Development Bank of Jamaica Limited

Facilitating economic growth and development

ANNUAL REPORT 2012 - 2013

VISION

In 2020, DBJ, a world class development bank and catalyst for economic growth and development, has facilitated J$20 billion of investment resulting in 10,000 new jobs and an improved quality of life for all Jamaicans.

MISSION STATEMENT

To facilitate and promote economic growth, national development and an enabling economic environment by providing businesses and government with appropriate financing, privatization and technical support solutions.

CORE VALUES

Professionalism
Integrity
Accountability
Innovation

BACKGROUND

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.

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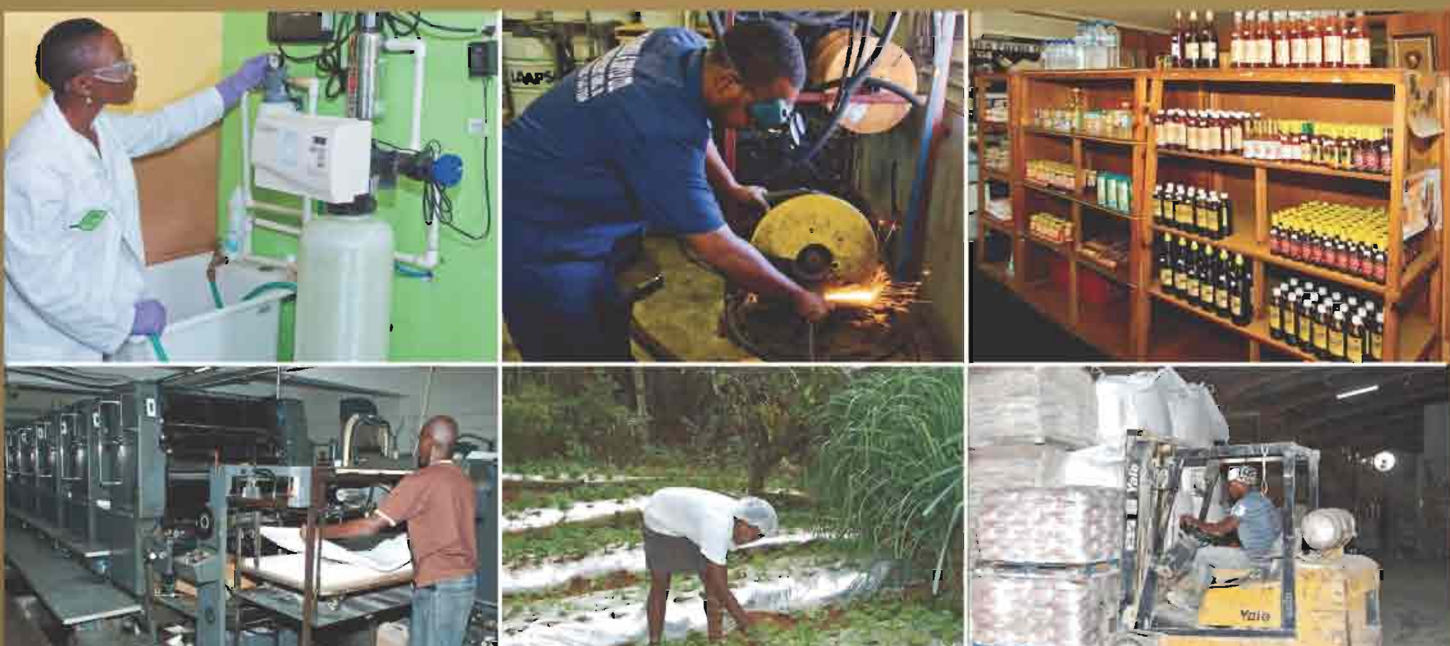
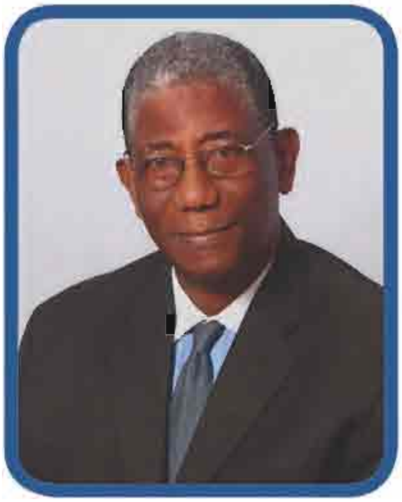


BOARD OF DIRECTORS

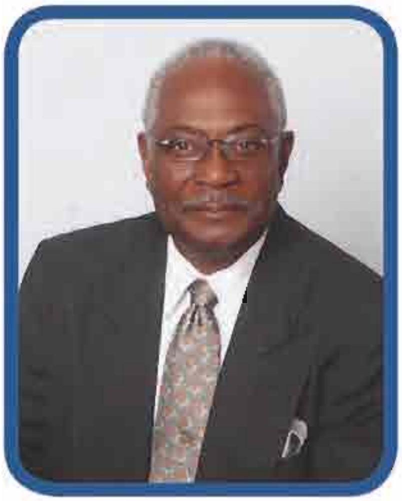
Joseph Matalon, **Chairman**

Milverton Reynolds, **Managing Director**


Richard Burgher

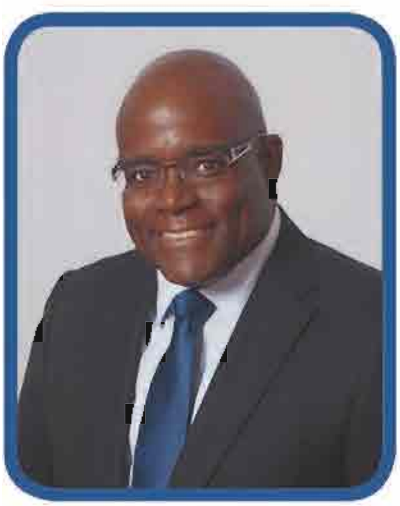

Marc Harrison


Ann Marie Rhoden


Jeffrey Cobham


Sheron Henry


Dr. Dhiru Tanna


Brian George


Errol Powell


Maureen Webber

MANAGEMENT TEAM

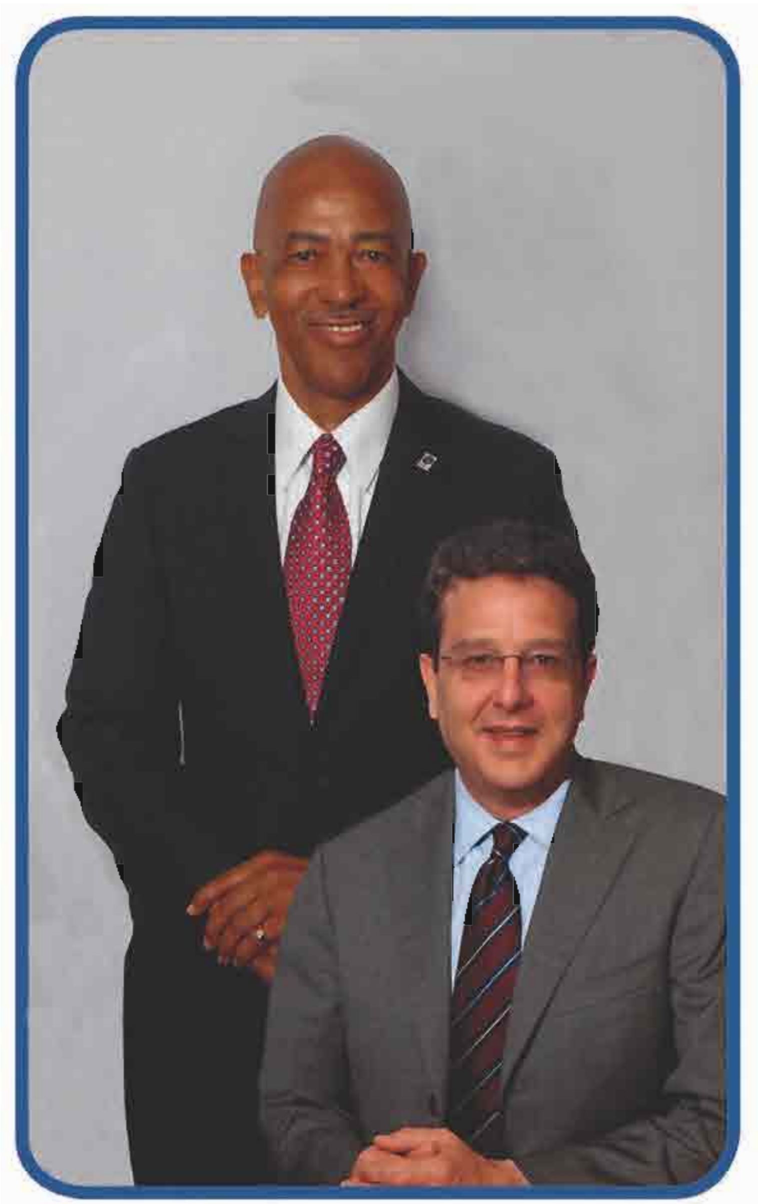
Standing:

Claudette White, Manager, Communication & Marketing; **Yvonne Williams,** General Manager, Human Resources & Administration; **Denise Arana,** General Manager, Public-Private Partnerships & Privatisation Services; **Yvonne Lewars,** General Manager, Institutional Strengthening & Project Management; **Dorothea Simpson,** General Manager, Finance & Treasury; **Sheron Henry,** General Manager, Legal Services & Company Secretary; **Tamara Baugh-Brissett,** General Manager, Auditing Services; **Claudine Tracey,** General Manager, Risk & Strategy Management.

Seated:

Edison Galbraith, General Manager, Loan Origination and Portfolio Management; **Milverton Reynolds,** Managing Director; and **Cleveland Malcolm,** General Manager, Management Information Systems.

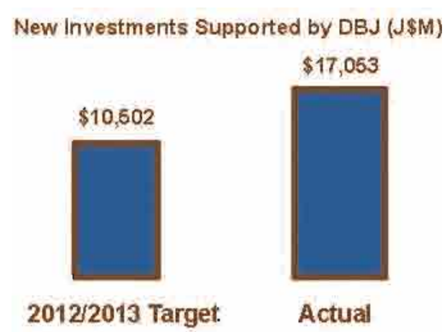
CHAIRMAN AND MANAGING DIRECTOR'S REPORT



In the 2012-13 Financial Year, the Development Bank of Jamaica was able to meet its major targets of facilitating investments, job creation, and the institutional strengthening of a major financial intermediary. This was a solid performance in a difficult financial year marred by the lingering effects of a fragile global economy, a continuously struggling local economy, business and consumer uncertainty surrounding the terms of an anticipated agreement with the International Monetary Fund (IMF), immense pressure on the Net International Reserves (NIR) and the rapid depreciation of the Jamaican dollar.

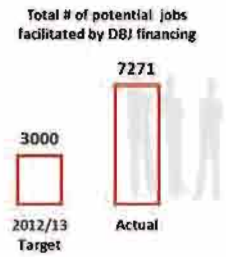
New Investments Supported by DBJ

The DBJ surpassed its total investment target of $10.5 billion by 62%, facilitating $17 billion in investments; this includes investments from lending of $12.2 billion and investments from divestments of $4.9 billion.



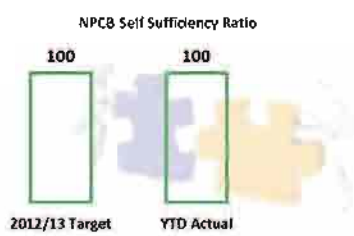
Projected new Jobs due to DBJ Financing

By focusing on high job-creating industries, the DBJ has more than doubled its target for potential jobs facilitated. A total projection of 7,271 jobs will potentially ensue from DBJ- financed activities.



Institutional Strengthening

The DBJ was able to assist the National People's Co-operative Bank (NPCB) to be self-sufficient as measured by its self-sufficiency ratio. This means that NPCB was able to meet its operating expenses from revenues without the DBJ having to subsidise its costs in the 2012/13 Financial Year.



Economic Overview

Global Economy

Global economic performance continued to slow in 2012, reflecting weaker economic activity in the most advanced as well as emerging market economies. Specifically, austerity measures implemented in the Euro Zone as a result of the region's sovereign debt crisis resulted in a contraction in economic activity. Some economies in Europe were characterized by high unemployment rates and reduced consumer spending during the year. This impacted emerging markets such as China and also larger economies such as the United Kingdom (UK). Global economic growth is estimated to have weakened to 3.2 per cent in 2012, after achieving growth of 4 per cent in 2011. This overall performance was caused by slower growth rates in both advanced and developing economies. Growth for developing countries slowed to 5.1 per cent from 6.4 per cent in 2011, while developed economies also recorded slowed growth of 1.2 per cent in 2012 relative to a growth of 1.6 per cent in 2011.

Domestic Economy

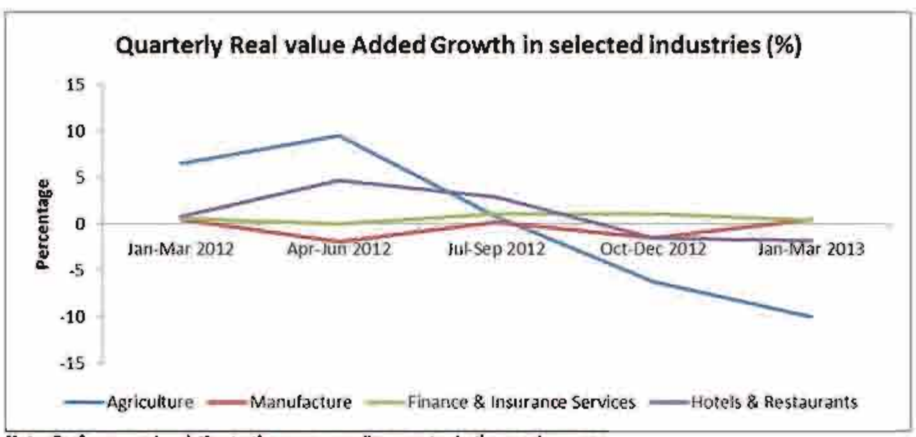
The overall macroeconomic environment remained fragile with contraction of the economy, sustained high unemployment rates, high levels of public debt, reduced government spending resulting from fiscal constraints, increasing inflation rates as well as an increased reliance on imports.

Real Gross Domestic Product (GDP) contracted by an estimated 0.5% during FY 2012/13, with the Services Industry remaining flat while the Goods Producing Industries declined by 2.2%.

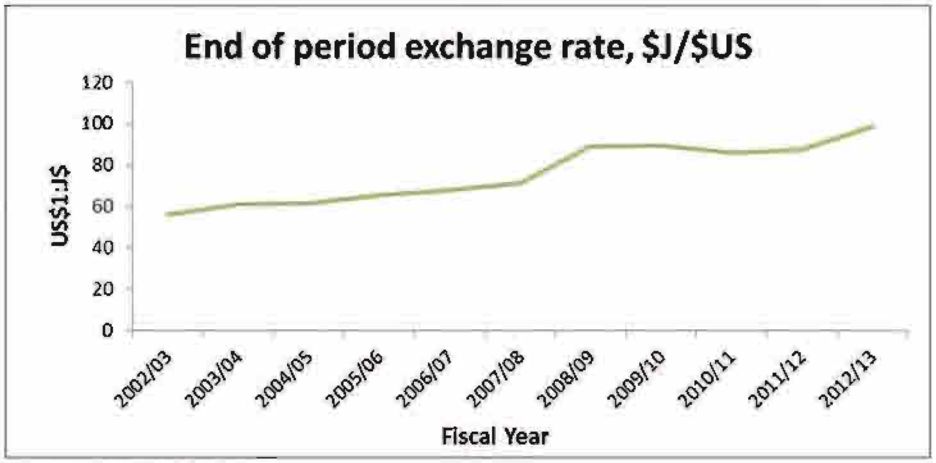
The industries that were the main sources of growth in the fiscal year were Hotels & Restaurants (up 1.0%) and Finance & Insurance Services (up 0.7%). The industries which recorded the largest declines during the year were Mining & Quarrying (down 9.6%); Construction (down 1.7%); and Agriculture (down 2.0%).

The economy's performance was driven by developments that occurred both locally and internationally such as:

- Low demand for locally produced goods and services which resulted from both a weak global environment and uncertainties about local short-term economic prospects
- Climatic events which involved drought conditions during July-September, and the passage of Hurricane Sandy in October.



Note: Performance is relative to the corresponding quarter in the previous year.
Source: PIOJ



Source: Bank of Jamaica

Exchange Rate

The Jamaican currency experienced an 11.7% depreciation for FY 2012/13 as the market experienced increased demand for US currency coupled with reduced inflows relative to the 2011/12 FY. The reduction in inflows was associated with the uncertainties surrounding both the finalization of a new medium-term economic programme and the adequacy of net international reserves (NIR). At the end of March 2013, the selling rate of the US dollar was J$98.89 compared to J$87.3 - US$1 at the end of March 2012.

Inflation

Headline inflation, as measured by the point-to-point change in the All Jamaica Consumer Price Index (CPI), was 9.0 per cent as at March 2013, relative to 7.0 per cent as at March 2012.

The outturn for fiscal year 2012/13 was influenced by:

• The implementation of tax measures which were announced in the FY2012/13 budget

• Shortages in supplies of several agricultural items, due in part to the passage of Hurricane Sandy

• Increase in international commodity prices, and in particular the price of grains

• Accelerated pace of depreciation of the Jamaican dollar

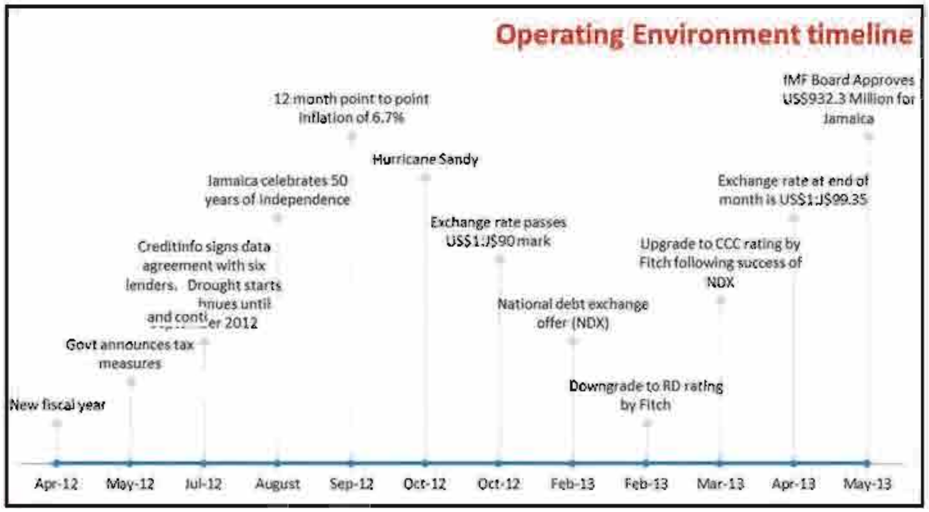
The impact of these inflationary impulses was, however, moderated by a reduction in crude oil prices, lower communication cost and generally weak demand conditions.

Labour Force

In January 2013, there were 1,093,200 persons employed in Jamaica, consisting of 619,300 males and 473,900 females. This showed no significant change compared with 1,083,400 (a marginal decline of 0.9%) in January 2012. In October 2012, employment was 1,088,200.

In January 2013, the overall unemployment rate was 14.2 per cent for both sexes with a higher rate among females than males (18.9 per cent and 10.3 per cent respectively). This was a marginal change when compared with 14.1 per cent in January 2012. However, compared with the previous quarter, October 2012, the rate of 13.7 (for both sexes) represented an increase of 0.5 percentage points.

The unemployment rate among youths (14-24 years) was 37.0 per cent in January 2013. This represented an increase of 3.3 percentage points when compared with 33.7 per cent in January 2012. In October 2012, the rate was 35.3 per cent.



One section of the Rohan Lawson's Farm in which coffee is inter-cropped with plantain and banana, in Windsor Castle, Portland. The DBJ funded the rehabilitation of the farm after Hurricane Sandy in October 2012.

Outlook

The IMF agreement that was signed in May 2013 is expected to aid in improving Jamaica's macroeconomic environment by curtailing uncertainties. The domestic economy is expected to grow between 0.5 - 1.5 per cent in 2013, reversing the contraction recorded in 2012. The improved economic performance in 2013 is expected to emanate from many sub-sectors including Agriculture, Forestry & Fishing, Construction and Mining & Quarrying. However the improved growth is forecasted against the background of continuing weak domestic demand due to significant fiscal consolidation. According to the Bank of Jamaica, this relatively weak demand may still see headline inflation for 2013 exceeding the rate recorded in 2012 in the context of higher import prices and the pass-through of further exchange rate depreciation. The Central Bank has indicated its commitment to managing inflationary expectations according to its medium term macroeconomic programme.

Achieving the Mission

It was within this macroeconomic context that the DBJ rigorously pursued its mission in 2012/13 under the theme ***"Building on a Solid Foundation of Success, Taking it to the next level".*** Indeed the Bank has taken its performance to yet another level as evidenced by numerous achievements with long lasting impact. Some of the "big wins" for the Bank in 2012/13 included:

Continued Growth in Lending Initiatives

✓ **In 2012/13, the DBJ experienced a 572% increase in credit guarantees issued from the Credit Enhancement Fund (CEF).** A total of 105 guarantees valued at $154.8 million were approved in the last financial year. The CEF has facilitated loans totaling $233 million in 2013, and $309 million since its inception in 2009.

✓ **A 227% increase in Energy loan approvals.** The DBJ approved 71 energy loans valued $657.0 million in the 2012/13 financial year. Since 2009, 87 loans valued $958.6 million have been approved to enable businesses to withstand and significantly reduce crippling energy costs.

✓ **The DBJ approved five Information Communication Technology/Business Processing Outsourcing (ICT/BPO) infrastructure loans** valued at US$15.9 million to support the facilitation of **6,176 potential jobs** in 2012/13.

Significant Milestones for Privatisation and PPP Strategy and Operations

✓ **The PPP and Privatisation Policies were approved** by Cabinet in September 2012, and tabled in the House of Parliament in November 2012.

✓ Cabinet approved the **Divestment of the Government's shareholding in the Bloody Bay Hotel Developments Ltd. for US$11 million.**

✓ Cabinet approved the privatisation of **Wallenford Coffee Company to Portland Private Equity/AIC Caribbean Fund.**

✓ **Investments from Privatisation for the 2012/13 totaled $4.9 billion, 96% ahead of target.**

Significant Headway and Achievements in Strategic Projects Creating Opportunities in the MSME Sector

✓ Following the Bank of Jamaica's non-objection and significant preparations and planning, **the mobile money pilot project was launched on April 15, 2013.**

✓ The DBJ signed a non-reimbursable technical cooperation agreement with the Inter-American Development Bank's Multilateral Investment Fund on 1 February 2013 to contribute towards the development of the Jamaica Venture Capital Programme.

✓ **In 2012/13 the DBJ began to see the benefits of its highly successful energy-savings demonstration projects** under the IDB/DBJ Energy Programme in the areas of Agriculture, Agro-Processing, Services and Tourism. **The total investment in these demonstration projects was J$30 Million with estimated annual savings of J$10 Million and 300,000 kwh per annum.** These projects serve as compelling case studies in the Bank's continuing efforts to encourage small and medium-sized enterprises (SME) to invest in energy management initiatives.

Caribbean Information and Credit Ratings Services Limited (CariCRIS)

CariCRIS has reaffirmed DBJ's credit rating resulting in a rating of *CariBBB* (Foreign Currency Rating), *CariBBB+* (Local Currency Rating) on the regional rating scale, and *jmAA-* on the Jamaica national scale to the debt issue (notional) of US$5 million. This means that according to CariCRIS, DBJ's creditworthiness relative to other Caribbean banks is *adequate*. The DBJ has maintained this 'investment grade' credit rating in spite of the challenging Jamaica economy.

CariCRIS writes that "These ratings continue to reflect the Bank's dominant market position and the level of support that the DBJ enjoys via loan guarantees ... and its relatively low credit risk profile is underpinned by its lending via a wholesale window. Other supporting factors include the stable, highly experienced and well qualified senior management team, supported by a reputable and independent Board of Directors, together with good financial performance reflected in moderate levels of profit ability, strong capitalization and positive liquidity gaps. The institutional focus on risk management is another key rating strength."

However, CariCRIS went on to say "Tempering these ratings is the fact that DBJ operates exclusively in a highly indebted economy with limited financial flexibility ..."

CariCRIS has indicated that, based on their analysis, it is expected that the financial performance of the DBJ will remain good over the next year.

Financial Highlights

The Asset and Equity bases of the Bank remained strong during the current Financial Year and the DBJ was able to enhance its developmental role as facilitator of economic growth by providing financing solutions to various projects in the economy.

The DBJ for the first time in its history made loan commitments amounting to $6,044 million in a single year. The Bank recorded Revenue from Operations totaling $1,572.5 million. Strong management of operational expenses **with an efficiency ratio of 38%** re sulted in expenses **with an efficiency ratio of 38%** resulted in the Bank achieving a **Net Profit of $511.3 million before impairment losses.**

Impairment losses amounting to $2,914.4 million were primarily due to the write down of the Bank's investments in the Tourism sector. A soft seller's market and recessionary conditions negatively impacted sale prices of hotel properties in Jamaica and indeed the entire Caribbean region. Included in these provisions for impairment losses is an amount of $1,432.2 million representing losses on equity investments and loans to Rose Hall Resorts Limited. This provision became necessary when iStar Financial, the main creditor of the Ritz-Carlton Rose Hall Hotel acting under its powers of sale as senior lender, sold the property to Playa Hotels & Resorts for a total of US$65 million. Notwithstanding this significant provision for impairment, the Bank remains a well-capitalized institution with a very strong balance sheet. The Bank will continue to leverage these financial strengths to enable the achievement of its mission.

Looking Ahead...

Based on the uncertainty of the external environment, and the positioning of its internal strengths, the DBJ will continue to focus on investments, job creation and business sustainability. The Bank must, and will, play an essential role in stimulating and sustaining Jamaica's growth strategy, maximizing impact that will redound to the benefit of the Jamaican economy with ***special emphasis on interventions in the micro as well as small and medium-sized enterprise sectors.***

Consequently, the DBJ's five-year medium-term strategy is built on the theme **"DBJ DRIVEN (Delivering Real Impact and Value, Enabling National goals) results beyond imagination.** The Bank's medium-term strategy is outlined in its 2013/14-2017/18 Corporate Plan and Budget.

DBJ FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS, 2008-2013 (J$M)

Year Ended March 31	2013	2012	2011	2010	2009	2008
Total Income	1,586.4	2,740.6	4,413.2	4,175.5	3,901.2	3,772.2
Total Interest Income	1,142.5	1,764.8	3,688.5	3,792.9	3,393.7	3,142.9
Total Interest Expense	477.1	1,053.5	2,889.5	2,992.2	2,500.6	2,184.7
Non-Interest/Other Income	443.9	975.8	724.7	382.6	507.5	629.3
Non-Interest Expense	598.0	567.3	805.8	705.3	890.9	973.9
Net Profit Before Impairment Loss	511.3	1,119.9	1,002.6	604.3	980.1	684.6
Impairment Loss	(2,928.3)	(407.5)	(279.1)	(287.9)	(562.7)	(312.7)
(Loss)/Profit for year	(2,448.1)	691.7	723.5	316.5	417.4	371.9
Total Assets	22,236.4	22,635.3	48,928.0	49,686.2	46,414.5	46,262.7
Total Equity	7,709.9	10,645.6	9,978.7	9,536.1	8,921.9	6,359.6
Loans Payable	14,125.6	11,491.2	38,597.9	39,851.5	36,473.1	34,324.3
Regular Loan Portfolio	9,486.3	9,418.3	9,060.9	12,239.9	10,605.8	8,101.2
GOJ Infrastructural Loan Programme	183.4	181.5	25,156.5	25,521.9	24,846.8	24,618.6

The DBJ ended the Financial Year 2012/13 recording a Net Profit of $511.3 million before impairment losses of $2,928.3 million. This resulted in a loss for the year of $2,448.1 million. Total Revenues for the year under review amounted to $1,586.4 million, total Assets amounted to $22,236.4 million and the Equity base stood at $7.7 billion. The Bank's Statement of Financial position continued to reflect a strong financial position.

The impairment loss provision of $2,928.3 million comprised the following:

1. The property of a company in the Tourism sector was disposed of under powers of sale by a senior lender, the proceeds of which were inadequate to meet the obligations of all the junior lenders and preferred investors. This resulted in a Loss on partnership preferred equity and loans receivable amounting to $1,432.2 million.

2. The Tourism sector has been negatively affected by the slow recovery from the recession resulting in sustained delinquency evidenced by impairment of preference shares held in these entities. An additional provision of $975.2 million was also made in equity investments to this sector.

3. There was also an impairment provision of loans receivable amounting to $520.9 million due to the delinquency of borrowers in the agricultural sector.

Income

The DBJ's operating income of $1,586.4 million for the financial year ended 31 March 2013 represents a decline of 42 per cent below the previous financial year and was mainly due to the repayment during 2011-12 of a Euro 204 million loan under GOJ Infrastructural Loan Programme.

Interest Income

Interest Income amounted to $1,142.5 million for the financial year 2012/13, representing a decrease of 35 per cent below the previous financial year. The following sources generated the interest income:

	2012/13	2011/12
	$'m	$'m
Loan Portfolio	810.7	921.9
GOJ Infrastructure Programme		563.2
Investment	331.8	279.7
	1,142.5	1,764.8

The Bank's interest earning assets increased, except for Investment securities when compared with the values recorded for the previous financial year. Investment in securities declined by 45 per cent as this category of Investment was affected by the impairment provision mentioned above.

• The Bank's Loans Portfolio increased by 1 per cent, moving from $9,418.3 million at the beginning of the financial year under review, to $9,486.3 million at the end of March 31, 2013 even though there was an impairment loss provision of $1,484.1 million under this portfolio. The interest income from the Loans Portfolio amounted to $836.0 million and represented a 9 per cent decline in the earnings recorded for the previous year. Two factors contributed to this reduction in income.

1. The non-recognition of interest in the Statement of Comprehensive Income on Loans 90 days and over in arrears. At the end of March 2013, $328.8 million was not recognized, of which $179.4 million related to the year under review.

2. The GOJ Infrastructural Loan amounting to Euro 204 million was repaid during the first quarter of the Financial Year 2011/12, hence no income was recorded during the period under review.

• The Bank's Investment in resale agreements grew by $1,307.3 million or 67.2 per cent when compared with the Investments in this category for the previous financial year. The GOJ mandated the Bank and all other state-owned entities that held GOJ-issued notes to exchange them for new notes called Fixed Rate Accreting Notes ("FRANS") which were issued as part of the National Debt Exchange. $170 million in GOJ bonds were included in the Bank's Investment portfolio and were exchanged for $136 million in the FRANS. The difference of $34 million was treated as a dividend to the GOJ, thus reducing the Bank's Equity. Interest income for the year 2012/13 on the DBJ's Investments amounted to $306.5 million and was 24 per cent above the earnings recorded for the previous financial year.

• Loans Receivables other, amounted to $2,480.3 million at the end of the financial year under review, representing the equivalent of US$25.3million. All payments were made on a timely basis to the DBJ during the year. This receivable represents a mortgage loan of US$32.5 million which has been assigned to the DBJ with installments of principal and interest at an interest rate of 6 per cent for 7.5 years.

• Interest in Associated Companies increased from $825.8million at the beginning of the year to $902.8 million at March 31, 2013. The increase was mainly due to additional funding provided by the Bank.

Other Income

For the Financial Year 2012/13, the DBJ recorded other income mainly comprising administrative fees, rental income, privatisation fees and net foreign exchange gains arising on the translation of Assets/ Liabilities and gains from investment activities.

	2013 $'000	2012 $'000
Administrative Fees	39,682	96,208
Commitment Fees	26,293	28,244
Rental Income	77,858	78,652
Privatisation/legal Fees	34,445	17,078
Foreign Exchange gains	243,063	82,584
Other non-interest income	22,553	11,549
Bad Debt Recoveries	0.00	661,484
	443,894	975,799

The other income recorded for the year under review amounted to $443.9 million, of which 55 per cent or $243.1 million arose from foreign exchange gains as the Jamaican Dollar depreciated 11.7 per cent vis-a-vis the United States Dollar.

Administrative fees declined by 59 per cent below the amount recorded for the previous year as the PetroCaribe Development Fund (PDF) established its own financial and administrative functions during the year. The PDF had grown to a size where it was not prudent for the DBJ to continue providing these services.

Privatisation/legal fees increased by 101.7 per cent as the Bank increased its activities to ensure the timely divestment of Government-owned assets.

The other category of this non-interest income, relates to interest from staff loans, processing fees from loans and penalty interest arising on late payments.

Photo:
Animators at work at GSW Reel Rock in Kingston. In 2012-13, the DBJ funded the acquisition of equipment for the company.

Interest Expenses

Interest expenses for the financial year under review amounted to $477.1 million, representing a 55 per cent decrease below the previous year's interest of $1,053.5 million. This reduction was mainly due to the repayment of the GOJ Infrastructural Euro 204 million loan. The Bank honoured its loan obligations to the multilateral institutions on a timely basis during the year under review.

Non-Interest Expenses

The Bank continues to monitor its costs by implementing cost-containment measures and ensures that a review of certain items of cost is done even before the month end.

Administrative and other operating costs showed an increase of 5 per cent above those recorded for the previous financial year. The significant cost items that gave rise to this increase are shown below:

- **Occupancy costs:** Electricity, insurance, security, and repairs and maintenance recorded an increase of 14 per cent above the costs incurred in the 2011/12 financial year. This increase was attributable to high electricity costs caused in part by the de preciation of the Jamaican Dollar vis-a-vis the United States Dollar. Several measures were implemented to reduce this item of cost. Repairs and maintenance to the building which is now aged was significant as continuous maintenance work had to be undertaken.
- **A special tax** of $19 million arising from a tax assessment after the Bank obtained a covering approval by the Ministry of Finance & Planning (MOF&P) to dispose of motor vehicles to staff in August 2007 since the MOF&P requested that employees should no longer be given the benefit of company cars.

Net Profit

The Bank recorded a net profit of $511.3 million, before impairment losses of J$2,928.3 million which resulted in a loss of $2,448.1 million for the year under review. The Bank continues to carry out its mandate of providing financial solutions to viable projects and facilitate growth and development in the economy. The DBJ has adequate reserves and assets to meet this mandate.

Mr Alfredo Jennings (right) explains to DBJ Account Executive Everton McFadden the operation of the control panels for the solar system that powers the broiler houses on his farm in Kitson Town, St. Catherine. The DBJ provided funding for the farm's energy loans.

ASSET AND EQUITY BASES

Asset Base

The DBJ's asset base stood at $22,236.4 million as at 31 March 2013, representing a marginal decrease of 1.7 per cent below the Total Assets recorded for the year 2011/12. This decrease was mainly due to the impairment loss provision which was mentioned earlier in this report.

Equity Base

Shareholder's Equity amounted to $7,709.9 million at the end of March 2013, recording a decline of 27.6 per cent down from the $10,645.6 million reported at the end of the previous financial year. This decrease was due mainly to the loss of $2,448.1 million incurred for the year under review. The Equity base remains strong providing the foundation for the Bank to execute its mandate and continue to play a proactive 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 $3 billion. Included in this amount was US$1.9 million from the World Bank under the IBRD Energy line with an amount of US$2.7 million still to be drawn. Loans totaling US$4.5 million were drawn from the Caribbean Development Bank with US$500,000 still to be drawn. During the year the Bank also drew down US$19.8 million from the PetroCaribe Fund.

FUNDS MANAGEMENT

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

1. Capital Development Fund
2. Private Sector Energy Fund
3. **Intech Fund**
4. **Rio Tinto Alcan Legacy Fund**
5. **Recoveries Portfolio**
6. **Credit Enhancement Fund**

The Bank also provides accounting services to NROCC Ltd., Harmonisation Ltd. and Silver Sands Estates Ltd.

Solvency

At the end of the financial year under review, the Bank reported a debt/equity ratio of 1.8:1 in line with the ratio of 1.01:1 at the end of March 2012. This ratio remains within the guidelines stipulated by multilateral lending agencies of 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.

A worker prepares several boxes of packaged herbal teas for shipping at the agro-processor, Perishables Jamaica Limited. On a monthly basis, this DBJ-funded company sources approximately 4,000 pounds of raw material from over 400 farmers in Manchester and Portland.

LOAN ORIGINATION AND MANAGEMENT (LOPM)

During 2012/13, the Bank's lending operations built on the previous year's performance and continued to provide strong support to the national development initiatives that were highlighted in its Strategic Plan.

The Bank's emphasis continued to be placed on the creation of new jobs and the stimulation of new investments in key growth sectors. Special importance was placed on increasing access to affordable financing for MSMEs through the provision of guarantees under the Credit Enhancement Facility and on improving business competitiveness by reducing energy costs through the promotion and financing of energy conservation, energy efficiency and renewable energy projects in all sectors.

The Bank continued making loans available at preferred rates of interest and on flexible terms to MSMEs through its network of Approved Financial Institutions (AFI) and Microfinance Institutions (MFI) as well as to larger businesses.

The DBJ's loans are available under various lines of credit to support new investments in agriculture, agro-processing, manufacturing, mining, tourism, technology and services.

Initiatives Undertaken this Year

The lending environment in 2012/13 was characterized by delayed project implementation resulting from economic uncertainty regarding the pending agreement with the International Monetary Fund, and increased competition among financial institutions with lower interest rates and increased liquidity resulting from the debt exchanges.

In pursuit of the Bank's lending targets the LOPM department intensified its focus on execution to generate and convert leads through relationship building and tactical selling.

Account Executives travelled island-wide to meet with potential borrowers and representatives of financial intermediaries in their business places, understanding their needs and communicating the benefits of the DBJ's financing solutions.

In addition to reviewing its products, the Bank undertook an aggressive customer acquisition initiative involving the following deliberate strategies:

1. Each AFI and MFI was reviewed to determine and understand their relative appetites for development loans with the relationships managed to achieve mutual benefit.

2. Investors and sector groups that showed potential for growth in investment and job creation were identified and meetings were held with them to understand their needs, inform them about the benefits of DBJ's products and how these could be accessed through the intermediaries. Borrowers were encouraged to visit their AFI and "ask for a DBJ loan".

3. Meetings were facilitated between potential sub-borrowers and their AFI or MFI to ensure effective communication of the benefits of and the requirements to access DBJ loans.

4. Follow up with AFIs and sub-borrowers to ensure smooth processing of loan applications.

5. Account Executives solicited and provided feedback to modify DBJ's products and delivery mechanisms to be responsive and modify financing solutions to better fill the gaps in the financing market – Energy loans, CEF guarantees, ICT/BPO financing.

6. This feedback was used to expand product offerings and develop financing and capacity building solutions to bridge the gap between the needs of underserved sectors such as the animation and creative industries and the current offerings of financial institutions to unlock the growth potential of these sectors.

LOAN IMPACT TARGETS

In addition, during the year the DBJ achieved:

- A 572% increase in the value of CEF supported loans: 105 CEF guarantees valued J$154.8 million were approved (all since the amended CEF was launched on October 1, 2012) bringing the total since 2009 to 115 guarantees valued J$178 million.

- A 227% increase in the value of Energy loan approvals: 71 Energy loans valued J$657.0 million were approved bringing the total since 2009 to 87 loans valued J$958.6 million.

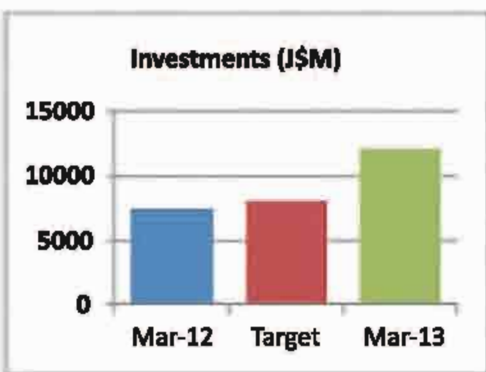
- Approval of 5 ICT/BPO loans: 4 Direct loans and 1 AFI loan valued US$15.9 million were approved to support the creation of 6,176 potential new jobs.

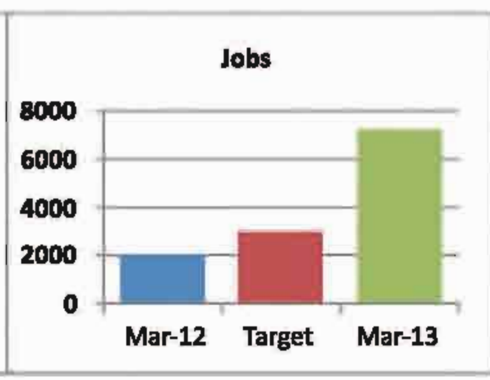
> "The DBJ for the first time in its history made loan commitments amounting to J$6,043.7 million in a single year..."

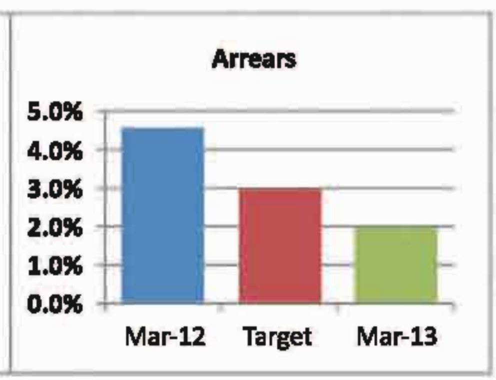
For the financial year ended March 31, 2013 LOPM continued to focus its resources for the DBJ to achieve its key Loan Impact targets as below:

Resource Allocation for Achieving Loan Impact Targets

KEY PERFORMANCE INDICATORS	ACTUAL 2012/13	ACTUAL 2011/12	Annual Change	%	TARGET 2012/13	Variance	%
Investments supported J$M	12,167	7,394	4,773	65%	8,002	4,165	52%
Potential jobs created	7,271	2,099	5,172	246%	3,000	4,271	142%
Arrears over 90 days %	1.98%	4.59%	-2.61%	-57%	3.00%	-1.02%	-34%
(adjusted)	0.00%	0.09%	-0.09%	-100%	1.00%	-0.01	-100%







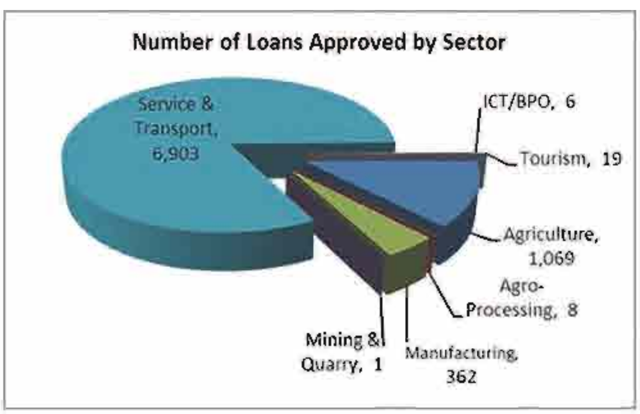
REVIEW OF LENDING ACTIVITIES

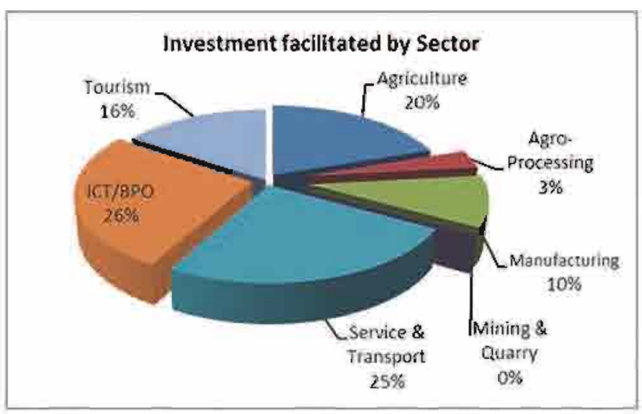
The DBJ's strategic focus during the year continued to bear fruit, allowing the Bank to further increase its prior year lending and surpass the loan impact targets established at the start of the year. As a result, loan impact targets were revised upwards based on the September 2012 mid-year budget review.

During the year, the Bank's lending activities facilitated overall new investments of $12,167 million and the creation of 7,271 new jobs while maintaining 13,266 existing jobs. This reflects a significant improvement on the $7,427 million in investments, 2,099 potential new jobs and 8,345 jobs maintained in 2011/12. The loans approved, investments supported and potential new jobs created for 2012/13 were distributed by sector as below:

Loan Distribution Across Sectors
Investment support and potential new jobs created for the period 2012/13

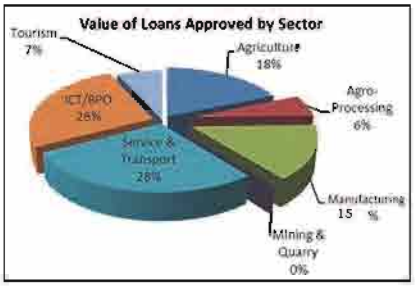
Sector	# of Loans	%	Approvals	%	Investment	%	New Jobs	%
Agriculture	1,069	12.8%	$ 1,127.35	18.7%	$ 2,416.29	19.9%	737	10.1%
Agro-Processing	8	0.1%	$ 355.65	5.9%	$ 422.25	3.5%	32	0.4%
Manufacturing	362	4.3%	$ 894.35	14.8%	$ 1,195.93	9.8%	15	0.2%
Mining & Quarry	1	0.0%	$ 3.15	0.1%	$ 4.50	0.0%	-	0.0%
Service & Transport	6,903	82.5%	$ 1,687.64	27.9%	$ 3,026.12	24.9%	154	2.1%
ICT/BPO	6	0.1%	$ 1,560.06	25.8%	$ 3,214.79	26.4%	6,185	85.1%
Tourism	19	0.2%	$ 416.42	6.9%	$ 1,887.52	15.5%	148	2.0%
TOTAL	8,368	100.0%	$ 6,044.62	100.0%	$ 12,167.40	100%	7,271	100%





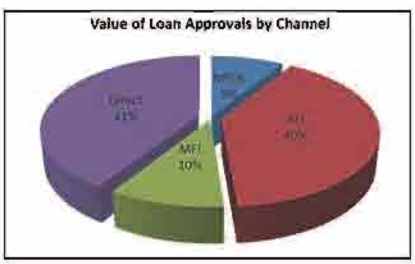
LOAN APPROVALS

The DBJ's impact on new investments and job creation was facilitated through the approval of 8,368 new loans with a total value of $6,044 million compared to 7,197 new loans with a total value of $4,604 million in the previous year. This value of loan approvals was 31 per cent above approvals for the previous year.



DBJ's loan approvals were distributed to various sectors and through the following channels as below:

Channel	# of Loans	Loan Approval in J$M	%
NPCB	108	529	8.8%
AFI	41	2,241	40.0%
MFI	8,206	614	10.2%
Direct	13	2,480	41.0%
Total	8,368	6,044	100.0%



Domestic Currency Approvals

Local currency loan approvals for the year amounted to 8,360 loans valued $3,612.1 million reflecting an increase of $971.4 million or 37% above the prior year. These loans were realized through the following channels:

- Approved Financial Institutions – 39 loans valued $1,740.8 million, up from $1,272.5 million
- National People's Co-operative Bank – 108 loans valued $529.2 million, up from $462.2 million
- Microfinance Institutions – 8,206 loans valued $613.7 million, up from $491.5 million
- Direct Lending – Seven loans valued $728.5 million, up from $414.5 million

Foreign Currency Approvals

Foreign currency loan approvals for the year amounted to eight loans valued US$24.8 million reflecting an increase of US$3.0 million or 10% above the previous year. These loans were realized through the following channels:

- Approved Financial Institutions – Two loans valued US$6.9 million, down from US$7.7 million
- Direct Lending - Six loans valued, US$17.9 million, up from US$14.9 million

LOAN DISBURSEMENTS

During the year the Bank disbursed 8,097 loans amounting to $3,874.0 million, reflecting a decrease of $588.0 million or 13% from the prior year.

Local Currency Disbursements

Local currency disbursements for the year amounted to $2,524.8 million reflecting an increase of $108.6 million or 4% above the prior year. These loans were realized through the following channels:

- Approved Financial Institutions – 40 loans valued $1,461.1 million, up from $1,350.9 million
- National People's Co-operative Bank – 113 loans valued $443.4 million, up from $414.2 million
- Microfinance Institutions – 7,935 loans valued $575.5 million, up from $491.4 million
- Direct Lending – Four loans valued $44.8 million, down from $159.7 million

Foreign Currency Disbursements

Foreign currency disbursements for the year amounted to US$13.8 million reflecting a decrease of US$9.7 million or 41% below the prior year. These loans were realized through the following channels:

- Approved Financial Institutions – Three loans valued US$7.1 million, down from US$7.5 million
- Direct Lending – Two loans valued US$6.6 million, down from US$16.0 million

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 13 AFIs which include all commercial banks and credit unions as well as other financial institutions. In this regard, the DBJ makes lines of credit available to the AFIs and works with them to introduce development products such as financing for SMEs and Energy projects.

During the year, yields on fixed income securities continued to decline with liquidity and competition among AFIs increasing and leading to lower short term interest rates for borrowers. These benefits, however, continue to be more pronounced for larger clients than for small and medium-sized enterprises.

Participants in a DBJ-sponsored workshop under the Business Entrepreneurial Empowerment Programme (BEEP) for micro entrepreneurs pose with their certificates, administrators and instructors.

During the year, local currency loans approved through AFIs increased moderately with 39 loans totaling $1,740.1 million up from 28 loans totaling $1,272.5 million. This reflected an increase of $467.5 million or 37% above the prior year.

Disbursements through AFIs were made on 30 loans totaling $1,461.1 million reflecting an increase of $110.2 million or 8% above the prior year.

Approved Financial Institutions accounted for five US-dollar loan approvals totaling US$6.9 million compared to US$7.7 million the previous year. Of this amount US$5.8 million represented one loan made through an AFI to support the retooling of a private sector-owned sugar factory. Disbursements through AFIs accounted for six foreign currency loans totaling US$7.1 million compared to US$7.5 million the prior year.

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

During the year, the Bank provided strong support to initiatives for increasing access to affordable credit for MSMEs. In this regard, the DBJ facilitated the approval of 8,336 loans with a value of $1,378.8 million through its intermediaries for MSME sub-borrowers compared to 7,171 loans with a value of $1,129.7 million in 2011/12. Of this total, the vast majority - 8,206 loans totaling $613.7 million - were facilitated through the Microfinance Institutions, while 108 loans valued $529.1 million went through the National People's Co-operative Bank, and 21 loans valued at $236.0 million were facilitated by Approved Financial Institutions to SMEs.

Microfinance Lending Window

The DBJ's Microfinance Lending Window was established in 2009 to improve access to credit for micro en trepreneurs who generally are unable to secure financing for their business ventures through the AFIs. The DBJ provides loans through its nine accredited MFIs, two of which secured accreditation in 2011/12.

During the year, the DBJ's lending to MFIs saw tremendous growth with 8,206 loans totaling $613.7 million approved compared to 6,995 loans totaling $491.5 million in 2011/12 which followed a 115 per cent increase the prior year. Disbursements at $575.5 million reflected an increase of $84.1 million or 17 per cent above the prior year.

The DBJ's lending through MFIs preserved the livelihood of 9,525 persons while creating 130 new jobs compared to 6,446 existing and five new jobs in 2011/12. The majority or some 40 per cent or $248.2 million of the DBJ's lending to MFIs during the year supported 4,181 borrowers in the distribution and trading sector, while 38 per cent or $232.4 million supported 2,557 borrowers in the service sector.

Since the inception of the microfinance facility in 2009, the DBJ has approved $1,707.9 million and disbursed $1,669.7 million on 25,841 loans to various sectors.

AFI SME Lending Window

The DBJ's SME Lending Window was established in 2009 to improve access to affordable credit through the AFIs by small and medium-sized enterprises and continues to generate positive results. During the year, loans to SMEs were available at preferred interest rates made possible by funding provided by the PetroCaribe Development Fund and the Caribbean Development Bank.

During the year, SMEs were able to access 108 loans valued $529.2 million through the National People's Co-operative Bank, and 21 loans valued at $236.0 million through Approved Financial Institutions. This compares to 159 loans valued $462.2 million through the National People's Co-operative Bank, and 17 loans valued at $176 million through Approved Financial Institutions to SMEs in 2011/12.

The DBJ's loans to the SME sector supported new investments of $1,246.0 million and 244 new jobs, while maintaining 881 existing jobs. This compares to new investments of $930 million and 337 new jobs in 2011/12. In 2012-13, the DBJ's SME loans through the NPCB supported $673.0 million in new investments while creating 30 new jobs and maintaining 491. SME loans through AFIs supported new investments of $573.0 million, while creating 214 new jobs and maintaining 390.

National People's Co-operative Bank

The National People's Co-operative Bank (NPCB) continues to be a critical 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 DBJ's lending through the NPCB continued to expand with 108 loans valued $529.2 million approved, supporting $1,320.0 million in new investment and 30 potential new jobs. This compares with the 107 loans valued $462.2 million that were approved in the previous year.

Disbursements through the NPCB increased from $414.2 million to $443.5 million reflecting an increase of 7 per cent above the prior year.

DBJ's Lending to Small Farmers

Jamaica's small farmers continue to be vital players in the thrust towards national food security and as a result the DBJ continued to provide strong support to small farmers and the Government coordinated initiatives in agriculture and agro-processing.

In this regard, 1,077 local currency loans were approved at a value of $915.0 million for these sectors supporting investments of $1,750.2 million and three new jobs. This reflects an increase from the 988 loans valued of $663.9 million in 2011/12. Of the total, 1,069 loans valued $559.3 million were approved for agriculture compared with 979 loans valued $476.4 million in 2011/12, while eight loans valued $355.6 million were approved for agro-processing compared to nine loans valued $187.5 million in 2011/12.

Microfinance Institutions and the NPCB continue to be key channels for loans to the agriculture sector. Of the amount approved for lending to agriculture, 972 loans totaling $80.0 million were issued to small farmers through MFIs, up from 845 loans totaling $56.8 million. The NPCB facilitated 94 loans to farmers with a value $455.4 million to support investments in various crops and livestock compared to 136 loans valued $310.7 million in 2011/12.

Excluding the 34 loans valued $163.8 million made for photovoltaic panels to poultry farmers, the NPCB saw reduced lending to agriculture with 60 loans issued to farmers totaling $291.6 million.

SME Credit Enhancement Facility

The Credit Enhancement Facility (CEF) was established in July 2009 to increase access to financing for SME borrowers by partially underwriting the credit risk for viable SME projects that an AFI may not otherwise have considered.

The DBJ set aside $250 million under this programme to provide partial credit guarantees to AFIs for a maximum guarantee of $5 million or 50% of the loan being considered for a prospective SME borrower. At the start of the year, the Bank set out to improve the effectiveness of the programme to better serve the needs of AFIs and SMEs particularly in the energy sector where security is limited.

In October 2012 DBJ re-launched the amended CEF which, among other things, provided for:
(a) Full disclosure of the CEF,
(b) Increased CEF coverage to J$10 million (80% for Energy loans); and
(c) Improved claims and payout policies.

During the year, the DBJ approved 105 guarantees valuing $154.8 million and supporting $233.0 million in loans through eight AFIs (all issued since October 2012). This reflected a 572% increase in the value of CEF-supported loans for the year. Of this total, Jamaica Broilers' farmers who implemented renewable energy projects benefitted from 32 guarantees valued $115.6 million.

The total also included the issue of 60 guarantees (50%) of J$0.15 million each to St. Thomas Co-operative Credit Union to support loans to onion farmers in the Ministry of Agriculture and Fisheries' (MOAF) Agro-Park at Golden Grove, St. Thomas, for nine months. Given the DBJ's exposure in this and the other potential eight Agro-Park projects, the DBJ's Agricultural Specialist will be closely monitoring the project and the coordination provided by the MOAF.

Since inception, the $250-million CEF has facilitated the issue of $308.8 milion (including US$0.2 million) in loans to 115 SME sub-borrowers with guarantees totaling $178.0 million (71% utilisation) as outlined below.

To date, there have been no claims against the CEF, while some of the initial beneficiaries have graduated with the AFI discontinuing the guarantees and relying on the credit worthiness of the SMEs for additional loans. The CEF will continue to be a vital part of the Bank's strategies to facilitate increased access to financing for viable SME projects in underserved sectors with high growth potential such as the knowledge and creative industries.

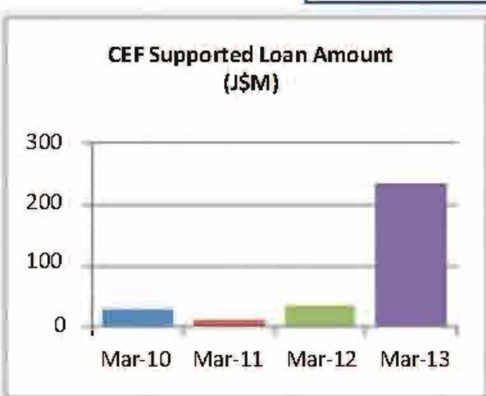
Rio Tinto Alcan Legacy Fund for Jamaica (RTALF) – Loan Guarantee Fund Programme

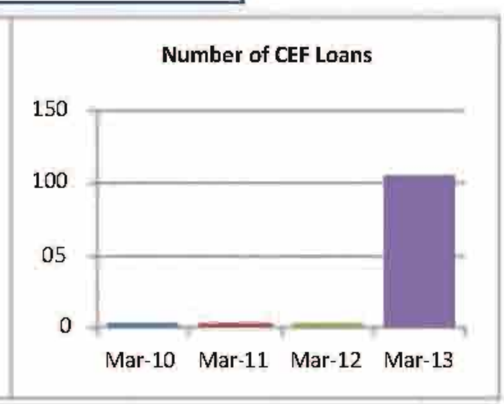
In 2011, the DBJ was appointed Trustee and Administrator of the Rio Tinto Alcan Legacy Loan Guarantee Fund of an initial US$1.8 million. Income from the fund will establish a Loan Guarantee Fund to support micro enterprise loans to small farmers in Manchester, St. Ann and St. Catherine through approved MFIs, credit unions and the NPCB, as well as to fund the Rio Tinto Alcan Agriculture Scholarships being administered by the Jamaica 4H Clubs. The Board of Trustees met during the year and agreed on the allocation of funds for guarantees and scholarships. The Trustees also mandated that the DBJ work with the Jamaica Bauxite Institute to develop agricultural projects for micro-entrepreneurs. These initiatives will be developed in 2013/14 before the guarantee programme is launched.

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 through its AFIs and MFIs.

YEAR END	Loan	Guarantee	#
Mar-10	30,000,000	8,320,000	4
Mar-11	10,800,000	4,176,000	3
Mar-12	34,700,000	10,750,000	3
Mar-13	233,269,378	154,797,000	105
TOTAL	**308,769,378**	**178,043,000**	**115**





DBJ loan financing for energy projects while focused on MSMEs is available to all businesses and is not restricted to businesses 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, 71 projects totalling $657.0 million were approved under the DBJ's Energy lines. This reflects a 227% and 1117% increase in the value and number of energy loans approved over the prior year.

As outlined above, the DBJ has consistently increased its lending for energy since 2009 and has approved energy loans totalling $958.6 million to 87 projects, with $646.1 million disbursed to 73 projects.

DBJ-PetroCaribe Energy Loan Facility

The DBJ commenced its energy loan programme in 2009 with loan financing from the PetroCaribe Development Fund (PDF) and the PDF has remained the primary source of funding for the programme. During the year, 51 projects totaling $288.6 million were approved at 8% under the PetroCaribe Line of Credit, bringing the total since inception to 67 projects totaling $505.3 million. The $288.6 million for the year includes 33 loans totalling $163 million to the Jamaica Broilers poultry farmers through the National People's Co-operative Bank.

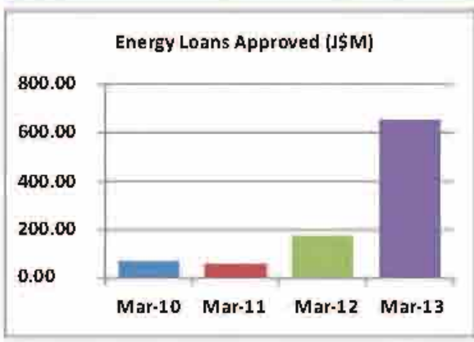
US$4.6 Million World Bank Energy Loan Facility

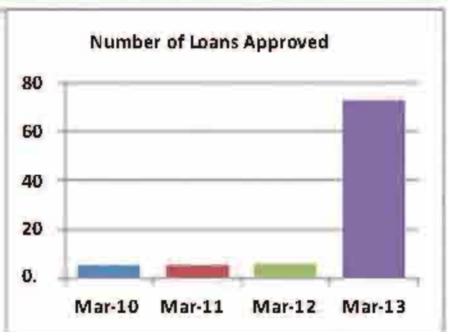
The loan agreement between the Government of Jamaica and the International Bank for Reconstruction and Development (IBRD/World Bank) for the Jamaica Energy Security & Efficiency Enhancement Project became effective in August 2011. Under this programme, the DBJ will access US$4.6 million at a preferred interest rate for on-lending through AFIs to facilitate additional investments by SMEs in energy projects.

The DBJ received an initial tranche of US$1.9 million from the US$4.6 million facility on 22 June 2012.

During the year, 12 loans for J$167.2 million (US$1.8 million) were approved under this line at 7.5% allowing businesses to implement energy efficiency and renewable energy projects. The DBJ will be seeking to access the second tranche of US$2.7 million for lending in 2013/14.

YEAR END	# of loans	Loans Approved	PetroCaribe	DBJ-Bus.	DBJ-Res.	World Bank
Mar-10	5	68,725,000	68,725,000	-	-	-
Mar-11	5	58,326,800	58,326,800	-	-	-
Mar-12	6	174,500,000	89,500,000	85,000,000	-	-
Mar-13	71	657,010,714	288,699,108	192,000,000	8,996,600	167,230,406
TOTAL	87	958,562,514	505,250,908	277,000,000	8,996,600	167,230,406





DBJ Regular Energy Loans for Businesses

The DBJ has also supplemented its energy funding with loans from its own resources for loans that exceed the limits on the dedicated PetroCaribe and World Bank lines of credit. During the year, three projects totaling $192.0 million were approved under the DBJ Regular line, bringing the total since 2009 to four projects totaling $277.0 million.

$100-Million Residential Energy Loan Facility

In March 2012, to further encourage the adoption of energy efficiency, the DBJ launched a new $100-million facility allowing householders to access up to $2 million through AFIs and MFIs at 9.5% for five years to install renewable energy solutions on their homes.

During the year, six residential loans for $9.0 million were approved allowing homeowners to install photovoltaic panels and generate their own electricity for their homes.

DIRECT LENDING

US$20-Million ICT/BPO Loan Facility

In November 2011, DBJ in conjunction with the PetroCaribe Development Fund, the Ministry of Industry Investment and Commerce and Jamaica Promotions Limited (JAMPRO) launched a US$20-million line of credit that will provide direct loans for the construction of Information Communication Technology/Business Processing Outsourcing facilities to capitalise on Jamaica's attractiveness as a destination.

The loan facility is intended to provide loans at 4.5% for 12 years to construct a minimum of four large centres of 40,000 square feet each, thereby facilitating 4,000 additional seats and up to 10,000 new jobs.

Since April 2012, the Bank has received five applications through JAMPRO. Four of these applications totalling US$14.7 million have been approved and are projected to establish 190,000 square feet of purpose built ICT/BPO space with the potential to create square feet of 5,667 to 10,334 new jobs. The four facilities are located in Mona, St. Andrew; Portmore, St. Catherine; Montego Bay, St. James; and Negril, Westmoreland.

Other Direct Loans

During the year seven local currency loans were approved for five Government of Jamaica entities and two foreign currency loans for pre-existing tourism projects.

DBJ approved:

- $500 million for the Urban Development Corporation to support the implementation of various development projects. At the end of the year, this loan remained undrawn and is likely to be de-committed.
- $86.3 million for the Jamaica Railway Corporation. However, this was also undrawn and de-committed.
- Two loans totaling $78 million of which $16 million was subsequently de-committed for the Cocoa Industry Board.
- $50 million to Agro-Investment Corporation for support of the Glut Management Project. However, at the end of the year the loan remained undrawn.
- $14.2 million to Montpelier Citrus Company which drew down the amount to support its operations.
- An additional US$0.4 million to Mystic Mountain, a pre-existing DBJ project, to assist with the expansion of its chairlift and other facilities to accommodate additional guests.
- A further loan of US$2.7 million to TLC Holdings, another pre-existing project, to assist with the renovation and expansion of the Blue Lagoon attraction in Portland.

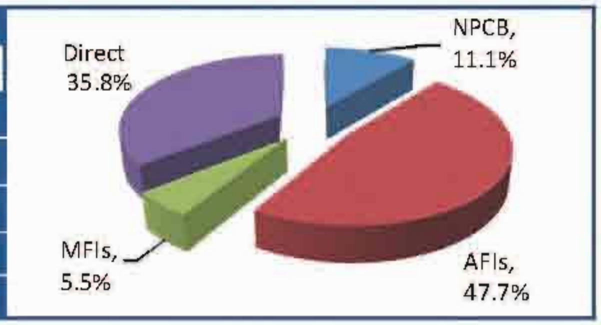
During the year, disbursements were made to:

- TLC Holdings, to complete the loan for the renovation and expansion of Trident Villas in Portland which was opened for the 2013/14 Winter Season; and
- University of the West Indies, to support the construction of its business process outsourcing facility which commenced operations in December 2012.

LOAN PORTFOLIO

As at March 31, 2013, the total outstanding loan portfolio of the Bank stood at $10,397 million, and was distributed as follows:

Mar-13	J$'000	%
Loans to NPCB	1,149,210,212	11.1%
Loans to AFIs	4,955,304,270	47.7%
Loans to MFIs	566,870,245	5. 5%
Loans to Direct Clients	3,726,001,947	35.8%
Total	10,397,386,675	100.0%



This represents a 7.38% increase over the J$9,682 million recorded at March 31, 2012, following a modest 5% growth over the $9.1 billion for the financial year ended 31 March 2011.

At the end of the year the Bank had $3.0 billion in other loans approved but not fully disbursed for projects at various stages of implementation. This was made up of J$1,531.7 million and US$15.4 million - compared with J$1,127.3 million and US$4.3 million at March 31, 2012. The Jamaican - dollar total was dominated by undrawn balances of $510 million to the Urban Development Corporation that is likely to be de-committed. The US - dollar balances were all due to direct borrowers of which US$12.2 million was due on the four approved ICT/BPO loans. These ICT/BPO loans are due to be disbursed to facilitate construction during the new fiscal year.

> "At the end of the financial year March 2013, the total outstanding loan portfolio of the Bank stood at $9,486.3 million..."

One of the broiler houses that is powered entirely by solar energy on the Alfredo Jennings' Farm in Kitson Town, St. Catherine. The DBJ invests in the farm, which produces broilers and eggs on a commercial scale.

LOAN PORTFOLIO QUALITY

The Bank also achieved its portfolio quality targets by seeking to maintain compliance by new borrowers with loan terms while working with pre-existing projects to achieve compliance and initiating disposal of assets and recovery measures as required. As a result, principal arrears over 90 days at $205 million or 1.98% of the entire loan portfolio of $10.4 billion reflected a continued improvement on the 4.59% and the 5.6% recorded at the end of March 2012 and March 2011 respectively.

The overall arrears position continues to be skewed by over-90 day arrears on the direct portfolio which stood at $198 million or 5.32% of the $3.7 billion principal balance, albeit an improvement on the March 2012 arrears of $434 million or 13.5% of the then $3.2 billion principal balance. These pre-2011 non-performing loans include Jamaica Citrus Growers, Morgan's Harbour Hotel, Northern Ventures, Ocean Sands Resorts, Rose Hall Resorts and Runaway Bay Developments all of which are the subject of recovery proceedings. It is expected that the majority of these accounts will be resolved during the next financial year.

When the accounts listed above - totaling $1.1 billion - are excluded from the calculation, 90-day arrears is nil or 0.0% of the adjusted $9.2 billion overall portfolio value. This reflects a reduction from 0.09% in March 2012 and falls well within the adjusted 1% target set for March 2013.

PORTFOLIO MANAGEMENT

During the year, the responsibilities of the Portfolio Management team were expanded beyond direct loans to ensuring the quality of the Bank's overall loan portfolio. This included monitoring and ensuring compliance by all borrowers including direct borrowers, AFIs and MFIs. The Portfolio Management team continued to undertake the evaluation and recommendation of new direct loans for Board approval, managing disbursement and implementation of direct loans and investments as well as the provision of support to the boards of the DBJ's subsidiaries and Associated Companies.

At the end of the year:

- The direct debt and equity portfolio stood at $5.37 billion up from $4.80 billion.
- Loan and investments in tourism at $4.25 billion accounted for 79.1% of the portfolio up from $3.55 billion and 74.0% reflecting disbursements for the expansion of the Trident Villas.
- J$4.66 billion or 86.7% of the portfolio is denominated in US dollars up from $3.69 billion and 76.9%.
- $3.36 billion or 62.6% of the portfolio is made up of debt instruments up from $2.98 billion or 62.1%.
- Principal and interest/dividend arrears at $964.19 million and $440.17 million were 17.9% and 8.2% of the portfolio respectively, compared to

J$823.40 million and J$377.12 million being 17.1% and 7.9% of the portfolio respectively, in the prior year.

Portfolio Management also has responsibility for the administration of various funds including the Recoveries portfolio and Credit Enhancement Fund.

RECOVERIES

Since September 2006, the DBJ has achieved $978.0 million collections on the then $3.7 billion NIBJ/DBJ Recoveries portfolio as below. Of the $978.0 million, 23 accounts were closed realising $940 million against book values of $1,090 million, and reflecting a recovery rate of 86%. This was achieved through negotiated settlements, disposal of assets and litigation. The $4.0 million received during the year represents part proceeds from the sale of a property for $15 million on which the balance is due in 2013/14.

Summary of Collections to date (J$)	
Sep-06 to Mar-07	4,368,213
Apr-07 to Mar-08	50,550,869
Apr-08 to Mar-09	136,711,517
Apr-09 to Mar-10	66,897,750
Apr-10 to Mar-11	56,311,786
Apr-11 to Mar-12	659,112,536
Apr-12 to Mar-13	4,000,000
	977,952,671

The remaining portfolio with accruals amounts to $3.4 billion and comprises a mixture of equity investments and loans in insolvent or now defunct entities with limited prospects for recovery. Collections on these accounts to date have only amounted to $41.8 million, with additional recoveries expected on six of these accounts projected at $135.3 million. The bulk of the remaining assets is considered unrecoverable and is dominated by the recoveries portions of Mavis Bank Coffee Factory, Runaway Bay Developments, and Western Cement.

It is anticipated that the remaining accounts will be resolved and the Recoveries portfolio closed by the end of 2013/14.


Animators confer on a project at the DBJ-funded GSW Reel Rock in Kingston.

INSTITUTIONAL STRENGTHENING AND PROJECT MANAGEMENT (ISPM)

During the period under review, the 'Research' aspect of the division moved to Risk and Strategy Management, allowing a greater focus on capacity building and the management of strategic projects, thus renaming of the division to Institutional Strength ening and Project Management (ISPM). The division continued to provide critical support in the areas of energy-efficiency management, technical assistance and capacity building and institutional Strengthening to the micro, small and medium-sized enter prises (MSME) sector as well as to large projects.

In 2012/13, the DBJ invested $89 million in institutional strengthening, focusing strategically on the MSME sector as a critical engine of economic growth and job creation in alignment with Government's high priority socio-economic goals. The Bank was able to identify and meet the MSME sector's strategic need of creating and expanding businesses by providing affordable and creative access to financing for capital and operating expenditure, as well as technical support and capacity building.

The impact of this intervention is improved business management, governance, strategy and operational efficiency and therefore strengthened ability to access financing.

These results continue to be the ISPM's objectives and, to this end, the Bank has committed an additional $100 million for the division in the 2013/14 financial year.

MOBILE MONEY FOR MICROFINANCE (M3) PILOT PROJECT

The Bank of Jamaica has provided its 'non-objection' to the Development Bank of Jamaica (DBJ) implementing the Mobile Money for Microfinance (M3) Pilot Project. Mobile Money is designed to serve the 'unbanked' and 'under-banked', help foster access to the formal financial system and increase the security of financial services delivery.

The DBJ believes that Mobile Money can reduce costs for Microfinance Institutions (MFIs) and thus facilitate the reduction of interest rates to the microloan borrower. This will greatly benefit both the MFIs and their customers, facilitating the growth of the industry and ultimately contributing to the stimulation of the Jamaican economy.

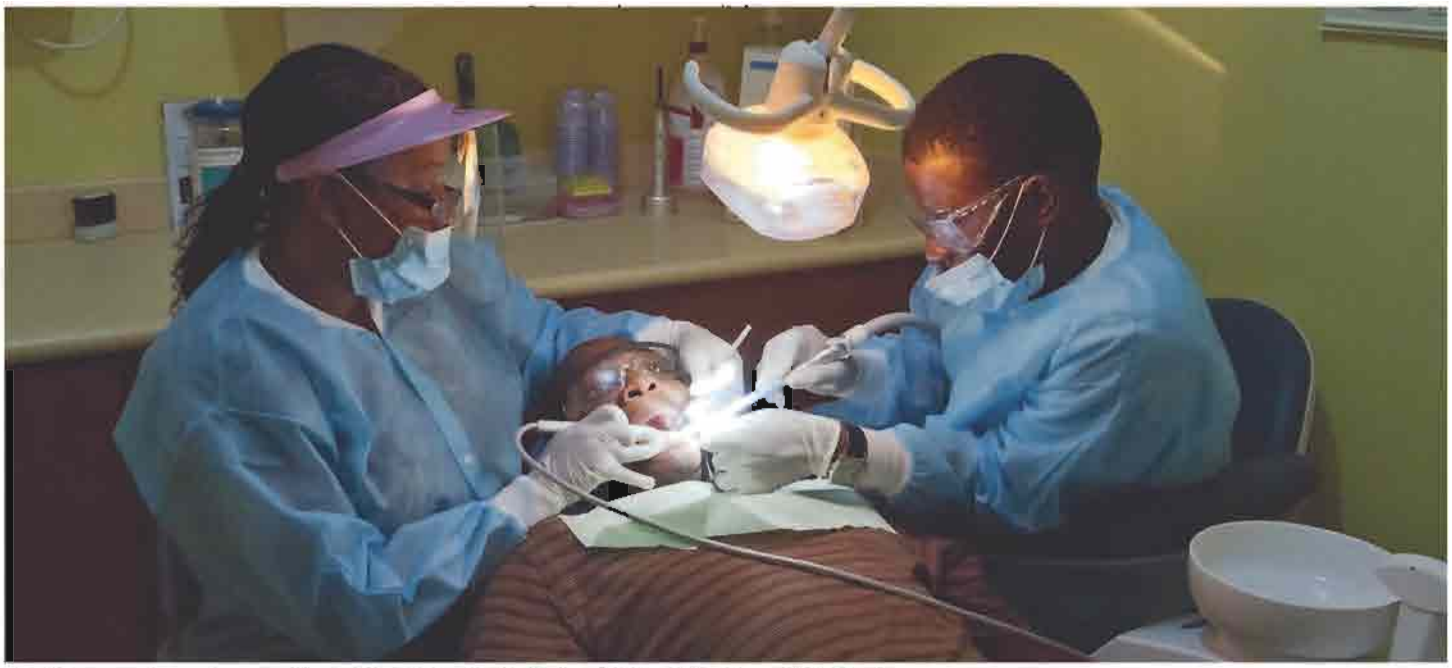
The pilot project will span four phases over a 12-month period and will allow the DBJ to identify the policies and services which can best facilitate the use of Mobile Money for the Microfinance sector. Customers of MFIs will be able to use their mobile phones to get loans, make payments on their loans, check their loan account balance, transfer funds to each other and make payments for goods and services.

The DBJ has brought together several partners in the public and private sectors to make the M3 Pilot Project possible. The DBJ's main partners in the M3 Pilot Project include Transcel Ltd., a Jamaican technology company, and the National Commercial Bank Jamaica Ltd. (NCB). Other important partners are DBJ-approved MFIs and the mobile network companies.

Expected Benefits of Mobile Money to MFIs and their Customers:

- Customers will no longer have to travel to the MFI branches to make a loan payment.
- Loan payments can be made quickly and securely using a cell phone.
- Mobile Money can be quickly and

The DBJ supported the development of the 'solar hydronic brooder' that utilises solar energy as its heat source.



Dental personnel operate on a patient at the DBJ-funded Smiles Dental Clinic in Portmore, St. Catherine.

easily converted to cash or used directly to make payments for goods and services (at participating businesses).

• Mobile Money reduces the cost of disbursing loans.

• MFIs have a powerful tool to interact more easily and at less cost with their customers.

JAMAICA BUSINESS DEVELOPMENT CORPORATION (JBDC)

A grant of $1,544 million to the JBDC was confirmed in a Memorandum of Understanding for the implementation of the following three projects over a one-year period:

• MSME Energy Conservation & Efficiency Project

Four engineers have been trained and three certified as energy managers. Five SMEs have been audited and a solar-powered system will be procured to be used at one of the projects - a furniture manufacturer - as a demonstration to highlight the benefits of solar energy. Two manuals will be produced to guide MSMEs in the implementation of energy efficiency and conservation.

• Craft Biz Facility

Thirty craft producers have received customized business and technical assistance to enhance their business processes in areas of records management, product costing business planning, marketing, shop floor management and Time and Motion studies. These producers have also received product development assistance to enhance the finishing and general design of their products.

• Small Businesses Growth and Distribution Linkages Programme

Technical support has been provided to 10 producers of spa and wellness products for development and promotion of a collective brand of spa products. The project also facilitated marketing exposure and linkages opportunities for the beneficiaries through the participation of four major international and local trade events. The products are currently being sold in the Things Jamaican stores and have been receiving good reviews.

MSME Banking Academy - Frankfurt School of Finance and Management

As a result of requests from the microfinance sector, the DBJ organized a one-week MSME Banking Academy course by the Frankfurt School of Finance & Management (FSFM), November 5-9, 2012. FSFM is one of the leading European training institutes for financial institutions. It is a private business school based in Frankfurt am Main, Germany, with over 86 regional education centres spread across Germany and several joint ventures abroad.

The course provided the 28 participants with technical know-how on core financial subjects such as risk management, MSME banking, and rural finance. It was primarily aimed at top or mid-level managers of financial institutions focusing on poor households, micro-enterprises, SMEs or agricultural clients.

Improving Access to Finance for MSMEs Operating Manufacturing Businesses – JMA

An amount of $2,205,000 was approved as a grant to the Jamaica Manufacturers' Association to implement a six-month project to build the awareness and capacity of business support organisations, financial professionals and manufacturing companies in the methodology and tools for accessing finance and evaluating credit risk. The main stakeholders to benefit are MSME manufacturers. Caribbean Information and Credit Rating Services (CariCRIS) will provide the consultancy services. Total project cost is US$60,375.

Knowledge for the Promotion & Establishment of an Energy Services Company (ESCO) Industry in Jamaica – Knowledge Transfer Project (KTP) with Fundación Chile

In March 2012, the DBJ and Fundación Chile applied to the Inter-American Development Bank (IDB) to participate in the Multilateral Investment Fund's knowledge transfer programme, with respect to Fundación Chile's experience in the development of the Energy Services Company (ESCO) industry in Chile. The knowledge transfer project which was approved in May 2012 was scheduled to last for one year at a total project cost of US$183,714 with DBJ's counterpart funding of US$33,714. The project has provided information to key stakeholders to facilitate the development of an ESCO industry in Jamaica over three stages:

- **Stage 1** (September 3-6, 2012): **Administrative support to the project team.**
- **Stage 2** (October 16-23, 2012): **Improving technical and commercial capabilities.**
- **Stage 3** (January 21- 24, 2013): **Aspects of the ESCO market and project financing.**

Business Entrepreneurial Empowerment Programme (BEEP) Round 2

The Institute of Law and Economics in collaboration with the MSME Alliance were beneficiaries of a Technical Assistance grant of $7 million from the DBJ to implement a business empowerment programme targeting 350 MSMEs through workshops and capacity building initiatives aimed at formalizing their business operations. This successful project will end in May 2013. Another grant of J$7,000,700 was approved to support the continuation of the BEEP programme (2013-2014). In this phase of the programme significant efforts will be aimed at enabling equitable access to finance for the MSMEs. This will be achieved through partnership with the IDB\Scotiabank Enterprise-wide Risk Management and Finance project.

Export Max I – Enterprise Development for Export Growth Programme

In addition to a technical assistance grant of $5 million, the DBJ contributed technical expertise in the screening and selection of the 15 exporting companies to benefit under JAMPRO's Export Max Programme. This programme sought to build company capacity in areas such as:

• Export Marketing & Planning	• Quality Control and Management
• Energy Management	• Doing Business in Martinique, Trinidad and China
• Branding	• Process Management
• Packaging and Labeling	• Product Development
• Innovative Financing	• Enterprise Development Planning

Total export sales of J$1.077 billion generated by the selected Export Max beneficiaries as at June 2012 represents an 8% increase in export sales over the previous year. Other successes under this project included the successful auditing of four companies by the United States Food and Drug Administration, three companies pursuing Hazardous Analysis and Critical Control Point (HACCP) certification, six new markets secured and over $30M in new export contracts secured from direct participation in trade events. Additional support of $6 million as technical assistance grant was approved for "Export Max II – The New Enterprise Development Programme". Export Max II will be targeting 20 new exporting and export-ready companies to benefit under this two-year programme.

Support for Agriculture via the National People's Co-operative Bank Ltd. (NPCB)

The NPCB is the largest conduit for agricultural and other loans approved by the DBJ. In an effort to maintain this mutually beneficial alliance, the

DBJ's ISPM Division continues to engage in projects which should improve the capacity of this entity to provide loans and other services. The DBJ-funded projects included the following activities:

• Establishment of a Microfinance Unit:
- The DBJ sponsored the NPCB's participation in the Caribbean Microfinance Capacity Building Programme - Carib-CapII, which included the assignment of a consultant from Développement International Desjardins (DID) in Canada to guide the organisation through the design and launch of a new MFI product.
- The NPCB MFI Unit engaged MFI Credit Officers, trained field officers and created a new product for members.

• Provision of technical guidance with the selection and implementation of a new accounting software as well as a new communication system to link all branches and the head office, through Internet and telephone services. Callers to the NPCB will now call one number which goes through the head office and is then directed to the branches. The Bank's website was also updated to be more user-friendly.

• Conducting or hosting several training programmes for the benefit of the Board of Directors and staff of the NPCB in the following areas:

- Risk Management for Board Directors and Senior Managers
- Understanding Financial Statements for Board Members and their Parish Deputies
- Loan Provisioning for Branch Managers
- Use of Technology to Enhance Reporting – Branch Managers, Head Office Staff
- MFI Training for Branch Managers and MFI Loan Officers

The DBJ concluded another successful year of interaction with the NPCB to improve the management and governance of this entity. The NPCB therefore showed significant improvement in their operations and income which resulted in a year-end profit of $31 million at December 31, 2012.

Support to the Yam Industry

The Ebony Park Agro Park, Clarendon, established by the Agro-Investment Corporation (Ministry of Agriculture) was awarded a grant to assist with the establishment of a nursery, commercial-sized plots and market research of mini sett yams.

The agricultural park conducts experiments in various produce and provides leased plots, irrigation, and technical support for farmers of onions, pineapple, yams and other crops. A special planting method for mini sett yams and traditional yam heads was being observed. This method is being used to increase production per acre.

Support to Promote Energy Efficiency, Conservation and Renewable Energy among SMEs in Jamaica

The DBJ and the Inter-American Development Bank (IDB) collaborated on a project to promote sustainable energy conservation, efficiency and renewable energy solutions among SMEs in Jamaica. The total cost of this project (which started in 2010) was US$807,000 with contributions of US$593,000 and US$214,000 from the IDB and the DBJ, respectively.

The project's main objectives are:

• To facilitate the use of energy efficiency practices and technologies in Jamaica.

• To support the operation of the DBJ's Energy Fund, by demonstrating the benefits of energy efficiency measures within small and medium-sized enterprises in Jamaica.

A critical part in achieving these objectives was the development of seven demonstration projects focusing on the use of energy efficiency and renewable energy solutions in four sectors of the economy, namely tourism, agro-Processing, agriculture and services.

A total investment of $40 million was made in these projects with projected savings of $13 million and 300,000 kWh per annum. The average Return on Investment for the energy efficiency projects was within four years and for renewable energy projects within six years.

The following three projects are examples of the demonstration projects showing significant savings in energy efficiency:

Triple Seven Farms

Triple Seven Farms is a poultry farm located in Old Harbour, St. Catherine. It utilises two sources of energy - electricity and diesel fuel. The major energy use areas include lighting, motors for fans and for mechanical parts. The total cost of energy for 2011 was $1.2 million with an average monthly consumption of 3000 kWh.

An energy project was implemented which focused on:

• Changing incandescent lamps to LED lamps
• Sealing the curtains to keep in the cool

• Sealing the curtains to keep in the cool air.
• Development of a solar brooding innovation to replace fossil fuel brooding system.
The solar brooding system is an innovation which has been developed to replace the fossil fuel-based radiant gas heaters that are currently in common use on broiler farms, with a brooding system that utilizes solar energy as its heat source. The heat provided by this 1000-gallon innovation is equivalent to 2000 gallons of fossil fuel.

The successes of the implementation from the recommended measures in 2012 have been justified by the following:
• 40% reduction in electricity costs from January 2012.
• 40% reduction in energy consumption (kWh).
• Development of the renewable energy innovation – solar hydronic brooder.

Footeprints on the Sands

FootePrints on the Sands is a small hotel located in Negril, Westmoreland, which was faced with challenges common within the hotel sector - the need to reduce their demand charge as well as their electricity consumption. Focus was placed on two areas - energy efficiency and renewable energy by:
• Changing the existing air-conditioning units in the rooms to more efficient ones.

Two of the 19 employees who work in the packaging area of the DBJ-funded, Kingston-based Perishables Jamaica Limited, manufacturers of the 'Tops' brand of herbal teas which is distributed locally, in CARICOM countries, North America and the United Kingdom.

- Installing solar water heaters.
- Installing an energy management system to remove power from the rooms whenever they are not occupied.
- Installation of a 15kw solar system.

A total investment of $11 million was made in the facility contributing to $2.5 million savings per annum. The energy savings are estimated at 66,000 kWh per annum. The hotel will see a return on their investment from this project within five years.

Pioneer Meat Products

Pioneer Meats is a meat processing, packaging and distribution plant which is located in Kingston. The major energy use areas include refrigeration, air conditioning, air compressor and diesel smokehouses and boiler.

Pioneer Meats saw a 20% reduction of their electricity from changing their rate structure to "Rate 40 – Time of Use" and shutting down their refrigerators during the highest rate period (between 6:00 p.m. and 10:00 p.m. during the weekdays).

A total investment of $3.0 million was made in the facility contributing to $4.0 million savings per annum. The energy savings are estimated at 70,000 kWh per annum. The agro-processing facility will see a return on their investment from this project within one year.

ADOPT-A-SCHOOL PROGRAMME

Six schools benefited from this programme to promote the development of agriculture among the school population.

	NAME OF SCHOOL	PROJECT	ITEMS TO BE FUNDED	AMOUNT APPROVED ($)	AMT DISBURSED($)
1	Rosewell Primary School, Clarendon	Poultry	To construct and stock poultry house	200,172.52	
2.	Spring Gardens All Age School, St. Catherine	Poultry	To construct and stock poultry house	300,000.00	300,000.00
3	Four paths Primary & Junior High School, Clarendon	Poultry	To construct and stock poultry house	243,500.00	243,500.00
4	Frome Technical High, Westmoreland	Piggery/Abattoir	To construct abattoir	500,000.00	500,000.00
5	Grange Hill High School, Westmoreland	Poultry	To construct poultry house	440,122.00	440,122.00
6	Bog Walk High School St. Catherine	Plant Project	To provide material & Labour for rehabilitation of plant propagator	316,200.00	316,200.00
				1,999,994.52	1,799,822.00

Everton McFadden, Account Executive at the DBJ presents a cheque to Kenneth McNeil (second left), agriculture teacher at Bog Walk High School, St. Catherine, to establish a horticultural project at the institution under the DBJ's Adopt-a-School programme. Looking on are Principal Patrick Phillips (right), and Melissa White, head of the Agricultural Science department.

THE JAMAICA VENTURE CAPITAL PROGRAMME (JVCP)

As the Government of Jamaica pursues the growth agenda for the local economy, its MSME policy initiatives are being enhanced, in recognition of the important contribution which small and medium-sized enterprises (SMEs) make to driving GDP and employment growth.

It has been well recognized that access to finance for many SMEs and entrepreneurs represents one of the major impediments to their sustained growth and development. Therefore, in a quest to increase financing options for high potential SMEs, the Government - through the DBJ - has launched the JVCP with the mandate to foster the development of a local venture capital market aimed at providing greater access to long-term, patient financing for high potential SMEs and innovative start-ups.

A project unit was created to provide leadership to the development process and, over the past year, the DBJ has undertaken a number of initiatives aimed at ensuring broad-based and sustainable development of this industry. Sensitisation and awareness-building events have been held with stakeholder groups including SMEs, entrepreneurs, and institutional and individual investors such as pension funds, securities dealers and angel investors. The Financial Services Commission, Jamaica Stock Exchange, business support organizations and SME associations as well as the tertiary academic institutions have all been fully engaged in the design of an appropriate venture capital framework for Jamaica.

Providing oversight and guidance relating to policy and project development are an Oversight Committee and a Project Steering Committee, comprised of high-level government policy makers and other public and private sector stakeholders.

The DBJ has received guidance and a wealth of information through publications, conferences and webcasts from international development partners such as the IDB, the International Finance Corporation and international organisations such as the Latin American Venture Capital Association and the Emerging Markets Private Equity Association. Important linkages have also been made with other Latin American associations and programmes including knowledge exchanges with the Brazilian Agency for Innovation, which was responsible for the very successful 'Inovar Program' in Brazil, and the Brazilian Venture Capital and Private Equity Association, and Startup Chile.

Technical and financial assistance received from the IDB's Multilateral Investment Fund (MIF) has been invaluable. MIF has provided guidance on policy development by sharing with the DBJ, the lessons learnt from their involvement in venture capital and private equity development in Latin America.

Further, on February 1, 2013, the DBJ signed a Non-reimbursable Technical Cooperation Agreement with the IDB for the provision of a grant of US$150,000 which will be chargeable to the resources of the MIF. This amount, along with counterpart funding from the DBJ of US$128,000, will be utilized to finance the contracting of consultancy services and procurement of goods necessary to enable the development of a venture capital ecosystem.

An employee of Perishables Jamaica Limited, manufacturers of the 'Tops' brand of herbal teas, operates machinery in the factory. DBJ funds were used in upgrading the Kingston-based company.

DEVELOPMENT STRATEGY

The DBJ has adopted an 'ecosystem approach' to the development of the venture capital and private equity markets, in recognition of the fact that there is no single solution or 'silver bullet' which will 'jump-start' and sustain the development of the industry.

A number of different elements contribute to the development of a conducive environment for venture capital and, while it is recognized that Jamaica already has some of these elements in place, there are still significant gaps when assessed against bes practices in other jurisdictions with successful venture capital and private equity industries.

Under the technical assistance project with the MIF, a market review and assessment has been undertaken to identify these gaps, including any inadequacies in the legal, taxation and regulatory framework.

A Strategic Plan, which will include policy interventions as well as the investment of technical or financial resources, will be designed to guide a programme of activities which will be undertaken over the medium term to fill these gaps and foster the development of a vibrant venture capital environment.

Some of these activities will include the training and capacity building of eligible SMEs and entrepreneurs, the building of expertise of local fund managers and investors and the enactment of new and/or amendment of existing legislation and regulations.

An extensive communication strategy will be implemented and this is considered to be fundamental to the success of the programme, given the lack of familiarity among market stakeholders with this asset class, and the need to build awareness, facilitate change management and inspire a cultural shift as it relates to equity investing.

DBJ Chairman Joseph Matalon (left), Managing Director Milverton Reynolds (second right), JVCP Coordinator Audrey Richards (right) and Attorney Stephanie Muir (standing, right) join Inter-American Development Bank Country Representative for Jamaica, Gerald Johnson (second left) and Operations Consultant with the Multilateral Investment Fund, Erica Haughton, at a ceremony to sign a Non-reimbursable Technical Cooperation Agreement between the DBJ the IDB.

As part of these awareness-building events, within the 2013/2014 fiscal year, the DBJ will be hosting a number of workshop training events as well as a venture capital investment conference, to provide local stakeholders with opportunities to interface with international as well as other local venture capital and private equity experts.

Regional ties will continue to be strengthened with venture capital and entrepreneurship development programmes in Latin American and the Caribbean. Importantly also, the Jamaican and Caribbean Diaspora will be engaged as potential partners in the development programme, as investors, entrepreneurs and mentors.

The DBJ believes that a venture capital and private equity industry should be led by the private sector. The role of the Government, through the DBJ, is being viewed as that of a catalyst for the development of the industry and one in which the Government would eventually scale down its involvement as the leading driver of the industry, apart from its regulatory role and a level of capital involvement, when the private venture capital markets have reached a stage of maturity and sustainability.

The development of seed funds and venture funds will be encouraged by the DBJ and, where appropriate, the DBJ will allocate a pool of funds for investment through qualified private sector fund managers. The DBJ will also support local venture forums and other related activities, aimed at providing SMEs with opportunities to receive coaching and capacity building and to meet and present their business plans to potential investors and fund managers.

PUBLIC-PRIVATE PARTNERSHIP (PPP) AND PRIVATISATION

In the last financial year, the DBJ's PPP and Privatisation Division focused its efforts primarily on:

• Finalising the policy, legislative and institutional framework to support the PPP and Privatisation programmes.
• Simultaneously executing critical Privatisation and PPP transactions to stimulate private sector participation and investment in economic development activities.

While executing projects will continue to be the major emphasis, the full implementation of both programmes will be pursued in the coming financial year. This will be achieved by:

• Establishing an efficient and functioning institutional framework and building capacity in all entities that will be engaged in executing the programmes (including Ministries, Departments and Agencies [MDA]).
• Activating the Privatisation Committee of Cabinet, which was established to oversee and consider all critical matters relating to both programmes.
• Building a robust pipeline of PPP and Privatisation investment opportunities through on-going consultations with MDAs.

SUMMARY PERFORMANCE 2012-2013

The Division achieved many of the objectives and targets set for the period. The major achievements include:

Approval of Policies

The Public-Private Partnership (PPP) Policy and revised Privatisation Policy were approved by Cabinet in September 2012 and tabled in Parliament in November 2012.

J$2B in Investments Facilitated

The sale of the Urban Development Corporation's 50% shareholding in Bloody Bay Hotel Developments Limited to Village Resorts Limited was concluded, with a total transaction value of US$11.25 million (J$1.11 billion). The sale agreement was signed in March 2013.

Cabinet approval was received for the sale of Wallenford Coffee Company Limited to AIC Caribbean Fund/ Portland Private Equity Fund (or nominee) for a total investment of US$39.5 million (J$3.91 billion). A Memorandum of Understanding is expected to be executed in the first quarter of the 2013/14 financial year.

Institutional Framework to Support the Programmes

As at year end, the DBJ was actively pursuing, through discussion with the Cabinet Office, confirmation of a date for the first sitting of the **Privatisation Committee of Cabinet,** in the first quarter of the new financial year. This committee was established under the Privatisation and PPP Policies to oversee the execution of both programmes.

PIPELINE OF INVESTMENT OPPORTUNITIES

As at year end, the draft PPP/ Privatisation Opportunities List was compiled from several sources including Ministry Paper 34 of 1991, the Public Sector Master Rationalisation Plan (PSMRP) and discussions with MDAs. The list will be put before the Privatisation Committee for approval by the end of May 2013.

The Opportunities List will continue to be developed and updated annually through continued consultations with

MDAs, which will be encouraged and required to take a more strategic, pro-active approach to reviewing their investment projects and assets with a view to identifying candidate privatisation and PPP projects.

ASSISTANCE FROM MULTILATERAL AGENCIES – PPP PROGRAMME

Since 2011, the Jamaican Government has received over US$2 million in technical assistance and grant funding from multilateral institutions in support of the implementation of the PPP Programme. This support continues to assist capacity-building efforts and getting PPP projects developed and executed.

Inter-American Development Bank Through its Multilateral Investment Fund (MIF), the IDB has agreed to provide an in-house consulting firm for 18 months, to provide technical support and training to the PPP Unit and MDAs. MIF's contribution has been estimated at US$250,000.

The IDB has also provided US$550,000 in funding for the engagement of technical consultants for the Norman Manley International Airport (NMIA) privatisation.

The World Bank has provided capacity-building support through a series of targeted training sessions to provide information on policy issues related to the general implementation of PPPs and global best practices for sector-specific PPP implementa ion. Since December 2012, three sessions have been held with 34 attendees.

Through its Public Private Infrastructure Advisory Facility (PPIAF), the World Bank has approved US$300,000 in grant funding to assist in building the capacity of ministries and agencies to identify and develop viable PPP opportunities. Projects receiving support to date include the Soapberry Wastewater Treatment Plant and the Jamaica Railway Corporation.

International Finance Corporation (IFC) and Canadian International Development Agency (CIDA)

The DBJ executed a Memorandum of Understanding (MOU) with the IFC which formalised the IFC's commitment to provide training and capacity building for the PPP Unit through the joint provision of advisory services on specific transactions.

The IFC has also sourced reimbursable grant funding of US$1.08 million from CIDA for the engagement of technical advisors for the Norman Manley International Airport (NMIA) privatisation and has assisted the Government in conducting preliminary due diligence work on the Schools Infrastructure PPP programme.

STATUS OF TRANSACTIONS

TRANSACTIONS APPROVED/COMPLETED FOR FINANCIAL YEAR 2012/13

• **Wallenford Coffee Company (WCC):** On 18 March 2013, Cabinet approved the terms and conditions in the Memorandum of Understanding between Portland Private Equity/AIC Caribbean Fund (or nominee) and the Jamaican Government regarding the divest-ment of the WCC. The completion of the sale of WCC is anticipated by the third quarter of financial year 2013/14. The purchase price is US$16 million and the purchaser has proposed to make capital investments of US$23.5 million in the development and expansion of the company over the next four years.

• **Urban Development Corporation:** Cabinet approved the sale of the UDC's 50% shareholding in Bloody Bay Developments Limited to Village Resorts Limited (VRL) for US$11.25 million. VRL had a pre-emptive right to acquire the shares.

TRANSACTIONS IN PROGRESS

Major Projects targeted for completion in 2013/14 include:

• **Sale of 375-acre residential lands, Montpelier:** The sale of the lands to the sole bidder has been delayed due to lengthy negotiations.

• **Agricultural lands and commercial property at Montpelier:** During the financial year, an investor interested in leasing the remaining lands and acquiring the commercial property at Montpelier had declined to continue negotiations. As at year end, alternate options for the property were being considered, including a proposed expansion of residential acreage to facilitate a housing initiative with the Housing Agency of Jamaica.

• **Kingston Container Terminal (KCT):** The objective is to privatise the oper tion and management of the North, West and South Terminals of the KCT via an appropriate PPP arrangement. The terminals will need to be expanded to accommodate megaships expected following the completion of the expansion of the Panama Canal by mid-2016. The privatisation of the port is expected to stimulate economic growth not only with the investment in the KCT facilities but in the further development of Jamaica as a Logistics Hub for the Caribbean and a number of linked projects which stand to benefit from the privatisation.

An Enterprise Team was formed to oversee the privatisation of KCT in December 2012. Request for Qualification documents were issued to limited tender participants along with a Preliminary Information Guide for the Long Term Concession of Kingston Container Terminal. Pre-qualified parties will then move to the second stage, Request for Proposal or Bidding

Stage, which is anticipated to begin in the second quarter of the financial year 2013/14.

• **Caymanas Track Limited (CTL):** In December 2012, Cabinet approved the resumption of the CTL privatisation process which was halted in 2007. The Enterprise Team has been appointed and the DBJ has already commenced gathering critical due diligence on the company to assist preparation to take the entity to market.

• **UDC Beaches:** The marketing for the privatisation of the management of four UDC-owned properties (Fort Clarence in St. Catherine, Long Bay Beach Park 1 and Long Bay Beach Park 2 in Hanover and Bluefields Beach Park in Westmoreland) commenced in November 2012 and ended in January 2013. As at year end, the process of pre-qualification of potential bidders was under way

• **Jamaica Railway Corporation:** The GOJ is seeking to develop a partnership under which a reputable private sector party will manage the responsibility for rail transportation in Jamaica. It is expected that the prospective investor would, among other things, rehabilitate the rail infrastructure between Kingston and Montego Bay, develop a significant heavy freight and container transport business, and create commuter rail service between Kingston and Linstead, and May Pen and Spanish Town. This project is also expected to have a significant impact on the development of Jamaica as a Logistics Hub and the privatisation of KCT will also impact the viability of the rehabilitation. The World Bank, through the PPIAF, has provided funding for a consultant to undertake a critical review of previous studies to identify gaps in the assumptions and analysis of the reports and to prepare an initial Business Case, which will inform the Government's privatisation strategy.

• **Windalco:** As at financial year end, negotiations were under way with Windalco joint venture partner, UC Rusal, to acquire the Government of Jamaica's 7% interest in Windalco.

• **Cocoa Industry Board:** The divestment of the commercial assets of the Cocoa Industry Board (CIB) is being pursued as part of the Ministry of Agriculture and Fisheries' (MOAF) strategic realignment of the cocoa industry and is aimed at increasing the output, quality and competitiveness of the sector. A consultant has been engaged by the MOAF to package the asset for divestment.

As at the financial year end the consultant had prepared a report on its findings from due diligence assessment as well as a valuation was being undertaken of the assets in preparation for divestment. The opportunity is expected to be advertised in the second quarter of 2013/14 financial year.

Projects targeted for completion in 2014/15 include:

• **The privatisation of the NMIA:** The expansion of the airport is expected to yield investment of US$100 million including new capital works of US$30-$50 million. Cabinet approved the Enterprise Team to proceed to Phase 1 – the Due Diligence & Transaction Structuring stage in November 2012. Phase 1 is expected to be completed by May 2013 after which Cabinet approval is required to go to the Public Tender stage.

• **Education Infrastructure PPPs:** In October 2012 the Ministry of Education, through the DBJ, established a Pre-Due Diligence Committee to determine the scope and affordability of utilizing a PPP model to increase the provision of school spaces. The Committee will then seek Cabinet's approval for the development of the Business Case and the formal establishment of the Enterprise Team for the implementation of Education Infrastructure PPPs.

The IFC has completed its pre-due diligence for the transaction to assist in determining the Government's affordability for the infrastructure plans. This pre-due diligence phase was undertaken by the IFC at no cost to the Jamaican Government and has been forwarded to the Ministry of Finance and Planning which is now in the process of conducting its fiscal and affordability analysis. Subject to the results of this analysis, a recommendation will be made to Cabinet for the development of the Business Case and the structuring of the transaction.

• **UDC Attractions:** The transaction for the privatisation of the management of three GOJ-owned attractions is at the consultant's due diligence stage. It is anticipated that the transaction will be completed by the end of the 2013/14 financial year.

Wallenford Coffee Company was privatised by the DBJ in 2012-13

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. However, if risks are not properly managed, then the DBJ could face unexpected and possible severe financial distress. A sound ERM framework involves addressing the Board's role in effective oversight and the integration of risk management at high level decision making as well as in daily business decisions.

DBJ's ERM Framework

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

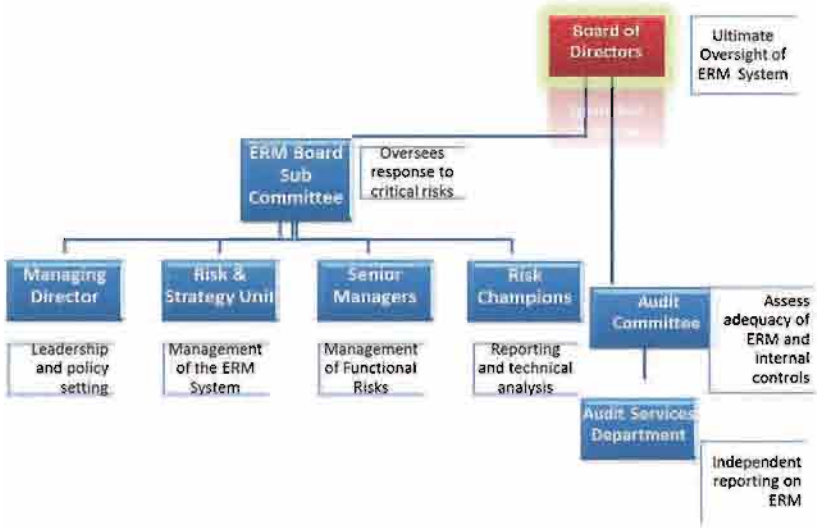
The DBJ's ERM framework establishes a structured and disciplined approach towards managing risk. This structure is applied to all categories of risks across functional, structural and departmental silos including Credit Risk, Market Risk, Liquidity Risk, Treasury Risk, Operational Risk, Reputational Risk, Legal Risk, catastrophe risks etc.

The framework considers the following:

Risk Philosophy

The DBJ believes that its risk appetite is the cornerstone of its risk management framework. The Bank's Risk Appetite establishes its Risk Culture and must be evident in both operational management "on the ground" and strategic decision making at a high level. The DBJ believes that as a development bank certain risks are inevitable and welcomed to fulfill its mandate to facilitate economic growth, national development and an enabling business environment resulting in increased investments and job creation. However, the Bank believes

DBJ's Enterprise Risk Management Governance Structure



that the necessary systems, policies, procedures, analytical tools, human and technical resources must be in place to help manage those risks effectively.

Managing Risk Appetite & Tolerance Levels

The DBJ has defined appetite levels as well as tolerance limits for each strategic objective and major business activity. These levels and limits have been established by the Board ERM Committee and approved by the Board of Directors. Management assesses and reports on adherence to these levels and limits, which is reviewed quarterly by the ERM Board Committee.

Analysing and Managing Risks

The DBJ uses Risk Control Assessment tools to identify, assesses and identify strategies to treat risks at all levels. The Bank has analysed and actively monitors Strategic and Key Business Risks at the ERM level as well as operational risks at the business line level.

Key Business Risks are managed on an ongoing basis by the DBJ's Enterprise Risk Management and Strategy Unit by using appropriate risk analysis models and risk occurrence reporting. The Enterprise Risk Management Committee reviews the Bank's Key and Strategic risks quarterly. Dashboard reports are submitted to the Board of Directors and communicate the Bank's key areas of exposures and value of exposure, major risks that may have been triggered, level of activity outside of defined risk appetite and tolerance levels.

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 (AFI) and Microfinance Institutions (MFI). The DBJ employs prudent credit risk management tools and strategies to avoid, transfer and mitigate credit risk. Management applies the appropriate risk models and management strategies based on the lending modality which is used in the approval and 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

Market risk relates to movements in specific market variables including interest rates and foreign exchange rates which will have an adverse impact on income and/or portfolio value. External Risk Indicators (ERI) which are used to track the movement of

> "The DBJ believes that its risk appetite is the cornerstone of its risk management framework."

market prices are monitored by the ERM and Strategy 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. Market risks are monitored by the ERM Committee and reported to the Board via risk dashboards and reports.

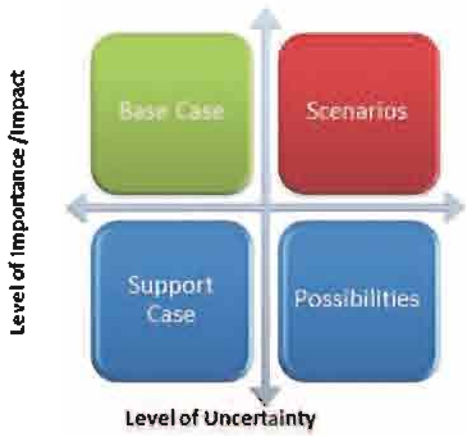
Strategic, Operational and Reputational Risks

Strategic risks are internal or external uncertainties which impacts an organization's strategies and/or the implementation of strategies or risks that emanate from changes in strategy. The DBJ's risk management structure was designed to integrate risk management with strategy management through the *ERM and Strategy Unit* in the Managing Director's Office. Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board.

Operational risks are risks that emanate from the execution of business activities. Operational risks are identified, analysed and monitored at the departmental level with quarterly reporting to the Managing Director. Operational risks that have a large impact on the business and that 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.

> "Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board."

DBJ's Critical Uncertainty Matrix



Reputational risks can emerge if the Bank fails to deliver satisfactory standards of service quality; fails to comply with legal, statutory laws and ethical standards; commits operational failures; fails to adhere to its policies and established practices and procedures; fails to meet stakeholder expectations on responsible behaviour and practices as a development bank; and/or is unethical in its practices and beliefs. The DBJ manages reputational risks through the establishment of major policies and docu mentation of key processes and procedures, its governance structure through the Board of Directors and Board Committees and through reputational considerations in 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 Bank's strategy and business sustainability. The Bank then applies risk management principles to mitigate, avoid, transfer, accept and/or capitalize on some of the risks faced as a result of external drivers/exogenous shocks.

One section of the Rohan Lawson's Farm in which coffee is inter-cropped with plantain and banana, in Windsor Castle, Portland. The DBJ funded the rehabilitation of the farm after Hurricane Sandy in October 2012.

CORPORATE GOVERNANCE

OVERVIEW

The Development Bank of Jamaica's (DBJ) Corporate Governance framework rests on five pillars that promote transparency, accountability, fairness and responsibility aimed at strengthening accountability systems within the Bank. These are:

1. The Board of Directors
2. Audit Committee
3. Internal Audit
4. Enterprise Risk Management
5. Senior Management

THE BOARD OF DIRECTORS

The DBJ's Board members understand their role in ensuring that a control environment is established by setting the "tone at the top", and that the Bank's policies, procedures and strategic plans guide the company to conduct its business affairs in accordance with internationally accepted corporate governance principles which are aligned to:

- The Government of Jamaica Corporate Governance Framework for Public Bodies (2012),
- The Public Bodies Management Accountability Act (2012),
- The Financial Administrative & Audit Act; and
- The Companies Act of Jamaica.

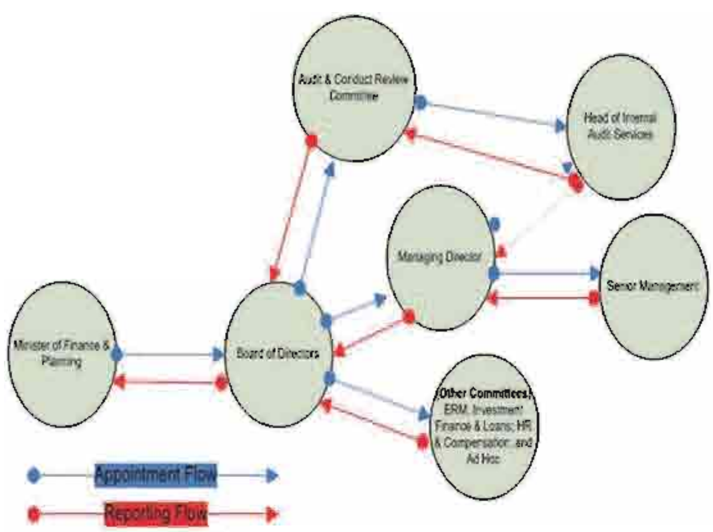
The Board's approval of the company's Corporate Governance Charter – 2012 (Draft) signals its commitment to an effective corporate governance process. Several other policy documents approved by the Board during the 2012/13 fiscal year are also indicative of its resolve to ensuring a robust corporate governance framework.

Policies Approved, Revised or Considered by the Board 2012/13

1. Privatisation Policy
2. Public-Private Partnership (PPP) Policy
3. Information Technology Policy
4. Corporate Governance Charter
5. Investment Policy
6. Loan Policy
7. Direct Lending Policy

Selection & Composition

The Minister of Finance & Planning selects and appoints members to the



DBJ Corporate Governance Structure

Board based on the Financial Services Commission's "fit and proper" standards as well as the individual's:

• Contribution to nation building, business, institutions and professions.
• Integrity, honesty and the ability to generate public confidence.
• Demonstration of 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.

Sub-Committees of the Board

OVERVIEW

During the year, two Committees were established by the Board - the Ad Hoc Committee and the Enterprise Risk Management Committee. There are three other Committees already in place which all enable oversight by the Board.

COMMITTEE'S RESPONSIBILITIES

Audit & Conduct Review

1. Oversee the Bank's internal control structure and 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;

5. Ensure the objectivity and independence of the internal and external auditors.

6. In consultation with the Managing Director, conduct the performance evaluation of the General Manager, Audit Services.

7. Oversee the external audit process and recommending the appointment and removal of the external auditors. The auditors may be re-hired or changed after the elapse of a prescribed number of years.

8. Ensure that the tenure and service for external auditors is limited to a maximum contractual period of seven (7) years with follow-on renewals prohibited, based on the results of their performance reviews.

9. Ensure that the audit partners responsible for DBJ are rotated. Rotation of auditors should also apply when external audits are done by the Auditor General's Department.

Committee	Frequency of Meetings	Meetings (12/13)
Audit & Conduct Review	Quarterly	4
Investment, Finance & Loans	As needed	5
Human Resource & Compensation	As needed	1
Enterprise Risk Management *(Established 2012)*	Quarterly	2
Microfinance/MSME (Ad Hoc) - *Established September 2012*	As Needed	2

> "The Board's approval of the company's Corporate Governance Charter... signals its comitment to an effective corporate governance process."

10. Report to the Board and relevant stakeholders on the execution of its duties.

Investments, Finance & Loans

1. Recommends policies and changes to policies relating to investment, finance and loans to the Board for approval;

2. Monitors the investment portfolio to identify and manage risks e.g. liquidity risks associated with exchange rates and interest rates that might affect DBJ'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 Board;

5. Examines loan applications in excess of its approval limits and makes recommendations to the Board;

6. Reviews the loan portfolio for impairment and the adequacy of loan provisions;

7. Approves credit write offs;

8. Considers the restructuring of loans and the approving terms of any re-negotiated loans;

9. Examines the DBJ's monthly financial statements;

10. Examines and makes recommendations in respect of audited financial statements;

11. Any other matter relating to the Bank's investments e.g. investment mix, finance, loans and AFIs' status.

A visitor enjoys the facilities at the DBJ-funded Mystic Mountain tourist Attraction in Ocho Rios, St. Ann.

Human Resource & Compensation

1. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines;

2. Ensures that the Bank has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of 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;

3. Oversees and evaluates the Bank's overall compensation structure to determine whether the structure is competitive at all levels;

4. Ensures that attainable performance targets are set and accepted by incumbents;

5. Sets a system in place for the resolution of internal conflicts so that there is no miscarriage of justice.

6. Ensures that the Bank is protected against legal, administrative and other insurable risks.

Enterprise Risk Management

1. Reviews risk policies and makes recommendations to the Board of Directors;

2. Establishes and reviews risk tolerance levels and makes recommendations regarding the overall risk appetite of DBJ to the Board of Directors;

3. Reviews and approves high level risk management reports;

4. Makes decisions regarding critical risk treatment options;

5. Assesses the management team's management of key business risks within the risk management policy and risk tolerance levels;

6. Reviews recommendations for Board members' risk management professional development

Internal Audit

The Bank's internal audit function is established in accordance with the Financial Administration & Audit Act (FAA Act) Section (4.2D). It is an independent activity reporting administratively to the Managing Director and functionally to the Board through the Audit Committee. The Audit Services Department is responsible for the internal auditing functions within the DBJ. Its role in the governance process is articulated in the Institute of Internal Auditor's (IIA) definition of internal auditing – *"an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."*

The Audit Services Department performs its activities in accordance with International Standards for the Professional Practice of Internal Auditing to provide reasonable assurance that:

1. Risks are appropriately identified and managed.

2. Significant financial, managerial and operating information is accurate, reliable and timely.

3. Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.

4. Resources are acquired economically, used effectively and adequately protected.

5. Quality and continuous improvement are fostered in the Bank's control process.

6. Significant legislative or regulatory requirements impacting the Bank's operations are recognized and appropriately addressed.

7. Governance groups e.g. board and committees are interacting on issues affecting the Bank's operations.

8. The Bank's objectives, plans and programmes are met.

The Responsibilities of the Audit Services Department are:

1. Development of a risk-based Annual Audit Plan for submission to the Audit Committee for its review and approval.

2. Implementing the approved annual audit plan in addition to any special tasks or projects requested by the Board, Audit Committee and Management.

3. Issuing periodic reports to the Audit Committee and management summarizing results of audit exercises.

Employees tend plants in a propagation house at the Douglas Castle Farms in Mason River, Clarendon. The DBJ funded the refurbishing of the greenhouses which were damaged by Hurricane Sandy in 2012.

4. Assisting in the investigation of significant suspected fraudulent activities within the Bank and make report to management and Audit Committee.

5. Maintaining a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the objectives of the Internal Audit Department.

6. Maintaining a Quality Assurance Improvement Programme (QAIP) which is assessed internally and externally periodically.

7. Assessing and making appropriate recommendations for improving the governance process.

DBJ's Medium Term Strategy at a Glance

Where do we want be?

Mission

- To facilitate and promote economic growth, national development and an enabling economic environment by providing businesses and government with appropriate financing, technical support, Public Private Partnership and privatisation solutions.

Vision

- In 2020, DBJ, a world class development bank and catalyst for economic growth and development, has facilitated J$35 Billion of investment resulting in 16,500 new jobs and an improved quality of life for all Jamaicans

Core Values

- Professionalism
- Integrity
- Accountability
- Innovation

Strategic Goals

1. **Facilitate investments** from lending ***of $9.02 billion in 2013/14 ($19.55 billion 2017/18)***
2. ***Facilitating 6,500 Jobs in 2013/14 (13,109 in 2017/18)*** by investing in viable high job creating projects in the ICT and other strategic sectors
3. Facilitating Internationally Competitive Businesses by leveraging $400M in technical assistance funding in 2013/14 ($400M in 2017/18) to enable strong **energy management and capacity building of the MSME sector for credit and equity investments.**
4. Facilitating **investment of $3 billion *in 2013/14 ($10 billion 2017/18)* from privatisation** of GOJ assets **and establishment of PPP projects**

Strategic Imperatives/Areas of Focus

Continued Imperatives

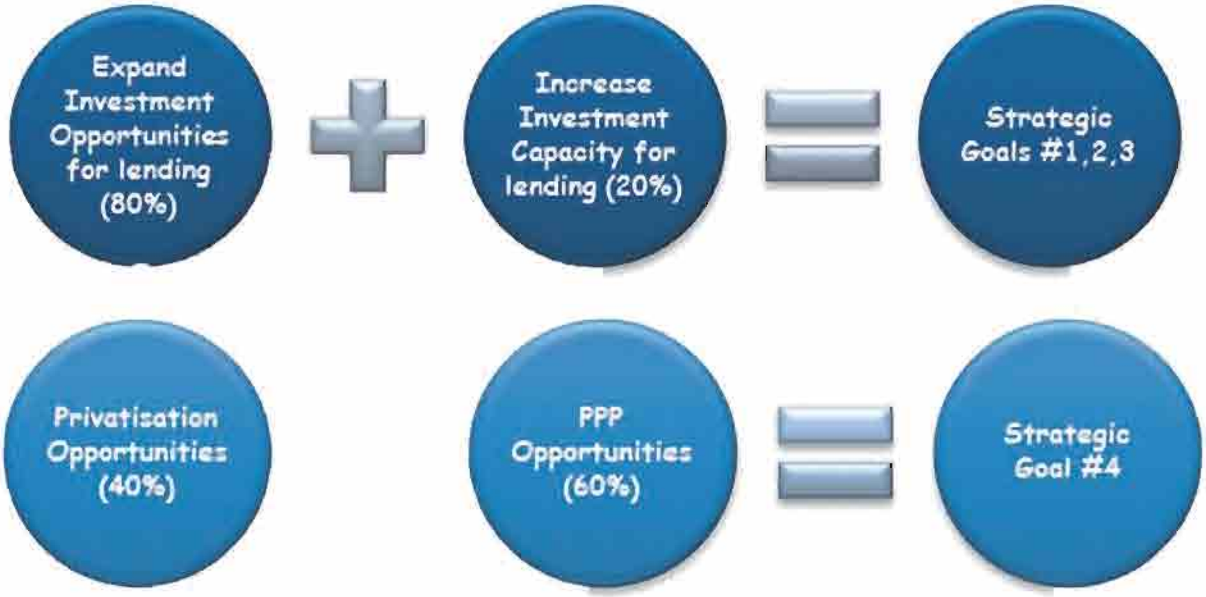
- Increase access to credit
- Reduce financing and business prodcution costs
- Facilitate growth of high investment/job sectors via direct lending
- Increase GOJ efficiency and revenues via privatisation
- Driving development of Micro Financing and SME Sector
- Using Enterprise Risk Management to manage key business risks

New Imperatives

- Strategic marketing and promotions
- Quantifying the exploiting impact and value from capacity building strategy
- New product development
- Capitalizing strategic partnerships
- Repositioning/formalizing direct lending strategy
- Focus on research innovation, technology and development
- Strategic research and business analytics

How do we get there?

Decomposing the Value Gap



High Priority Corporate Initiatives

Strategy Executed by establishment of 112 employees across 10 functional arms in 4 strategic areas...

ISPM	LOPM
Institutional Strengthening & Project Management	Loan Origination and Portfolio Management
PPP&P	**HR&A**
Public-Private Partnership & Privatisation	Human Resource Management & Administration
PR&C	**ERM&S**
Public Relations & Communication	Enterprise Risk Management & Strategy

DIRECTORS GROSS COMPENSATION
For year ended 31 MARCH 2013

Position of Director	Fees ($)		Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
	Board Meetings	Committee Meetings				
CHAIRMAN	192,000	59,500	N/A	N/A	N/A	251,500
BOARD MEMBER 1*	76,500	19,000	"	"	"	95,500
BOARD MEMBER 2	102,000	36,500	"	"	"	138,5000
BOARD MEMBER 3	93,500	27,500	"	"	"	121,000
BOARD MEMBER 4	93,500	42,000	"	"	"	135,500
BOARD MEMBER 5	76,500	26,000	"	"	"	102,500
BOARD MEMBER 6	85,000	10,500	"	"	"	95,500
BOARD MEMBER 7	76,500	24,500	"	"	"	101,000
BOARD MEMBER 8	42,500	21,600	"	"	"	64,100
TOTALS	838,000	267,100				1,105,100

* Board fees used for charitable purposes

SENIOR EXECUTIVE COMPENSATION
For year ended 31 MARCH 2013

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)		Travelling Allowance or Value of Assigned Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances (Clothing) ($)	Non-Cash Benefits ($)	Total ($)
			Gratuity (Note 1)	Performance Incentive (Note 2)					
Managing Director	2012/13	10,336,200	2,584,050	826,896	120,000 (Note 3)	N/A	N/A	N/A	13,867,146
GM 1	"	5,000,000	(Note 4)	350,000	900,000	N/A	65,000	N/A	6,315,000
GM 2	"	5,372,240	1,343,060	429,779	900,000	N/A	65,000	N/A	8,110,079
GM 3	"	5,730,131	N/A	458,410	900,000	395,379	65,000	N/A	7,548,920
GM 4	"	5,358,828	N/A	428,706	900,000	369,759	65,000	N/A	7,122,293
GM 5	"	5,343,422	N/A	427,474	900,000	368,696	65,000	N/A	7,104,592
GM 6	"	5,168,100	N/A	413,448	900,000	356,599	65,000	N/A	6,903,147
GM 7	"	5,031,145	N/A	402,492	900,000	347,149	65,000	N/A	6,745,786
GM 8	"	4,001,800	N/A	320,144	900,000	276,124	65,000	N/A	5,563.068
GM 9	"	4,119,099	N/A	288,337	900,000	284,218	65,000	N/A	5,656,654
Totals		55,460,965	3,927,110	4,345,686	8,220,000	2,397,924	585,000		74,936,685

*GM – General Manager

Notes

1. The Managing Director, and two General Managers (GM) being contract officers whose positions do not fall under the Bank's pension scheme, receive gratuity of 25% on their salary.
2. Performance Incentive is approved by the Ministry of Finance and is paid based on performance (both Company and individual) for the preceding financial year. Maximum possible is 8% of basic.
3. The amount shown for the Managing Director relates to the Notional Value for which taxes are paid on Assigned Motor Vehicle.
4. Qualifying period for payment of Gratuity has not been attained.

Grand Lido Negril Hotel (Bloody Bay) was divested by the DBJ in 2012-13 on behalf of the Urban Development Corporation

AUDITED ACCOUNTS
2012 - 2013

Development Bank
of Jamaica Limited

Facilitating economic growth and development

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

P.O. Box 76
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Jamaica, W.I.
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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 ("the company"), set out on pages 3 to 72, which comprise the statement of financial position as at March 31, 2013, the statements of 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2013, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional 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 20, 2013

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Comprehensive Income
Year ended March 31, 2013
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
Net interest and other income			
Interest income		1,142,492	1,764,803
Interest expense		(477,074)	(1,053,466)
Net interest income	7	665,418	711,337
Other income	8	443,894	975,799
		1,109,312	1,687,136
Operating expenses			
Staff costs	9	358,111	343,418
Other operating expenses	10	239,924	223,855
Total staff costs and other operating expenses		598, 035	567,273
Profit from operating activities before impairment losses		511,277	1,119,863
Impairment losses on loans	18(b)	1,014,697	393,092
Impairment losses on investment securities	13(a)	1,913,579	14,377
Total impairment losses		2,928,276	407,469
(Loss)/profit from operating activities		(2,416,999)	712,394
Share of losses of associated companies	15	(38,776)	(46,208)
Profit from Credit Enhancement Facility Fund	23	7,651	25,492
(Loss)/profit for the year		(2,448,124)	691,678
Other comprehensive (loss)/income			
Net change in fair value of available-for-sale securities	32(a)	(51,158)	34,713
Amortisation of grants	31(e)	(106)	(410)
Other comprehensive (loss)/income for the year		(51,264)	34,303
Total comprehensive (loss)/income for the year		(2,499,388)	725,981

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Financial Position
March 31, 2013
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
ASSETS			
Cash and cash equivalents	11	630,377	794,361
Resale agreements	12	3,253,786	1,946,502
Investment securities	13	2,035,802	3,686,405
Investment properties	14	321,171	315,207
Interest in associated companies	15	902,829	825,829
Loans receivable, net of impairment allowance:			
Direct loans	16	2,754,122	2,967,363
Financial and agricultural institutions loans	17	6,732,175	6,450,964
Government of Jamaica infrastructural programmes	19	183,436	181,467
Other	20	2,480,330	2,529,947
Due from Government of Jamaica – Privatisation	21	1,404	28,289
– Note receivable	22(a)	472,065	561,066
– Other	22(b)	690,673	588,418
Income tax recoverable		338,790	339,824
Due from Credit Enhancement Facility Fund	23	340,757	335,313
Other receivables	24	120,073	108,693
Employee benefit asset	25	284,861	262,614
Intangible assets	26	932	639
Property and equipment	27	692,841	712,442
		22,236,424	22,635,343
LIABILITIES			
Loans payable	28	14,125,577	11,491,213
Other	29	400,958	498,529
		14,526,535	11,989,742
EQUITY			
Share capital	30 (a)	1,757,539	1,757,539
Share premium	30 (b)	98,856	98,856
Capitalisation reserve	31	1,206,613	1,419,338
Other reserves	32	5,002,056	5,112,054
(Deficit)/retained earnings		(355,175)	2,257,814
		7,709,889	10,645,601
		22,236,424	22,635,343

The financial statements on pages 3 to 72 were approved for issue by the Board of Directors on June 20, 2013 and signed on its behalf by:

Chairman
Joseph Matalon

Managing Director
Milverton Reynolds

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Changes in Equity
Year ended March 31, 2013
(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, 2011		1,757,539	98,856	1,419,748	4,424,403	2,278,113	9,978,659
Total comprehensive income for the year:							
Profit for the year		-	-	-	-	691,678	691,678
Other comprehensive income							
Net change in fair value of available-for-sale securities	32(a)	-	-	-	34,713	-	34,713
Amortisation of grants	31(d)	-	-	(410)	-	-	(410)
Total other comprehensive income for the year		-	-	(410)	34,713	-	34,303
Total comprehensive income for the year		-	-	(410)	34,713	691,678	725,981
Transfers							
Transfer to special reserves	32(d)	-	-	-	(26,220)	-	(26,220)
Transfer of profit on CEF	32(f)	-	-	-	25,492	(25,492)	-
Transfer to technical reserve	32(g)	-	-	-	653,666	(661,485)	(7,819)
		-	-	-	652,938	(686,977)	(34,039)
Transactions with owners, recorded directly in equity							
Dividend	33	-	-	-	-	(25,000)	(25,000)
Balances at March 31, 2012		1,757,539	98,856	1,419,338	5,112,054	2,257,814	10,645,601
Total comprehensive expense for the year:							
Loss for the year		-	-	-	-	(2,448,124)	(2,448,124)
Other comprehensive income							
Net change in fair value of available-for-sale securities	32(a)	-	-	-	(51,158)	-	(51,158)
Amortisation of grants	31(d)	-	-	(106)	-	-	(106)
Total other comprehensive income for the year		-	-	(106)	(51,158)	-	(51,264)
Total comprehensive expense for the year		-	-	(106)	(51,158)	(2,448,124)	(2,499,388)
Transfers							
Transfer to special reserves	32(d)	-	-	-	(18,492)	-	(18,492)
Transfer of profit on CEF	32(f)	-	-	-	7,651	(7,651)	-
Transfer to technical reserve	32(g)	-	-	-	(47,999)	(11,414)	(59,413)
		-	-	-	(58,840)	(19,065)	(77,905)
Transactions with owners, recorded directly in equity							
Dividends	33	-	-	(212,619)	-	(145,800)	(358,419)
Balances at March 31, 2013		1,757,539	98,856	1,206,613	5,002,056	(355,175)	7,709,889

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

DEVELOPMENT BANK OF JAMAICA LIMITED

Statement of Cash Flows
Year ended March 31, 2013
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
(Loss)/profit for the year		(2,448,124)	691,678
Adjustments for:			
Amortisation	26	751	489
Depreciation	27	39,228	39,313
Interest income		(1,117,199)	(1,752,658)
Interest expense		477,074	1,053,466
Allowance for impairment losses		2,928,276	407,469
Loan written off		(357,935)	(7,312)
Change in employee benefits asset		(22,247)	(18,793)
Share of losses in associated companies	15	38,776	46,208
(Gain)/loss on disposal of property and equipment		(951)	22
Surplus on revaluation of investment properties, net		(1,477)	(3)
Amortisation of grants	31(d)	(106)	(410)
Interest discount	15	(13,879)	(12,145)
Surplus on revaluation of property and equipment	27	-	(76,407)
		(477,813)	370,917
Changes in operating assets and liabilities:			
Government of Jamaica – privatisation recoverables		26,885	2,218,893
Loans to financial and agricultural institutions		(274,893)	(599,275)
Direct borrowers		(424,553)	(156,805)
Government of Jamaica infrastructural loan programmes		(1,969)	24,852,725
Due from Government of Jamaica		(102,255)	(585,777)
Income tax recoverable		1,033	(8,974)
Credit Enhancement Fund		(5,444)	(25,746)
Other receivables		77,621	(560,365)
Other liabilities		(97,571)	147,059
		(1,278,959)	25,652,652
Interest received		1,117,851	2,011,700
Interest paid		(659,203)	(1,824,908)
Net cash (used)/provided by operating activities		(820,311)	25,839,444
Cash flows from investing activities			
Resale agreements		(1,296,451)	(259,869)
Investment securities, net		(300,334)	901,293
Investment in associated companies		(101,896)	(10,380)
Purchase of intangible assets	26	(1,044)	(742)
Purchase of property and equipment	27	(19,654)	(11,299)
Proceeds of disposal of property and equipment		979	-
Additions to investment properties		(4,487)	-
Net cash (used)/provided by investing activities		(1,722,887)	619,003

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

Statement of Cash Flows (continued)
Year ended March 31, 2013
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2013 $'000	2012 $'000
Cash flows from financing activities			
Loans drawn		4,286,058	427,506
Loans repaid		(1,469,477)	(26,901,293)
Dividends paid	33	(358,419)	(25,000)
Net cash provided/(used) by financing activities		2,458,162	(26,498,787)
Net decrease in cash and cash equivalents		(85,036)	(40,340)
Effect of exchange rate fluctuations on cash and cash equivalents		(78,948)	248,472
Cash and cash equivalents at beginning of year		794,361	586,229
Cash and cash equivalents at end of year	11	630,377	794,361

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 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 efforts to realise those assets.

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

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

(d) The company has interests in 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	Property development	50%		March 31
(i) its 100% subsidiary: Silver Sands Estate Limited	Rental of resort accommodation		100%	March 31
(ii) its 49% associated company: Harmony Cove Limited	Property development		49%	March 31

1. Identification and principal activities (cont'd)

(d) (Cont'd)

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

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 of and for the year ended March 31, 2013 ("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. Based on the company's current operations, none of them had any significant effect on the amounts and disclosures in the financial statements or are expected to have any effect in the foreseeable future.

2. Basis of preparation

(a) Statement of compliance (cont'd)

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

At the date of approval of the financial statements, certain new, revised and amended standards and interpretations were in issue but were not yet effective and had not been early-adopted by the company. The company has assessed them with respect to its operations and has concluded that the following may be relevant:

- IAS 1, *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income ("OCI") that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and OCI in two statements has not changed. The title of the statement has changed from '*Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income*'. However, an entity is still allowed to use other titles.

- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRS, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2015, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, on the recognition and de-recognition of financial assets and financial liabilities.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

- IAS 19, *Employee Benefits*, has been amended, effective for annual reporting periods beginning on or after January 1, 2013, to require all actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined-benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognised in profit or loss is to be calculated based on the rate used to discount the defined-benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

- *Improvements to IFRSs 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2013. The main amendments applicable to the company are as follows:

  - *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

  - IAS 16 *Property, Plant and Equipment* – The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using IAS 2 *Inventories*.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

- IAS 32, *Financial Instruments: Presentation,* has been amended, effective for annual reporting periods beginning on or after January 1, 2014, to clarify those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The company is assessing the impact, if any, that these new, revised and amended standards and interpretations will, when they become effective, have on its future 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.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

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) **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.

(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 28 (xiv), (xv)], 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.

3. Significant accounting policies (cont'd)

(c) Interest income and expense

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

IFRSs require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is, thereafter, recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined in this way under IFRSs are considered to be immaterial.

(d) Fee and commission income

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

(e) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These include fixed deposits and investment balances maturing within 90 days of the date of acquisition.

Cash and cash equivalents are carried at cost.

(f) Resale agreements

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

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

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

(g) **Investment securities**

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

(i) Held-to-maturity investment securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Held-to-maturity investment securities are initially measured at fair value plus incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Were the company to sell other than an insignificant amount of held-to-maturity securities, the entire category would be compromised and reclassified as available-for-sale, and the company would not be permitted to classify any securities as held-to-maturity for a period of two years.

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

(iii) Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are initially recognised at fair value plus transaction costs and are subsequently carried at fair value, with changes in fair value being accounted for 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 and are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'gains and losses on investment securities'.

Interest on available-for-sale securities, calculated using the effective interest method, is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established.

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. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

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

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

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

(h) **Loans receivable**

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

(i) **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 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.

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).

3. Significant accounting policies (cont'd)

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

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.

(j) Employee benefits

(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

In respect of defined-benefit arrangements, employee benefits, and obligations included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The company's net obligation under its defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government securities with maturities approximating the terms of the company's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

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

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

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

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

To the extent that any cumulative unrecognised gain or loss exceeds ten (10) percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised. Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(k) **Intangible assets**

Computer software

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

(l) **Property and equipment**

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

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

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

3. Significant accounting policies (cont'd)

(l) Property and equipment (cont'd)

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

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

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

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

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

(m) Investment properties

Investment properties, comprising residential apartments and commercial office space, are held for long-term rental yields and capital gain.

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.

(n) Leased assets

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

3. Significant accounting policies (cont'd)

(o) Government grants

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

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

(p) Borrowings

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

(q) Financial instruments

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

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

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

(r) 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.

3. Significant accounting policies (cont'd)

(r) Impairment of non-financial assets (cont'd):

(i) Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

(b) Key sources of estimation uncertainty

(i) Allowances for credit losses:

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

The 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) Determination of fair values:

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

(iii) Pension benefits:

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

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

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 certain amounts; ensuring that all credit facilities conform to standards agreed by the Board; and approving the mix of the company's investment portfolio. The committee is also responsible for approving credit write-offs, specific provisions against financial assets and the terms for any renegotiated 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

Provides risk oversight to the operations of DBJ 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 return on risk. 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.

(i) Foreign currency risk

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

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

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

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:

	2013	
	US $'000	Euro $'000
Cash and cash equivalents	1,995	-
Reverse repurchase agreements	27,605	-
Investment securities	27,223	-
Mortgage loan receivable	25,326	-
Loans, net of impairment losses	36,914	-
Total foreign currency assets	119,063	-
Short-term loans	(23,823)	(63)
Long-term loans	(89,685)	(855)
Other-liabilities	(1,430)	-
Total foreign currency liabilities	(114,938)	(918)
Net foreign currency assets/(liabilities)	4,125	(918)

	2012	
	US $'000	Euro $'000
Cash and cash equivalents	3,623	-
Reverse repurchase agreements	16,822	-
Investment securities	39,245	-
Mortgage loan receivable	29,041	-
Loans, net of impairment losses	28,784	-
Total foreign currency assets	117,515	-
Short-term loans	(32,050)	(64)
Long-term loans	(64,472)	(905)
Other liabilities	(1,553)	-
Total foreign currency liabilities	(98,075)	(969)
Net foreign currency assets/(liabilities)	19,440	(969)

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 percent (2012: 1 percent) strengthening of the Jamaica dollar against the following currencies at March 31 would have (decreased)/increased profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2012.

	2013			2012		
	% Change in currency rate	Effect on profit $'000	Effect on equity $'000	% Change in currency rate	Effect on profit $'000	Effect on equity $'000
Currency:						
USD	1% Revaluation	4,059	4,059	1% Revaluation	16,936	16,936
Euro	1% Revaluation	(1,371)	(1,371)	1% Revaluation	(1,121)	(1,121)
USD	10% Devaluation	(40,598)	(40,598)	1% Devaluation	(16,936)	(16,936)
Euro	10% Devaluation	13,706	13,706	1% Devaluation	1,121	1,121

A 10 percent (2012: 1 percent) weakening of the Jamaica dollar against these currencies at the reporting date would increase profit for the year by J$267 million. 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 financial assets and liabilities at carrying amounts to arrive at the company's interest rate gap, categorised by the earlier of contractual repricing and maturity dates.

	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
				2013			
Assets							
Cash and cash equivalents	3,504	8,254	-	-	-	618,619	630,377
Resale agreements	1,537,943	877,476	819,342	-	-	19,025	3,253,786
Investment securities	-	-	-	-	1,993,191	42,611	2,035,802
Interest in associated companies	-	-	-	-	556,032	346,797	902,829
Loan term receivables	-	106,096	318,289	1,697,545	345,950	12,449	2,480,329
Loans, net of impairment losses	-	569,474	2,124,921	3,983,643	2,408,746	399,513	9,486,297
Recoverables from Government of Jamaica	-	-	-	-	-	690,673	690,673
Due from Credit Enhancement Facility Fund	-	-	-	-	-	340,757	340,757
Employee benefits asset	-	-	-	-	-	284,861	284,861
Other assets	-	-	-	-	-	2,130,713	2,130,713
Total financial assets	1,541,447	1,561,300	3,262,552	5,681,188	5,303,919	4,886,018	22,236,424
Liabilities							
Loans payable	-	-	2,687,779	5,431,480	4,876,375	1,129,942	14,125,576
Other liabilities	-	-	-	-	-	400,958	400,958
Total financial liabilities	-	-	2,687,779	5,431,480	4,876,375	1,530,900	14,526,534
Interest rate sensitivity gap	1,541,447	1,561,300	574,773	249,708	427,544	3,355,118	7,709,890
Cumulative interest sensitivity gap	1,541,447	3,102,747	3677,520	3,927,228	4,354,772	7,709,890	-
				2012			
Total assets	-	1,400,083	542,940	11,871,952	2,958,224	5,862,144	22,635,343
Total financial liabilities	-	2,557,776	3,170,907	2,175,516	2,134,980	1,950,563	11,989,742
Interest rate sensitivity gap	-	(1,157,693)	(2,627,967)	9,696,436	823,244	3,911,581	10,645,601
Cumulative interest sensitivity gap	-	(1,157,693)	(3,785,660)	5,910,776	6,734,020	10,645,601	-

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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 shareholders' equity. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

	2013	2012
J$ interest rates	Increase by 250 bps Decrease by 100 bps	Increase/decrease by 100 bps
Foreign currency interest rates	Increase by 200 bps Decrease by 50 bps	Increase/decrease by 100 bps

	Effect on profit/(loss) 2013 $'000	Effect on equity 2013 $'000	Effect on profit/(loss) 2012 $'000	Effect on equity 2012 $'000
Change in basis points:				
Increase in interest rates	62,406	62,406	11,577	11,577
Decrease in interest rates	(3,454)	(3,454)	(29,372)	(29,372)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The main financial assets giving rise to credit risk are loans, investment securities, Government of Jamaica recoverables, due from Credit Enhancement Facility Fund, interest in associates, resale agreements and cash and cash equivalents.

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(i) Exposure to credit risk

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

There has been no change 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 stated 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	
	2013	**2012**
	\$'000	**\$'000**
Loan commitments	2,223,217	1,178
Guarantees	186,303	37,000
	2,409,520	38,178

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(2) Concentration of credit risk

	2013								
	Cash and cash equivalents	Mortgage loan	Loans	Guarantees	Investment securities	Resale agreements	Recoverables from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	630,377	2,480,330	9,669,733	71,808	2,035,802	3,253,786	690,673	3,403,915	22,236,424
Concentration by sector:									
Financial institutions	630,377	-	-	-	1,997,501	3,234,761	-	1,243,586	7,106,225
Agriculture, fishing and mining	-	-	3,836,541	-	-	-	-	-	3,836,541
Government and public entities	-	-	183,436	-	-	-	690,673	1,247,020	2,121,129
Manufacturing	-	-	1,060,431	71,808	-	-	-	-	1,132,239
Professional and other services	-	-	2,948,812	-	4,897	-	-	-	2,953,709
Tourism and entertainment	-	2,467,880	2,592,267	-	1,944,277	-	-	-	7,004,424
Transportation, storage and communication	-	-	46,982	-	-	-	-	-	46,982
	630,377	2,467,880	10,668,469	71,808	3,946,675	3,234,761	690,673	2,490,606	24,201,249
Interest receivable	-	12,449	485,356	-	419,901	19,025	-	913,309	1,850,041
	630,377	2,480,329	11,153,825	71,808	4,366,576	3,253,786	690,673	3,403,915	26,051,290
Less: Impairment losses	-	-	(1,484,092)	-	(2,330,774)	-	-	-	(3,814,866)
	630,377	2,480,329	9,669,733	71,808	2,035,802	3,253,786	690,673	3,403,915	22,236,424
Concentration by location									
Jamaica	594,771	2,480,329	9,669,733	71,808	504,009	3,253,786	690,673	3,403,915	20,669,025
United States of America	35,606	-	-	-	1,526,896	-	-	-	1,562,502
Barbados	-	-	-	-	4,897	-	-	-	4,897
	630,377	2,480,329	9,669,733	71,808	2,035,802	3,253,786	690,673	3,403,915	22,236,424

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)

	2012								
	Cash and cash equivalents $'000	Mortgage loan $'000	Loans receivable $'000	Guarantees $'000	Investment securities $'000	Resale agreements $'000	Due from Govt. of Jamaica $'000	Other receivables $'000	Total $'000
Carrying amounts	794,361	2,529,947	9,599,794	36,840	3,686,405	1,946,502	588,418	3,453,076	22,635,343
Concentration by sector:									
Financial institutions	794,361	-	-	-	1,910,154	1,946,502	-	-	4,651,017
Agriculture, fishing and mining	-	-	3,354,831	-	-	-	-	-	3,354,831
Government and public entities	-	-	181,467	-	-	-	588,418	3,133,158	3,903,043
Manufacturing	-	-	1,259,303	36,840	-	-	-	-	1,296,143
Professional and other services	-	-	2,394,758	-	-	-	-	-	2,394,758
Tourism and entertainment	-	2,517,360	2,664,169	-	1,819,191	-	-	-	7,000,720
Transportation, storage and communication	-	-	61,953	-	-	-	-	-	61,953
	794,361	2,517,360	9,916,481	36,840	3,729,345	1,946,502	588,418	3,133,158	22,662,465
Interest receivable	-	12,587	510,643	-	374,255	-	-	319,918	1,217,403
	794,361	2,529,947	10,427,124	36,840	4,103,600	1,946,502	588,418	3,453,076	23,879,868
Less: Impairment losses	-	-	(827,330)	-	(417,195)	-	-	-	(1,244,525)
	794,361	2,529,947	9,599,794	36,840	3,686,405	1,946,502	588,418	3,453,076	22,635,343
Concentration by location									
Jamaica	478,746	2,529,947	9,599,794	36,840	2,275,705	1,946,502	588,418	3,453,076	20,909,028
United States of America	315,615	-	-	-	1,406,354	-	-	-	1,721,969
Barbados	-	-	-	-	4,346	-	-	-	4,346
	794,361	2,529,947	9,599,794	36,840	3,686,405	1,946,502	588,418	3,453,076	22,635,343

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(3) Credit quality of loans

The credit quality of loans is summarised as follows:

	2013 $'000	2012 $'000
Neither past due nor impaired	8,967,981	9,418,519
Past due but not impaired:		
1 to 3 months	187,265	566,726
3 to 6 months	1,719	16,534
6 to 12 months	2,388	33,068
Over 12 months	80,677	392,277
Past due and impaired	1,730,359	-
	10,970,389	10,427,124
Less allowance for loan losses	(1,484,092)	(827,330)
	9,486,297	9,599,794

(4) Renegotiated loans

The carrying amount, at the reporting date, of renegotiated loans was $325,534,000 (2012: $159,761,000).

(ii) Management of credit risk

The company manages its credit risk primarily by review of the financial status of each counter party, and structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower, including banks and brokers, is restricted by limits covering on and off-statement of financial position exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and principal repayment obligations, obtaining collateral, 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 in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by management and the Investment, Finance and Loans Committee.

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):

(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.

(3) Balances with Government of Jamaica

Balances with Government of Jamaica are regarded as sovereign debt and risk free investment by the regulators. The default risk of government 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 infringement of the original terms of the loan agreement.

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

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(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 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.

(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. Loans for write-off must be submitted to the Investment, Finance and Loans Committee 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, other registered securities, hypothecation of shares, promissory notes and guarantees.
- Resale agreements — Government of Jamaica securities.

Collateral generally is not held over 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 (2012: 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)

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

	Loans receivable		Other receivables		Resale agreements	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:						
Property (land and buildings)	8,606,487	5,396,562	10,000	10,000	-	-
Debt securities	-	-	-	-	5,290,292	4,065,982
Motor vehicles	-	-	10,000	10,000	-	-
Other	-	-	16,600	16,600	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	-	1,428,257	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	1,184,684	2,559,491	-	-	-	-

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.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Investment, Finance and Loans Committee. 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.

	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
				2013			
Liabilities							
Loans payable	715,407	1,084,588	4,990,482	2,795,088	5,874,614	15,460,179	14,125,577
Other liabilities	34,218	107,000	258,206	-	1,534	400,958	400,958
	749,625	1,191,588	5,248,688	2,795,088	5,876,148	15,861,137	14,526,535
				2012			
Liabilities							
Loans payable	695,450	3,354,390	3,798,994	2,069,373	2,334,088	12,252,295	11,491,213
Other liabilities	79,924	22,966	134,942	-	261,456	499,288	498,529
	775,374	3,377,356	3,933,936	2,069,373	2,595,544	12,751,583	11,989,742

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 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.

5. Financial instrument risk management (cont'd)

(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

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

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

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

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

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

(d) The fair value of fixed rate loans is estimated by discounting the expected future cash flows using the market rates of interest for similar loans at the reporting date. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the allowance for credit losses from both book and fair values.

6. Fair value estimation (cont'd)

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

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Investment securities	2,824,238	2,965,450	2,680,743	2,814,780
Financial liabilities				
Long-term loans	14,125,577	14,831,856	11,491,213	12,065,773

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

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

Fair value hierarchy

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

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

	Level 1	Level 2	Total
	$'000	$'000	$'000
March 31, 2013			
Available-for-sale financial assets	4,310	1,998,088	2,002,398
March 31, 2012			
Available-for-sale financial assets	4,224	1,874,084	1,878,308

7. Net interest income

	2013 $'000	2012 $'000
Interest income		
Cash and cash equivalents	18,046	25,566
Resale agreements	167,517	122,787
Investment securities	132,340	119,159
Advances (note 15)	13,879	12,145
Loans	810,710	1,485,146
Total interest income	1,142,492	1,764,803
Interest expense		
Long-term loans	(477,074)	(546,734)
Short-term loans	-	(506,732)
Total interest expense	(477,074)	(1,053,466)
Net interest income	665,418	711,337

8. Other income

	2013 $'000	2012 $'000
Administrative fees	39,682	96,208
Commitment fees	26,293	28,244
Gain on disposal of property and equipment	951	483
Rental income	77,858	78,652
Dividends	5,370	3
Foreign exchange gains	243,063	82,584
Bad debt recoveries	-	661,484
Depreciation in fair value of investments	-	(2,396)
Miscellaneous	50,677	30,537
	443,894	975,799

9. Staff costs and number of persons employed

	2013 $'000	2012 $'000
Salaries and wages	265,959	270,234
Performance incentive bonus	17,571	16,273
Statutory payroll contributions	17,606	17,151
Pension credit – defined benefit plan [note 25(c)(vi)]	(9,528)	(7,153)
Redundancy costs	-	4,492
Staff training	7,486	5,130
Staff welfare	1,417	335
Other	57,600	36,956
	358,111	343,418

9. Staff costs and number of persons employed (cont'd)

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

	2013 No.	2012 No.
Full – time	109	106
Temporary	1	1
Contract	6	7
	116	114

10. Operating expenses

	2013 $'000	2012 $'000
Amortisation (note 26)	751	489
Advertising and public relations	10,874	9,659
Assistance to projects	22,487	25,521
Auditors' remuneration	4,466	4,060
Depreciation (note 27)	39,228	39,313
Directors' fees	1,105	1,041
Legal and other professional fees	17,125	14,706
Motor vehicle expenses	7,269	7,534
Occupancy costs – insurance, utilities, repairs, etc.	116,803	102,649
Travelling	4,648	6,218
Other operating expenses	15,168	12,665
	239,924	223,855

11. Cash and cash equivalents

	2013 $'000	2012 $'000
Cash	70	70
Demand and savings deposits	625,731	789,873
Fixed-term deposits	4,536	4,377
Interest receivable	40	41
	630,377	794,361

Cash and cash equivalents include interest-bearing balances totalling $7,221,000 (2012: $5,392,000) that are not available in the company's day to day operations. These amounts are held with a financial institution for the purpose of securing loans by that institution to employees of the company.

12. Resale agreements

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

Included in resale agreements is interest receivable of $19,025,000 (2012: $8,192,000).

13. Investment securities

	Remaining term to maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000 2013	$'000 2012
Held to maturity:						
Government of Jamaica	-	-	-	498,145	498,145	492,299
Loans and receivables:						
Preference shares	-	-	-	-	859,773	806,301
Preferred partnership equity interest	-	-	-	-	1,084,503	1,012,890
	-	-	-	-	1,944,276	1,819,191
Available-for-sale :						
Units in unit trust	-	-	-	-	4,310	4,224
Government of Jamaica bonds	-	-	61,995	1,437,948	1,499,943	1,381,785
	-	-	61,995	1,437,948	1,504,253	1,386,009
Interest receivable					419,901	406,100
					4,366,575	4,103,599
Allowance for impairment					(2,330,773)	(417,194)
					2,035,802	3,686,405

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

	2013	2012
	$'000	$'000
At beginning of year	417,194	402,817
Charged to profit or loss for the year	1,913,579	14,377
At end of year [note 18(c)]	2,330,773	417,194

13. Investment securities (cont'd)

(b) National Debt Exchange

Government of Jamaica ("GOJ") bonds includes $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 [see note 33(d)]. The terms of the FRANs are as follows:

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

(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 due 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

	2013 $'000	2012 $'000
Land at Drax Hall, St. Ann, held for capital appreciation	14,684	13,207
Rented residential property, Manor Park Apartment	12,000	12,000
Rented office complex, 21 Dominica Drive, Kingston	294,487	290,000
Fair value of investment properties	321,171	315,207
Income earned from properties	38,343	38,705
Expenses incurred by properties	(10,695)	(8,911)

The carrying amount of investment properties is the fair value of the properties as determined by a Directors' valuation, having regard to the most recent valuation by recognised professional real estate appraisers.

15. Interest in associated companies

	2013 $'000	2012 $'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivable		
Original amount of advances and accrued interest [note 1(a) below]	869,546	859,166
Additional advances	101,897	10,380
Gross amount receivable	971,443	869,546
Unaccreted imputed interest [note 1(b) below]:		
Original amount of discount	(186,642)	(186,642)
Accretion in previous years	31,974	19,829
Accretion in current year	13,879	12,145
Accretion to date	45,853	31,974
Unaccreted interest carried forward	(140,789)	(154,668)
Present value of amount receivable	830,904	715,128
Share of losses		
At beginning of year	110,701	156,909
Recognised during year	(38,776)	(46,208)
At end of year	71,925	110,701
Carrying value of interest in associated companies	902,829	825,829

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 terms. 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 in non-interest-bearing, interest income has been imputed in accordance with the requirements of IFRS

Summary financial information on associated companies:

	2013 $'000	2012 $'000
Assets	2,505,375	2,495,891
Liabilities	2,579,166	2,490,340
Revenue for the year	12,697	11,445
Loss for the year	(79,342)	(91,324)

16. Direct loans

	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000 2013	$'000 2012
Loans receivable	107,324	555,369	648,807	2,438,300	3,749,800	3,288,588
Interest receivable					478,565	496,894
					4,228,365	3,785,482
Less impairment allowance [note 18(a)]					(1,474,243)	(818,119)
					2,754,122	2,967,363

The loans bear interest at rates ranging from 4% - 13% (2012: 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 %	2013 $'000	2012 $'000
Loans to financial institutions	4% - 10%	5,542,890	5,284,732
Loans to People's Co-operative Banks	1% - 10%	1,192,343	1,161,695
		6,735,233	6,446,427
Interest receivable from financial institutions		6,449	13,575
Interest receivable from People's Co-operative Banks		344	173
		6,793	13,748
		6,742,024	6,460,175
Less impairment losses on loans [note 18(a)]		(9,849)	(9,211)
		6,732,175	6,450,964

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 2013	Carrying value $'000 2012
Loans:						
Financial institutions	371,194	1,278,008	2,639,953	1,253,735	5,542,890	5,284,732
People's Co-operative Banks	90,956	291,544	694,884	114,959	1,192,343	1,161,695
					6,735,233	6,446,427
Interest receivable:						
Financial institutions					6,449	13,575
People's Co-operative Banks					343	173
					6,792	13,748
					6,732,175	6,460,175

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

(a) Summary of impairment losses on loans

	2013 $'000	2012 $'000
Loans to direct borrowers (note 16)	1,474,243	818,119
Loans to financial and agricultural institutions [note 17(a)]	9,849	9,211
	1,484,092	827,330

A specific allowance has been made for impairment losses.

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $2,664,437 million (2012: $60 million).

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

	2013 $'000	2012 $'000
Allowance at beginning of year	827,330	441,549
Loans written-off during the year	(357,935)	(7,312)
Additions to, less reversal of, allowance for doubtful debts	1,014,697	397,901
Allowance no longer required	-	(1,488)
Bad debt recovered	-	(3,320)
At end of year [note 18(c)]	1,484,092	827,330

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:

	2013 $'000	2012 $'000
Impairment on loans – per note 18(b)	1,484,092	827,330
Impairment on investment securities - per note 13(a)	2,330,773	147,194
Total allowance for impairment	3,814,865	974,524

The increase in the allowance for impairment [detailed in notes 13 and 18(b)] includes an additional charge of $2,928,276 for the year, attributable primarily to the following:

(i) The property of a counterparty in the tourism sector was disposed of under powers of sale by a senior lender, and the proceeds were not adequate to pay off all junior lenders and preferred investors. This occasioned a loss on partnership preferred equity and loans receivable totalling $1,765,071,000 for the company, of which $1,432,159,000 was recognised during the year.

(ii) The sustained delinquency of certain tourism interests was determined to be objective evidence of impairment of preference shares held by the company in those entities, resulting in a total impairment allowance of 1,128,031,000, of which $975,158,000 was recognised during the year.

(iii) The sustained delinquency of certain borrowers in the agricultural sector was determined to be objective evidence of impairment of loans receivable, resulting in a total impairment allowance of $921,764,000, of which $520,959,000 was recognised during the year.

19. Government of Jamaica Infrastructure Loan Programmes

	2013 $'000	2012 $'000
National Road Operating and Constructing Company Limited	2,005	36
Interest receivable	181,431	181,431
	183,436	181,467

This was a loan to National Road Operating and Constructing Company Limited (NROCC) for the establishment, development, financing, operation and maintenance of a tolled highway. Cabinet, by Decision No. 37/08, dated November 3, 2008, approved the issue of a Government of Jamaica (GOJ) Guarantee for the loan to the extent of €204.4 million with effect from April 1, 2009. The loan was substantially repaid in 2012.

20. Loan receivable

The amount of $2,480,330,000 (2012:$2,529,947,000) represents the outstanding principal amount of a mortgage loan, the future instalments of principal and interest under which were assigned to the company under an agreement, dated 20 September, 2011 (see note 15). The loan was receivable in 30 quarterly instalments of US$1,353,273.62 of principal and interest, the final instalment being due Sept 1, 2018, and bears interest at 6% per annum.

21. 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.

	Amount advanced	Proceeds collected	Net recoverable /(payable)	
	$'000	$'000	$'000	$'000
			2013	2012
Projects in progress	-	-	88,469	88,469
Projects completed	2,380	(29,264)	(79,987)	(53,102)
Others	-	-	(7,078)	(7,078)
	2,380	(29,264)	1,404	28,289

22. Due from Government of Jamaica – other

(a) Note receivable:

The Government of Jamaica (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 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, interest-free. The carrying amount is made up as follows:

	2013	2012
	$'000	$'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	659,112	659,112
Principal portion repaid in instalments received to date	(187,047)	(98,046)
Carrying amount	472,065	561,066

	2013	2012
	$'000	$'000
(b) Exchange losses on loans:		
(i) Caribbean Development Bank loans [note 3(b)(iv) and note 28(xv)]:		
Unrealised	130,175	80,790
Realised	376,003	333,325
	506,178	414,115
(ii) European Investment Bank loans [notes 3(b)(iv) and note 28(xvi)]:		
Realised	144,069	140,140
(iii) Other loans [note 3(b)(iv)]:		
Unrealised	40,426	34,163
	690,673	588,418

23. Credit Enhancement Facility Fund

The Credit Enhancement Facility (CEF or 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. Losses arising from these guaranteed loans are shared between the company and the AFIs.

The company indemnifies the AFIs for any losses incurred on loans made, with the indemnity maximised at $10 million or 50 per cent of the value of the loan on regular SME loans and up to 80 per cent on SME Energy loans for each burrower. The company has transferred $250 million from its investments and placed it in a Trust managed by a Board of Trustees.

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

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

Financial position

	2013 $'000	2012 $'000
Assets:		
Investments	250,000	250,000
Receivables	90,757	85,313
Total assets	340,757	335,313
Fund capital, reserve and liability:		
Fund capital	250,000	250,000
Accumulated profit	86,529	78,878
Total fund capital and reserve	336,529	328,878
Payables	4,228	6,435
Total fund capital, reserve and liability	340,757	335,313

Financial performance

	2013 $'000	2012 $'000
Income	7,651	25,767
Expenses	-	(275)
Profit for the year	7,651	25,492

24. Other receivables

	2012 $'000	2011 $'000
Prepayments	2,569	2,323
Staff receivables (a)	78,463	68,646
Recoveries, net	532,291	533,276
Provision for recoveries (b)	(532,291)	(533,276)
Sundry	39,041	37,724
	120,073	108,693

(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 tenure of loans ranges from one year to seven years and interest is charged at a rate of 5% per annum. All loans are fully secured.

Included in staff receivables are loans to senior managers amounting to $12,899,000 (2012: $10,751,000).

(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.

25. Employee benefit asset

(a) The company operated a defined-contribution pension scheme for the former employees of National Development Bank of Jamaica Limited; 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 The National Investment Bank of Jamaica Limited (NIBJ) and the DBJ on September 1, 2006, the employees of NIBJ were transferred to DBJ and became members of the 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. This process has not yet been completed.

25. Employee benefit asset (cont'd)

(c) Effective January 1999, the company took over the administration of the Agricultural Credit Bank of Jamaica Limited's superannuation scheme from the National Commercial Bank Trustee Department. This is a defined-benefit scheme, which is administered by Trustees appointed by the company and 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 employee 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, 2009 had a past service surplus of $130,345,000.

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

	2013 $'000	2012 $'000
Present value of funded obligations	(564,695)	(519,214)
Fair value of plan assets	780,933	770,853
	216,238	251,639
Unrecognised actuarial gains	67,429	9,483
Limitations on recognition of surplus due to uncertainty of future benefits	1,194	1,492
Asset in the statement of financial position	284,861	262,614

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

	2013 $'000	2012 $'000
At beginning of year	262,614	243,821
Total income – (v) below	9,528	7,153
Contributions paid	12,719	11,640
At end of year	284,861	262,614

25. Employee benefit asset (cont'd)

(c) (Cont'd)

(iii) Movement in present value of funded obligations:

	2013 $'000	2012 $'000
Present value of funded obligation at beginning of year	519,214	449,642
Interest cost	52,781	48,973
Current service cost	23,319	21,001
Voluntary contributions	6,516	5,669
Benefits paid	(35,959)	(14,129)
Actuarial loss on obligation	(1,176)	8,058
Balance at end of year	564,695	519,214

(iv) Movement in plan assets:

	2013 $'000	2012 $'000
Fair value of plan assets at beginning of year	770,853	684,101
Expected return on plan assets	76,710	68,991
Contributions	28,452	25,744
Benefits paid during the year	(35,959)	(14,129)
Actuarial gain on plan assets	(59,123)	6,146
Fair value of plan assets at end of year	780,933	770,853

(v) Plan assets consist of the following:

	2013 $'000	2012 $'000
Equities	92,880	109,967
Government of Jamaica securities	485,419	516,535
Resale agreements	61,401	-
Unitised investments	19,756	22,001
Bond	77,639	70,108
Real estate	32,000	39,866
Net current assets	11,838	12,376
	780,933	770,853

25. Employee benefit asset (cont'd)

(c) (cont'd)

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

	2013 $'000	2012 $'000
Current service cost	14,102	12,566
Interest cost	52,781	48,973
Expected return on plan assets	(76,710)	(68,991)
Past service costs – non-vested benefits	299	299
Past service costs – vested benefits	-	-
Total, included in staff costs (note 9)	(9,528)	(7,153)
Actual return on plan assets	9.62%	9.75%

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

	2013	2012
Discount rate	10.00%	10.00%
Expected return on plan assets	10.00%	10.00%
Future salary increases	6.50%	6.00%
Future pension increases	2.00%	2.00%
Remaining working lives	12 years	11 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.

(viii) Historical information – Pension Plan

Year ended March 31	2013 $Mn	2012 $Mn	2011 $Mn	2010 $Mn	2009 $Mn
Present value of defined benefit obligation	(564.7)	(519.2)	(449.6)	(307.7)	(210.9)
Plan assets	780.9	770.9	684.1	578.7	472.5
Surplus	216.2	251.6	234.5	271.0	261.7
Experience adjustment on plan liabilities	(10.6)	(6.0)	(4.5)	11.9	(21.8)
Experience adjustment on plan assets	(59.1)	6.1	34.1	21.4	(5.6)

25. Employee benefit asset (cont'd)

(c) (cont'd)

(ix) The estimated pension contributions expected to be paid into the plan during the next financial year is \$28,452,000 (2012: \$25,744,000).

26. Intangible assets

	Computer software \$'000
Cost:	
March 31, 2011	5,263
Additions	742
March 31, 2012	6,005
Additions	1,044
March 31, 2013	7,049
Amortisation:	
March 31, 2011	4,877
Charged during the year	489
March 31, 2012	5,366
Charged during the year	751
March 31, 2013	6,117
Net book values:	
March 31, 2013	932
March 31, 2012	639
March 31, 2011	386

27. Property and equipment

	Freehold land, buildings & signs $'000	Furniture, fixtures, plant & equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
March 31, 2011	587,318	196,177	25,943	41,069	850,507
Additions		1,669	5,292	4,338	11,299
Disposals		(45)	(3,451)	(7,483)	(10,979)
Increase on revaluation	76,407	-	-	-	76,407
March 31, 2012	663,725	197,801	27,784	37,924	927,234
Additions	322	9,194	4,043	6,095	19,654
Disposals	-	(3,636)	-	(1,746)	(5,382)
March 31, 2013	664,047	203,359	31,827	42,273	941,506
Depreciation:					
March 31, 2011	49,422	78,959	23,042	35,013	186,436
Charge for the year	12,076	22,487	2,212	2,538	39,313
Eliminated disposals	-	(23)	(3,451)	(7,483)	(10,957)
March 31, 2012	61,498	101,423	21,803	30,068	214,792
Charge for the year	10,229	22,789	2,461	3,749	39,228
Elimiated on disposals	-	(3,609)	-	(1,746)	(5,355)
March 31, 2013	71,727	120,603	24,264	32,071	248,665
Net book values:					
March 31, 2013	592,320	82,756	7,563	10,202	692,841
March 31, 2012	602,227	96,378	5,981	7,856	712,442
March 31, 2011	537,896	117,218	2,901	6,056	664,071

The company's freehold land and buildings, at cost of $94,894,000 (2012: $94,572,000), were last revalued in December 2011 at $626,318,000 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 $76,407,000 has been credited to the revaluation reserve within shareholders' equity [note 32(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 31(d)].

Notes to the Financial Statements (Continued)
March 31, 2013
(Expressed in Jamaica dollars unless otherwise indicated)

28. Loans payable

	Interest Rate %	March 31, 2012 $'000	New loans/ Adjustments $'000	Current Portion $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2013 $'000
(a) Government of Jamaica (GOJ)							
(i) Ministry of Mining and Energy	-	120	-	-	-	-	120
(ii) Ministry of Finance and the Public Service:							
(1) Caribbean Basin Initiative Loan 1993/2003	3.00	3,333	-	-	-	-	3,333
(2) International Fund for Agricultural Development 1988/2002	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	2.54	859,103	-	114,021	-	-	973,124
(iii) International Fund for Agricultural Development Hillside Credit 1998/2002	4.00	113,486	-	-	(113,486)	-	-
(iv) United States Agency for International Development Energy Credit Fund	3.00	5,013	-	-	-	-	5,013
(v) MOF – Dairy Sector	-	81,916	30,000	-	(218)		111,698
(vi) MOF – US$30.33M	6.00	2,647,948	-	253,649	(47,533)	97,121	2,951,185
(vii) MOF Advance	-	1,945	-	-	-	-	1,945
(viii) GOJ – Citrus Growers	6.00	60,000	-	-	-	-	60,000
(ix) GOJ – YEP Programmes	-	2,595	-	-	-	-	2,595
		3,810,230	30,000	367,670	(161,237)	97,121	4,143,784

28. Loans payable (cont'd)

	Interest Rate %	March 31, 2012 $'000	New loans/ Adjustments $'000	Current Portion $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2013 $'000
(b) Direct Borrowing							
(x) Micro Investment Development Agency	-	491	-	-	-	-	491
(xi) IBRD US$ P.I.E.D. Line of Credit	2.54	54,024	7,170	-	-	-	61,194
(xii) OFID	6.35	277,773	-	87,997	(82,141)	(58,887)	224,742
(xiii) (1) China Development Bank	3.64	542,338	-	239,341	(223,028)	(191,114)	367,537
(2) China Development Bank	4.26	652,316	-	249,108	(226,023)	(182,566)	492,835
(xiv) Caribbean Development Bank 1987/2005:							
18OR J	3.83	75,025	-	36,421	(44,288)	(30,737)	36,421
26OR J	3.83	1,624,468	-	41,810	(152,559)	159,070	1,672,789
8SFR J	3.83	26,198	-	14,624	(13,532)	(12,153)	15,137
11SFR/ORJ	3.83	132,410	-	17,573	-	-	149,983
20SFR/ORJ	2.50	226,980	456,488	-	-	-	683,468
(xv) European Community	1.00	112,139	-	7,910	(7,602)	1,664	114,111
(xvi) Jamaica Development Bank							
-Loan I	10.00	6,738	-	-	-	-	6,738
-Loan II	8.00	138,876	-	-	-	-	138,876
-Loan III	8.75	-	43,543	-	-	3,316	46,859
(xvii) BNS Tourism/Agri Sector	7.36/8	199,984	-	-	(100,004)	-	99,980
(xviii) NHT Surchop Loan	-	77,780	-	-	-	-	77,780
(xix) GOJ NIF Loan	4.0	68,424	-	-	(38,685)	-	29,739
Balance c/f		4,215,164	507,201	694,784	(887,862)	(311,407)	4,218,680

28. Loans payable (cont'd)

	Interest Rate %	March 31, 2012 $'000	New loans/ Adjustments $'000	Current Portion $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2013 $'000
(b) Direct Borrowing (cont'd)							
Balance b/f	-	4,215,164	507,201	694,784	(887,862)	(311,407)	4,218,680
(xx) PetroCaribe Loan:							
(1) US$8.6M loan	3.00	581,249	641,345	59,981	(49,101)	79,921	1,313,395
(2) US$20.0 M loan	2.50	-	1,188,820	-	-	41,732	1,230,552
(3) J$1.7bn loan	4.00	1,308,031	700,000	-	(327,008)	-	1,681,023
(xxi) World Bank Energy LOC	0.98	-	168,682	-	-	20,849	189,531
		1,889,280	2,698,847	59,981	(376,109)	142,502	4,414,501
(c) Other							
(xxii) Jamaica Development Bank	10.00	262,496	-	-	(43,543)	(1,456)	217,497
Total Loans Payable		10,177,970	3,236,048	1,122,435	(1,468,751)	(73,240)	12,994,462
Interest Payable		1,313,243					1,131,115
		11,491,213					14,125,577

28. Loans payable (cont'd)

In a letter dated January 31, 1985, the Government of Jamaica agreed to bear the exchange risk on loans negotiated and on-lent to the company by the MOF&P. The loans which are covered by the agreement are on-lent to the company and are repayable to the Government in Jamaica dollars. Usually loans to the Jamaica government are repaid via an exchange of debt.

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

(ii) These loans represent the Government of Jamaica 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, 2013, the financial position of the company disclosed a ratio of 1.8:1 (2012: 1.1:1).

(iii) This represents Government of Jamaica's advances to the Hillside Credit Programme. The loan was granted to:

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

Included in this programme is a grant from the Government of the Netherlands. During the year the company repaid this loan.

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

	2013 $'000	2012 $'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 exchange of debt between the company and the MOF&P.

28. Loans payable (cont'd)

(iv) (cont'd)

USAID's contribution bears interest at 2% per annum for 10 years, which commenced in January 1986, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments which should have commenced January 1996. This amount will be included in the debt exchange between the company and the MOF&P.

(v) 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.

(vi) 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 will be included in the debt exchange between the company and the MOF&P.

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

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

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

(x) 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 repaid based on collections from PC Banks. No interest is charged by the company on the amount on-lent.

(xi) This represents funds borrowed by Government of Jamaica under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and 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 exchange between the company and the MOFPS.

28. Loans payable (cont'd)

(xii) 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 May 2013. It bears interest at the rate of 6.35% per annum and is guaranteed by the Government of Jamaica.

(xiii) (1) This is a loan from China Development Bank, which is to be on-lent to 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.

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

(xiv) 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 loan, the exchange risk on which is borne by the company.

(xv) 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.

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

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

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

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

(1) An amount of $350,000,000 was for on-lending to Eligible Beneficiaries within the Tourism sector. The loan is for seven years, inclusive of a one year moratorium on principal from the date of the first advance, and is repayable by March 2014. The interest rate is 8% per annum.

(2) An amount of $250,000,000 was for on-lending to the Agricultural Sector through the People's Co-operative Banks to assist Small Farmers. The loan is for seven years, inclusive of a one year moratorium on principal, from the date of the first advance, and is repayable by March 2014. The interest rate is 7.625% per annum.

28. Loans payable (cont'd)

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

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

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

(xix) This amount represents the balance of amounts drawn down under a loan facility of $225 million received from the National Insurance Fund (NIF) for on-lending to small and medium enterprises (SME). The loan bears interest at a rate of 4% p.a., and is repayable in June 2013.

(xx) (1) This represents the balance under amounts drawn down under a US$ loan from the PetroCaribe Development Fund to provide financing to the productive sector. Interest is payable semi-annually at a rate of 3% per annum. The loan matures in December 2023.

(2) This loan is specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/BPO facilities. It bears interest of 2.5% over annum, paid quarterly over a 15 year period maturing in 2027 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 2023.

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

28. Loans payable (cont'd)

(xxii) This represents the J$ equivalent of the amount of US$1,900,000, 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 International Bank for Reconstruction and Development ("IBRD")for the Energy Security and Efficiency Enhancement Project being managed by the company. Under the terms of sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by IBRD, 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

29. Other liabilities

	2013 $'000	2012 $'000
Due to related entities	280,328	355,614
Accruals	52,048	62,350
Statutory payroll liabilities	3,003	2,714
Other	65,580	77,851
	400,959	498,529

30. Share capital and share premium

(a) Share capital:

Authorised:
1,757,539,000 (2012: 1,757,539,000) ordinary shares at no par value

	2013 $'000	2012 $'000
Stated capital [note 30(b)]		
Issued and fully paid:		
1,757,539,000 (2012: 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 is not included in the company's stated capital [note 30(a)].

31. Capital reserves

		2013 $'000	2012 $'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)]	958	1,064
Other capital reserves – NIBJ	[see (e)]	139,336	139,336
Capital distribution [note 33(c)]		(212,619)	-
		1,206,613	1,419,338

(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.

(c) Self-Supporting Farmers Development Programme

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

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

(i) All assets be transferred to the company.

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

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

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks (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.

31. Capital reserves (cont'd)

(d) Capital grants

	2013 $'000	2012 $'000
At beginning of year	1,064	1,474
Less: Amortised during the year	(106)	(410)
At end of year	958	1,064

These represent the cost of furniture and equipment received from the Government of the Netherlands, under the Hillside Farmers' Support Project and the Rural Financial Services Project. The grants are being amortised over the life of the assets. These furniture and equipment have been included in property and equipment (note 27).

(e) Other capital reserves – NIBJ

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

32. Other reserves

		2013 $'000	2012 $'000
Fair value reserves	[see (a)]	(128,420)	(77,262)
General reserve – Equalisation Fund	[see (b)]	957,596	957,596
Revenue reserve	[see (c)]	2,539,391	2,539,391
Special reserve	[see (d)]	12,470	30,962
Revaluation reserve	[see (e)]	678,823	678,823
Credit Enhancement Facility Fund reserve	[see (f)]	336,529	328,878
Technical assistance reserve	[see (g)]	605,667	653,666
		5,002,056	5,112,054

(a) Fair value reserves

This represents unrealised (loss)/gain in fair value of available-for-sale securities.

(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.

32. Other reserves (cont'd)

(c) Revenue reserve

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

	2013 $'000	2012 $'000
At beginning and end of year	2,539,391	2,539,391

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 (note 23).

(d) Special reserves

	Technical Assistance		Exchange Equalisation		Total	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance at beginning of year	27,839	54,059	3,123	3,123	30,962	57,182
Transfers from retained earnings	(18,492)	(26,220)	-	-	(18,492)	(26,220)
Balance at end of year	9,347	27,839	3,123	3,123	12,470	30,962

(i) Technical assistance

The maintenance of this reserve is a requirement of a lending agreement between the company and the European Investment Bank [note 28 (xv)], which provides, during the period of the lending agreement, for the annual transfer of a portion of the interest differential on loans funded from the loan proceeds.

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

(ii) Exchange equalisation

The maintenance of this reserve is a requirement of a lending agreement between the company and the European Investment Bank [note 28 (xvii)] which provides, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement.

32. Other reserves (cont'd)

(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 32(c)] to be used as start up capital for the fund, plus accumulated profit or loss from the fund (note 23), and is made up as follows:

		2013 $'000	2012 $'000
Fund capital		250,000	250,000
Accumulated profit transferred	- at beginning of year	78,878	53,386
	- for the year	7,651	25,492
	- at end of year	86,529	78,878
Total		336,529	328,878

(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 22(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 Institutional Strengthening and Research Division.

	2013 $'000	2012 $'000
Original amount assumed by the GOJ	1,004,167	1,004,167
Imputed interest	345,055	345,055
Original amount transferred from retained earnings	659,112	659,112
Interest transferred from retained earnings- Previously	2,373	-
- During year	11,414	2,373
- To date	13,787	2,373
Net at end of year	672,899	661,485
Utilised - Previously	7,819	-
- During year	59,413	7,819
- To date	67,232	7,819
Net at end of year	605,667	653,666

33. Dividends paid

	2013 $'000	2012 $'000
Interim dividend paid [see (a)]	-	25,000
Interim dividend paid [see (b)]	111,800	-
Interim dividend paid [see (c)]	212,619	-
Special distribution [see (d)]	34,000	-
	358,419	25,000

(a) Interim dividend of 0.1 cents per share paid on February 24, 2012 in respect of profits for the year ended March 31, 2011.

(b) (i) Interim dividend of 0.05 cents per share paid on December 31, 2012 in respect of profits for year ended March 31, 2012. 81,500
(ii) Interim dividend of 0.02 cents per share paid on March 28, 2013 in respect of profits for year ended March 31, 2012. 30,300
111,800

(c) Interim dividend, (being capital distribution) of 0.12 cents per share, paid on November 30, 2012. This is the (further) distribution of a portion of the gain on disposal of investment securities by NIBJ on October 31, 2007 which was included in the reserves of NIBJ at the time of its acquisition by the company [notes 1(a)(ii) and 31].

(d) As indicated in note 13, one of the terms of the Fixed Rate Accreting Notes (FRANs) received by the company in the National Debt Exchange, was that they would be issued with J$80 for every J$100 of Old Notes. In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, this exchange was accounted for as a disposal of the Old Notes and acquisition, at their fair value, of the FRANs. The effect of this was a loss of J$34,000,000 [see note 13(b)].

As permitted by IAS 1, *Presentation of Financial Statements*, the mandatory exchange of the notes at a loss was accounted for as "a transaction with owners in their capacity as owners". Accordingly, the loss arising on this transaction was recognised directly in equity in the nature of a distribution.

34. Related party transactions and balances

A related party is a person or entity that is related to the entity that is preparing its financial statements (in IAS 24, *Related Parties Disclosures* referred to as the 'reporting entity', in this case, the company).

(a) A person or a close member of that person's family is related to the company if that person:

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

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

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) 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);

(ii) one entity is an associates or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is member);

(iii) both entities are joint venture of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity or an associate of third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the company;

(vi) the entity is controlled or jointly controlled by a person identified in (a) and;

(vii) a person identified in (a)(i) 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.

(c) Related party transactions

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

	2013 $'000	2012 $'000
(i) Interest and other income:		
Interest income - Government related entities	-	563,222
Other income - rental: Government related entities	-	75,396

(ii) Interest and other expenses:

	2013 $'000	2012 $'000
Interest expense - Government related entities	-	546,734
Administrative fees - Government related entities	38,721	96,208

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

(d) 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.

	2013 $'000	2012 $'000
Salaries and other short-term employee benefits	88,219	72,614
Statutory payroll contributions	5,137	4,297
Pension benefits	2,662	2,668
	96,018	79,579
Directors' emoluments -		
Fees	1,105	1,041
Management remuneration		
(included above) - Current year	14,526	11,574
- Prior year	3,467	-

(e) Related party balances

(i) Receivable from related parties:

	2013 $'000	2012 $'000
(1) Loans:		
Government related entities	-	36
Associated companies	649,244	549,630
(2) Interest receivable:		
Government related entities	181,431	181,431
Associated companies	319,918	319,918
(3) Staff loans receivable	12,899	10,751

35. Commitments

(a) As at March 31, 2013, there were outstanding commitments to disburse loans totalling approximately J$1,500 million and US$15 million (2012: J$770 million and US$.2 million).

(b) The company had capital commitments, in respect of projects being undertaken, totalling approximately $254.2 million (2012: $88 million).

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

	2013 $'000	2012 $'000
Not later than one year	288	288
Later than one year and not later than five years	1,152	1,152
Later than five years	25,920	25,920
	27,360	27,360

36. 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, it is probable that a payment will be made by the company and the amount can be reasonably estimated.

The company has not provided for 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) 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.

37. Contingencies (cont'd)

(b) A suit was brought by the plaintiff against the company and the other defendants for breaches to the terms of a lease agreement entered into between it 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. The parties are awaiting the mandatory referral to mediation, which is the next step in the proceedings.

NOTES

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