legs that include:

a. High potential, dynamic entrepreneurs and businesses that are structured and ready to receive venture capital financing;

b. The availability of capital – corporate, institutional, angel investors; and

c. An environment that facilitates seamless transactions, including cross border dealings.

The DBJ's role in this development, through the Jamaica Venture Capital Programme (JVCP), has been catalytic. The DBJ has driven the process of linking and mobilizing private and public sector stakeholders, provided training and capacity building and has assumed the role of anchor investor, along with other investor partners, in venture capital funds which are now being established by local and international investors, intent on investing in Jamaican companies.

During the year under review, the DBJ and its investor partners have been able to mobilize the interest of local and international fund managers, several of which were actively fund raising and were receiving commitments from local investors.

Two Angel Investor Networks have been established by private sector individuals and many new entrepreneurs have emerged through pitch events and initiatives such as the National Business Model Competition and Start Up Jamaica.

All of this points to an increased dynamism of the local venture

Hon. Julian Robinson (centre), Minister of State in the Ministry of Science, Technology, Energy and Mining, discusses venture capital matters with DBJ Chairman Joseph M. Matalon (second right), Managing Director Milverton Reynolds (right), Yousef Hamidaddin (second left), Chief Executive Officer of Oasis500, the first entrepreneurial development and investment company of its kind in the Middle East, and Fabio Pittaluga, Senior Social Development Specialist for Latin America and the Caribbean at the World Bank, at the Second Annual Conference of the Jamaica Venture Capital Programme in September 2014.

capital ecosystem, which must continue to be reinforced through strategic initiatives under the JVCP.

In the short to medium term, the DBJ will continue to lead the process of nurturing this growing industry, but ultimately it must be private-sector led. The DBJ has already signaled its commitment to investing in VC funds alongside other private sector entities, and has earmarked $1 billion over the next five years to be invested in VC-PE funds investing in Jamaican businesses. These funds, it is anticipated, will leverage private sector funding of several billion dollars over the medium term.

Some of the accomplishments of the JVCP over the past fiscal year include:

Mobilization of Venture Capital Funds

An Investor Panel comprising local private and public sector investors, including institutional investors, corporates, investment bankers and advisors, pension funds and multilateral partners, was established in April 2014. This 'Panel' represents a consortium of prospective local investors, with access to significant pools of capital.

Through the mechanism of the Investor Panel, the DBJ continued to pursue its mandate of encouraging the establishment of venture capital and private equity funds operated by qualified new or existing, local and/or international fund managers, who are fund-raising for the purpose of investing in companies operating in Jamaica. Prospective fund managers were invited to respond to a 'Call for Proposals' and qualified respondents to the 'Call' had the opportunity of presenting their proposals directly to the members of the Panel. The DBJ has provided training on the private equity/ venture capital asset class for members of the Panel, and has led the due diligence process, through the establishment of a framework for evaluation and selection of prospective fund managers.

Of the eight proposals received (four from local managers and four from international fund managers), a short-list of five fund managers were completing the due diligence process, as at the end of the fiscal year, and it is anticipated that final selections of fund managers, would be completed early in the ensuing fiscal year.

Identifying Legal, Taxation & Regulatory Framework gaps

Having identified a number of legal, taxation and regulatory changes that are required within the local jurisdiction, to facilitate VC transactions, the DBJ's VC Team has undertaken a number of initiatives aimed at addressing these gaps.

A Taxation Working Group comprising public and private sector attorneys, tax accountants, Government of Jamaica Tax Policy specialists, the Financial Services Commission (FSC) and the DBJ are reviewing the existing taxation legislation, under the Income Tax Act, with a view to clarifying the processes for applying for taxation incentives and identifying legislative amendments, where applicable.

A submission regarding these legislative amendments will be submitted for consideration by the Ministry of Finance and possibly the Cabinet during Financial Year 2015/2016.

Dialogue has been ongoing with the FSC, regarding the regulatory framework, in particular, the limits for investment by pension funds and insurance companies in private equity/venture capital funds, in keeping with best practices in other jurisdictions.

Legal Toolkit

A 'toolkit' of VC-PE best practices, guidelines, forms, agreements and templates, adapted for the local jurisdiction has been prepared by the DBJ's attorneys and made available to industry stakeholders. We believe that this compendium of documents will greatly assist in reducing the overall legal costs to stakeholders undertaking VC-PE transactions, and provides stakeholders with a complete view of the types of documentation required to undertake VC transactions, as well as an appreciation of the best practices required by international VC practitioners.

The 'toolkit' was presented at a Legal Forum held in February 2015, where 180 participants including lawyers, accountants, business service provides, investors and entrepreneurs were in attendance.

Dr. Peter Phillips (centre), Minister of Finance and Planning, speaks with JVCP Project Coordinator Audrey Richards and Harvard University Professor Josh Lerner, who was the guest speaker at the JVCP's Second Annual VC Conference in September 2014.

There was overwhelming support for the 'toolkit' with some members of the legal fraternity requesting a 'stand-alone' training workshop specifically for lawyers. This is to be scheduled for the third quarter of the 2015/2016 financial year.

Knowledge Development

As the industry develops it is critical that all stakeholders are exposed to international best practices and so the sharing of knowledge and the building of awareness is paramount. During the year under review the JVCP team made in-roads into, and increased the appreciation and understanding of, this new asset class through the following events and engagements:

VC Conference

Building on the success of the first VC Conference, held in September 2013, the JVCP's second Conference was held in September 2014 at the Jamaica Conference Centre, Downtown Kingston, under the theme - ***Towards a Dynamic Ecosystem: linking capital, innovation, entrepreneurs for growth.***

Conference events, with an excess of 400 attendees, were held over three days:

- Day 1 dedicated to Workshops for key target groups (angel investors and policymakers);
- Day 2 was the main Conference Day, comprising plenaries and expert panels, while
- Day 3 targeted entrepreneurs and students. All events were well supported by local and international stakeholders

The keynote presenter on the main Conference day was the world-renowned, venture capital and private equity expert and author, Professor Josh Lerner of Harvard University, while the panel presentations saw some 30 local, regional and international experts sharing their knowledge and experiences.

The Conference addressed a wide range of topics including: ***Putting the Caribbean on the Global Venture Capital & Private Equity Map; Backing Women Entrepreneurs; The Creative Economy, Sports, Culture and Growth; VC as a 'game-changer' to the creative industries; Fuelling a Hub for Innovation and Getting the Deals Done.***

The angel investor workshop was led by Nelson Gray, an angel investor, of LINC, Scotland, whose attendance was facilitated by the World Bank's InfoDev, while the policy workshop featured Professor Lerner who led the discussions with a number of key stakeholders including senior government officials as well as private sector policy & decision-makers.

The *post*-Conference Day workshop for entrepreneurs was highly interactive and was facilitated by successful venture capitalist, Paul Ahlstrom, of Alta Ventures Group, USA. Angel Investor Nelson Gray, as well as several other experts also contributed to the day's programme. Approximately 160 entrepreneurs, students and business persons participated in the event, and the response to the day's activities was overwhelmingly positive.

Plans are already in train for the third annual VC conference, which is tentatively set for March 2016.

Workshops and Presentations

The JVCP team participated in a number of events at the national and community levels. The Project Coordinator was in constant demand to speak and make presentations at a number of fora, seminars and workshops specifically targeting the small and medium-sized enterprises. Some of these events included: Jamaica Music Symposium; Digital Jam 3.0, Start Up Jamaica; NCB Capital Quest Boot Camp; University of Technology Marketing Seminar, among others.

In August 2014, the team lead was invited to the island of Dominica to share the Jamaica Venture Capital Programme 'model' at a three-day seminar organized by Invest Dominica, while in November 2014, the JVCP was again shared with stakeholders, in Barbados, at the Caribbean Export Development Agency's *Caribbean Exporters Colloquium.*

Executive Training Programme

As part of the developmental process, two executive training workshops were held, over the period June 30 – July 4, 2014, with the objective of ensuring that all critical stakeholders were provided with the requisite knowledge and information to ensure a vibrant and sustained industry. Ascentium Associates, a UK-based specialist-training provider that focuses on the PE-VC industry conducted the workshops. Sixty four (64) participants were exposed to topics such as: private equity and venture capital - its role in an investment portfolio; key issues in investment selection and appraisal, exit strategy development and execution, valuation and due diligence, among others.

Paul Ahlstrom, Chief Executive Officer of the Alta Ventures Group in Utah, USA, gave young Jamaican entrepreneurs some advice at the Second Annual JVCP Conference in Kingston in September 2014.

Entrepreneurship Development

The focus on entrepreneurship engagement was a major thrust for the year under review.

The National Business Model Competition (NBMC), an initiative involving the three major local universities, University of the West Indies (UWI), University of Technology (UTECH) and Northern Caribbean University (NCU), continued to receive technical and financial support from the DBJ. The competition was able to attract additional support from some of Jamaica's corporate and institutional investors.

The winner of the second NBMC, JarGro Enterprise, is from NCU. JarGro is a 'smart appliance' – a system created to support the production of foods particularly for urban dwellers. The system uses natural LED plant light, built-in irrigation system (aerophonics) which uses 98% less water and 70% less fertilizer along with various sensors which enables it to process. The unique feature of JarGro is that it is built around a minimalistic concept that enables it to fit in one's kitchen.

The national winner will represent Jamaica at the International Business Model Competition in Utah, USA. The second place winner, FEEVR from the UTECH, was part of a group invited to China where they will 'pitch' to investors with the hope of winning up to US$1 million in prize monies.

The impact of the NBMC continues to reverberate throughout the universities and the general public and it is anticipated that with continued support from corporate Jamaica the initiative will continue to grow. A mechanism has been developed for the universities to continue to work with the teams for up to 18 months after entering the competition. The DBJ again expresses its appreciation for the sponsorship of prize monies by Alta Ventures Limited, USA, and ICD Group of Companies, Jamaica.

The Future

Having laid the groundwork, and having accomplished the first stage of designing the programme and engaging both private sector and public sector stakeholders, the DBJ has been pleased to note the growing dynamism and the blossoming of the VC ecosystem.

The next stage of the 'roll-out' of the VC Strategic Plan will focus on strengthening the foundation of this new industry while undertaking initiatives aimed at increase the momentum by encouraging stakeholders to initiate new and complementary activities.

For the Financial Year 2015/16 additional funding and technical assistance is being advanced by our major international development partners to focus on specific projects, including knowledge building, training, investment and the development of the entrepreneurial ecosystem, all aimed at furthering the ecosystem development and addressing any existing gaps.

The DBJ and its partners are committed to the process and will:

- Spearhead the necessary advocacy to guide the GOJ and FSC in addressing VC-specific legislation and regulations
- Host the annual Venture Capital Conference and Executive Education Training workshops on Private Equity and Venture Capital
- Continue the training of entrepreneurs through partnerships with local agencies and universities in order to promote a deal flow of eligible projects
- Embark upon a major communication and change management programme aimed at fostering a cultural shift, particularly among entrepreneurs. This programme will incorporate a more dynamic, interactive website and an active social media presence
- Continue to lend support for the newly established Angel Investor Networks, through facilitation of training and linkages with local and international stakeholders
- Continue to support and guide the establishment of the first set of PE-VC Fund Managers in Jamaica with investments from local institutional and corporate stakeholders
- Continue to support stakeholder initiatives including Startup Jamaica and other local incubators and accelerators, as well as University led entrepreneurship development programmes
- Spearhead the establishment of the Jamaica PE-VC Association
- Spearhead the establishment of a database to capture and report on ecosystem activities

The initiative to develop Jamaica's venture capital and private equity industry has borne fruit and it is envisaged that within the short to medium term, Jamaica will be an active player in the regional markets. The country expects to receive a rating on the Latin America and Caribbean Association (LAVCA) Scorecard for 2015, and this rating will not only serve to benchmark Jamaica's nascent industry against its regional counterparts but will serve to track and record the progress of the local industry as it grows from strength to strength.

Public-Private Partnerships & Privatisation

The primary objective of the Government of Jamaica's Privatisation and Public-Private Partnership (PPP) programme is to facilitate economic growth through the private sector's ownership, expansion or operation of state-owned assets and enterprises and the provision of public infrastructure and services.

In Financial Year 2014/15, the Division's work was shaped by the pursuit of its core strategic goals, which are:

- To promote and facilitate the effective and efficient management of PPP/ Privatisation investment opportunities promoted by Government ministries, departments and agencies, in accordance with best international practice
- To work with other arms of the Government to facilitate the balance of public interest with private sector profits
- To raise awareness of PPP / Privatisation opportunities
- To provide high quality guidance to, and increase the capacity of, stakeholders to identify, procure and deliver high quality infrastructure and services, in a fiscally prudent manner that represents good value for money
- To recover its costs through a fair and transparent fee structure

During the period under review, three transactions were completed, while significant progress was made on several others. The division (a) increased its efforts to build capacity and awareness in the public and private sectors in relation to the development of PPPs and privatisation projects and (b) led the implementation of a Project Preparation Facility, through the Foundation for Competitiveness and Growth Project. This Project Preparation Facility will enable the Government to prepare and close large strategic investment transactions with private sector participation.

The Division exceeded its 2014/15 performance targets by facilitating J$13 billion of investments in the economy, contributing to J$345 million of savings to the Government and earning fees of J$65 million to sustain operations while moving key projects forward.

This level of success was highlighted in the Latin American and Caribbean Infrascope 2014 Report.

The Infrascope Report is a benchmarking tool which assesses 19 Latin American & Caribbean countries' readiness and capacity to develop and implement sustainable PPP projects. The assessment scores aspects of the regulatory and institutional framework, project experience and success, the investment climate, and financial facilities.

The Report increased the Jamaican PPP programme's ranking from 13th in 2012 to 8th in 2014.

The main reasons cited for Jamaica's advancement were improvements in the regulatory and institutional frameworks for PPPs - including the establishment of formal PPP units in the Ministry of Finance and Planning and the DBJ, and the approval of a PPP policy, strong political support for the implementation of PPPs and an active pipeline of opportunities being pursued by the Government (including the Kingston Container Terminal and Norman Manley International Airport transactions).

Project Overviews

Completed Transactions

One PPP and two privatisation transactions were completed in Financial Year 2014/15:

Kingston Container Terminal

The DBJ, through the provision of Secretariat and Transaction Management Services, supported the development and eventual commercial close of the Kingston Container Terminal PPP transaction – the first project to reach commercial close under the GOJ's 2012 PPP Policy and Programme.

The Government, through the Ministry of Transport, Works and Housing, granted a long-term concession to finance, expand, operate, maintain and transfer the KCT in order to capitalize on the expansion of the Panama Canal and other emerging industry trends. The Concession Agreement was signed between the Port Authority of Jamaica and the Terminal Link Consortium on April 7, 2015.

An overall investment of US$425 million is expected in phase 1 of the project with upfront fee of US$75 million and US$15 million in concession fees annually to the Government through the Port Authority of Jamaica.

Windalco

The sale of the Government's 7% interest in Windalco to UC Rusal for US$11 million was finalized with the execution of a Debt Settlement and Asset Purchase Agreement in May 2014.

Having completed this transaction, Jamaica Bauxite Mining Limited will no longer incur losses of approximately J$345 million (US$3 million) per annum which went to support production costs at Windalco.

The DBJ supported the team that commissioned the valuations and conducted preliminary work on the privatisation and was also represented on the negotiation team.

Farm Machinery Centre

The sale of the former Farm Machinery Centre property to RYCO Jamaica Limited for J$40 million was finalized in January 2015. RYCO Jamaica Ltd., a small firm involved in recycling activities, had leased the property from the Government since 2006, then upgraded the property under the lease and decided to purchase it to support further expansion plans. The DBJ managed this sale on behalf of the Government.

Monique Bolmin, International Public-Private Partnerships (PPP) Consultant, was the facilitator of a workshop on March 24-25, 2015, in Kingston to examine the legal implications of PPPs.

Privatisation Transactions in Progress

The following transactions are in progress:

- Sale of the commercial assets of the Cocoa Industry Board
- Sale of Caymanas Track Limited
- Sale of Petroleum Company of Jamaica (PETCOM)
- Lease of 1,640 acres of Montpelier lands; and
- Sale of 747 acres of Montpelier lands for residential purposes.

Sale of the commercial assets of the Cocoa Industry Board

During 2014, Wallenford Ltd. was identified as the Preferred Bidder for the acquisition of the commercial assets of the Cocoa Industry Board and, at year end, negotiations were well advanced and are expected to be concluded in the first half of the 2015/16 financial year.

The objective of this privatisation is to stimulate expansion of the cocoa industry, increasing cocoa under cultivation as well as production and exports.

On conclusion of this privatisation, the Government would have exited its commercial operations in both the coffee (Wallenford Coffee Company and Mavis Bank Coffee Company) and cocoa industries and can now implement its plan to rationalise and consolidate its regulatory role in both industries, paving the way for the establishment of the Agriculture Commodities Regulatory Agency.

Caymanas Track Limited

The privatisation of CTL presents a very attractive opportunity for an experienced operator with existing synergies and capital to assume the operation of the horseracing facility and transform Caymanas Track into a world-class entertainment facility. Cabinet approval was given for the implementation of the transaction in Financial Year 2014/15. The Information Memorandum has been published and bids are expected to be received in the second quarter of 2015/16 with the Preferred Bidder identified by the end of that year.

Petroleum Company of Jamaica (PETCOM)

The privatisation of PETCOM is a particularly attractive opportunity for investors to expand and grow an already thriving company in a very lucrative industry. Cabinet approved the privatisation strategy in March 2015. The Confidential Information Memorandum was published in April 2015 and bids are expected to be received in the second quarter of 2015/16.

Public-Private Partnerships Transactions in Progress

There is one PPP currently at the transaction phase.

Norman Manley International Airport

Five firms have been pre-qualified to participate in the bidding process to operate, finance, develop and maintain the Norman Manley International Airport (NMIA) under a long-term concession agreement. In 2015/16, the GOJ will issue the Request for Proposal (RfP) to the prequalified firms and thereafter the firms will be allowed to conduct due diligence to support the preparation and submission of their bids. The provisional preferred bidder is expected to be selected and announced by Cabinet by the fourth quarter of FY 2015/16

Projects Being Assessed for Development as PPPs

The Government is actively assessing the feasibility of four potential PPP projects.

School Solar Project

The National Education Trust in collaboration with the DBJ is exploring the option for a PPP arrangement for the provision of photovoltaic energy and energy efficiency solutions to 30 public schools. This pilot project, if successful, could be replicated island wide by the 2017 financial year. The detailed feasibility is being undertaken with technical assistance from IDB's Multilateral Investment Fund (MIF).

Jamaica Railway Corporation

The GOJ is in the process of completing a clarification process to determine if a viable model exists for undertaking the rehabilitation, maintenance and operations of Jamaica's railway. During 2014/15 the Division completed the development of a Business Case to evaluate the feasibility of operating a segment of the rail as a tourism attraction under a PPP. The GOJ will determine the privatisation strategy to be pursued in FY 2015/16.

Caymanas Special Economic Zone

During the year, the Government appointed an Enterprise Team to oversee the development of the Caymanas Special Economic Zone (CSEZ). Through the DBJ, assistance from the Public-Private Infrastructure Advisory Facility was received by way of a grant to fund a consultancy to undertake a preliminary feasibility assessment of the project.

The final pre-feasibility report was provided to the CSEZ Enterprise Team in April 2015. It is expected that in the coming financial year the detailed feasibility study including technical and environmental studies will be undertaken to guide the Government in structuring an appropriate mechanism to invite private sector submissions to develop and implement the CSEZ.

A section of the group of attorneys and other professionals who attended a workshop on the legal implications of PPPs.

Expansion of Soapberry Wastewater Treatment Plant

The Government is currently considering the expansion of the Soapberry Wastewater Treatment Plant via a PPP modality. There is a need to maximize and eventually increase the existing capacity within the next three years to satisfy anticipated increased demand from the Kingston Metropolitan Region. The project also contemplates the upgrade of the facility and its processes to satisfy regulatory environmental standards.

The National Water Commission completed the pre-feasibility assessment in 2014/15 and is currently undertaking internal assessment to determine the modality for the development of the project. It is anticipated that the Government will provide a decision on how to proceed with the project early in 2015/16.

Other Developments in the Programme

Funding For Project Preparation

The DBJ identified the lack of funding as a key constraint to the timely development and packaging of privatisation and PPP opportunities for the private sector. Under the US$50M Foundations for Competitiveness and Growth which became effective in September 2014, DBJ is leading Component 2 which is aimed at a facilitating private sector investments. This component has an overall allocation of US$17.6 million which will finance studies through a *Project Preparation Facility* and fund technical assistance to enable the Government to prepare and close large strategic investment transactions with private sector participation.

The implementation framework for the Project Preparation Facility was established in November 2014; however, the Division is still in the process of operationalizing the various aspects of the component.

In March 2014, the first technical assistance initiative was funded by way of the engagement of an attorney for the Attorney General's Chambers (AGC) to establish a Commercial Task Force to increase the AGC's capacity to review commercial transactions including PPPs and Privatisations.

General Capacity Building within the GOJ

In 2013/14, the Division commenced several initiatives that included workshops and seminars aimed at raising awareness of the benefits of privatisation and PPPs. Some of these activities were facilitated under a Programme for Technical Assistance and Capacity Building, funded by the Inter-American Development Bank (IDB), which commenced in June 2013.

The capacity building and awareness programme was broadened in 2014/15 to target both the private and public sectors as part of continued efforts to identify viable PPP opportunities and build confidence in the Privatisation and PPP programmes.

During the year, the DBJ hosted 14 workshops/sensitization sessions on PPPs which attracted 231 persons from both the private and public sector. The session subjects included Contract Management; Technical Specification Outputs; Waste to Energy; Understanding the Financial Concerns and Constraints of Lenders and Sponsors; How to draft Business Cases; and Introducing PPP Concepts and Opportunities.

Highlights of the Capacity Building Programme – Legal Training Workshop

On March 24 and 25, 2015, the DBJ facilitated a two-day training workshop on *"Legal Implications of PPPs"* which included representatives from the Attorney General's Chambers, and several Ministries, Departments and Agencies and Unite' Centrale de Gestion PPP Unit in Haiti.

The workshop was chaired by David Wright, Chief Executive Officer of Commonwealth Institute for Infrastructure Development (COMIID) and the sessions were facilitated by local legal consultant, Trevor Patterson of Patterson Mair Hamilton, Attorneys-at-Law and international legal consultant, Monique Bolmin. Thirty-five lawyers were trained and the Continuing Legal Professional Development (CLPD) Accreditation for the course is expected.

Collaborating with the High Commission of Canada

The DBJ and the Ministry of Finance and Planning in collaboration with the High Commission of Canada hosted a Public-Private Partnership Conference on December 8, 2014, on *"Canada's experience in PPP and its relevance for Jamaica in the Caribbean".* Forty-four persons attended the conference, including representatives from Jamaican private sector companies and key GOJ PPP stakeholders.

James Lew, Senior Vice President of Morrison Hershfield, a Canadian company with extensive experience with P3 implementation, provided a private sector perspective on the history, structure and select examples of successful P3 projects carried out in Canada.

Hosting Representatives of the Haitian PPP Unit

During the period March 22–29, 2015, Jean Eric Belinette and Naed Jasmine Desire, representatives of the Unite' Centrale de Gestion PPP Management Unit of the Ministry of Economy and Finance in Haiti visited the DBJ to share experiences in developing and implementing PPPs in Jamaica. The representatives attended a legal training workshop and conducted site visits of several PPP projects including NMIA, KCT, Sangster International Airport and the North South Highway.

Establishment of Public Investment Management Secretariat

Under the GOJ's updated Fiscal Rules as outlined in the updated Financial Audit & Administration Act and Public Bodies Management Act, a Public Investment Management System (PIMS) has been established to provide a common framework for the preparation appraisal, approval and management of public investments in Jamaica, irrespective of source of funding or procurement and implementation modalities.

The Public Investment Secretariat (PIMSec) which is housed at the Planning Institute of Jamaica (PIOJ) is the unit charged with the screening and appraisal of all public investment projects to facilitate a decision by the Public Investment Management Committee.

It is anticipated that this body will reduce the bottlenecks which are being faced in the project development and approval phases which tie up the resources of the Division by being engaged in the review of projects that are not properly planned or approved.

The PIMSec will only filter projects to the Division which meet feasibility criteria and are programmed by the Finance Ministry. This will result in a significant amount of time being saved by the Division in reviewing improperly prepared projects and will allow us to focus our efforts on transactions that are ready.

Risk Management at the DBJ

Enterprise Risk Management (ERM) is central to the fulfilment of the mission and vision of the DBJ. By taking risks, the Bank becomes a catalyst for growth in the economy. DBJ realises that if risks are not properly managed, then the Bank could face unexpected and possibly severe financial distress.

A sound ERM framework therefore addresses the integration of risk management in high level decision making, as well as day-to-day business decisions and outlines the Board's role in effective oversight.

Therefore, the Bank manages its risks on an enterprise-wide basis, ensuring on-going, continuous risk management which is embedded within the business cycle, starting with strategic planning, and carrying through to execution and evaluation.

DBJ's ERM Framework

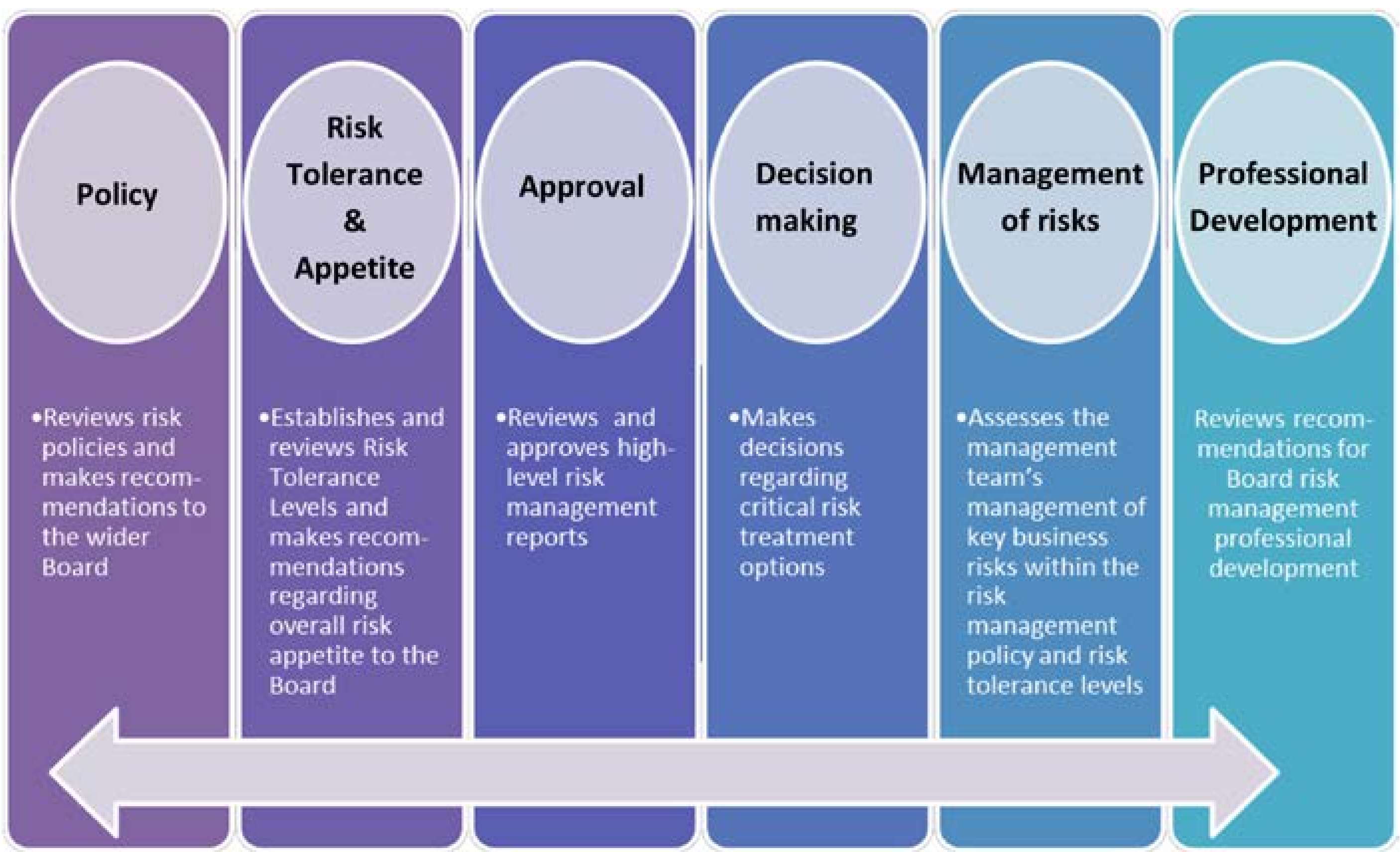
The DBJ has customized an Integrated Enterprise Risk Management Framework influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization - ISO 31000:2009 ERM frameworks and other established ERM frameworks.

The Bank's ERM framework establishes a structured and disciplined approach towards managing risk. This structure is applied to all categories of risks across functional, structural and departmental silos including credit risk, market risk, liquidity risk, operational risk and reputational risk.

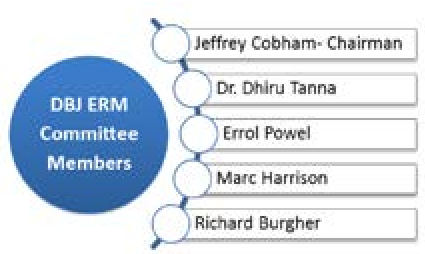
The framework considers the following:

DBJ's Enterprise Risk Management Governance Structure

The Role of the ERM Board Committee



DBJ's Risk Appetite & Tolerance



Risk Philosophy

We believe that our risk appetite is the cornerstone of our risk management framework. Our risk appetite establishes our risk culture and must be evident in both operational management "on the ground" and strategic decision making at a high level.

We believe that, as a development bank, certain risks are inevitable and even welcomed to fulfill our mandate to facilitate economic growth, national development and an enabling business environment resulting in increased investments and job creation. However, we believe that the necessary systems, policies, procedures, analytical tools, human and technical resources must be in place to help us effectively manage those risks.

Managing Risk Appetite & Tolerance Levels

The DBJ has defined appetite levels as well as tolerance limits for each of its strategic objectives and major business activities. These levels and limits have been established by the Board ERM Committee and approved by the Board of Directors. Adherence to these levels and limits is assessed & reported on quarterly to the ERM Board Committee.

Analyzing and Managing Risks

The DBJ uses several tools, including a Risk Control Self-Assessment tool, to identify and assess strategies to treat risks at all levels.

The Bank analyzes and actively monitors strategic and operational risks, as well as key business risks, which are determined from the self-assessment exercise. Key business risks are managed on an ongoing basis by DBJ's Enterprise Risk Management Unit by using appropriate risk analysis models and risk occurrence reporting.

The ERM Committee reviews the Bank's key risks on a quarterly basis.

Dashboard reports which communicate the Bank's key areas of exposure and the value/potential value of such exposures, major risks that have been triggered, level of activity outside of defined risk appetite and tolerance levels are submitted to the Board of Directors.

Risks under active management relate to both financial and non-financial risks. However, as a lending institution, the DBJ uses various credit risk management models and tools to analyse and manage its credit risk exposure.

Credit Risk

Credit risk is the potential for loss to the organization arising from failure of borrowers to honour their contractual obligations to the Bank.

The DBJ is exposed to credit risk from direct lending as well as wholesale lending through intermediaries namely Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs). The Bank employs prudent credit risk management tools and strategies to avoid, transfer and mitigate credit risk.

The DBJ Receives Ratings Upgrade

The Development Bank of Jamaica received upgraded corporate ratings in the period ending March 31, 2015, by the Caribbean Information and Credit Rating Services Limited (CariCRIS).

The DBJ has now been assigned ratings of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) on the regional rating scale, and jmAA on the Jamaica national scale up by one-grade from six consecutive years of receiving ratings of CariBBB (Foreign Currency Rating) and CariBBB+ (Local Currency Rating) on the regional rating scale, and jmAA- on the Jamaica national scale to the debt issue (notional) of the size of US$5 million.

According to CariCRIS, upgrading the DBJ by one notch indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean is adequate. The Jamaican national scale rating indicates that the creditworthiness of this obligation, adjudged in relation to other obligations in Jamaica is high.

CariCRIS' report noted that the ratings reflect DBJ's enhanced institutional focus on risk management and the Bank's continued strategic importance to the Jamaican Government as the lead development financier and manager of the Privatisation and Public-Private Partnerships programmes for state assets. According to the report, "The ratings are further supported by the DBJ's good overall financial performance and improved asset quality." One weakness that it highlighted was the Bank's "significant reliance on the relatively weak, though improving Jamaican economy."

CariCRIS justified its decision by saying that over the last three years, DBJ developed a "robust risk management function by implementing a three-lines-of-defence approach to the management of risk through its Board of Directors (BOD), Strategic Services Division and Internal Audit" which is supported by a comprehensive Enterprise Risk Management (ERM) framework which includes elements of the ERM Integrated Framework of COSO (The Committee of Sponsoring Organizations of the Treadway Commission which provides guidance and develops frameworks on Enterprise Risk Management, internal control and fraud deterrence), and ISO 31000:2009 (International standard on risk management which provides a generic framework for establishing the context of, identifying, analysing, evaluating, treating, monitoring and communicating risk). Both of these programmes, said CariCRIS, are two well-established international standards on risk management.

CariCRIS also pointed to the DBJ's continuous efforts to strengthen its risk management function and to improve its assessment of credit risk; its implementation of the Securities Dealer rating model3 in September 2014 to assess the performance of its network of approved financial institutions (AFI) in the securities industry.

"The model, as well as the previously developed AFI and MFI (micro finance institutions) rating models, enable DBJ to assign borrower risk ratings (BRR) to those entities. Additionally, the compliance programme that started in March 2014 is now fully implemented and monitors both internal and customers' compliance (submission of appropriate documents to track performance).

"We believe that the risk management infrastructure and practices instituted by DBJ are good given its business model and level of complexity. We expect that DBJ's ongoing efforts to enhance its risk management infrastructure will strengthen its resilience against shocks going forward."

Reacting to the CariCRIS ratings upgrade, DBJ Chairman Joseph M. Matalon said, "I am very, very pleased at the improved rating that the DBJ has received. Once again the Bank's overall performance has belied the conventional belief that Government entities are universally inefficient and badly run. And I want to pay tribute to my fellow directors on the Board, the Management and staff of the DBJ for their vision, hard work and belief in the core values of the organisation, all of which has made this achievement possible."

Mr. Milverton Reynolds, DBJ's Managing Director, welcomed the Bank's improved rating. "We are extremely pleased with CariCRIS' upgrade, particularly as it comes from an external and totally independent agency," he said. "It continues to enhance the DBJ's reputation as a state-owned entity that is well managed and successful."

CariCRIS, a regional credit rating agency devoted to fostering and supporting the development of regional markets, is based in Trinidad. Established in 2004, the agency is supported by regional developmental and financial institutions.

Management applies the appropriate risk models and management strategies, based on the lending modality which is used, in the approval of loans and the monitoring of its credit portfolio. Credit decisions are also made based on the Bank's risk appetite and tolerance levels as defined by its Board of Directors.

Market Risk

The DBJ is exposed to the risk that movements in specific market variables, including interest rates and foreign exchange rates, will have on income and/or portfolio value. Risk indicators are used to track the movement of market variables and are monitored by the Risk & Compliance Unit to trigger the appropriate management response.

These responses are guided by the Bank's policies and strategies and the appropriate market risk models are used to assess exposure and inform optimal responses. These indicators are reported to the ERM Committee on a quarterly basis.

Strategic, Operational and Reputational Risks

Strategic risks refers to the risk that the DBJ's execution of strategies and/or achievement of business objectives will be affected by internal and/or external events. The Bank's risk management structure was designed to integrate risk management with strategy management through the Strategic Services Division, which encompasses both the Risk & Compliance and Strategy units. Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board.

Operational risks emanate from the execution of business activities. Operational risks are identified, analysed and monitored at the departmental level with quarterly assessment and reporting occurring at the Senior Management level. Operational risks that have a big impact on the bank have a relatively high likelihood of occurrence and are fairly imminent are escalated to the level of Key Business Risk (KBR), which is given special managerial and Board attention.

Reputational risks can emerge if DBJ:

- Fails to deliver satisfactory standards of service
- Fails to comply with legal, statuary laws and ethical standards
- Commits operational failures
- Fails to adhere to DBJ's policies, established practices and procedures and/or best practices
- Fails to meet stakeholder expectations on responsible behaviour; and/or
- Is unethical in its practices and beliefs.

The DBJ manages reputational risks through the establishment of major policies and documentation of key processes and procedures, ensuring the adherence of good governance principles throughout the organization's structure, and through reputational considerations in the identification, assessment and management of all risks.

Risk–based Scenario Planning

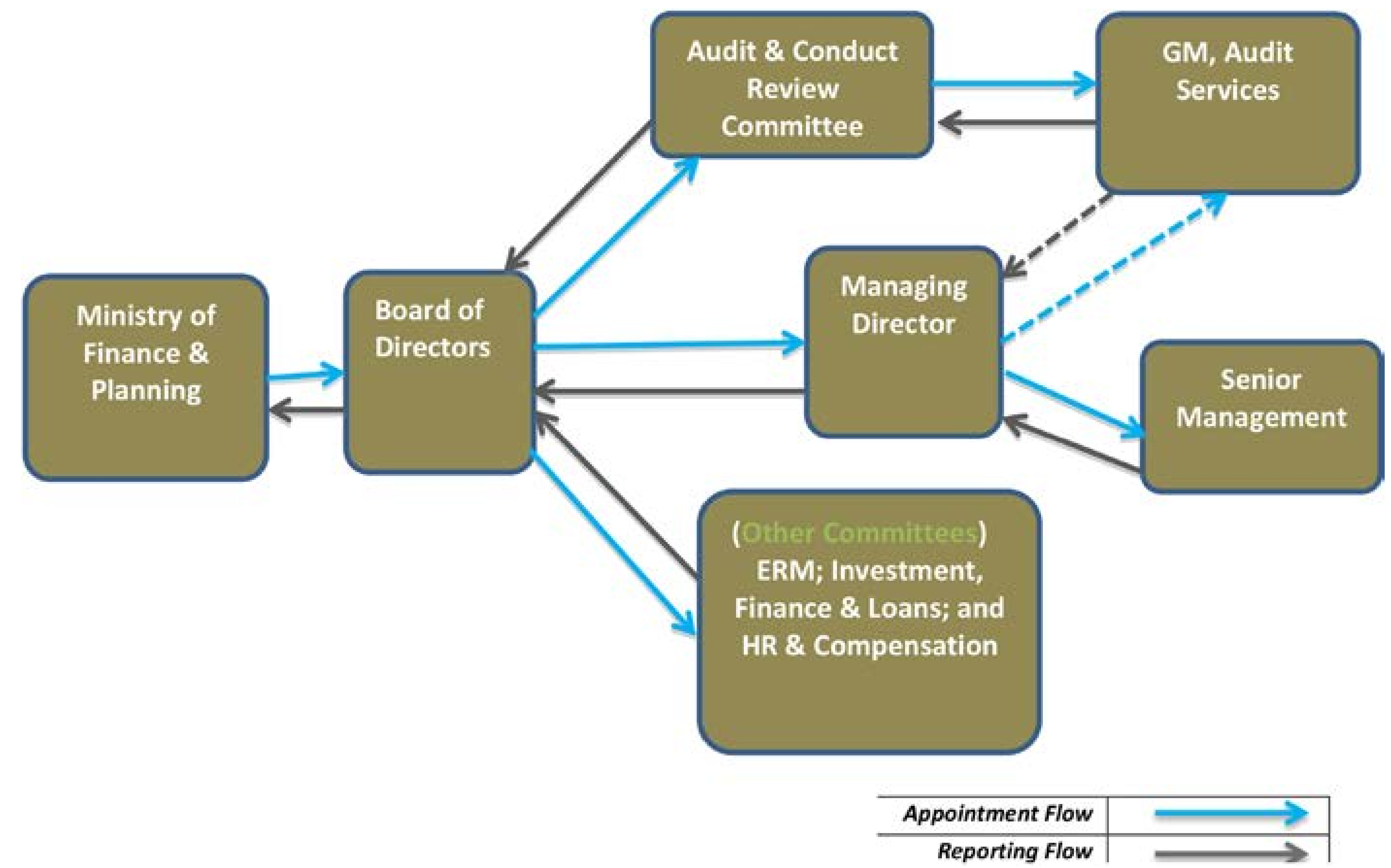
During the strategic planning process, the DBJ identifies several critical external driving forces with high levels of uncertainty that could significantly impact the organisation's strategy and its business sustainability. The Bank then applies risk management principles to mitigate, avoid, transfer, accept and/or capitalise on some of the risks faced as a result of external drivers/exogenous shocks.

Approved Risk Management and Compliance Policies

In executing its day-to-day functions, the Risk & Compliance Unit is guided by several Board approved policies.

Corporate Governance

DBJ Corporate Governance Structure



The Framework

The DBJ's corporate governance systems are established on the core principles of fairness, performance and responsibility, accountability, disclosure and transparency, integrity and ethical behaviour which are all articulated in the Bank's 'Corporate Governance Charter'.

The Board of Directors, management and staff recognize that good corporate governance comprises responsible, value-based management and monitoring, focused on long-term success.

The Bank's systems of accountability, transparency and efficiency are executed through and by the Board of Directors, Audit & Conduct Review sub-Committee, Internal Audit, Enterprise Risk Management and senior management who have all contributed to the company's success of maintaining a strong governance foundation embedded in internationally accepted standards that are locally guided by:

- The Government of Jamaica Corporate Governance Framework for Public Bodies
- The Public Bodies Management Accountability Act
- Financial Administrative & Audit Act; and
- Companies Act of Jamaica

The DBJ's Board of Directors are selected and appointed in accordance with the Financial Services Commission's (FSC) fit and proper standards and members have satisfactorily demonstrated their:

- Contribution to nation building, business, institutions and professions
- Integrity, honesty and the ability to generate public confidence
- Sound and independent business judgment
- Financial literacy
- Knowledge and appreciation of public issues and familiarity with local, national and international affairs
- Knowledge of the business of the company; and
- Ability to dedicate adequate time to the Board and committee work.

Internal Audit

The Bank's internal audit function has administrative and functional reporting lines through the Managing Director and Audit and Conduct Review sub-Committee respectively, facilitating a system of good corporate governance within the DBJ.

In keeping with International Standards for the Professional Practice of Internal Auditing (IPPF), Internal Audit provides independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps DBJ accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Coverage & Quality Assurance

The DBJ's Audit Services Department incorporates a risk-based approach in development of an Annual Audit Plan and performance of all its audit engagements. This approach enabled the DBJ to focus primarily on areas of greatest risk exposure and facilitated the Bank providing internal audit services for **90%** of the Bank's ten (10) business functions.

The DBJ continued its annual Quality Assurance Improvement Programme (QAIP) - *Internal Self-Assessment*. The QAIP provides assurance to the Bank's stakeholders that the internal audit activities conform to the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing (Standards).

The 2014/15 results of the QAIP *Self-Assessment* showed the DBJ making significant strides in the areas assessed:

1. Greater level of understanding of internal audit's role
2. Value-added services is provided by internal audit
3. Application of Institute of Internal Auditors' Code of Ethics
4. Execution of audit activities, especially the understanding of engagement goals and objectives
5. Reporting of fraud risk

As a result of the DBJ's strong corporate governance system, the Bank successfully implemented key initiatives geared towards strengthening the company's governance, risk management & internal controls (GRC) processes:

1. Continued Improvements in Management Corrective Actions (MCAs)

Continued to make significant improvements in implementation of recommendations to strengthen the Bank's GRC systems and processes; within the year 96% of recommendations made were successfully implemented and corrective actions were initiated for the other 4%.

2. Increased monitoring of Operational Risks

With the Bank implementing its Compliance Programme, increased focus has been placed on the monitoring of Operational Risks and reporting of these risks to the Board. Operational risks are events or activities relating to internal procedures, people and systems.

3. Improved Information Technology Systems

MIS action plan implemented to improve the information technology processes of the Bank, including the development of Business Continuity & Disaster Recovery Plans

The four sub-Committees of the Board that enable the Board of Directors to effectively carry out its functions are:

Sub-Committee	Primary Purpose
Audit & Conduct Review	1. Oversees the Bank's governance, risk management and internal control (GRC) systems, standards of integrity and behaviour 2. Review and approve the Bank's audited financial statements and the supporting notes, assumptions, and the auditors' report; 3. Monitor and review the effectiveness of the internal audit functions in relation to DBJ's compliance with laws and regulations, risk management functions and the reviews of internal controls; 4. Monitor the terms and conditions of the engagement of the external auditor to ensure independence, efficiency and effectiveness;
Investment, Finance & Loans	1. Recommends to the Board of Directors policies and changes to policies relating to investment, finance and loans; 2. Monitors the investment portfolio to identify and manage risks e.g. liquidity risks associated with exchange rates and interest rates that might affect the Bank's commitments; 3. Approves and or recommends investments and divestment of properties or companies under the Government of Jamaica divestment programme; 4. Approves loans to AFIs within loan limits set by the Boar
Human Resource & Compensation	1. Ensures that the Bank has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of the Ministry of Finance and Planning, and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant acts, laws and regulations. 2. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines
Enterprise Risk Management	1. Ensures that the Bank has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of the Ministry of Finance and Planning, and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant acts, laws and regulations. 2. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines

The table below highlights the skills set of the individual directors on the DBJ Board.

Board Expertise	Public Sector (Pub)/ Private Sector (Pvt)	General Management	Finance / Development Finance / Economics	Audit	Strategic Management	Human Resources	Risk Management	Marketing & Communication	Legal
Joseph Matalon	Pvt	✓	✓	✓	✓	✓	✓		
Richard Burgher	Pvt	✓	✓		✓		✓		
Jeffrey Cobham	Pvt	✓	✓		✓	✓	✓	✓	
Marc Harrison	Pvt	✓	✓	✓	✓		✓		✓
Dennis Morrison	Pub	✓	✓		✓		✓	✓	
Errol Powell	Pvt	✓	✓	✓	✓	✓	✓	✓	
Ann Marie Rhoden	Pub	✓	✓	✓	✓		✓		
Dhiru Tanna	Pvt	✓	✓		✓	✓	✓		
Maureen Webber	Pvt	✓	✓	✓	✓	✓	✓		
Milverton Reynolds	Pub	✓	✓	✓	✓	✓	✓		

Corporate Governance at Work

The Bank has been very pro-active in its approach to maintaining a strong governance, risk management and internal control (GRC) environment and continues to improve on its systems and processes with the implementation of the following Board-approved new or amended policies:

Policy	Purpose Summary
Anti-Money Laundering & Anti-Terrorism Financing Policy (New)	The Development Bank of Jamaica, although not a deposit-taking institution, in fulfilling its mandate of facilitating economic growth and development, established the AML/CFT framework to promote responsible lending and support local and global efforts in relation to fighting money laundering and terrorist financing.
Compliance Policy (New)	It sets out the main parameters of the established compliance programme, and provides a uniform approach to ensuring the Bank's compliance with relevant laws, regulations and internal policies, etc. It establishes the requirements regarding the management and reporting of compliance obligations, as well as highlights the role of key stakeholders, including the Risk & Compliance Unit.
Capacity Development Policy and Procedures Manual (New)	This Policy document sets out guidelines for the effective management and execution of Capacity Development initiatives through grants for Institutional Strengthening, and Technical Assistance.
Venture Capital (VC) & Private Equity (PE) Investment Policy (New)	To formalise DBJ's objectives, policies and procedures with respect to VC /and PE as an asset class, and to establish broad guidelines within which the Bank may prudently invest its funds in VC / PE investments.
Internal Audit Charter (Amended)	Outlines the scope, authority, accountability and responsibility of the internal audit function
Loan Policy (Amended)	Outlines the Bank's guidelines in the effective management of the approval, disbursement and monitoring processes for its loan portfolio, and the establishment of criteria for selection of entities to which it wholesales funds.

Globally Aligned

The Bank achieved another milestone in its corporate governance activities, placing itself among the elite worldwide group of organisations who perform board evaluations.

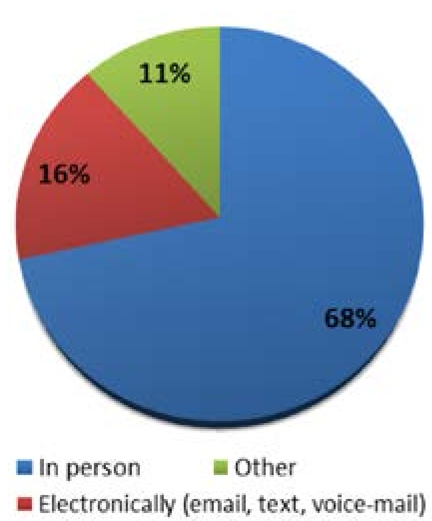
The DBJ scored "Very High" overall in its level of Board effectiveness in the six categories assessed in the fiscal year:

1. Degree of fulfillment of the Board's responsibilities
2. Quality of the Board-Management relationship
3. Board size, composition and independence
4. Effectiveness of Board processes, meetings and Board evaluation
5. Effectiveness of individual director contributions to the Board
6. Director orientation and development

Track Record of Transparency

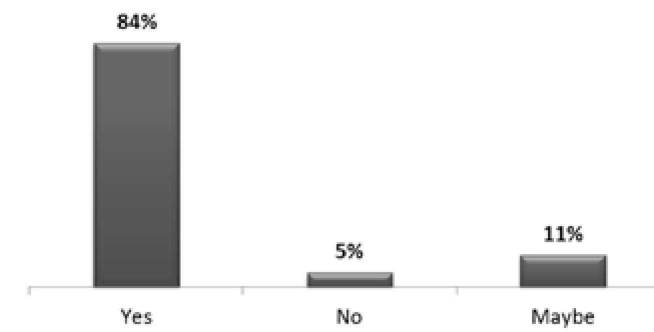
The confidence shown inthe DBJ's corporate governance systems remains strong; with 84% of staff when asked about "the preferred method to report fraudulent activities" choosing a direct approach.

Preferred method to Report Fraud



Additionally, DBJ employees (84%) show a very high willingness to "provide information on irregularities known to them"; indicative of the company's goal of fostering a good corporate governance culture.

Employees Willing to Provide Information



Attendance at Board of Directors' and sub-Committee Meetings

Board of Directors' Meeting

Name of Director	Attendance
1. Joseph M. Matalon - Chairman	12/12
2. Richard Burgher	9/12
3. Jeffrey Cobham	9/12
4. Marc Harrison	6/12
5. Dennis Morrison	11/12
6. Errol Powell	10/12
7. Ann Marie Rhoden	8/12
8. Dhiru Tanna	10/12
9. Maureen Webber	10/12
10. Milverton Reynolds	12/12

Investment, Finance & Loans sub-Committee meetings

Name of Director	Attendance
1. Joseph M. Matalon - Chairman	5/5
2. Richard Burgher	2/5
3. Jeffrey Cobham	5/5
4. Dhiru Tanna	4/5
5. Maureen Webber	3/5
6. Milverton Reynolds	5/5

Audit & Conduct Review sub-Committee meetings

Name of Director	Attendance
1. Errol Powell - Chairman	7/7
2. Marc Harrison	5/7
3. Ann Marie Rhoden	6/7
4. Maureen Webber	4/7
5. Milverton Reynolds (non-Committee member)	5/7

Enterprise Risk Management sub-Committee meetings

Name of Director	Attendance
1. Jeffrey Cobham - Chairman	3/3
2. Richard Burgher	0/3
3. Marc Harrison	3/3
4. Errol Powell	3/3
5. Dhiru Tanna	2/3
6. Milverton Reynolds (non-Committee member)	2/3

Human Resources and Compensation sub-Committee meetings

Name of Director	Attendance
1. Maureen Webber (Chairperson)	1/1
2. Joseph M. Matalon	1/1
3. Dhiru Tanna	1/1
4. Milverton Reynolds	1/1

Directors' Gross Compensation

For year ended 31 March 2015

Members	Board Meeting	Committee meeting
Chairman	176,000.00	52,500.00
Director number 1 *	76,500.00	28,000.00
Director number 2	59,500.00	21,000.00
Director number 3	85,000.00	-
Director number 4	76,500.00	56,000.00
Director number 5	90,625.00	17,500.00
Director number 6	51,000.00	31,500.00
Director number 7	85,000.00	52,500.00
Director number 8	76,500.00	10,500.00
	776,625.00	**269,500.00**

Notes

1. *Board fees used for charitable purposes

Senior Executive Compensation

For year ended 31 March 2015

Position Of Senior Executive	Salary	DEC 2014 Performance Incentive	Gratuity	Travelling Allowance or Value Of Assigned Vehicle (VAV)	Pension	Other Allowances (Clothing)	Total
Managing Director *	10,884,607	821,135	2,721,152	120,000	0	0	14,546,894
General Manager 1	1,421,586	0	0	367,500	0	70,000	1,859,086
General Manager 2	5,835,793	323,536	-	1,102,500	402,670	70,000	7,734,499
General Manager 3	6,150,000	463,956	-	1,102,500	424,350	70,000	8,210,806
General Manager 4	4,264,757	321,733	-	1,102,500	294,268	70,000	6,053,258
General Manager 5	5,835,793	440,252	-	1,102,500	402,670	70,000	7,851,215
General Manager 6	5,835,793	440,252	1,458,948	1,102,500	0	70,000	8,907,493
General Manager 7	5,521,586	416,548	-	1,102,500	380,989	70,000	7,491,623
General Manager 8	4,578,964	299,647	-	1,102,500	315,949	70,000	6,367,060
General Manager 9	5,835,793	440,252	-	1,102,500	402,670	70,000	7,851,215
	56,164,672	**3,967,311**	**4,180,100**	**9,307,500**	**2,623,565**	**630,000**	**76,873,148**

Notes

1. *The amount shown for the Managing Director relates to the Notional Value for which taxes are paid on a Fully Maintained Vehicle.
2. Managing Director and General Manager 6 are paid gratuity (25% of salary). Gratuity is paid to officers who are not members of the Bank's pension scheme
3. General Manager 1 joined the Bank in December 2014.

GLOSSARY OF ACRONYMS

Below is a list of acronyms and their meanings as they appear in the DBJ's 2014-15 Annual Report:

AFI: Approved Financial Institutions

CariCRIS: Caribbean Information and Credit Ratings Services Limited

CDB: Caribbean Development Bank

CIB: Cocoa Industry Board

EFF: Extended Fund Facility

ERM: Enterprise Risk Management

EXIM: National Export-Import Bank of Jamaica Limited

EU: European Union

GOJ: Government of Jamaica

ICT/BPO: Information and Communication Technology/ Business Processing Outsourcing

IDB: Inter-American Development Bank

IFC: International Finance Corporation

IMF: International Monetary Fund

JAMPRO: Jamaica Promotions Limited

JBDC: Jamaica Business Development Corporation

JVCP: Jamaica Venture Capital Programme

LAVCA: Latin American Private Equity & Venture Capital Association (LAVCA)

LOPM: Loan Origination and Portfolio Management

M3 : Mobile Money for Microfinance

MIF: Multilateral Investment Fund

MFI: Micro Finance Institutions

MSME: Micro, Small and Medium-sized Enterprises

MSTEM: Ministry of Science, Technology, Energy and Mining

NMIA: Norman Manley International Airport

NPCB: National People's Co-operative Bank

P4: Public-Private Partnerships & Privatisation

PDF: PetroCaribe Development Fund

PPP: Public-Private Partnerships

SME: Small and Medium-sized Enterprises

Government-owned entities being privatised by the DBJ's Public-Private Partnerships and Privatisation Department. They include, from left, PETCOM, Rafter's Rest and the commercial assets of the Cocoa Industry Board.

Audited Financial Statements 2015

KPMG

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Development Bank of Jamaica Limited, set out on pages 62 to 137, which comprise the statement of financial position as at March 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view, in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

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 Development Bank of Jamaica Limited as at March 31, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional 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, so far as appears from our examination of these records, 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 18, 2015

Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2015

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Net interest and other income			
Interest income		1,255,514	1,198,634
Interest expense		(494,268)	(531,009)
Net interest income	7	761,246	667,625
Other income	8	1,086,998	911,678
		1,848,244	1,579,303
Operating expenses			
Staff costs	9	(410,277)	(369,455)
Other operating expenses	10	(314,637)	(280,636)
Total staff costs and other operating expenses		(724,914)	(650,091)
Profit from operating activities before impairment losses		1,123,330	929,212
Impairment losses	19	(-)	(177,431)
Profit from operating activities		1,123,330	751,781
Share of losses of associated companies	15	(45,700)	(38,263)
Profit from Credit Enhancement Facility Fund	22	30,561	29,299
Profit for the year		1,108,191	742,817
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of employee benefits asset	24(c)(vii)	(29,682)	(906)
Items that are or may be reclassified to profit or loss			
Net changes in fair value of available-for-sale securities	31(a)	209,930	79,084
Surplus on revaluation of property and equipment	26	36,145	91,590
Total other comprehensive income for the year		216,393	169,768
Total comprehensive income for the year		1,324,584	912,585

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

Statement of Financial Position

March 31, 2015

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
ASSETS			
Cash and cash equivalents	11	534.420	490,358
Resale agreements	12	335,098	723,233
Investment securities	13	2,724,036	2.324,622
Investment properties	14	480,704	448,233
Interest in associated companies	15	940,617	924,919
Loans receivable, net of impairment allowance:			
Direct loans	16	5,567,293	5,681.613
Financial and agricultural institutions loans	17	11.161,893	9,581,882
Government of Jamaica infrastructural programmes	19	21	29
Due from Government of Jamaica – Privatisation	20	21,469	8,329
Note receivable	21(a)	317,929	391,271
Other	21(b)	373,593	858,367
Taxation recoverable		392,413	344,987
Due from Credit Enhancement Facility Fund	22	394,862	369,051
Other receivables	23	151,393	117,067
Employee benefits asset	24	216,383	233,450
Intangible assets	25	4,887	5,677
Property and equipment	26	790,911	766,145
		24,407,922	23,269,233
LIABILITIES			
Loans payable	27	14,294,461	14,433,488
Other	28	497,358	367,512
		14,791,819	14,801,000
EQUITY			
Share capital	29(a)	1,757,539	1,757,539
Share premium	29(b)	98,856	98,856
Capital reserves	30	1,206,431	1,206,517
Other reserves	31	5,223,163	5,102,757
Retained earnings		1,330,114	302,564
		9,616,103	8,468,233
		24,407,922	23,269,233

The financial statements on pages 3 to 78 were approved for issue by the Board of Directors on June 18, 2015 and signed on its behalf by:

Chairman
Joseph Matalon

Managing Director
Milverton Reynolds

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

Statement of Changes in Equity

Year ended March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	Share capital $'000	Share premium $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balances at March 31, 2013		1,757,539	98,856	1,206,613	4,944,109	(365,851)	7,641,266
Total comprehensive income for the year							
Profit for the year		-	-	-	-	742,817	742,817
Other comprehensive income							
Re-measurement of employee benefits asset		-	-	-	(906)	-	(906)
Net change in fair value of available-for-sale securities	31(a)	-	-	-	79,084	-	79,084
Surplus on revaluation of property and equipment	26	-	-	-	91,590	-	91,590
Total other comprehensive income for the year		-	-	-	169,768	-	169,768
Total comprehensive income for the year		-	-	-	169,768	742,817	912,585
Transfers							
Amortisation of grants	30(d)	-	-	(96)	-	-	(96)
Transfer from special reserves	31(d)	-	-	-	(4,538)	-	(4,538)
Transfer of profit on CEF	31(f)	-	-	-	29,299	(29,299)	-
Transfer to technical reserve	31(g)	-	-	-	(35,881)	(19,623)	(55,504)
		-	-	(96)	(11,120)	(48,922)	(60,138)
Transactions with owners, recognised directly in equity							
Dividends	32	-	-	-	-	(25,480)	(25,480)
Balances at March 31, 2014		1,757,539	98,856	1,206,517	5,102,757	302,564	8,468,233
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,108,191	1,108,191
Other comprehensive income							
Re-measurement of employee benefits asset		-	-	-	(29,682)	-	(29,682)
Net change in fair value of available-for-sale securities	31(a)	-	-	-	209,930	-	209,930
Surplus on revaluation of property and equipment	26	-	-	-	36,145	-	36,145
Total other comprehensive income for the year		-	-	-	216,393	-	216,393
Total comprehensive income for the year		-	-	-	216,393	1,108,191	1,324,584
Transfers							
Amortisation of grants	30(d)	-	-	(86)	-	-	(86)
Transfer from special reserves	31(d)	-	-	-	(4,809)	-	(4,809)
Transfer of profit on CEF	31(f)	-	-	-	30,561	(30,561)	-
Transfer to technical reserve	31(g)	-	-	-	(121,739)	(12,650)	(134,389)
		-	-	(86)	(95,987)	(43,211)	(139,284)
Transactions with owners, recognised directly in equity							
Dividends	32	-	-	-	-	(37,430)	(37,430)
Balances at March 31, 2015		1,757,539	98,856	1,206,431	5,223,163	1,330,114	9,616,103

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

Statement of Cash Flows

Year ended March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit for the year		1,108,191	742,817
Adjustments for:			
Amortisation	25	3,832	1,533
Depreciation	26	37,604	41,643
Interest income		(1,255,514)	(1,198,634)
Interest expense		494,268	531,009
Foreign exchange gain		(132,726)	(167,461)
Allowance for impairment losses	19	-	177,431
Discount on advance to associated companies	15	(18,590)	(16,111)
Interest discount	15	68,108	23,870
Foreign exchange gain		(132,726)	(167,461)
Change in employee benefits asset		(12,615)	(18,118)
Share of losses in associated companies	15	45,700	38,263
Gain on disposal of property and equipment		(693)	(1,103)
Surplus on revaluation of investment properties, net	14	(28,657)	(113,730)
Amortisation of grants	30(d)	(86)	(96)
		308,822	41,313
Changes in operating assets and liabilities:			
Government of Jamaica – privatisation recoverables		(13,140)	(6,925)
Loans to financial and agricultural institutions		(289,814)	517,149
Direct loans		126,943	260,277
Government of Jamaica infrastructural loan programmes		8	1,976
Due from Government of Jamaica		484,774	(167,694)
Taxation recoverable		(47,426)	(6,197)
Credit Enhancement Facility Fund		(25,811)	(28,294)
Other receivables		39,016	83,800
Other liabilities		(9,352)	(93,488)
		574,020	601,917
Interest received		1,267,706	1,612,327
Interest paid		(517,485)	(294,851)
Net cash provided by operating activities		1,324,257	1,919,393

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

Statement of Cash Flows (Cont'd)

Year ended March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Cash flows from investing activities			
Resale agreements		387,496	2,513,643
Investment securities, net		(97,486)	(155,869)
Interest in associated companies		(110,917)	(68,112)
Purchase of intangible assets	25	(3,043)	(6,277)
Purchase of property and equipment	26	(26,963)	(23,356)
Proceeds of disposal of property and equipment		1,430	1,101
Loans to financial and agricultural institutions		(1,107,627)	(2,974,372)
Direct borrowers		305,086	(95,944)
Additions to investment properties	14	(3,814)	(13,332)
Net cash used by investing activities		(655,838)	(822,518)
Cash flows from financing activities			
Loans received		1,224,518	315,224
Loans repaid		(1,836,963)	(1,460,953)
Dividends paid	32	(37,430)	(25,480)
Net cash used by financing activities		(649,875)	(1,171,209)
Net increase/(decrease) in cash and cash equivalents		18,544	(74,334)
Effect of exchange rate fluctuations on cash and cash equivalents		25,518	(65,685)
Cash and cash equivalents at beginning of year		490,358	630,377
Cash and cash equivalents at end of year	11	534,420	490,358

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

1. Identification and principal activities

(a) (i) 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 those of 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-15 Oxford Road, Kingston 5, Jamaica.

(ii) 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 the company acquiring net identifiable assets, amounting to $1,727,539,000. On July 24, 2009, the company issued shares to the Accountant General, in trust for the Capital Development Fund, as compensation for this amount. Certain non-performing assets were retained by NIBJ, which continues to operate for the purpose of pursuing the recovery of those assets.

(b) The company's mission is to facilitate economic growth and development by providing opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy.

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

(d) The company has interests in certain associated companies [see notes 3(a) and 15], all of which are incorporated and domiciled in Jamaica. The ones currently in operation are as follows:

Name of Investee	Principal Activities	Percentage Holding by Company	Percentage Holding by Other	Financial Year End
Harmonisation Limited and its	Property development	50%		March 31
(i) 100% subsidiary: Silver Sands Estate Limited	Rental of resort accommodation		100%	March 31
(ii) 49% associated company: Harmony Cove Limited	Property development		49%	March 31

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

March 31, 2015
(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 transfer of these additional 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 as at and for the year ended March 31, 2015 ("reporting date") are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act.

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the financial year under review. The company has adopted those that are relevant, none of which had any significant impact on the amounts and disclosures in the financial statements.

New and amended standards and interpretations that are not yet effective and which the company has not early adopted

Certain new, revised and amended standards and interpretations were in issue but were not yet effective at the reporting date, and had not been early-adopted by the company. The company has assessed their relevance to its operations and has determined that the following are likely to have an effect on the financial statements:

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective and which the company has not early adopted (cont'd)

- *Improvements to IFRS, 2010-2012 and 2011-2013 Cycles*, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

  i. IFRS 13, *Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  ii. IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*, have been amended to clarify that, at the date of revaluation:

     a. the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses; or

     b. the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

  iii. IAS 24, *Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

  iv. IAS 40, *Investment Property*, has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective and which the company has not early adopted (cont'd)

- *Improvements to IFRS, 2012-2014 Cycle*, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:

  i. IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, have been amended by the issue of "Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*", as follows:

  - The amendment to IAS 16 explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38 introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

  ii. IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  iii. IAS 19, *Employee Benefits*, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

- IAS 27, *Separate Financial Statements*, has been amended, effective for annual reporting periods beginning on or after January 1, 2016, by the issue of "*Equity Method in Separate Financial Statements*". The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective and which the company has not early adopted (cont'd)

- IAS 1, *Presentation of Financial Statements*, has been amended, effective for annual reporting periods beginning on or after January 1, 2016, to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI;
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- IFRS 15, *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2017, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective and which the company has not early adopted (cont'd)

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The company is assessing the impact that the new standards and interpretations, as well as the amendments, will have when they become effective, on its financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, modified for the measurement of available-for-sale investment securities, investment properties and certain property and equipment at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars, which is the company's functional currency. Financial information presented has been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of accounting estimates, based on assumptions. It also requires management to exercise its judgement in the process of applying IFRS and the company's accounting policies. These estimates and judgements affect the reported amounts of, and disclosures relating to, assets, liabilities, income, expenses, contingent assets and contingent liabilities.

Estimates, and the assumptions underlying them, 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

2. Basis of preparation (cont'd)

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

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Note 4 describes (1) critical judgments made by management in applying accounting policies in accordance with IFRS, and (2) financial statement amounts that have been significantly affected by estimates, and/or which could therefore be changed in the next financial year as a result of a change in the estimate.

3. Significant accounting policies

(a) Associates

Associates are those entities over which the company has significant influence, but not control, over the financial and operating policies. The financial statements include the company's share of profits or losses 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) Financial instruments – Classification, recognition and derecognition, and measurement

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. In these financial statements:

- Financial assets have been determined to comprise cash and cash equivalents, resale agreements, investment securities, loans receivable, due from Government of Jamaica, due from Credit Enhancement Facility Fund, and other receivables.

- Financial liabilities comprise loans payable, and other liabilities.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(b) Financial instruments – Classification, recognition and derecognition, and measurement (cont'd)

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

(i) Classification of financial instruments

The company classifies non-derivative financial assets into the following categories: *loans and receivables*, *held-to-maturity* and *available-for-sale*. Management determines the appropriate classification of investments at the time of purchase.

The company classifies non-derivative financial liabilities into the other financial liabilities category.

(ii) Non-derivative financial assets and financial liabilities – recognition and derecognition

The company recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The company initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Significant accounting policies (cont'd)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (cont'd)

(iii) Non-derivative financial assets – measurement

Loans and receivables: Securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market, are classified as loans and receivables. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: Securities with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that is not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

Available-for-sale: Other investments are classified as available-for-sale, because they are designated as such or are not classified in any of the other categories. On initial recognition, they are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- 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 other comprehensive income. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.
- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the accumulated fair value adjustments accumulated in equity are reclassified to profit or loss.

3. Significant accounting policies (cont'd)

(c) Specific financial instruments

(i) 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-term deposits and investment balances maturing within 90 days of the date of acquisition.

Cash and cash equivalents are carried at amortised cost.

(ii) 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.

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

(iii) Investment securities

The classification, recognition and derecognition, and measurement of investment securities are described in note 3(b) above.

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.

Purchases and sales of investment securities are recognised on the settlement date - the date on which an asset is delivered to or by the company.

(iv) Loans receivable

The classification, recognition and derecognition, and measurement of loans receivable are described in note 3(b) above.

The cash advanced to a borrower, including any transaction costs, is taken as the fair value of the loan at the date of disbursement and, accordingly, that is the amount at which the asset is initially recorded.

3. Significant accounting policies (cont'd)

(c) Specific financial instruments (cont'd)

(v) 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 interest 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.

(vi) Share capital and dividends:

(1) Classification:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(2) Dividends:

Dividends are recorded in the financial statements in the period in which they are declared by the board of directors.

(d) Impairment of financial assets

The company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets carried at amortised cost is impaired.

A financial asset or group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the expected future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Because of the nature of the company's business, loans and advances and investment securities carried at amortised cost are generally individually significant and are therefore assessed for impairment individually.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(d) Impairment of financial assets (cont'd)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the loans and advances or securities. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The company writes off loans and advances and investment securities when they are determined to be uncollectible [see note (5)(c)(iii)].

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

(e) Foreign currency translation

(i) Foreign currency transactions are converted 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 at the reporting date. 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 in other comprehensive income.

3. Significant accounting policies (cont'd)

(e) Foreign currency translation (cont'd)

(iv) Those foreign currency loans which were negotiated by the Government of Jamaica and on-lent to the company by the Ministry of Finance and Planning (MOFP) in Jamaica dollars [see notes 27(b)(xiii) and (xiv)], 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.

Exchange losses (net of gains) arising on other foreign currency loans are included in profit or loss.

(f) 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.

(g) 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, if any, impairment losses.

Increases in the carrying amounts arising from the revaluation of freehold land and buildings are included in other comprehensive income, except to the extent that a surplus reverses a previous revaluation deficit recognised in profit or loss on the same asset, in which case the credit to that extent is recognised in profit or loss. Any deficit or revaluation is recognised in profit or loss, except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in other comprehensive income.

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.

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).

3. Significant accounting policies (cont'd)

(g) Property and equipment (cont'd)

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.

(h) Investment properties

Investment properties, comprising residential apartments and commercial office space, are held for long-term rentals and capital gains.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value.

Fair value is determined every five years by an independent registered valuer, and in each of the four intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss.

(i) 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.

3. Significant accounting policies (cont'd)

(j) Impairment of non-financial assets

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

In respect of non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the company. Accordingly, revenue comprises interest income, and fee and commission income.

(i) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments using the effective interest method. Interest income includes coupons earned on fixed income investments and accretion of discount or amortisation of premium on financial assets acquired at other than par.

IFRS requires that when loans become doubtful of collection, i.e., impaired, 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. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(k) Revenue recognition (cont'd)

(ii) 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.

(l) Interest expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the carrying amount of the financial liability.

(m) Employee benefit

(i) General 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 are expensed as the related service is provided. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits which comprise pensions and health care, are accounted for as described in paragraphs (ii) below. Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned during service and charged as an expense, unless not considered material, in which case they are charged when they fall due for actual payment.

(ii) Defined benefit pension plan

The defined-benefit plan provides pensions for retired employees of the company. The employee benefits asset included in the financial statements is 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 benefits assets as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

3. Significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(ii) Defined benefit pension plan (cont'd):

The company's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date 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, the rate is estimated by extrapolating from the longest tenor security on the market. The calculation is performed by the company's independent qualified actuary using the Projected Unit Credit Method.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of its defined benefit plan when the settlement occurs.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest income on the net defined benefit asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the calculation results in a potential asset to the company the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(n) 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, or for other capital acquisitions, and not for the support of operating activities, are recorded in the statement of financial position as capitalisation reserve [note 30(d)] and are credited to profit or loss on the straight-line basis over the expected useful lives of the related assets.

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.

The determination of whether a security may be classified as 'loans and receivables' [note 3(b)(iii)] or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy [note 4(b)(ii) below] requires judgement as to whether a market is active. Classification of financial instruments also requires judgement as to whether all the relevant criteria have been met – for example, 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 note [3(b)(iii)].

(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 allowance for impairment of loans receivable and debt securities is determined by evaluating those assets individually for impairment. This is done where there are indicators of 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 assumptions 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. There is inherent uncertainty in these estimates and assumptions.

(ii) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring fair value of an asset or liability, the company uses observable data as far as possible. Fair values are categorized into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The techniques used to estimate fair values, together with the inputs used, are described in note 6(b). The use of assumptions and estimates means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(iii) Pension benefits:

Determining employee benefit amounts to be included in the financial statements requires the actuaries to estimate the amount of future benefit that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. Making these estimates requires certain assumptions, including the discount rate, inflation rate, and future increases in certain items, including pensions and salaries, as more fully set out in notes 3(m) and 24. Management supplies the actuaries with some of the information, including some assumptions, used in estimating the employee benefit amounts. Uncertainty is inherent in these estimates as the possibility of significant differences between actual results and the assumptions used could significantly impact the amounts recorded in the financial statements for these benefits in the next financial year.

4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

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

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

The residual value and the expected useful life of an asset are estimated by management on the basis of certain assumptions. They 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.

5. Financial instrument risk management

(a) Overview

The company's activities expose it to the following risks:

- 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 specified 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 provisions against financial assets and the terms for any renegotiating specific loans.

5. Financial instrument risk management (cont'd)

(a) Overview (cont'd)

Risk management framework (cont'd)

(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.

(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.

(iv) Enterprise Risk Management Committee

The Enterprise Risk Management Committee provides risk oversight to the operations of the company through frequent monitoring of the risk implementation policy and strategy, determine the risk tolerance levels of the company and approve risk management reports.

(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 returns. The overall responsibility for market risk resides with the Investment, Finance and Loans Committee along with the Enterprise Risk Management Committee. Market risk exposures are measured using sensitivity analysis.

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

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(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 Bank of Jamaica to facilitate the expeditious liquidation of foreign currency 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 and the Euro.

At the reporting date, the foreign currency assets and liabilities, by currency, were as follows:

	2015		2014	
	US$ ’000	**€** ’000	**US$** ’000	**€** ’000
Cash and cash equivalents	2,101	-	1,629	-
Resale agreements	2,727	-	6,428	-
Investment securities	22,507	-	26,959	-
Loans receivable	16,867	-	21,260	-
Loans, net of impairment losses	48,017	-	44,507	-
Total foreign currency assets	92,219	-	100,783	-
Short-term loans	(11,738)	(64)	(45,774)	(64)
Long-term loans	(75,180)	(716)	(48,493)	(795)
Other liabilities	(1,491)	-	(1,600)	-
Total foreign currency liabilities	(88,409)	(780)	(95,867)	(859)
Net foreign currency assets/(liabilities)	3,810	(780)	4,916	(859)

At March 31, 2015, the exchange rates for the United States Dollar and the Euro(€) were as follows: J$114.4883 = US$1.00 (2014: J$108.9943 = US$1.00) and J$124.0901 = €1.00 (2014: J$149.9441 = € 1.00).

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements:

A 1% (2014: 1%) strengthening or a 10% (2014: 15%) weakening of the Jamaica dollar against the following currencies at the reporting date would impact profit or loss and equity for the year as indicated 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 as for 2014.

	2015			2014		
	% Change in currency rate	**Effect on profit $’000**	**Effect on equity $’000**	**% Change in currency rate**	**Effect on loss $’000**	**Effect on equity $’000**
Strengthening of the Jamaica dollar:						
USD	1% Revaluation	(4,362)	(4,362)	1% Revaluation	(5,358)	(5,358)
Euro	1% Revaluation	968	968	1% Revaluation	1,066	1,066
Weakening of the Jamaica dollar:						
USD	10% Devaluation	43,620	43,620	15% Devaluation	80,372	80,372
Euro	10% Devaluation	(9,679)	(9,679)	15% Devaluation	(10,659)	(10,659)

This assumes 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.

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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 re-pricing and maturity dates.

	2015						
	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
Assets							
Cash and cash equivalents	-	7,429	-	-	-	526,991	534,420
Resale agreements	199,986	133,636	-	-	-	1,476	335,098
Investment securities	-	-	32,282	880,476	1,758,973	52,308	2,724,036
Interest in associated companies	-	-	-	-	735,401	205,216	940,617
Loans receivable, net of impairment losses	-	2,860,922	4,057,731	4,993,283	3,575,478	1,241,793	16,729,207
Due from Government of Jamaica	-	-	-	-	-	712,991	712,991
Due from Credit Enhancement Facility Fund	-	-	-	-	-	394,862	394,862
Other receivables	-	-	-	-	-	143,180	143,180
Total financial assets	199,986	3,001,987	4,090,013	5,873,759	6,069,852	3,278,814	22,514,411
Liabilities							
Loans payable	-	647,718	3,179,356	8,496,209	390,864	1,580,314	14,294,461
Other liabilities	-	-	-	-	-	497,358	497,358
Total financial liabilities	-	647,718	3,179,356	8,496,209	390,864	2,077,672	14,791,819
Interest rate sensitivity gap	**199,986**	**2,354,269**	**910,657**	**(2,622,450)**	**5,678,988**	**1,201,142**	**7,722,592**
Cumulative interest sensitivity gap	**199,986**	**2,554,255**	**3,464,912**	**842,462**	**6,521,450**	**7,722,592**	**-**

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2014						
	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
Assets							
Cash and cash equivalents	-	7,416	-	-	-	482,942	490,358
Resale agreements	531,034	190,083	-	-	-	2,116	723,233
Investment securities	-	-	-	185,606	2,045,605	93,411	2,324,622
Interest in associated companies	-	-	-	-	622,242	302,677	924,919
Loans receivable net of impairment losses	-	1,433,560	2,557,184	6,633,854	4,243,347	395,550	15,263,495
Due from Government of Jamaica	-	-	-	-	-	1,257,967	1,257,967
Due from Credit Enhancement Facility Fund	-	-	-	-	-	369,051	369,051
Other receivables	-	-	-	-	-	112,412	112,412
Total financial assets	531,034	1,631,059	2,557,184	6,819,460	6,911,194	3,016,126	21,466,057
Liabilities							
Loans payable	-	464,928	3,174,534	4,027,822	5,322,424	1,443,780	14,433,488
Other liabilities	-	-	-	-	-	367,512	367,512
Total financial liabilities	-	464,928	3,174,534	4,027,822	5,322,424	1,811,292	14,801,000
Interest rate sensitivity gap	**531,034**	**1,166,131**	**(617,350)**	**2,791,638**	**1,588,770**	**1,204,834**	**6,665,057**
Cumulative interest sensitivity gap	**531,034**	**1,697,165**	**1,079,815**	**3,871,453**	**5,460,223**	**6,665,057**	**-**

Sensitivity to interest rate movements

The following table indicates the sensitivity to interest rate movements at the reporting date, in terms of the effect on the company's profit or loss and equity. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis was performed on the same basis as for 2014.

	2015	2014
Jamaica dollar (J$) interest rates	Increase by 250 bps Decrease by 100 bps	Increase by 250 bps Decrease by 100 bps
Foreign currency interest rates	Increase by 200 bps Decrease by 50 bps	Increase by 200 bps Decrease by 50 bps

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2015		2014	
	Effect on profit $'000	Effect on equity $'000	Effect on profit $'000	Effect on equity $'000
Change in basis points:				
Increase in interest rates	135,485	41,216	140,096	137,743
Decrease in interest rates	(60,889)	(10,304)	(57,563)	(55,097)

(iii) The company's exposure to security price risk is insignificant as the company's securities that derive their value from market prices are not significant.

(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 cash and cash equivalents, resale agreements, investment securities, advances to associates, loans receivable, Government of Jamaica recoverables, due from Credit Enhancement Facility Fund, and other receivables.

(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, without taking account of the value of any collateral held. This is represented substantially by the carrying amount of financial assets shown in the statement of financial position.

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

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

The maximum exposure to credit risk before taking account of collateral held and other credit enhancements is as follows:

- Credit risk exposures relating to items recognised:

  This exposure is the carrying amounts in the statement of financial position of financial assets that are subject to credit risk.

- Credit risk exposures relating to items not recognised

	Maximum exposure 2015 $'000	Maximum exposure 2014 $'000
Loan commitments	4,485,649	3,150,897
Guarantees	313,247	269,467
	4,798,896	3,420,364

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(2) Concentration of credit risk

	2015						
	Cash and cash equivalents $'000	Loans $'000	Investment securities $'000	Resale agreements $'000	Recoverables from Govt. of Jamaica $'000	Others $'000	Total $'000
Carrying amounts	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145
Concentration by sector:							
Financial institutions	534,420	-	2,605,703	333,622	-	-	3,473,745
Agriculture, fishing and mining	-	4,495,710	-	-	-	-	4,495,710
Government and public entities	-	21	-	-	712,991	-	713,012
Manufacturing	-	1,044,323	-	-	-	-	1,044,323
Professional and other services	-	5,470,758	5,724	-	-	151,393	5,627,875
Tourism and entertainment	-	6,043,668	65,289	-	-	-	6,108,957
Transportation, storage and communication	-	20,982	-	-	-	-	20,982
	534,420	17,075,462	2,676,716	333,622	712,991	151,393	21,484,604
Interest receivable	-	453,603	47,320	1,476	-	-	502,399
	534,420	17,529,065	2,724,036	335,098	712,991	151,393	21,987,003
Less: Impairment losses	-	(799,858)	-	-	-	-	(799,858)
	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145
Concentration by location							
Jamaica	531,152	16,729,207	399,499	335,098	712,991	151,393	18,859,340
United States of America	3,268	-	2,318,813	-	-	-	2,322,081
Barbados	-	-	5,724	-	-	-	5,724
	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

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)

	2014						
	Cash and cash equivalents $'000	Loans $'000	Investment securities $'000	Resale agreements $'000	Recoverables from Govt. of Jamaica $'000	Others $'000	Total $'000
Carrying amounts	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,176,771
Concentration by sector:							
Financial institutions	490,358	-	2,284,614	721,118	-	-	3,496,090
Agriculture, fishing and mining	-	5,157,878	-	-	-	-	5,157,878
Government and public entities		-	-	-	1,257,967	-	1,257,967
Manufacturing	-	1,161,419	-	-	-	-	1,161,419
Professional and other services	-	3,546,200	5,450	-	-	117,067	3,668,717
Tourism and entertainment	-	5,458,386	800,904	-	-	-	6,259,290
Transportation, storage and communication	-	272,199	-	-	-	-	272,199
	490,358	15,596,082	3,090,968	721,118	1,257,967	117,067	21,273,560
Interest receivable	-	422,143	88,741	2,115	-	-	512,999
	490,358	16,018,225	3,179,709	723,233	1,257,967	117,067	21,786,559
Less: Impairment losses	-	(754,701)	(855,087)	-	-	-	(1,609,788)
	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,176,771
Concentration by location							
Jamaica	489,004	15,263,524	540,859	723,233	1,257,967	117,067	18,391,654
United States of America	1,354	-	1,778,313	-	-	-	1,779,667
Barbados	-	-	5,450	-	-	-	5,450
	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,176,771

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(3) Credit quality of loans and other amounts receivable

Credit quality is measured and monitored after disbursement primarily by the extent to which the debtor is current:

- Loans

	2015 $'000	2014 $'000
Direct loans	5,567,293	5,681,613
GOJ infrastructural loans	21	29
Financial and agricultural institutions loans	11,161,893	9,581,882
	16,729,207	15,263,524
Neither past due nor impaired	16,004,200	14,759,776
Past due but not impaired:		
1 to 3 months	105,383	145,487
3 to 6 months	18,437	32,022
6 to 12 months	24,076	-
Over 12 months	80,676	80,676
Past due and impaired	1,296,293	1,000,264
	17,529,065	16,018,225
Less allowance for loan losses [note 18(c)]	(799,858)	(754,701)
	16,729,207	15,263,524

- Other amounts receivable- contractual due dates:

	2015 $'000	2014 $'000
Neither past due nor impaired		
Due from Government of Jamaica:		
Note receivable	317,929	391,271
Other	373,593	858,367
	691,522	1,249,638

- Other amounts receivable- no contractual due dates:

	2015 $'000	2014 $'000
No due date – deemed not impaired		
Due from Government of Jamaica:		
Privatisation	21,469	8,329
Other receivables	151,393	117,067
	172,862	125,396

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(4) Renegotiated loans

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $1,426,467,000 (2014: $208,457,000).

(ii) Management of credit risk

The company manages its credit risk primarily by review of the financial status of each counterparty, 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/dealers, 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 payment and principal repayment obligations, obtaining collateral and corporate and personal guarantees, and by changing lending limits where appropriate.

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 with financial institutions that are licensed and regulated and which management regards as strong, and in such a way that there is no significant concentration. The strength of these financial institutions and the level of concentration are continually reviewed by management and the Investment, Finance and Loans Committee.

(2) Investment securities and resale agreements

The company limits its exposure to credit risk for these assets 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 continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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 (continued):

(3) Amounts due from Government of Jamaica

Balances with Government of Jamaica are regarded as sovereign debt and risk free investment by the regulators of licensed deposit taking and other financial institutions. The default risk of Government of Jamaica is low 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.

(iii) 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. In assessing the impairment of loans receivable, the main considerations are arrears of principal and interest for more than 90 days, known difficulties in the cash flows of the counterparty, and failure to comply with the original terms of the loan agreement.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date, 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.

(iv) 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 collateral held or other security available or the stage of collection of amounts owed to the company.

(v) 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.

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(vi) 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. The write-off of loans must be submitted to the Investment, Finance and Loans Committee for recommendation to the full Board for approval.

(vii) Collateral and other credit enhancements held against financial assets

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, liens over motor vehicles and other registered securities, hypothecation of shares, promissory notes, and guarantees.
- Resale agreements — Government of Jamaica securities.

Collateral is generally not held for balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the reporting date (2014: no collateral held).

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(vii) Collateral and other credit enhancements held against financial assets

The fair values of collateral held against loans to borrowers and other financial assets exposed to credit risk are shown below:

	Loans receivable		Other receivables		Resale agreements	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Against neither past due nor impaired financial assets:						
Property (land and buildings)	7,970,299	824,304	11,116	11,744	-	-
Debt securities		-		-	342,382	610,740
Motor vehicles		-	57,915	54,988	-	-
Other		-	82,147	88,394	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	825,285	111,188	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	944,662	1,231,454	-	-	-	-

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(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's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funding to meet its liabilities when due. A report comparing monthly projected disbursements with expected inflows is maintained and monitored to achieve maximum efficiency without incurring unacceptable losses.

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.

Daily reports covering the liquidity position of the company, including any exceptions, and remedial action taken, are submitted regularly to the Managing Director and detailed investment schedules are presented monthly to the Investment, Finance and Loans Committee.

The company is not subject to any externally 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.

	2015						
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Loans payable*	1,135,013	1,673,045	3,482,342	3,282,908	2,811,846	12,385,154	14,294,461
Other liabilities	241,974	96,877	175,634	-	38,099	552,584	497,358
	1,376,987	1,769,922	3,657,976	3,282,908	2,849,945	12,937,738	14,791,819

	2014						
Liabilities							
Loans payable*	629,056	1,638,202	6,456,818	4,379,092	2,011,860	15,115,028	14,433,488
Other liabilities	71,454	90,953	165,569	-	35,839	363,815	367,512
	700,510	1,729,155	6,622,387	4,379,092	2,047,699	15,478,843	14,801,000

* The interest cash flows are not included as they were not readily available

There was no change in the nature of the company's liquidity risk or its approach to managing or measuring the risk.

5. Financial instrument risk management (cont'd)

(e) Operational 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 areas 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;
- 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 actions;
- 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 Audit and Conduct Review Committee, which reports its findings 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 the capital base necessary 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 associated with 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**

(a) Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2015									
		Carrying amount						Fair value*			
	Notes	Held-to-maturity $'000	Loan and receivables $'000	Available for sale $'000	Fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value											
Units in unit trust	13	-	-	4,985	-	-	4,985	4,985	-	-	4,985
Government of Jamaica securities	13	-	-	2,276,856	-	-	2,276,856	-	2,276,856	-	2,276,856
		-	-	2,281,841	-	-	2,281,841	4,985	2,276,856	-	2,281,841
Financial assets not measured at fair value											
Government of Jamaica securities	13	329,586	-	-	-	-	329,586		442,195		442,195
Preference shares	13	-	65,289	-	-	-	65,289				
Resale agreements		-	335,098	-	-	-	335,098				
Cash and cash equivalents		-	534,420	-	-	-	534,420				
Other receivables	11	-	151,393	-	-	-	151,393				
Direct loans		-	5,567,293	-	-	-	5,567,293				
Financial and agricultural institutions loans		-	11,161,893	-	-	-	11,161,893				
GOJ infrastructural programmes		-	21	-	-	-	21				
GOJ receivables		-	712,991	-	-	-	712,991				
		329,586	18,528,398	-	-	-	18,857,984				
Financial liabilities not measured at fair value											
Loans payable		-	-	-	-	14,294,461	14,294,461				
Other		-	-	-	-	497,358	497,358				
		-	-	-	-	14,791,819	14,791,819				

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

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

(a) Accounting classifications and fair values (cont'd):

		2014									
		Carrying amount						Fair value*			
	Notes	Held-to-maturity $'000	Loan and receivables $'000	Available for sale $'000	Fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Units in unit trust	13	-	-	4,671	-	-	4,671	4,671	-	-	4,671
Government of Jamaica securities	13	-	-	1,746,882	-	-	1,746,882	-	1,746,882	-	1,746,882
		-	-	1,751,553	-	-	1,751,553	4,671	1,746,882	-	1,751,553
Financial assets not measured at fair value:											
Government of Jamaica securities	13	538,510	-	-	-	-	538,510				
Preference shares	13	-	800,904	-	-	-	800,904				
Resale agreements		-	723,233	-	-	-	723,233				
Cash and cash equivalents	11	-	490,358	-	-	-	490,358				
Other receivables		-	117,067	-	-	-	117,067				
Direct loans		-	5,681,613	-	-	-	5,681,613				
Financial and agricultural institutions loans		-	9,581,882	-	-	-	9,581,882				
GOJ infrastructural programmes		-	29	-	-	-	29				
GOJ receivables		-	1,257,967	-	-	-	1,257,967				
		538,510	18,653,053	-	-	-	19,191,563				
Financial liabilities not measured at fair value:											
Loans payable		-	-	-	-	14,433,488	14,433,488				
Other		-	-	-	-	367,512	367,512				
		-		-	-	14,801,000	14,801,000				

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of their fair values.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

6. Fair value estimation (cont'd)

(b) Measurement of fair values:

The definition of fair value and the basis of categorisation of fair values into different levels in a three-tier hierarchy are set out in note 4(b)(ii).

The following table shows the valuation methods used to measure Level 2 fair values as well as any significant unobservable inputs used.

Financial assets	**Method**
Government of Jamaica J$ securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.
Units in unit trust	Prices of units at reporting date as quoted by the Fund Managers.

There were no financial assets designated at Level 3. No financial assets were transferred from one level in the hierarchy to another.

7. Net interest income

	2015 $'000	**2014 $'000**
Interest income		
Cash and cash equivalents	2,058	12,065
Resale agreements	34,660	112,546
Investment securities	167,058	139,677
Advances (note 15)	18,590	16,111
Accretion of interest on non-interest-bearing note [note 21(a)]	27,075	19,623
Loans	1,006,073	898,612
Total interest income	1,255,514	1,198,634
Interest expense		
Long-term loans, being total interest expense	(494,268)	(531,009)
Net interest income	761,246	667,625

8. Other income

	2015 $'000	**2014 $'000**
Administrative fees	17,867	17,668
Commitment fees	41,644	57,171
Gain on disposal of property and equipment	693	1,103
Rental income	89,581	89,142
Dividends	1	-
Foreign exchange gains	132,726	167,562
Collections in respect of loans previously written off	705,367	408,573
IDB Venture Capital Conference - income	4,293	11,514
IDB Venture Capital Conference - expense	(4,293)	(11,514)
Appreciation in fair value of investment properties [note 14(a)]	28,657	113,730
Public Private Partnership & Privatisation – fees	65,314	16,546
Miscellaneous	5,148	40,183
	1,086,998	911,678

9. Staff costs and number of persons employed

	2015 $'000	**2014 $'000**
Salaries and wages	303,883	282,293
Performance incentive bonus	20,398	17,471
Statutory payroll contributions	20,623	18,552
Pension expense/(credit) – defined benefit plan [note 24(c)(vi)]	1,779	(4,817)
Staff training	8,918	6,183
Staff welfare	1,256	1,071
Redundancy	-	6,546
Other	53,420	42,156
	410,277	369,455

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

	2015 No.	**2014 No.**
Full – time	115	110
Temporary	1	1
Contract	10	5
	126	116

10. Operating expenses

	2015 $'000	2014 $'000
Amortisation (note 25)	3,832	1,533
Advertising and public relations	11,475	12,343
Assistance to projects	9,412	5,828
Auditors' remuneration	4,862	4,466
Depreciation (note 26)	37,604	41,643
Directors' fees	1,046	1,199
Legal fees	4,466	3,916
Other professional fees	26,215	43,399
Motor vehicle expenses	5,908	6,646
Occupancy costs – including insurance, utilities and repairs.	117,005	113,135
Travelling	5,283	6,313
Discount on additional advances made to Harmonisation (see note 15)	68,108	23,870
Other	19,421	16,345
	314,637	280,636

11. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash	95	95
Demand and savings deposits	534,325	490,263
	534,420	490,358

Cash and cash equivalents include interest-bearing balances totalling $7,429,000 (2014: $7,416,000) that are held with a financial institution for the purpose of securing loans by that institution to employees of the company, and are not available for the company's day to day operations.

12. Resale agreements

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

Included in resale agreements is interest receivable of $1,476,000 (2014: $2,115,000).

The fair value of the collateral underlying the resale agreements was $342,382,000 (2014: $610,740,000) at the reporting date.

13. Investment securities

	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 2015	Carrying value $'000 2014
Held to maturity:						
Government of Jamaica bonds	-	-	-	329,586	329,586	538,510
Loans and receivables:						
Preference shares	-	-	-	-	65,289	800,904
Available-for-sale :						
Units in unit trust	-	-	-	-	4,985	4,671
Government of Jamaica bonds	-	32,282	880,476	1,364,098	2,276,856	1,746,882
	-	32,282	880,476	1,364,098	2,281,841	1,751,553
Interest receivable					47,320	88,741
					2,724,036	3,179,708
Allowance for impairment					-	(855,086)
					2,724,036	2,324,622

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

	2015 $'000	2014 $'000
At beginning of year	855,086	2,330,773
Amounts recovered	(651,676)	-
Provision no longer required	(203,410)	-
Investment securities previously provided for, now written off	-	(1,475,687)
At end of year [note 18(c)]	-	855,086

(b) National Debt Exchange

Government of Jamaica ("GOJ") bonds include $136,000,000 of Fixed Rate Accreting Notes ("FRANs"). As part of the National Debt Exchange, GOJ mandated the company (and all other state-owned/controlled entities that held GOJ issued notes) ("Old Notes") to exchange those Old Notes for new notes – FRANs - as at February 22, 2013. Old notes with a carrying amount of $170,000,000 at that date were exchanged for FRANs with a fair value of $136,000,000, resulting in a loss of $34,000,000. The terms of the FRANs are as follows:

(i) A holder of Old Notes was issued with J$80 of initial principal value of FRANs for every J$100 of principal value of Old Notes.

13. Investment securities (cont'd)

(b) National Debt Exchange (cont'd)

(ii) Interest is payable semi-annually on February 15 and August 15 at a fixed rate of 10% p.a. on the accreted principal value with the first payment being made on August 15, 2013.

(iii) Accretion for the additional J$20 of principal value will commence in August 2015 as follows:

- 0.5% of $100 every six months from August 15, 2015 until August 15, 2020;
- Thereafter, 1.0% of $100 every six months until August 15, 2026; and
- Thereafter, 1.5% of $100 every six months until August 15, 2027.

(iv) The FRANs may be redeemed by GOJ on any interest payment date after August 15, 2020. (The value at which the FRAN could be redeemed is not included in the offer document).

14. Investment properties

(a) Reconciliation of carrying amount

	2015 $'000	2014 $'000
At beginning of year	448,233	321,171
Additions	3,814	13,332
Change in fair value (note 8)	28,657	113,730
At end of year	480,704	448,233

Investment properties comprise:

	2015 $'000	2014 $'000
Land at Drax Hall, St. Ann, held for capital appreciation	12,737	11,233
Rented residential property, Manor Park Apartment	18,800	12,000
Rented office complex, 21 Dominica Drive, Kingston	449,167	425,000
Fair value of investment properties	480,704	448,233
Income earned from properties	42,890	41,683
Expenses incurred by properties	(8,405)	(10,695)

14. Investment properties (cont'd)

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property was determined by Directors valuation based on advice from external, independent property valuers, Allison Pitter and Co., Chartered (Valuation) Surveyors, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, as at December 31, 2013 and estimate of 5% increase applied as at January 2015.

The fair value measurement for investment property of $480,704,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used [see Note 4(b)(ii)].

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment Approach: This valuation model discounts the net cash flows to be generated from the property over its useful life, taking into account expected rental receipt, void periods and letting delays.	• Expected market rental growth 3½%. • Void periods (average 5% over life of investment). • Rent used is guided by existing rentals. • Risk-adjusted discount rates (9¾-11½%)	The estimated fair value would increase/(decrease) if: • expected market rental growth were higher/(lower) • void and rent free periods were shorter/(longer) • the risk-adjusted discount rate were lower/(higher).
Market Comparison Approach: This valuation model is an analysis of comparable property sales within the general locale. It considers variations in timing, size, age, facilities, standard of finishes, location, etc. of similar properties.	• Sale price of similar properties in the locale were considered	The estimated fair value would increase/(decrease) if the expected selling price was higher/(lower)

15. Interest in associated companies

	2015 $'000	2014 $'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivable		
Original amount of advances and accrued interest [footnote 1(a) below]	1,039,555	971,443
Additional advances	110,916	68,112
Gross amount receivable	1,150,471	1,039,555
Unaccreted imputed interest [footnote 1(b) below]:		
Original amount of discount	(210,512)	(186,642)
Discount on additional advances (see note 10)	(68,108)	(23,870)
Total discount	(278,620)	(210,512)
Accretion in previous years	61,964	45,853
Accretion in current year (note 7)	18,590	16,111
Accretion to date	80,554	61,964
Unaccreted interest carried forward	(198,066)	(148,548)
Present value of amount receivable	952,655	891,257
Share of (loss)/profits		
At beginning of year	33,662	71,925
Loss recognised during year	(45,700)	(38,263)
At end of year	(12,038)	33,662
Carrying value of interest in associated companies	940,617	924,919

Note 1(a) In 2009, the shareholders of Harmonisation Limited entered into a new agreement between themselves to cease charging interest on their advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. Advances are unsecured with no fixed repayment date. At the reporting date, the preference shares had not been issued. It is expected that they will be issued when the Joint Venture and Members Agreements come into force.

Note 1(b) As the long-term receivable is non-interest-bearing, interest income has been imputed in accordance with the requirements of IFRS.

Summary financial information on associated companies:

	2015 $'000	2014 $'000
Assets	2,527,834	2,484,701
Liabilities	2,748,553	2,635,394
Revenue for the year	13,608	14,320
Loss for the year	(70,026)	(76,902)

16. Direct loans

	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 2015	Carrying value $'000 2014
Loans receivable	573,914	1,265,417	2,251,818	1,788,388	5,879,538	6,017,584
Interest receivable					440,079	418,730
					6,319,617	6,436,314
Less impairment allowance [note 18(a)]					(752,324)	(754,701)
					5,567,293	5,681,613

The loans bear interest at rates ranging from 4% - 13% (2014: 4% - 13%) 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 %	2015 $'000	2014 $'000
Loans to financial institutions	4% - 10%	10,117,877	8,312,849
Loans to People's Co-operative Banks	1% - 10%	1,078,025	1,264,028
		11,195,902	9,576,877
Interest receivable from financial institutions		12,735	4,519
Interest receivable from People's Co-operative Banks		790	486
		13,525	5,005
		11,209,427	9,581,882
Less impairment losses on loans [note 18(a)]		(47,534)	-
		11,161,893	9,581,882

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 2015	Carrying value $'000 2014
Loans:						
Financial institutions	2,060,943	2,461,147	2,505,839	3,042,414	10,070,343	8,312,849
People's Co-operative Banks	226,065	283,633	235,626	332,701	1,078,025	1,264,028
					11,148,368	9,576,877
Interest receivable:						
Financial institutions					12,735	4,519
People's Co-operative Banks					790	486
					13,525	5,005
					11,161,893	9,581,882

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

(a) Summary of impairment losses on loans

	2015 $'000	2014 $'000
Loans to direct borrowers (note 16)	752,324	754,701
Loans to financial and agricultural institutions [note 17(a)]	47,534	-
	799,858	754,701

Specific allowance has been made for impairment losses.

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $1,533,278,000 (2014: $1,533,278,000).

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

	2015 $'000	2014 $'000
Allowance at beginning of year	754,701	1,484,092
Amounts recovered	(53,691)	-
Loans written-off during the year	(13,289)	(729,391)
Provision no longer required	(151,455)	-
Additions to allowance for impairment	263,592	-
At end of year [note 18(c)]	799,858	754,701

18. Allowance for impairment of direct loans and loans to financial and agricultural institutions (cont'd)

(c) Summary of allowance for impairment on loans and investment securities:

	2015 $'000	2014 $'000
Impairment on loans – per note 18(b)	799,858	754,701
Impairment on investment securities - per note 13(a)	-	855,086
Total allowance for impairment	799,858	1,609,787

19. Government of Jamaica Infrastructure Loan Programme

	2015 $'000	2014 $'000
Loan amount	21	29
Interest receivable	177,431	177,431
	177,452	177,460
Impairment provision	(177,431)	(177,431)
	21	29

The loans were to finance the establishment, development, operation and maintenance of public infrastructure.

20. Due 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.

	Net recoverable/ (payable) $'000 2014	Amount advanced $'000	Proceeds collected $'000	Net recoverable/ (payable) $'000 2015
Projects in progress	95,349	20,133	(6,993)	108,489
Projects completed	(79,942)	-	-	(79,942)
Others	(7,078)	-	-	(7,078)
	8,329	20,133	(6,993)	21,469

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

21. Due from Government of Jamaica – other

(a) Note receivable:

GOJ signed an agreement dated September 20, 2011 with the company under which GOJ assumed certain loans owed to the company by three GOJ-owned sugar companies. GOJ issued a non-interest bearing promissory note to the company in the amount of J$1,004,168,000 repayable over a ten-year period commencing April 1, 2011 and ending March 31, 2021 in semi-annual instalments. The carrying amount is made up as follows:

	2015 $'000	2014 $'000
Face value of 10-year interest-free note	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Fair value at date of issue [note 31(g)]	659,112	659,112
Principal portion repaid in instalments received to date	(341,183)	(267,841)
Carrying amount	317,929	391,271

(b) Exchange losses on loans:

	2015 $'000	2014 $'000
(i) Caribbean Development Bank loans [note 3(e)(iv) and note 27(b)(xiii)]:		
Unrealised	230,010	178,945
Realised	38,753	414,755
	268,763	593,700
(ii) European Investment Bank loans [notes 3(e)(iv) and note 27(b)(xiv)]:		
Realised	19,235	153,192
(iii) Other loans [note 3(e)(iv)]:		
Unrealised	85,595	111,475
	373,593	858,367

22. Credit Enhancement Facility Fund

The Credit Enhancement Facility Fund ("the Fund"), which was established with effect from July 2009, 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, and the Fund was set up as a part of the arrangements. Losses arising from these guaranteed loans are shared between the company and the AFIs.

The company indemnifies the AFIs for losses incurred on loans made, with the indemnity maximised at (1) the lower of $15 million or 50 per cent of the value of the loan on regular SME loans (2) the lower of $15 million or 80 per cent of the value of the loan on SME Energy loans and (3) the lower of $5 million or 80 per cent of the value of the loan on regular SME loans not exceeding $6.25 million. The company has transferred $250 million from its investments and placed it in a Trust managed by a

22. Credit Enhancement Facility Fund (cont'd)

Under the arrangements governing the Fund, 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.

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

Financial position

	2015 $'000	2014 $'000
Assets:		
Investments	250,000	250,000
Receivables	144,862	119,051
Total assets	394,862	369,051
Fund capital, reserve and liability:		
Fund capital	250,000	250,000
Accumulated profit	146,389	115,828
Total fund capital and reserve [note 31(f)]	396,389	365,828
(Receivables)/payables	(1,527)	3,223
Total fund capital, reserve and liability	394,862	369,051

Financial performance

	2015 $'000	2014 $'000
Income, being profit for the year [note 31 (f)]	30,561	29,299

The costs of administering the CEF and the Fund are borne by the company and there were no expenses during the year.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

23. Other receivables

	2015 $'000	2014 $'000
Prepayments	8,213	4,655
Staff receivables (a)	95,841	74,750
Recoveries, net (b)	532,291	532,291
Provision for recoveries (b)	(532,291)	(532,291)
Sundry	47,339	37,662
	151,393	117,067

(a) The company has a policy whereby each staff member can borrow up to twice his/her annual salary, subject to ability to repay. The terms of the loans range from one year to seven years and interest is charged at a rate of 3% per annum. All loans are fully secured.

Included in staff receivables are loans to senior managers amounting to $18,161,000 (2014: $13,943,000) [note 33(d)].

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

24. Employee benefits asset

(a) The company operated a defined-contribution pension scheme for the former employees of The National Development Bank of Jamaica Limited (NIBJ); it was administered by an insurance company. Benefits to retired members were based on employee and employer contributions, bonuses and interest credited. The assets of the scheme were held independently of the company's assets in separate trustee-administered funds. Approval for the winding up of the scheme was received from the Financial Services Commission in June 2012, and, following an actuarial valuation done as at June 2012, all members entitled to benefits received them in the form of annuities secured through an insurance company. After the distribution to members, a surplus of approximately J$32 million remains and is to be paid to the employer.

(b) As a result of the merger of (NIBJ) and the company on September 1, 2006, the employees of NIBJ were transferred to the company and became members of the Development Bank of Jamaica (DBJ) Pension Scheme. Permission was sought from, and granted by, the FSC for the transfer of the plan assets and benefit obligations of the NIBJ Scheme and the subsequent winding up of that Scheme, effective as of the merger date. With effect from January 1, 2013, the plan assets and benefit obligations were transferred into the DBJ Pension Scheme [note 24(c)(iii) and (iv)].

24. Employee benefits asset (cont'd)

(c) The company has a defined-benefit scheme, which is administered by Trustees appointed by the company and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employees may voluntarily contribute a further 5% of pensionable salaries. The pensionable 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 years of 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, 2012 had a past service surplus of $195,517,000.

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

	2015 $'000	2014 $'000
Present value of funded obligations	(852,114)	(718,307)
Fair value of plan assets	1,068,497	951,757
Asset recognised	216,383	233,450

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

	2015 $'000	2014 $'000
At beginning of year	233,450	216,238
(Expense)/credit recognised in profit or loss and OCI	(31,461)	3,911
Contributions paid	14,394	13,301
At end of year	216,383	233,450

(iii) Movement in present value of funded obligation:

	2015 $'000	2014 $'000
At beginning of year	718,307	564,695
Interest cost	69,873	66,470
Current service cost	32,481	25,083
Voluntary contributions	8,632	7,064
Transfer from former NIBJ Scheme [see note 24(b)]	-	90,821
Benefits paid during the year	(39,203)	(38,184)
Re-measurement loss on plan obligation [note 24(c)(vii)]	62,024	2,358
At end of year	852,114	718,307

24. Employee benefits asset (cont'd)

(c) (Cont'd)

(iv) Movement in fair value of pension plan assets:

	2015 $'000	2014 $'000
At beginning of year	951,757	780,933
Interest income on plan assets	90,144	86,732
Contributions	33,457	30,003
Transfer from former NIBJ Scheme [see note 24(b)]	-	90,821
Benefits paid during the year	(39,203)	(38,184)
Re-measurement gain on plan assets [note 24(c)(vii)]	32,342	1,452
At end of year	1,068,497	951,757

(v) Plan assets consist of the following:

	2015 $'000	2014 $'000
Equities	182,652	155,532
Government of Jamaica securities	681,859	499,461
Resale agreements	80,943	55,947
Unitised investments	23,863	21,542
Bonds	20,006	114,915
Real estate	71,987	62,802
Net current assets	7,187	41,558
	1,068,497	951,757

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

	2015 $'000	2014 $'000
Current service cost	22,050	15,445
Interest on obligation	69,873	66,470
Interest income on plan assets	(90,144)	(86,732)
Total, included in staff costs (note 9)	1,779	(4,817)
Actual return on plan assets	12.90%	6.50%

24. Employee benefits asset (cont'd)

(c) (Cont'd)

(vii) Actuarial (gains)/losses recognised in other comprehensive income comprises:

	2015 $'000	2014 $'000
Re-measurement loss on obligation [note 24(c)(iii)]	62,024	2,358
Re-measurement gain on assets [note 24(c)(iv)]	(32,342)	(1,452)
Total re-measurement loss included in OCI	29,682	906

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

	2015	2014
Discount rate	9.50%	9.50%
Future salary increases	6.50%	6.50%
Future pension increases	2.00%	2.00%
Remaining working lives	14 years	14 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 10%. 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.

(ix) The pension contributions expected to be paid into the plan during the next financial year is estimated to be $33,457,000 (2014: $30,003,000).

(x) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit asset is sensitive to the assumptions used. The table below summarizes how the projected benefit asset measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant.

24. **Employee benefits asset (cont'd)**

(c) (Cont'd)

(x) Sensitivity analysis on projected benefit obligation (cont'd):

	Pension asset			
	2015		2014	
	$'000	$'000	$'000	$'000
	1 % increase	1 % decrease	1 % increase	1 % decrease
Discount rate	772,388	954,665	639,571	815,189
Future salary increases	875,000	828,841	746,316	692,887
Future pension increases	922,957	780,690	781,577	651,924

(xi) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the present value of the defined benefit obligation of an increase of one year in the life expectancy is approximately $8 million.

25. **Intangible assets – computer software**

	2015 $'000	2014 $'000
Cost:		
At beginning of year	13,326	7,049
Additions	3,043	6,277
At end of year	16,369	13,326
Amortisation:		
At beginning of year	7,650	6,117
Charged during the year (note 10)	3,832	1,533
At end of year	11,482	7,650
Net book values	4,887	5,677

26. **Property and equipment**

	Freehold land, buildings and signs $'000	Furniture, fixtures, plant and equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
March 31, 2013	664,047	203,359	31,827	42,273	941,506
Additions	47	5,413	12,849	5,047	23,356
Increase on revaluation	91,590	-	-	-	91,590
Disposals	-	-	-	(5,738)	(5,738)
March 31, 2014	755,684	208,772	44,676	41,582	1,050,714
Additions	1,176	8,327	4,788	12,672	26,963
Increase on revaluation	36,145	-	-	-	36,145
Disposals	-	-	-	(9,488)	(9,488)
March 31, 2015	793,005	217,099	49,464	44,766	1,104,334
Depreciation:					
March 31, 2013	71,727	120,603	24,264	32,071	248,665
Charge for the year	10,212	23,460	4,009	3,962	41,643
Eliminated on disposals	-	-	-	(5,738)	(5,738)
March 31, 2014	81,939	144,063	28,273	30,295	284,570
Charge for the year	12,483	15,091	5,975	4,055	37,604
Eliminated on disposals	-	-	-	(8,751)	(8,751)
March 31, 2015	94,422	159,154	34,248	25,599	313,423
Net book values:					
March 31, 2015	698,583	57,945	15,216	19,167	790,911
March 31, 2014	673,745	64,709	16,403	11,287	766,145
March 31, 2013	592,320	82,756	7,563	10,202	692,841

The company's freehold land and buildings, with a historical cost of $96,116,000 (2014: 94,941,000), were last revalued in December 2014 at $717,908,000 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 $36,145,000 (2014: $91,590,000) has been credited to other comprehensive income (included in revaluation reserve) [note 31(e)].

Included in property and equipment are furniture, fittings and equipment received from the Government of the Netherlands, under the Hillside Farmers' Support Project and the Rural Financial Service Project [note 30(d)].

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable

	Interest Rate %	March 31, 2014 $'000	New loans/ Adjustments $'000	Transaction Costs/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2015 $'000
(a) Government of Jamaica (GOJ)						
(i) Ministry of Mining and Energy	-	120	-	-	-	120
(ii) Ministry of Finance and the Public Service ("MOF"):						
(1) Caribbean Basin Initiative Loan 1993/2003	3.00	3,333	-	-	-	3,333
(2) International Fund for Agricultural Development 1988/2002	4.00	3,021	-	-	-	3,021
(3) Inter-American Development Bank 1991/2018	4.00	31,750	-	-	-	31,750
(4) International Bank for Reconstruction and Development 1994/2001	2.82	1,078,301	-	-	53,821	1,132,122
(iii) United States Agency for International Development Energy Credit Fund	3.00	5,013	-	-	-	5,013
(iv) MOF – Dairy Sector	-	111,518	-	(540)	-	110,978
(v) MOF – US$29.03M	6.00	3,180,814	-	(600,682)	144,242	2,724,374
(vi) MOF Advance	-	1,945	-	-	-	1,945
(vii) GOJ – Citrus Growers	6.00	60,000	-	-	-	60,000
(viii) GOJ – YEP Programmes	-	2,595	-	-	-	2,595
Total GOJ loans		4,478,410	-	(601,222)	198,063	4,075,251

27. Loans payable (cont'd)

	Interest Rate %	March 31, 2014 $'000	New loans/ Adjustments $'000	Transaction Costs/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2015 $'000
(b) Direct Borrowing						
(ix) Micro Investment Development Agency	-	491	-	-	-	491
(x) IBRD US$ P.I.E.D. Line of Credit	2.82	67,808	-	-	3,384	71,192
(xi) OFID	6.3477	149,420	-	(102,295)	5,168	52,293
(xii) (1) China Development Bank	3.4562	136,836	-	(137,373)	537	-
(2) China Development Bank	4.1445	273,272	-	(282,737)	9,465	-
(xiii) Caribbean Development Bank 1987/2005:						
26OR J	3.9	1,668,230	-	(190,422)	79,076	1,556,884
11SFR/ORJ	2.5	166,193	-	-	8,295	174,488
20SFR/ORJ	2.5	854,676	-	-	42,663	897,339
(xiv) European Community	1.00	127,068	-	(9,330)	(20,609)	97,129
(xv) Jamaica Development Bank						
-Loan I	10.00	6,738	-	-	-	6,738
-Loan II	8.00	139,000	-	-	-	139,000
-Loan III	8.75	51,923	-	-	2,592	54,515
-Loan IV	10.00	220,409	156,539	-	-	376,948
(xvi) NHT Surehop	-	77,780	-	-	-	77,780
(xvii) GOJ NIF	4.00	3,725	442,984	(22,262)	-	424,447
Balance c/f – Direct borrowing		3,943,569	599,523	(744,419)	130,571	3,929,244

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

(b) Direct Borrowing (cont'd)

	Interest Rate %	March 31, 2014 $'000	Net interest payable movement	New loans/ Adjustments $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2015 $'000
Balance b/f - Direct borrowing		3,943,569	-	599,523	(744,419)	130,571	3,929,244
(xviii) PetroCaribe Loan:							
(1) US$19.6M loan	3.00	1,739,885	-	75,811	(139,855)	157,373	1,833,214
(2) US$20.0M loan	2.50	1,340,320	-	328,927	(24,460)	67,426	1,712,213
(3) J$1.7B loan	4.00	1,354,015	-	-	(327,007)	-	1,027,008
(xix) World Bank Energy							
(1) LOC – US$1.9M loan	1.20	210,016	-	-	-	10,482	220,498
(2) MOF – US$1.3M loan	6.00	-	-	152,086	-	874	152,960
Total direct borrowing		8,587,805	-	1,156,347	(1,235,741)	366,726	8,875,137
Total loans payable (see below)		13,066,215	-	1,156,347	(1,836,963)	564,790	12,950,389
Interest payable		1,367,273	(23,201)	-	-	-	1,344,072
		14,433,488	(23,201)	1,156,347	(1,836,963)	564,790	14,294,461

Analysis between current and non-current portions

	2015 $'000	2014 $'000
Portion due for repayment within a year of the reporting date	3,827,074	3,633,601
Portion payable thereafter	9,123,315	9,432,614
Total loans payable	12,950,389	13,066,215

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

(a) Government of Jamaica

In a letter dated January 31, 1985, the Government of Jamaica ("GOJ") agreed to bear the exchange risk on loans negotiated and on-lent to the company by the Ministry of Finance and Planning ("MOF&P"). The loans which are covered by the agreement were on-lent to the company (and are repayable to the Government) in Jamaica dollars. Based on GOJ 2014/15 Budget and letter dated June 17, 2014, certain of the loans payable to GOJ are to be offset against certain amounts due to the company by GOJ.

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

(ii) These loans represent the GOJ contribution to the company in accordance with certain agreements. Regarding loan (a)(ii)(4), 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, 2015, the financial position of the company disclosed a ratio of 1.5:1 (2014: 1.6:1).

(iii) The Energy Credit Fund (ECF) is sponsored jointly by the 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:

	2015 $'000	2014 $'000
Government of Jamaica	3,904	3,904
USAID funds on-lent by GOJ	1,109	1,109
Total financing for Energy Credit Fund	5,013	5,013

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 and will be included in the debt off-set between the company and the MOF&P.

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 which should have commenced January 1996. This amount will be included in the debt off-set between the company and the MOF&P.

27. Loans payable (cont'd)

(a) Government of Jamaica (cont'd)

(iv) This is a loan from the Ministry of Agriculture (MOA) which was on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Dairy Sector. The company does not pay interest on the loan, and does not charge interest on the amount on-lent.

(v) This loan was made by the Ministry of Finance 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. The current portion is being repaid to the Government of Jamaica.

(vi) This advance from the GOJ is interest free with no stated repayment date.

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

(viii) This amount represents funds received from the GOJ for its 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 the amounts on-lent.

(b) Direct borrowings

(ix) This loan represents sums received under an agency agreement between Micro Investment Development Agency Limited (MIDA) and the company. The loan has no fixed repayment date but is repayable based on collections from NPC Banks. No interest is charged by the company on the amount on-lent.

(x) This represents funds borrowed by GOJ under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and on-lent to the company for on-lending to private enterprises to support the development of export of goods and services. It bears interest at the rate of 2.82% per annum and this amount will be settled as part of the debt off-set by the company and the MOF&P.

(xi) This loan represents funds borrowed from OFID to on-lend to foreign-exchange-earning projects through Approved Financial Institutions. This loan is being repaid semi-annually with final payment in June 2015. It bears interest at the rate of 6.3477% per annum and is guaranteed by the Government of Jamaica.

27. Loans payable (cont'd)

(b) Direct borrowings (cont'd)

(xii) (1) This is a loan from China Development Bank, which is to be on-lent for projects enhancing economic development. The loan is for 5 years with a moratorium of one year on principal, repayment of which commenced October 19, 2010, and bears interest at a rate of 6-month Libor plus 310 basis points. This loan was repaid in April 2014.

(2) During 2011, a further loan of US$5 million was drawn down and bears interest at a rate of 6-month Libor plus 380 basis points. This loan was repaid in December 2014.

(xiii) These loans, negotiated by the company, are denominated in United States dollars and are repayable in 2020. The Government of Jamaica has undertaken to bear the exchange risk associated with the CDB loans except for the 26 ORJ loans, the exchange risk on which is borne by the company [see note 21(b)(i)].

(xiv) This represents the balance of 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 of which was due on October 1, 1995. The loan is guaranteed by the Government of Jamaica

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

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

Loan III is unsecured, bears interest at 8.75% per annum and is repayable on demand.

Loan IV is unsecured, bears interest at 10% per annum and is repayable on demand.

(xvi) 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, with effect from February 28, 2007, interest is no longer charged thereon.

Under the terms of the loan agreement, NHT is to provide mortgages to all purchasers 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.

NHT is also to purchase from the company, 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.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

(b) Direct borrowings (cont'd)

(xvii) This amount represents the balance of amounts drawn down under a loan facility of $450 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 March 2020.

(xviii) (1) This represents the balance of 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 3% per annum. The loan matures in December 2025.

(2) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund, specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/BPO facilities. It bears interest of 2.5% per annum, paid quarterly over a 15 year period and matures in 2026 with three years moratorium on principal.

(3) 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 4% per annum. The loan matures in December 2015.

(xix) (1) This represents the J$ equivalent of the amount of US$1,916,650, being the amount drawn down up to the reporting date out of a loan of US$4,600,000 from the Government of Jamaica, which on-lent money borrowed from the World Bank for the Energy Security and Efficiency Enhancement Project being managed by the company. Under the terms of the sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by MOF&P, after a moratorium of one year from the date of disbursement; and
- Principal is repayable in 49 instalments on March 15 and September 15, commencing March 15, 2016 and ending March 15, 2040.

(2) Loan amount of US$1,329,587 was drawn down during the year on the loan of US$4,600,000. The Government of Jamaica bears the foreign exchange risk on this portion of the loan.

28. Other liabilities

	2015 $'000	2014 $'000
Due to related entities	389,186	271,962
Accrued charges	59,343	51,532
Statutory payroll liabilities	7,053	2,989
Other	41,776	41,029
	497,358	367,512

29. Share capital and share premium

(a) Share capital:

Authorised:
1,757,539,000 (2014: 1,757,539,000) ordinary shares at no par value

	2015 $'000	2014 $'000
Stated capital [note 29(b)]		
Issued and fully paid:		
1,757,539,000 (2014: 1,757,539,000) ordinary shares	1,757,539	1,757,539

Each ordinary share entitles the holder to the dividend per share declared from time to time and to the right to attend and vote at meetings of members of the company.

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

(b) Share premium:

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium of $98,856,000 is not included in the company's stated capital [note 29(a)].

30. Capital reserves

		2015 $'000	2014 $'000
Funds for capital	[see (a)]	1,179,817	1,179,817
Government subvention	[see (b)]	83,180	83,180
Self-Supporting Farmers Development Programme	[see (c)]	15,941	15,941
Capital grants	[see (d)]	776	862
Other capital reserves – NIBJ	[see (e)]	139,336	139,336
Capital distribution		(212,619)	(212,619)
		1,206,431	1,206,517

(a) Funds for capital

This includes amounts totalling $450 million and $500 million received during the years 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.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

30. Capital reserves (cont'd)

(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 at that time 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 (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

(d) Capital grants

	2015 $'000	**2014 $'000**
At beginning of year	862	958
Less: Amortised during the year	(86)	(96)
At end of year	776	862

These represent the cost of furniture, fittings 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 furniture, fittings and equipment have been included in property and equipment (note 26).

(e) Other capital reserves – NIBJ

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

31. Other reserves

		2015 $'000	**2014 $'000**
Fair value reserve	[see (a)]	289,154	79,224
General reserve – Equalisation Fund	[see (b)]	957,597	957,597
Revenue reserve	[see (c)]	2,539,391	2,539,391
Special reserve	[see (d)]	3,123	7,932
Revaluation reserve	[see (e)]	677,997	641,852
Credit Enhancement Facility Fund reserve	[see (f)]	396,389	365,828
Technical assistance reserve	[see (g)]	448,047	569,786
Employee benefits asset reserve	[see (h)]	(88,535)	(58,853)
		5,223,163	5,102,757

(a) Fair value reserve

This represents unrealised gain in fair value of available-for-sale securities made up as follows:

	2015 $'000	**2014 $'000**
At beginning of year	79,224	140
Gains recognised during the year	209,930	79,084
At end of year	289,154	79,224

(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.

The company transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund [notes 22 and 31(f)].

31. Other reserves (cont'd)

(d) Special reserve

	Technical Assistance		Exchange Equalisation		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	4,809	9,347	3,123	3,123	7,932	12,470
Transfers from retained earnings	(4,809)	(4,538)	-	-	(4,809)	(4,538)
Balance at end of year	-	4,809	3,123	3,123	3,123	7,932

(i) Technical assistance

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27(b)(xiv)], which provided, during the period of the lending agreement, for the annual transfer to a special reserve of a portion of the interest differential on loans funded from the loan proceeds. This loan has been repaid, no further transfers are being made, and the reserve is being used on a discretionary basis to provide technical assistance to entrepreneurs who do not otherwise qualify for financial support from the company.

(ii) Exchange equalisation

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27(b)(xiv)] which provided, 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. This loan has been repaid and no further transfers are being made.

(e) Revaluation reserve

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

(f) Credit Enhancement Facility Fund reserve

This represents funds transferred from revenue reserve [note 31(c)] to be used as start up capital for the fund, plus accumulated profit or loss from the fund (note 22), and is made up as follows:

		2015 $'000	2014 $'000
Fund capital		250,000	250,000
Accumulated profit transferred	- at beginning of year	115,828	86,529
	- for the year (note 22)	30,561	29,299
	- at end of year	146,389	115,828
Total of Fund (note 22)		396,389	365,828

31. Other reserves (cont'd)

(g) Technical assistance reserve

This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the company, as set out in note 21(a). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Strategic Services Division.

		2015 $'000	2014 $'000
Original amount assumed by the GOJ		1,004,168	1,004,168
Imputed interest		(345,056)	(345,056)
Original amount transferred from retained earnings [note 21(a)]		659,112	659,112
Interest transferred from retained earnings	- Previously	33,410	13,787
	- During year	12,650	19,623
	- To date	46,060	33,410
Gross accumulated resources at end of year		705,172	692,522
Utilised	- Previously	122,736	67,232
	- During year	134,389	55,504
	- To date	257,125	122,736
Net at end of year		448,047	569,786

(h) Employee benefits asset reserve

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

32. Dividends paid

	2015 $'000	2014 $'000
Interim dividend paid [see (a)]	-	25,480
Interim dividend paid [see (b)]	37,430	-
	37,430	25,480

(a) Interim dividend of 1.45 cent per share paid on January 31, 2014 in respect of profits for the year ended March 31, 2013.

(b) Interim dividend paid on November 3, 2014 in respect of profits for the year ended March 31, 2014.

March 31, 2015
(Expressed in Jamaica dollars unless otherwise indicated)

33. Related party transactions and balances

(a) Definition of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosure* as the "reporting entity" in this case the company).

(i) A person or a close member of that person's family is related to the company if that person:

(1) has control or joint control over the company;

(2) has significant influence over the company; or

(3) is a member of the key management personnel of the company or of a parent of the company.

(ii) An entity is related to the company if any of the following conditions applies:

(1) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associates or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is member);

(3) both entities are joint venture of the same third party;

(4) one entity is a joint venture of a third entity and the other entity or an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company;

(6) the entity is controlled or jointly controlled by a person identified in (i) and;

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity).

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

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

(b) Related party transactions

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

	2015 $'000	2014 $'000
(i) Other income:		
Other income - rental: Government related entities	71,801	68,469

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

(b) Related party transactions (cont'd)

(ii) Other expenses:

	2015 $'000	2014 $'000
Administrative fees - Government related entities	16,868	16,868

(c) Key management personnel compensation

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including the Directors and the members of the senior or executive management of the company.

	2015 $'000	2014 $'000
Salaries and other short-term employee benefits	83,815	82,311
Statutory payroll contributions	5,048	4,955
Pension benefits	2,946	2,716
	91,808	89,982
Directors' emoluments:		
Fees	1,046	1,198
Management remuneration (included above)	15,703	14,313
Redundancy	-	6,546

(d) Related party balances

(i) Receivable from related parties:

	2015 $'000	2014 $'000
(1) Loans:		
Associated companies	828,621	717,703
(2) Interest receivable:		
Associated companies	319,918	319,918
(3) Staff loans receivable [note 23(a)]	18,161	13,943

34. Commitments

(a) As at March 31, 2015, there were outstanding commitments to disburse loans totalling approximately J$1,051 million and US$30 million (2014: J$1,189 million and US$18 million).

(b) The company had capital commitments, in respect of projects being undertaken, totalling approximately $180.3 million (2014: $213.2 million).

(c) As lessee, the company has lease commitments under a non-cancellable 99 year operating lease for which the future minimum lease payments were, in relation to the reporting date, as follows:

	2015 $'000	2014 $'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 (Eighty one years - 2021 to 2101)	23,616	23,904
	25,056	25,344

35. 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 advisors, (1) it is probable that a payment will be made by the company, and (2) the amount can be reasonably estimated.

The company has not provided for those claims against it in respect of which management and legal counsel are of the opinion that they 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 (NDB) [see note 1(a)(i)] had agreed to on-lend, through a Commercial Bank, 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.

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. Judgement was handed down in favour of NDB; the plaintiff filed an appeal on the 12th November 2012 against the judgement. However, since filing the Notice and Grounds of Appeal, no further steps have been taken. Management is confident in its defense but, should it be unsuccessful, it would not materially affect the company's financial condition. No provision has been made in these financial statements for this claim.

35. Contingencies (cont'd)

(b) A suit was brought against the company and the other defendants alleging breaches to the terms of a lease agreement entered into between the plaintiff and the Commissioner of Lands. The plaintiff is seeking to enforce an option to purchase the leased property and claims damages of an unspecified amount for negligence. The company has filed a defence denying liability and, in the view of management and its legal counsel, it has a reasonable prospect of successfully defending the claim. There is a pending application by the Attorney General of Jamaica to file its defence out of time. The application is pending settlement discussions between the parties involved. No provision has been made in these financial statements for this claim.

(c) A suit was brought against the company to set aside the sale of property and claiming damages for the alleged sale at an undervalue and/or the difference between the sale price and the true market value of property plus interest and costs. The claimant subsequently amended its fixed date claim form to seek declarations that the proposed sale was fraudulent and a violation of the company's obligations as a trustee. The first hearing was held on May 26, 2014 and the matter was referred to mediation. The property has not yet been sold so the company has no current exposure, and, accordingly, no provision has been made for this claim in these financial statements.

Notes

Development Bank of Jamaica Ltd.
11A - 15 Oxford Road,
Kingston 5, Jamaica W.I.
Tel: (876)929-4000; (876)619-4000
Fax:(876)929-6055
e-mail: mail@dbankjm.com

Designed and Printed in Jamaica by: Krystal Cameron Designs