Development Bank of Jamaica Limited

Facilitating economic growth and development

ANNUAL REPORT

2010/11

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 Office of the Prime Minister has portfolio responsibility for the DBJ.

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VISION

In 2015, DBJ, a world class development bank and catalyst for economic growth and development, has facilitated J$10 Billion of investment resulting in 5,000 new jobs and an improved quality of life for all Jamaicans.

MISSION

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 by partnering with financial intermediaries and other stakeholders; aligning the organization to emerging trends and opportunities with a highly motivated team, fully resourced to deliver.

CORE VALUES

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

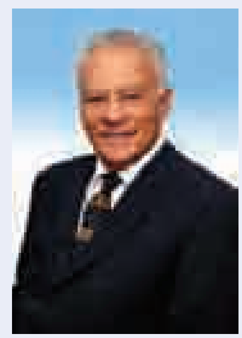
BOARD OF DIRECTORS


Joseph Matalon
Chairman


Milverton Reynolds
Managing Director

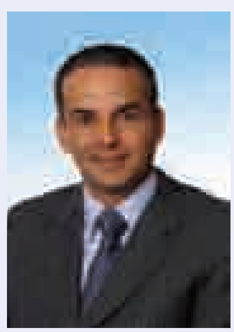

Richard Chen


Barrington Chisholm

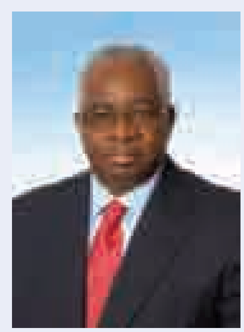

Barclay Ewart


Sheron Henry


Dr. Gladstone Hutchinson


Paul Lalor


Edwin McKie

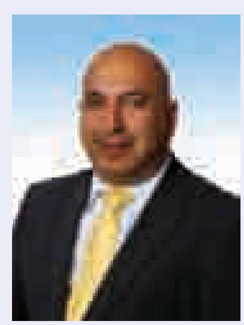

Errol Powell


Ann Marie Rhoden


Dr. Dhiru Tanna


Sancia Templer


Dr. Diana Thorburn


Christopher Zacca

MANAGEMENT TEAM

Back Row:
Claudette White, *Manager, Communication and Marketing*; **Yvonne Williams**, *General Manager, Human Resource & Administration*; **Yvonne Lewars**, *General Manager, AFI Relationships;* **Cleveland Malcolm**, *Manager, Management Information System*; **Pearline Miller**, *General Manager*, *Internal Audit*; **Denise Arana,** *General Manager*, *Direct Client Relationships*; **Beverly Virtue**, *Manager, Corporate Planning*; **Dorothea Simpson**, *General Manager, Finance & Treasury.*

Front Row:
Milverton Reynolds, *Managing Director*; **Sheron Henry**, *General Manager, Legal Counsel & Company Secretary;* **Edison Galbraith**, *General Manager, Portfolio Management.*

CHAIRMAN & MANAGING DIRECTOR'S REPORT

For the Development Bank of Jamaica (DBJ), 'development' is about improving the quality of life of all Jamaicans by expanding and improving opportunities for participation in the economic growth and development of the country.

These opportunities are provided through the combined efforts of the Government and a range of civil society organizations including the private sector, non-governmental and community organizations, religious groups, the input of the citizens and with the assistance of international agencies to ensure that everyone has the opportunity to participate in the betterment of their own lives and, by extension, the nation.

The DBJ stands at the centre of these relationships and is pleased to report that in the financial year 2010/11, the major development targets set by the Board of Directors and endorsed and implemented by the management team and staff were achieved. This allowed the institution to continue its record of profitability while creating the conditions that foster the growth of entrepreneurship, leading directly to the improvement in the standard of living of Jamaicans in all walks of life.

There have been many challenges throughout the year, not least among them the ongoing weakness of the global economy which, in turn, had a negative impact on the Jamaican economy through the low demand for our goods and services. As a result, local businesses struggled to remain profitable and, in many instances, had to either close their doors or lay off employees in large numbers, leading to a spike in the unemployment rate.

According to recent data published by the Planning Institute of Jamaica (PIOJ), the first three quarters of the financial year 2010/11 saw a contraction of the economy with the exception of the agriculture, mining and quarrying, and tourism sectors. However, in that same report the PIOJ announced that in the fourth quarter of the financial year 'the economy recorded growth of 1.5 per cent in real GDP relative to the corresponding period' in the previous year and that 'overall prospects for the January to March 2011 period are positive with continued growth expected in the Mining & Quarrying, Agriculture, Hotel & Restaurants Industries and a return to growth in some industries.'

While much of the local economic upturn can be attributed to improvements in the world market, the DBJ can point with pride to the role it has played locally largely through the provision of development financing to projects at every level of the economy – from the micro to the small and medium-sized enterprises (MSME) through to large projects – which would otherwise have found it difficult to access affordable funding.

This is particularly important as MSMEs are widely recognized as the engine of growth in any economy, and with DBJ's unique strategy of partnering with Approved Financial Institutions (AFI) and Micro Finance Institutions (MFI) the Bank has been able to deliver its products and services efficiently to its target groups.

The AFIs and MFIs are financial institutions through which the DBJ wholesales funds for on-lending to clients with viable projects. AFIs include commercial banks, merchant banks, credit unions, and National People's Cooperative Bank (NPCB), while the MFIs on-lend to micro entrepreneurs.

During the period under review, the Bank introduced several innovative methods of assisting the productive sectors and embarked on special measures to counter the expected fallout from the reduced demand for DBJ's loans. For example, the Bank reduced interest rates to borrowers, provided loans for energy efficiency and renewable or alternative energy projects to all levels of borrowers across all sectors, and extended loan financing to specific sectors of the population (such as low income earners while exploring the viability of mobile money solutions for micro entrepreneurs).

During 2010/11, a total of $1.2 billion was committed to the MSME sector from which J$1.0 billion was committed and disbursed by AFIs to over 200 small and medium-sized businesses while MFIs on-lent $228.6 million to over 4,000 micro enterprises.

This resulted in the Bank's funding activities helping to establish nine new companies, create over 850 new jobs while maintaining close to 7,000 existing jobs.

The agriculture sector, particularly the role and needs of the small farmer, is of particular concern for the Development Bank as this is an area that has traditionally been neglected by commercial lending institutions, given its vulnerability to natural disasters. As a result, the DBJ has a special relationship with the NPCB which is virtually the only institution that lends to small and medium-sized farmers. In 2010/11, J$344.5 million of DBJ funding was disbursed to this grouping.

These achievements were supported by the Bank's ability to extend its record of profitability to the 11th straight year in 2010/11 with a net profit of $723.5 million, total assets of $48,928.0 million, total revenue of $4,413.2 million and a net worth of J$9,978.7 million.

At the same time, the DBJ has continued in its role as the lead agency in the privatisation of Government-owned assets generating US$20 million (J$1.7 billion) in proceeds from the divestment of shares, land, three sugar factories and other properties.

Much of the Bank's success is underpinned by the tremendous support it has received in its activities from international agencies and, during the period under review, relations remained strong between the DBJ and its international partners, such as the Caribbean Development Bank, Inter-American Development Bank (IDB), United States Agency for International Development, and the World Bank and its financing arm, the International Finance Corporation (IFC).

At least one programme (the IDB Liquidity Programme for Growth and Sustainability) is winding down but new ones have been introduced, giving the Bank and the country vital development support. These include:

- An agreement under which the IFC will give its considerable assistance and expertise to the Bank in strengthening the privatisation programme;
- A loan of US$15 million from the World Bank to the Government from which the DBJ will use US$4.6 million to establish a line of credit through AFIs for energy projects;
- An IDB grant of US$593,000 for a public education programme aimed at increasing awareness of energy conservation and renewable energy.

To maintain the momentum and expand our reach, the Bank took a strategic decision toward the end of the financial year to re-align the institution with new targets and a complementary structure to make it more responsive to the needs of the Jamaican population. Some of the changes, which are to be implemented at the start of the 2011/12 financial year, include:

- A redeployment of staff to strengthen the capacity of the Bank to perform its core functions
- The creation of a new position of General Manager, Risk and Strategy, to take into account the 2009 recommendation by the CariCris Ratings Service
- A strong focus on research to examine where and how to target our resources to achieve the best results
- An improved marketing strategy; and
- The exploration of the viability of introducing mobile money and micro insurance products to the micro finance industry.

Caribbean Information and Credit Ratings Services Limited (CariCRIS) reaffirms jmAA-credit ratings for the DBJ

For the second consecutive year, the Caribbean Information and Credit Ratings Services Limited (CariCRIS) assessed the overall performance of the DBJ and assigned to it ratings of CariBBB (Foreign Currency Rating) and CariBBB+ (Local Currency Rating) on the regional rating scale and jmAA- on the Jamaica National scale to the debt issue (notional) of US$5 million.

These regional scale ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other debt obligations in the Caribbean is "adequate". CariCRIS described the DBJ as 'stable, highly experienced and with a well-qualified senior management team, supported by a reputable and fairly independent Board of Directors'.

The agency went on to say that, among other things, 'DBJ's capitalisation is strong as reflected in a capital adequacy ration of 37.8% as at February 2011, averaging 33.8% over the last three years. This compares favourably to other financial institutions in the Caribbean."

The Norman Manley International Airport in Kingston is being privatised.

DBJ's IMPACT ON THE PRODUCTIVE SECTORS

For the financial year 2010/11, the DBJ continued to support the Government's focus on productivity by approving J$2.7 billion and disbursing J$2.24 billion for 4,430 projects in the sectors of agriculture, agro-processing, manufacturing, tourism and services.

In December 2010, the Bank implemented several initiatives to assist the productive sector and, in particular, the agricultural sector which was ravished by tropical storms in September and November that year. The initiatives included:

- The lowering of the DBJ's interest rates by 1.5-2.0 per cent per annum (taking them down to 9.5-11 per cent per annum) to both its AFIs and the sub-borrowers on its Jamaican dollar and foreign currency loans. This was chiefly as a result of the implementation of the Jamaica Debt Exchange and a general reduction in local market interest rates;
- A six-month moratorium on principal payment on all existing agricultural loans made through AFIs; and
- A technical assistance grant of $30 million to facilitate improvement in capacity building and institutional strengthening for the agricultural and MSME sectors. The funds were sourced from a Special Reserve Fund for Technical Assistance at the DBJ and were distributed as follows:

  - $10 million to the NPCB for technical assistance and capacity building
  - $8 million to the Ministry of Industry, Investment and Commerce – of which $5 million is earmarked for JAMPRO's new export initiatives
  - $7 million to The MSME Alliance and the Institute of Law and Economics (ILE). The MSME Alliance is an umbrella NGO that assists small and medium-

LOAN APPROVALS AND DISBURSEMENTS

	Approvals		Disbursements		EMPLOYMENT	
Sector	J$M	US$M	J$M	US$M	Existing	New
Agriculture	765.4	0	527.7	0	1,075	96
Agro-Industry	196.7	0	66.5	0	71	63
Manufacturing	130.1	0.47	288.5	.47	417	57
Service &Transportation	661.4	0.17	291.3	.17	2,310	481
Distribution	143.4		143.4		2,882	-
Tourism	128.9	6.82	41.5	6.49	63	154
JBDC			100.0		-	11
UDC Facility			178.5			
TOTAL	J$ 2,026.0	US$7.5	J$1,637.4	US$7.1	6,818	862
Grand Totals- J$M (J$ & US$)	$2,662.77		$2,243.7			

Exchange rate: J$85.3967 to US$1.0

sized enterprises with training and technical services in a variety of areas and the ILE is the agency that will conduct the training.

- $5 million to the Ministry of Agriculture to be used to strengthen the functions of the Rural Agricultural Development Authority (RADA).

AGRICULTURE

Approximately $765.5 million was approved and $527.7 million disbursed to the agriculture sector, creating 96 new jobs and maintaining 1,075 existing ones. Projects covering livestock rearing, crops and farm infrastructure benefited from the Bank's loans.

AGRO-PROCESSING

Close to $200 million was approved for agro-processing; however, only $66.5 million was disbursed because the projects were approved late in the year. Nonetheless, 63 new jobs were created while 71 existing ones were maintained.

MANUFACTURING

Over J$130 million and US$470,000 in loans were approved and disbursed to projects covering the manufacture of garments, beverages, furniture, and building blocks, among others, creating 57 new jobs and maintaining nearly 420.

Sorting eggs at Alfred Jennings' poultry (layer) farm in Kitson Town, St. Catherine.

MINING & QUARRYING

As a result of the collapse of the world market for alumina and other minerals, for much of the year demand for loans from this sector remained flat. The reopening of the Windalco Ewarton Alumina Plant during the third quarter of the year is expected to have some impact and generate demand in the coming year.

TOURISM

Approximately J$130 million and US$6.82 million was approved for on-lending to the tourism sector. Approximately J$41.5 million and US$6.49 million was disbursed, allowing the creation of 154 new jobs and the maintenance of 63 existing ones.

SERVICES

This sector which encompasses information technology, health services, energy and distribution received close to J$805 million and US$170,000 in loans with the disbursement of all the US funding and J$434.7 million. This allowed approximately 5,200 workers to keep their jobs while 479 new positions were created.

Greenhouses on a farm operated by Christiana Potato Growers Association in Devon, Manchester.

MSME PROJECTS FUNDED BY SECTOR

AGRICULTURE

Mr. Henry Graham, located on 59 acres of land at Top Gate in Westmoreland, is one of the largest pig farmers in the parish. He has received DBJ funding through the NPCB allowing him to expand his operation. Mr. Graham has set up a bio-digester that will result in reduction of harmful micro-organisms among the animals. The farm is a pilot project for Artificial Insemination, which is now being re-introduced in the pig industry. The farm generates employment for over 11 persons.

SERVICES

Kairos Enterprises is a recycling operation that collects waste material such as paper, cardboards, aluminum and plastic bottles from schools, banks, bottling companies, telecommunications companies and other offices in the Corporate Area at no charge. The company hires persons working in the nearby Riverton City dump site to sort and bag the items, then compresses and bales them, packs them in 40ft cube containers and exports them to countries such as China, India and Africa for recycling. DBJ funding allowed Kairos Enterprises to (a) purchase equipment that facilitated the expansion of the recycling plant and (b) hire three additional permanent staff bringing the staff complement to eight.

Tomato plants in a greenhouse on a farm operated by Christiana Potato Growers Association in Devon, Manchester.

Information Technology

Global Gateway Solutions Incorporated, a call centre operation, is jointly owned by local and foreign investors and operates in the Montego Bay Free-zone. The company is a significant foreign exchange earner and currently employs over 1,000 locals, providing outsourcing services (debt collection, customer service, back office support and product sales) for major companies based in the United States, Canada and the Caribbean. Global Gateway Solutions Inc. accessed DBJ's financing to expand its operation and to install solar panels to provide backup power in the event of power outages.

Health Services

Health Studio Operators Limited (trading as Spartan Health Club) was incorporated in Jamaica over 10 years ago and, from inception, has been recognized as the number one gymnasium in the country offering all forms of exercise and health-related activities such as aerobics classes, including taebo, pilates, body sculpting and yoga. The increase in club membership has been directly related to the utilization of DBJ's funding to introduce new and improved equipment and exercise programmes. The company employs 24 persons on a permanent basis.

Students of Moneague Teachers College prepare the site for rebuilding the shade house for potted plants after it was destroyed by a flood recently.

The Adopt-a-School Programme

The DBJ first implemented the Adopt-a-School programme in 2006 in 23 high schools that have ongoing agricultural programmes at the CXC level. The funds are used to introduce some of the latest technological advances in agriculture to some of these institutions. Projects include greenhouse technology, bio-digesters, broiler production - emphasizing proper slaughtering techniques such as the use of chicken home pickers (de-feathering machines) - egg production, apiculture, and horticulture, among others. The programme aims to make agriculture more attractive as a career choice to students while helping the institutions to generate an income. The school cafeterias and canteens use the surplus produce in their breakfast and lunch programmes. In 2010/11, $2.5 million was approved to assist seven institutions.

SCHOOLS ASSISTED	AMOUNT APPROVED	AMOUNT DISBURSED	BALANCE	PROJECT	USE OF FUNDS
Waterford High	213,000.00	213,000.00	N/A	School Garden project	Land preparation; crop establishment
Brown's Town Community College	500,000.00	500,000.00	N/A	Poultry project	Poultry equipment; feed
Salvation Army	492,000.00	492,000.00	N/A	Poultry project	Construction; furnish; stock
Mount Olivet Primary	275,599.00	177,999.00	97,600.00	Poultry project	Poultry house and slaughterhouse
Success Primary and Junior High	92,600.00	92,600.00	N/A	Poultry project	Stock and feed
Coke's View Primary	346,921.00	250,651.00	96,270.00	Poultry project	Construction; stock; feed; supplies; labour
Mannings School	500,000.00	250,000.00	250,000.00	Greenhouse	Construction; equipment
TOTAL	2,420,120.00	1,976,250.00	443,870.00		

DBJ FINANCIAL HIGHLIGHTS

The DBJ recorded net profits of J$723.5 million, total assets of J$48,928.0 million and a net worth of J$9,978.7 million for the financial year ended 31 March 2011. The Bank's strong Asset and Equity bases enabled it to play a pivotal and proactive role in the development of the Jamaican economy as the Bank continued to assist viable projects in keeping with its overall mandate of facilitating economic development. These results were driven by strategic management of our objectives, expert liquidity management, and proactive effective management of our risks.

Income

The DBJ's operating income of J$4,413.2 million for the financial year ended 31 March 2011 grew by 6 per cent above the previous financial year, despite a 4 per cent revaluation of the Jamaican dollar vis-à-vis the United States dollar which had the effect of reducing interest earnings on the loan portfolio by J$198 million. The increased income was mainly due to the release of prior year provisions occasioned by the disposal of the Sandals Whitehouse Hotel in which the Bank held an interest through an associated company, Ackendown Newtown Development Company (ANDCO).

PERFORMANCE HIGHLIGHTS 2007-2011

Year Ended March 31	2011	2010	2009	2008	2007
	J$M	J$M	J$M	J$M	J$M
Total Income	4,413.2	4,175.5	3,901.2	3,772.2	2,710.2
Total Interest Income	3,688.5	3,792.9	3,393.7	3,142.9	2,110.4
Total Interest Expense	2,889.5	2,992.2	2,500.6	2,184.7	1,537.6
Non-Interest/Other Income	724.7	382.6	507.5	629.3	599.8
Non-Interest Expense	805.8	705.3	890.9	973.9	1,154.6
Net Profit	723.5	316.4	417.4	371.9	391.0
Total Assets	48,928.0	49,686.2	46,414.5	46,262.7	38,520.3
Total Equity	9,978.7	9,536.1	8,921.9	6,359.6	6,029.6
Loans Payable	38,597.9	39,851.5	37,134.5	34,324.3	26,530.6
Regular Loan Portfolio	9,061.9	12,239.9	10,605.8	8,101.2	8,768.0
Special Loan Programmes		-	-	-	421.3
GOJ Infrastructural Loan Programmes	25,156.5	25,521.9	24,846.8	24,618.6	2,489.6

Interest Income

Interest Income amounted to $3,688.5 million for the financial year 2010/11, representing a marginal decrease of 3 per cent or $104 million below the previous financial year and was directly related to the revaluation of the Jamaican dollar vis-à-vis the US dollar. During the year the company implemented several initiatives to ensure that projects especially those in the agriculture sector remained viable. The Bank's interest earning assets increased except for the loan portfolio as follows:-

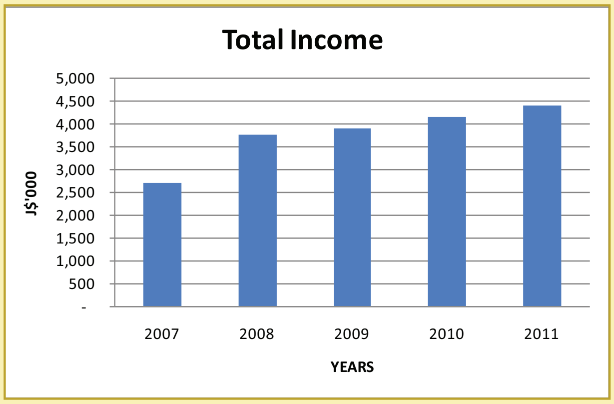
- The DBJ's investment securities portfolio grew by J$412.9 million or 7 per cent to J$6,276.3 million over the previous year.

- Other receivables increased from J$127.8 million in the previous year to J$2,884.8 million at the end of the financial year 2010/11. This exceptional increase of J$2,757.0 million mainly resulted from the transfer to the DBJ of a US$32.5 million mortgage loan by ANDCO cancelling, from the Bank's portfolio, a direct loan including interest receivable of US$25.9 million and investment in ANDCO of US$9.5 million preference shares and US$8 million ordinary shares.

- Interest in associated companies reduced from J$1,464.8 million at the beginning of the year to J$849.5 million at March 31, 2011, after recording the disposal of DBJ's interest in ANDCO as mentioned above.

- The loan portfolio, reduced by J$3,178.0 million or 26 per cent, from J$12,239.9 million at the end of the previous financial year to J$9,061.9 million. This reduction was due to the following factors:-

  1. The transfer of US$25.9 million or J$2,211.8 million, as mentioned above, from direct loans to other receivables, on the disposal of ANDCO;
  2. The repayment of a special direct loan to the Urban Development Corporation in the amount of J$918 million; and
  3. The revaluation of the Jamaican dollar vis-à-vis the United States dollar, which had the effect of reducing our loan portfolio by J$176.2 milion.

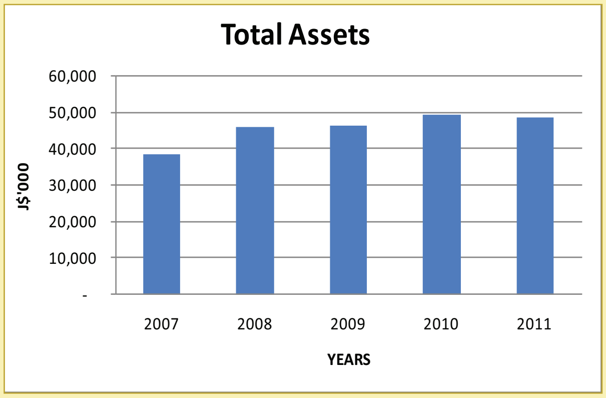


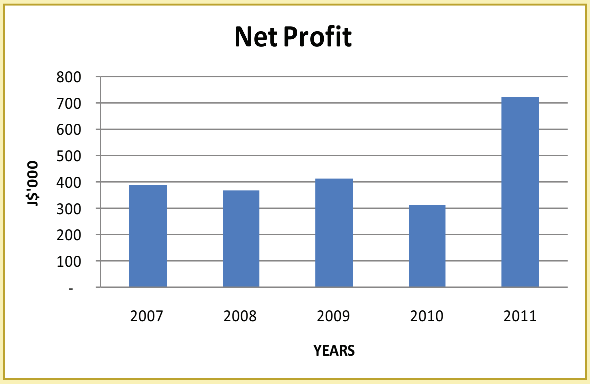
Other Income

DBJ's non-interest income is comprised of fees, rental income, net foreign exchange gains/(losses) arising on the translation of Assets/Liabilities and gains from investment activities and a gain from disposal of its interest in ANDCO. Other income amounted to $724.7 million for year ended 31 March 2011 representing an increase of 89.4 per cent above the previous financial year. This increase was due mainly to the write back of losses previously provided against the Bank's interest in ANDCO in the amount of $488 million, occasioned by the sale of the Sandals Whitehouse Hotel property by that company.

Interest Expense

Interest expenses for the financial year under review amounted to J$2,889.5 million, a 3 per cent decrease below the previous year's total of J$2,992.2 million and was mainly attributable to the revaluation of the Jamaican Dollar vis-à-vis the United States Dollar and a repayment of some lines of credit from lending agencies.





Non-Interest Expenses

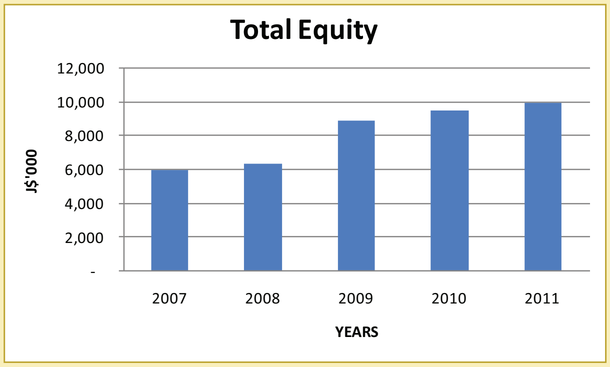
Administrative and other operating costs showed an increase of 14.3 per cent above those of the previous financial year. This increase was due mainly to staff costs which increased by 4 per cent, as the company accrued approximately one year's retroactive salary. Depreciation increased by 40 per cent above the amount incurred for the previous financial year, as a telephone system was implemented in March 2010, depreciation charges on which were incurred in the financial year under review.

Net Profit

The Bank recorded a net profit of J$723.5 million for the year, moving from a net profit of J$316.4 million in the previous financial year, an increase of 129 per cent. This increase was due mainly to the $488 million write back of provisions as discussed above.

Asset Base

The DBJ's asset base, which was J$48,928.0 million as at 31 March 2011 saw a marginal decrease of 1.5 per cent from J$49,686.2 million during the previous year. This decrease was mainly due to the revaluation of the Jamaican Dollar vis-à-vis the United States Dollar.



Equity Base

At the end of the financial year 2011 the Bank reported shareholder's equity of J$9,978.6 million, a 4.2 per cent growth above the previous year and was mainly due to increases in retained earnings.

Solvency

At the end of the financial year, the Bank reported a debt/equity ratio of 3.9:1, an improvement over the ratio of 4.2:1 at the end of March 2010. This ratio remains within the guidelines stipulated by multilateral lending agencies of between 4:1 and 6:1.

The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.

Layer birds in one section of Alfredo Jennings' poultry (Layer) farm in Kitson Town, St. Catherine.

FUNDING SOURCES

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows and internally-generated cash provided from operations, as well as a Loan of US$5 million from the China Development Bank. In addition, the Bank has several approved lines of credit from the OPEC Fund for International Development (OFID), the Caribbean Development Bank and the PetroCaribe Development Fund and which are available to satisfy future loan demand.

FUNDS UNDER MANAGEMENT

As part of its overall functions, the DBJ:

A. Manages funds from the following programmes:

- PetroCaribe Fund
- Capital Development Fund
- Private Sector Energy Fund
- Intech Fund
- IDB Liquidity Programme
- Credit Enhancement Facility

B. Provides accounting and company secretarial services to NROCC, Harmonisation Ltd. and Silver Sands Estates Ltd.

LOAN PORTFOLIO

At the end of the financial year March 2011, the total outstanding loan portfolio of the Bank stood at J$9.1 billion compared to J$12.2 billion for the financial year ended 31 March 2010, a decrease of 25 per cent.

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

	2011		2010	
	J$M	%	J$M	%
Loans to AFIs	4,574.2	50	5,330.3	44
Loans to PC Banks	1,276.5	14	1,158.6	9
Loans to direct Borrowers	3,210.3	36	5,751.0	47
	9,061.0	**100**	**12,239.9**	**100**

REVIEW OF LENDING ACTIVITY

During this period the DBJ approved and facilitated through its AFIs, the National People's Cooperative Bank (NPCB), approved MFIs and direct loans, 4,427 local currency loans valuing over J$2.0 billion and disbursed J$1.6 billion to all sectors. Of the J$2.0 billion, approximately J$1.2 billion was approved for and $1.0 billion was disbursed to MSMEs. The remaining J$0.8 million went to larger projects in the tourism, mining, agriculture and agro-processing sectors.

Additionally, a total of J$125 million was lent to the National Export-Import (EXIM) Bank and the Jamaica Business Development Corporation each for on-lending to small and medium-sized enterprises.

TOTAL LOAN APPROVALS

The Bank provided loans valued at J$2,663 million to 4,430 projects.

Local currency approvals amounted to J$2,026 million which was 24 per cent above the budget while foreign currency approvals totaled J$637 million (US$7.5 million) which was almost on par with budget (1%).

Of the overall total loan approvals:

- J$351 million went to the NPCB for on-lending to 154 sub-loans (mainly to small farmers)
- J$1,160 million went to the AFIs for on-lend ing to mainly small or medium-sized enterprises; and
- J$228.9 million went to MFIs for 4,218 micro projects.
- J$922.6 million in loans went to direct clients in the agriculture, agro-processing and tourism sectors representing a 35 per cent increase over last year's approvals.

TOTAL LOAN DISBURSEMENTS

For 2010/11 overall disbursements of J$2,243.7 million went to 4,465 loans.

Local currency disbursements of J$1,637 million were allocated as follows:

- J$344.5 million to the NPCB
- J$618.4 million to the AFIs
- J$228.6 million to the MFIs
- J$266.9 million to direct clients; and
- J$178.5 million against the special UDC facility provided in 2008.

Foreign currency disbursements to the Tourism, Manufacturing and Service sectors totaled J$609 million (US$7 million), a 308 per cent increase over the amount disbursed last year.

REGULAR LENDING PROGRAMME

AFI-SME LENDING WINDOW

The AFI-SME lending window was established in April 2009 and continues to produce good results. A total of J$947 million was committed and disbursed under the window for the financial year 2010/11 to 207 small and medium-sized businesses.

MICRO FINANCE LENDING WINDOW

For 2010/11, $228.6 million was approved and disbursed for on lending to over 4,000 micro enterprises. The window continues to provide funds, on a revolving basis, to seven accredited micro finance institutions. This is expected to lead to a rapid increase of loan funding available to micro-entrepreneurs while providing an incentive for increased activity in this sector.

NATIONAL PEOPLE'S COOPERATIVE BANK (NPCB)

The NPCB network of branches continues to provide critical support to small and medium-sized enterprises across many agricultural sub-sectors – such as the Broiler industry, where relatively large sums are being committed to high-tech tunnel ventilation systems, fishing, greenhouse technology, pig farming, goat rearing, dairy revitalization, agro-processing, and farm transportation.

The NPCB is also a lifeline for many small farmers who would not otherwise be able to access financing of any kind from commercial institutions because of the vulnerability to natural disasters.

While the DBJ continues to support the NPCB with funding for its agricultural programmes, technical assistance and training of its personnel, there is on-going rationalization of the NPCB with a view to ensuring that the organization is profitable and sustainable by December 2012.

Total loans committed to the NPCB during the period under review amounted to J$351 million while disbursements amounted to J$344.5 million for 154 projects.

CREDIT ENHANCEMENT FACILITY

The Credit Enhancement Facility was designed to encourage AFIs in the greater use of non-traditional credit assessment methodologies in their SME-lending activities.

The DBJ earmarked $250 million under this programme to provide guarantees of up to 50 per cent of the loan amount with a maximum guarantee of $5 million per project where adequate collateral is below the risk profile of the AFI but where all other lending criteria have been met.

Loan guarantees totaling J$13.76 million, for seven loans totaling J$40.8 million have been approved under the CEF as at March 31, 2011.

ENERGY

The DBJ has made available funding for energy projects through its own funds as well as through the PetroCaribe Energy Fund, the GOJ-World Bank Loan and an IDB grant.

As at March 31, 2011, DBJ had approved J$152.95 million and disbursed J$135.23 million in energy loans.

- **PETROCARIBE FUND**

The DBJ has committed $500 million from the PetroCaribe Fund to be on-lent through AFIs to retrofit SMEs and large enterprises to facilitate energy efficiency, energy conservation and the introduction of alternative energy sources.

- **JAMAICAN SECURITY & EFFICIENCY ENHANCEMENT PROJECT – GOJ/WORLD BANK LOAN OF US$15 MILLION**

The Jamaican Security & Efficiency Enhancement Project is designed to provide support to the implementation of the Government's energy policy and strategy. Under the project, US$15 million was borrowed from the World Bank/International Bank of Reconstruction Development. The DBJ is one of the implementing agencies and will borrow US$4.6 million of that amount to establish a Line of Credit to be on-lent through its AFIs for energy efficiency, energy conservation and renewable energy. This is a very well-coordinated and supported project and when implemented is expected to provide significant savings to Jamaica's imported oil bill.

- **THE INTER-AMERICAN DEVELOPMENT BANK GRANT (IDB)**

The DBJ signed an agreement with the IDB in April 2010 for a grant in the amount of US$593,000 (J$53 million) to support the promotion of energy efficiency, energy conservation and alternative sources of sustainable energy in Jamaica. The DBJ contributed US$214,000 ($19 million) to the total project cost of US$807,000 ($72 million).

The IDB funding will be used to assess the demand for investments in energy efficiency and conservation measures and alternate sources of energy by SMEs in Jamaica; develop a training and certification course for energy auditors/managers; develop and implement demonstration projects to showcase the successful use of alternate energy and highlight the benefits of energy efficiency and conservation strategies within the SME sector.

As at March 31, 2011, the project is on schedule: The Request For Proposals (RFPs) for the Demand Study have been sent out to the consultants. The Terms of Reference for the selection of the SMEs, the Energy Audits and the Public Awareness campaign have been completed and sent to the IDB for approval.

RIO TINTO ALCAN LEGACY FUND FOR JAMAICA – LOAN GUARANTEE FUND PROGRAMME

In January 2011 DBJ was selected as Trustee for the investment of the Rio Tinto Alcan Legacy Fund and Trustee/Administrator for the Loan Guarantee Fund subject to the finalization of the DBJ's proposal and contract negotiations. Under the arrangement DBJ will be the fund managers for US$1.8 million in perpetuity. Twenty-five per cent of the interest from this fund will be used to fund the Rio Tinto Alcan Agriculture Scholarships being administered by the Jamaica 4-H Clubs. The remaining 75 per cent will be used to 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.

IDB LIQUIDITY PROGRAMME FOR GROWTH AND SUSTAINABILITY

DBJ acts as an agent for the Government of Jamaica for the Inter-American Development Bank's Liquidity Programme for Growth and Sustainability under which a US$100-million loan to the Government was on-lent to commercial banks that wished to access US-dollar loans for trade financing requirements and working capital needs. The final year of this programme began in January 2011. Four banks participated and approximately US$95 million was disbursed for 77 loans.

KINGSTON WHARVES LIMITED

Kingston Wharves Limited (KWL), the leading multipurpose terminal in the Caribbean, operates on 25 hectares that hold terminal open storage, covered ware housing, cold storage and a secure off-dock storage facility for motor vehicles. KWL operates 24 hours per day, 365 days per year, providing stevedoring functions and security services at the ports in Kingston, Montego Bay and Port Antonio. The 65-year-old company's modernization programme includes dredging the harbour which will give rise to deeper drafts in order to accommodate larger vessels, and upgrading the infrastructure and administrative operations to take advantage of marketing opportunities presented by the anticipated growth in international trade and the domestic economy. KWL received a DBJ loan of J$300 million to purchase equipment for the project.

DIRECT LOANS

For this financial year, the DBJ approved seven direct loans totaling J$922.6 million (J$339 million and US$6.8 million).

- TLC International (Jamaica) Limited received US$5 million was for the refurbishment of the Trident Hotel in Portland. It is anticipated that this investment will spur additional investments in the parish.
- US$1.8 million was provided to existing projects in the direct portfolio:
  - Financing of US$0.8 million was approved for Wingdown Holdings Ltd. to assist in the expansion of the Goldeneye Resort, the 37.5 acre boutique hotel property located in St. Mary;
  - A loan of US$0.25 million was approved for Mystic Mountain Limited for the expansion of renewable energy systems at its eco-tourism and adventure park in Ocho Rios, St. Ann; and
  - A further US$0.8 million was approved to provide working capital support to Ack-endown Newtown Development Company, the owner of the Sandals Whitehouse Hotel.

Local currency financing in the amount of J$339 million was also approved. Of this amount:

- J$33.6 million was approved for Grace Kennedy-GK Foods and Services Limited, a joint venture with the Ministry of Agriculture and Fisheries, to support its introduction of a line of packaged produce.
- J$234 million was approved for the Coffee Industry Board to purchase surplus cherry coffee for processing and sale.
- Jamaica Hydroponics Limited received an additional loan of J$71.1 million to support the increased costs incurred in the construction of greenhouses.

Cornwall Mountain All Age School in Westmoreland has a student population of 300. Through the Adopt-a-School programme the DBJ has assisted the school in expanding its apiary project from three to 20 colonies. The honey that is harvested is sold to staff and community members. The proceeds from the sale are used to continue the programme.

PRIVATISATIONS

In carrying out its responsibility to effectively and profitably deliver privatisation services on behalf of the Government, in 2010/11 the DBJ facilitated privatisation transaction valuing in excess of US$20 million (J$1.7 billion).

These privatisation transactions were:

- **The sale of three remaining Government-owned sugar factories: Bernard Lodge, Frome and Monymusk to COMPLANT International Sugar Company Limited** in July 2010 for US$9 million. As at year end, the GOJ's Sugar Divestment Team was engaged in post-divestment due diligence with COMPLANT, towards a projected closing date of August 2011. This due diligence related mainly to clarifying land issues. The DBJ provides Secretariat support to the Sugar Divestment Team.

- **The sale of National Hotel and Properties Limited's (NHP)** 59.81 per cent shareholding in Jamaica Pegasus Hotels Ltd. to Kevin Hendrickson. This sale was finalised in December 2010 at a price of US$11 million. As Secretariat, the DBJ provided technical and administrative support to the UDC Enterprise Team, which has oversight for the divestment of several UDC assets

- **The sale to the UDC of 3.18 acres of the Cotton Polyester property for J$20 million**. In December 2010, Cabinet approved the sale of the remaining section of the Cotton Polyester property to the UDC, bringing the total value of the sale to J$150 million. During the previous financial year, Cabinet had granted approval of the 21-acre section of the property to the UDC. The UDC will utilise the property to develop the town of Old Harbour, St. Catherine, under their development plan for the Portmore to Clarendon Park Highway 2000 Corridor.

ONGOING DIVESTMENTS

As at year-end, the major privatisation transactions in progress included:

- **Montpelier Citrus Co. Ltd.:** The evaluation of bid proposals for the acquisition of the property was in progress.

- **Mavis Bank Coffee Factory Ltd.** (MBCF): The Preferred Bidder for the purchase of MBCF was identified and it is expected that negotiations and closing will occur in the first quarter of the next financial year.

- **Norman Manley International Airport:** Cabinet approval was received for the engagement of the International Finance Corporation as lead advisors, subject to the Government's procurement guidelines. Further approval is being sought from the National Contracts Commission to complete the approval process.

- **Bloody Bay Hotel Developments Limited:** The DBJ was in the process of finalising the valuation of the UDC's 50 per cent shareholding in Bloody Bay Hotel Developments Ltd. with a view to preparing an offer to the other 50 per cent shareholder, who has a pre-emptive right to acquire the shares.

- **Wallenford Coffee Company Ltd.**: The Information Memorandum was being finalised to facilitate invitation for bids by the end of the first quarter of the coming financial year.

- **UDC Beaches:** The DBJ finalised the engagement of PricewaterhouseCoopers to provide advisory services on the transaction and the company was to commence its due diligence towards the development of its inception and strategy report in the first quarter of the financial year.

- **UDC Attractions:** The DBJ attempted to resolve procurement issues relating to the engagement of the consultant recommended to execute this transaction. It is anticipated that the engagement will be concluded facilitating commencement of the privatisation process during the coming financial year.

NEW BUSINESS

During the year, the DBJ held preliminary discussions to provide secretariat support to the following entities:

- Wigton Wind Farm
- WINDALCO
- Jamaica Exotic Flavours & Essences Co. Ltd.; and
- Jamaica Post and Telecommunications.

The DBJ also joined the Enterprise Team supporting the privatisation of the Jamaica Mortgage Bank, which commenced during the financial year.

Privatisation Policy

Subsequent to consultation and feedback from several Government agencies and Ministries, the revised draft GOJ privatisation policy was completed and approved by the DBJ's Board in December 2010 and approved by the Economic Development Committee (EDC) in February 2011. The Policy confirms the DBJ as the Privatisation Secretariat and recommends the establishment of a sub-committee of Cabinet, the Privatisation Committee, chaired by the Prime Minister to oversee the implementation of the privatisation programme.

The DBJ was also requested by the EDC to develop operating guidelines governing the approval process for different levels/classes of assets as well as to assist with compiling and ranking in terms of priority, a list of assets for privatisation. These were subsequently submitted to Cabinet for approval, which is expected in the new financial year.

Public-Private Partnerships (PPP) Policy and Institutional Framework

At the request of the GOJ, the IDB engaged the US-based consulting firm Castalia to draft a PPP policy and procedures manual for the Government and recommend an institutional framework for the establishment of a PPP unit. Preliminary elements of the PPP policy have been incorporated into the privatisation policy and, once completed, the PPP policy will establish a streamlined and consistent framework within which all PPP transactions being undertaken by the GOJ, including privatisation PPPs, will be executed.

Collaboration with International Finance Corporation (IFC)

In March 2011, the DBJ signed a Memorandum of Understanding with the IFC under which the IFC will strengthen the DBJ's capacity to administer the privatisation programme through the provision of general training (the first of which took place in October 2010), co-advisory services on certain privatisation transactions (with the first being the divestment of the Norman Manley International Airport and select aerodromes), and consultancy services on certain privatisation transactions, free of cost.

A worker sorts material at the recycling plant operated by Kairos Enterprises which received DBJ funding to expand the plant.

PORTFOLIO MANAGEMENT

In the period under review, the Portfolio Management department continued to undertake the disbursement and implementation of direct loans approved by the Board, monitoring of all direct loans and investments and provision of support to the boards of DBJ's associated companies.

At the end of the year:

- The DBJ's direct loans and investment portfolio stood at J$4.69 billion
- Loans and investments in tourism at J$3.62 billion accounted for 77.2 per cent of the portfolio.
- J$3.43 billion or 73.1 per cent of the portfolio is denominated in US dollars.
- J$2.90 billion or 61.8 per cent of the portfolio is made up of debt instruments
- Principal and interest/dividend arrears at J$689.67 million and J$157.6 million were 14.7 per cent and 7.7 per cent of the portfolio respectively.

Other direct investments not listed in the above portfolio include:

- Euro 204 million loan to NROCC
- J$522 million loan to Montpelier
- J$0.25 million ordinary shares and J$1,046 million loan to Harmonisation Ltd.

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

A MICRO FINANCE PROJECT

Andreen Rose Cephas, proprietor of Hair Extreme Beauty and Barber Concept, has received 20 short-term loans from Jamaica National Small Business Limited to expand her business. She offers hairdressing and spa services, sells beauty products, female accessories and handbags from her salon and is continuously improving and expanding the business.

RECOVERIES

The Recoveries Unit was established in September 2006 to pursue recovery of the J$3.7 billion non-performing loans and investments of the merged entities.

The recovery strategies employed over the period included negotiated settlements, litigation, and auction of mortgaged property. Collections on the portfolio to date have amounted to J$314.84 million as below:

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
	J $ 314,840,135

In keeping with the Board's instructions in April 2008, the Unit offered discounted settlement options to all loan and preference share accounts, some of which were accepted, and where settlement was not achievable, recovery proceedings were initiated.

Bids were invited from several attorneys-at-law and collection agencies. The Unit assigned several accounts to collectors and attorneys-at-law to expedite recovery and worked directly with those accounts that demonstrated an ability to arrive at a short-term payout of their accounts and those that had been meeting established repayment plans.

While properties have been listed at auction and private treaty there have been no sales through this medium. DBJ's Board had further mandated that the residual portfolio be reviewed and, if it is determined that the strategies currently employed were not effective, the residual portfolio should be packaged and sold. Over the period, some 22 accounts have been settled with recovery of J$281.2 million against their book value J$341.3 million.

Of the overall portfolio, J$2.8 billion or 76 per cent was represented by four large accounts of which three are Government-controlled and the fourth is in receivership. These accounts have varying prospects for recovery estimated at J$0.8 billion. The remaining portfolio comprises a mixture of equity investments and loans with varying prospects for recovery. Of these remaining accounts with face value J$683 million, J$83 million is projected to be recoverable by various means including settlement, disposal of assets and litigation. It is expected that the majority of these accounts will be resolved during the course of the new financial year.

PROJECTIONS FOR 2011/12

The DBJ has projected to on-lend $2.3 billion in the next financial year to MSMEs and to larger projects in the areas of agriculture, agro-processing, manufacturing, mining, tourism and services. This is expected to provide 1,200 new jobs across the productive sectors.

SPECIAL PROGRAMMES

Special financing for the ICT sector

The DBJ intends to intensify its focus on the ICT/ Business Process Outsourcing sector as an area that will contribute to economic growth and job creation, leading to national development. A special line of credit of US$20 million (J$1.7 billion) will be made available to the ICT sector to a minimum of four projects. This programme is expected to create approximately 4,800 jobs.

Expansion of micro financing

DBJ is considering seeking assistance from multilateral financial institutions in the development of micro financing. Plans are also being made to introduce new products and services such as micro finance insurance and mobile banking to the micro finance institutions.

Mobile Money Pilot Project

The DBJ's mobile money pilot project, targeting the micro finance sector, is being undertaken with the support of partner, Transcel Limited. The project will assess the potential of mobile money to improve the accessibility and efficiency of MFIs, thereby expanding financial inclusion and reducing the costs of financial services to the poor. Based on input from the MFI community and the results of DBJ's Mobile Money workshops, the pilot will focus on the use of mobile money:

- To serve as an entry point for the unbanked and under-banked to micro finance services;
- To reduce the cost of micro finance operations;
- To give MFIs and their customers more flexibility in their lending and payment strategies.

IMPROVING ACCESS TO FINANCE FOR SMALL AND MEDIUM-SIZED ENTERPRISES

- **Establishment of the Jamaica Venture Capital Programme (JVCP)**

The Working Committee on Ways to Improve Access to Finance for Small and Medium-sized Enterprises has recommended the establishment of the JVCP to stimulate and lay the foundation for the development of a viable and sustainable venture capital industry in Jamaica, through public-private partnerships.
Among the recommendations are:

- The JVCP will provide the legal, regulatory and taxation framework for for financing SMEs.
- The DBJ will have a leading role in the establishment of this programme
- The first private sector funds could be licensed and mobilized within 18 to 24 months
- Target funding under this programme would be some $1 billion in the initial phase

- **Growth Capital Fund**

A pilot project is being undertaken by the DBJ, the Jamaica Stock Exchange and other private sector partners to establish an initial venture fund, a Growth Capital Fund, within the current financial year targeting viable businesses requiring capital, capacity building and improved governance structures and which are committed to listing on the Junior Jamaica Stock Exchange within a two-to-four-year period. The DBJ could be asked to provide seed capital of $250 million for this initiative. The Fund will be managed by a private sector General partner which will ensure that proper due diligence and monitoring is carried out.

- **Think Tank**

The DBJ, commercial banks, other financing entities and industry professionals will form a 'Think Tank' to examine new initiatives to broaden the range of options available to SMEs.

DIVESTMENTS

During 2011/12 divestment of several major Government-owned assets will be pursued. These include the Norman Manley International Airport and select aerodromes (including Ian Fleming International Airport, Ken Jones Aerodrome and Negril Aerodrome), UDC-owned Beaches and Attractions, Mavis Bank Coffee Factory, Wallenford Coffee Company, and Bloody Bay Hotel Developments. Of the ongoing transactions, the DBJ projects privatisation of Mavis Bank, Wallenford, Bloody Bay and Montpelier by the end of the financial year.

A Micro Finance Project
NEW ERA TECHNOLOGY LIMITED

New Era Technology Ltd was incorporated in 2009 by three past students of St. George's College who decided to combine their skills in the areas of computer technology, accounting and business studies to set up and operate a computer services and Internet café in Kingston. The business targeted the busy central downtown market district as well as students from the surrounding communities of Tivoli Gardens, Denham Town, North Street and environs.

The directors were able to secure a loan of $400,000 for two years at 10% from Jamaica Small Business Loan Ltd. with a credit guarantee facility extended by the Development Bank of Jamaica in November 2009. The project has done very well and was implemented in December of the same year upon the installation of eight Internet café work stations and equipment for computer support services.

New Era Technology Ltd. is now in the process of implementing virtual computer technology which will enable user interphase from a mainframe instead of from numerous micro computers. This will also allow for remote access to the services and improved storage for each customer profile. The business remains very well supported within its service area and has been repaying the loan as arranged.

SNAPSHOTS OF THE DBJ'S INVOLVEMENT IN MICRO FINANCING

Dahlia Bailey resides in the Denham Town area of Kingston and has been in business for over 20 years.

She began a borrowing relationship with the MFI, NationGrowth MicroFinance Limited, in December of 2007 to expand her small grocery and haberdashery business.

Since then she has accessed eight additional loans as her business continues to grow and be viable. Ms. Bailey ranks as one of the MFI's best clients with an unblemished repayment history.

Sharon Riley-Cole is the owner of a chicken farm in Linstead, St. Catherine.

She applied for a Microbiz business loan at the Spanish Town branch of Access Financial Services and was approved for $75,000. This loan amount allowed her to purchase chicken feed and baby chicks to expand her business.

As a five-time client of Access Financial Services, Mrs. Riley-Cole continues to benefit from the company's business loans which have fuelled the growth of her business.

Dorrette Parchment is a dressmaker and third time Access Microbiz loan customer from Southampton, St. Elizabeth.

Seeking to expand her business she visited the Santa Cruz branch of Access Financial Services to obtain the financing necessary to purchase uniform and wedding dress material.

Ms. Parchment has used Access Financial Services loan products to significantly grow her business and expand her client base.

Below is a list of acronyms and their meanings as they appear in the 2010-2011 DBJ Annual Report:

AFI
Approved Financial Institutions

ANDCO
Ackendown Newtown Development Company

CariCRIS
Caribbean Information and Credit Ratings Services Limited

CDB
Caribbean Development Bank

CDBC
China Development Bank Corporation Limited

EDC
Economic Development Committee

EXIM
National Export-Import Bank of Jamaica Limited

GOJ
Government of Jamaica

IDB
Inter-American Development Bank

JBDC
Jamaica Business Development Corporation

MoAF
Ministry of Agriculture and Fisheries

MFI
Micro Finance Institutions

MSME
Micro, Small and Medium-sized Enterprises

NMIA
Norman Manley International Airport

NPCB
National People's Cooperative Bank

NROCC
National Road Operating and Constructing Company Limited

SME
Small and Medium-sized Enterprises

UDC
Urban Development Corporation

One of the ponds at Howard Hill's fish farm with two aerators which supply oxygen to the fish.

ENTITIES PRIVATISED IN 2010/11

An aerial view of Frome Sugar Factory in Westmoreland. The DBJ privatised Frome, Bernard Lodge and Monymusk sugar factories to the Chinese company COMPLANT during 2010-11.

The Government's shares in the Jamaica Pegasus Hotel were divested in 2010/11.

DIRECTORS COMPENSATION
For year ended 31 March 2011

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	38,500	N/A	N/A	N/A	230,500
BOARD MEMBER 2	76,500	7,000	N/A	N/A	N/A	83,500
BOARD MEMBER 3	76,500	14,000	N/A	N/A	N/A	90,500
BOARD MEMBER 4	85,000	14,000	N/A	N/A	N/A	99,000
BOARD MEMBER 5	85,000	10,500	N/A	N/A	N/A	95,500
BOARD MEMBER 6	102,000	7,000	N/A	N/A	N/A	109,000
BOARD MEMBER 7	85,000	17,500	N/A	N/A	N/A	102,500
BOARD MEMBER 8	85,000	10,500	N/A	N/A	N/A	95,500
BOARD MEMBER 9	102,000	35,000	N/A	N/A	N/A	137,000
BOARD MEMBER 10	93,500	7,000	N/A	N/A	N/A	100,500
BOARD MEMBER 11	102,000	14,000	N/A	N/A	N/A	116,000
BOARD MEMBER 12	59,500	-	N/A	N/A	N/A	59,500
BOARD MEMBER 13	42,500	-	N/A	N/A	N/A	42,500
TOTALS	1,186,500	175,000				1,361,500

Note: Board member # 13 was appointed to the Board October 2010.

SENIOR EXECUTIVE COMPENSATION
For year ended 31 March 2011

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)		Travelling Allowance or Value of Assigned Motor Vehicle ($)	Pension ($)	Other Allowances (Clothing) ($)	Non-Cash Benefits ($)	Total ($)
			Gratuity (Note1)	Performance Incentive (Note 2)					
Managing Director	2010-2011	9,660,000	2,415,000	608,580	120,000 (Note 3)	N/A	N/A	N/A	12,803,580
GM 1	"	4,848,400	-	353,933	900,000	334,540	65,000	N/A	6,501,873
GM 2	"	5,355,263	-	390,934	900,000	369,513	65,000	N/A	7,080,710
GM 3	"	3,737,500	-	235,463	900,000	257,888	65,000	N/A	5,195,851
GM 4	"	5,020,785	1,255,196	366,517	900,000	N/A	65,000	N/A	7,607,498
GM 5	"	4,702,005		343,246	900,000	324,438	65,000	N/A	6,334,689
GM 6	"	3,737,500		272,838	900,000	257,888	65,000	N/A	5,233,226
GM 7	"	4,830,000		352,590	900,000	333,270	65,000	N/A	6,480,860
Totals		**41,891,452**	**3,670,196**	**2,924,101**	**6,420,000**	**1,877,536**	**455,000**		**57,238,286**

Notes

1. The Managing Director, and one (1) General Manager (GM) being contract officers whose positions do not fall under the company's pension scheme, receive gratuity of 25% on their compensation packages.
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 Value for which taxes are paid on the Assigned Motor Vehicle.

AUDITED FINANCIAL STATEMENTS

2010/11

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Chartered Accountants
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Jamaica, W.I.

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Jamaica, W.I.
Telephone
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e-Mail

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 40 to104,which comprise the statement of financial position as at March 31, 2011, 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 and fair presentation of these financial statements 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 these 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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.

KPMG

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2011, 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 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 16, 2011

Statement of Comprehensive Income
Year ended March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
Net interest and other income			
Interest income		3,688,523	3,792,884
Interest expense		(2,889,502)	(2,992,235)
Net interest income	7	799,021	800,649
Other income	8	724,715	382,639
		1,523,736	1,183,288
Operating expenses			
Staff costs	9	316,938	225,125
Other operating expenses		209,831	192,226
Impairment losses on:			
Loans, net of recoveries	18(c)	121,767	(29,228)
Investment securities		18,779	64,295
Interest discount	15	(27,775)	-
Interest in associated companies	15	166,304	252,870
	10	805,844	705,288
Profit from operating activities		717,892	478,000
Profit from Credit Enhancement Facility Fund	22	33,544	19,842
Share of losses of associated companies	15	(27,890)	(181,400)
Profit for the year		723,546	316,442
Other comprehensive income			
Fair value reserve (available for sale investments):			
Net change in fair value	31(a)	103,515	448,312
Net amount transferred to profit or loss	31(c)	-	(107,907)
Foreign exchange translation differences	31(f)	(374,373)	17,544
Amortisation of grants	30(d)	(2,116)	(158)
Other comprehensive (expense)/ income for the year		(272,974)	357,791
Total comprehensive income for the year		450,572	674,233

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

Statement of Financial Position
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents	11	586,229	402,910
Resale agreements	12	1,690,329	1,463,622
Investment securities	13	4,585,980	4,399,819
Investment properties	14	315,204	314,194
Interest in associated companies	15	849,512	1,464,792
Loans receivable, net of impairment allowance:			
Direct loans	16	3,210,272	5,751,092
Financial and agricultural institutions loans	17	5,850,714	6,488,866
Government of Jamaica infrastructural programmes	19	25,156,498	25,521,852
Recoverables from Government of Jamaica – Privatisation	20	2,641	34,302
– Other	21	2,247,182	2,251,954
Income tax recoverable		330,853	278,988
Due from Credit Enhancement Facility Fund	22	309,567	272,164
Other receivables	23	2,884,787	127,839
Employee benefit asset	24	243,821	230,757
Intangible assets	25	386	879
Property and equipment	26	664,071	682,180
		48,928,046	49,686,210
LIABILITIES			
Loans payable	27	38,597,917	39,851,468
Other	28	351,470	298,653
		38,949,387	40,150,121
EQUITY			
Share capital	29(a)	1,757,539	1,757,539
Share premium	29(b)	98,856	98,856
Capitalisation reserve	30	1,419,748	1,421,864
Other reserves	31	4,424,403	4,669,570
Retained earnings		2,278,113	1,588,260
		9,978,659	9,536,089
		48,928,046	49,686,210

The financial statements on pages 40 to 104 were approved for issue by the Board of Directors on June 16, 2011 and signed on its behalf by:

Chairman
Joseph Matalon

Managing Director
Milverton Reynolds

Statement of Changes in Equity
Year ended March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	Share capital $'000	Advance on shares $'000	Share premium $'000	Capitalisation reserve $'000	Other reserves $'000	Retained earnings $'000	Total
Balances at March 31, 2009		30,000	1,727,539	98,856	1,422,022	4,291,336	1,352,103	8,921,856
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	316,442	316,442
Other comprehensive income								
Fair value reserve (available for sale investments):								
Net change in fair value	31(a)	-	-	-	-	448,312	-	448,312
Net amount transferred to profit or loss	31(c)	-	-	-	-	(107,907)	-	(107,907)
Foreign exchange translation differences	31(f)	-	-	-	-	17,544	-	17,544
Amortisation of grants	30(d)	-	-	-	(158)	-	-	(158)
Total other comprehensive income for the year		-	-	-	(158)	357,949	-	357,791
Total comprehensive income for the year		-	-	-	(158)	357,949	316,442	674,233
Transfers								
Transfer to special reserves	31(d)	-	-	-	-	443	(443)	-
Transfers to CEF Reserve	31(e)	-	-	-	-	250,000	-	250,000
Transfer from revenue reserve	31(g)	-	-	-	-	(250,000)	-	(250,000)
Transfer of profit on CEF		-	-	-	-	19,842	(19,842)	-
		-	-	-	-	20,285	(20,285)	-
Transactions with owners, recorded directly in equity								
Dividends	32	-	-	-	-	-	(60,000)	(60,000)
Issue of shares	29(a)	1,727,539	(1,727,539)	-	-	-	-	-
		1,727,539	(1,727,539)	-	-	-	(60,000)	(60,000)
Balances at March 31, 2010		1,757,539	-	98,856	1,421,864	4,669,570	1,588,260	9,536,089
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	-	723,546	723,546
Other comprehensive income								
Fair value reserve (available for sale investments):								
Net change in fair value	31(a)	-	-	-	-	103,515	-	103,515
Foreign exchange translation differences	31(f)	-	-	-	-	(374,373)	-	(374,373)
Amortisation of grants	30(d)	-	-	-	(2,116)	-	-	(2,116)
Total other comprehensive income for the year		-	-	-	(2,116)	(270,858)	-	(272,974)
Total comprehensive income for the year		-	-	-	(2,116)	(270,858)	723,546	450,572
Transfers								
Transfer to special reserves	31(d)	-	-	-	-	(7,853)	(149)	(8,002)
Transfer of profit on CEF		-	-	-	-	33,544	(33,544)	-
		-	-	-	-	25,691	(33,693)	(8,002)
Balances at March 31, 2011		1,757,539	-	98,856	1,419,748	4,424,403	2,278,113	9,978,659

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

Statement of Cash Flows
Year ended March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit for the year		723,546	316,442
Adjustments for:			
Amortisation	25	896	979
Depreciation	26	40,641	28,932
Interest income		(3,688,523)	(3,792,884)
Interest expense		2,889,502	2,992,235
Allowance for impairment losses		(384,058)	311,021
Change in employee benefits asset		(13,064)	(103,839)
Share of loss in associated companies	15	27,890	181,400
Gain on disposal of property and equipment and investment properties		(19)	(773)
Amortisation of grants	30(d)	(2,116)	(158)
Interest discount	15	(27,775)	-
Adjustments to property and equipment		-	(145)
		(433,080)	(66,790)
Changes in operating assets and liabilities:			
Government of Jamaica – privatisation recoverables		4,772	(185,792)
Loans to financial and agricultural institutions		632,018	(955,735)
Direct borrowers		2,227,039	(507,246)
Government of Jamaica infrastructural loan programmes		(337,550)	734,837
Government of Jamaica receivables		31,661	19,464
Income tax recoverable		(51,865)	81,118
Credit Enhancement Fund		(37,403)	(272,164)
Other receivables		(2,756,948)	(26,948)
Other liabilities		52,817	(59,445)
		(668,539)	(1,238,701)
Interest received		4,348,771	3,188,075
Interest paid		(3,071,285)	(2,927,853)
Net cash provided/(used) by operating activities		608,947	(978,479)
Cash flows from investing activities			
Resale agreements		(226,707)	(731,243)
Investment securities, net		(147,061)	190,253
Investment in associated companies		857,141	(21,900)
Purchase of property and equipment	26	(22,614)	(65,660)
Purchase of intangible assets	25	(403)	(278)
Proceeds from disposal of property and equipment		101	1,579
Additions to investment properties		(1,010)	(16,674)
Net cash provided/(used) by investing activities		459,447	(643,923)

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

Statement of Cash Flows (continued)
Year ended March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
Cash flows from financing activities			
Loans drawn		430,346	3,002,218
Loans repaid		(1,265,381)	(1,311,470)
Dividends paid	32	-	(60,000)
Net cash (used)/provided by financing activities		(835,035)	1,630,748
Net increase in cash and cash equivalents		233,359	8,346
Effect of exchange rate fluctuations on cash and cash equivalents		(50,040)	16,509
Cash and cash equivalents at beginning of year		402,910	378,055
Cash and cash equivalents at end of the year	11	586,229	402,910
Represented by:			
Cash		581,977	398,859
Fixed deposits		4,210	3,989
Interest receivable		42	62
		586,229	402,910

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

Notes to the Financial Statements
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

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 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 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 and Development Fund, in satisfaction of 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 the following associated companies [see note 3(a)], all of which are incorporated and domiciled in Jamaica:

Name of Investee	Principal Activities	Percentage Holding by Company	Percentage Holding by Other	Financial Year End
Ackendown Newtown Development Company Ltd	Owner and Lessor of hotel property	33%		March 31
Harmonisation Limited and	Property development	50%		March 31
(i) its 100% 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

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

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

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

1. Identification and principal activities (cont'd)

(d) (Cont'd)

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

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

2. Basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and comply with the 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 which were in issue came into effect for the current financial period. None of these standards and interpretations had any significant effect on the financial statements.

New, revised and amended standards and interpretations that are not yet effective

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

- Amendment to IFRS 7, *Disclosures – Transfer of Financial Assets,* is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets. The company is assessing the impact that this amendment will have on its financial statements when it becomes effective.

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

2. Basis of preparation

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations that are not yet effective (cont'd)

- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, which is effective for annual reporting periods beginning on or after July 1, 2010, addresses the accounting by the debtor in a debt for equity swap transaction - specifically how the entity should measure the equity instruments issued to extinguish a financial liability.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2013, 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.

- IAS 24, *Related Party Disclosures, Revised*, which is effective for annual reporting periods beginning on or after January 1, 2011, amends the definition of a related party and also expands the list of transactions that require disclosure.

- *Improvements to IFRS* (2010) contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

  - IFRS 7, *Financial Instruments: Disclosures*, which has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed.

  - IAS 1, *Presentation of Financial Statements*, which has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations that are not yet effective (cont'd)

- 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.

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

(b) Basis of measurement

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

(c) 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 IFRS 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.

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies

(a) Associates

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

(b) Foreign currency translation

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

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

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

(iv) Those foreign currency loans which were negotiated by the Government of Jamaica and on-lent to the company by the Ministry of Finance and the Public Service (MOFPS) in Jamaica dollars [see note 27 (xvi), (xvii), (xviii)], 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.

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

(d) Fee and commission income

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

(e) Cash and cash equivalents

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

Cash and cash equivalents are carried at cost.

(f) Resale agreements

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

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(f) Resale agreements (cont'd)

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

(g) Investment securities

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale, and the company would not be permitted to classify any securities as held-to-maturity for a period of two years.

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

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

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

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

3. Significant accounting policies (cont'd)

(g) Investment securities (cont'd)

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

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

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

(h) Loans and allowance for impairment losses

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

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

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

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

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

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

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

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

(i) Employee benefits

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Bonus/incentive payments are provided for only when a legal or constructive obligation exists as a result of past events and where a reliable estimate of the expected cost can be made. Termination benefits are recognised when the company has a detailed formal plan for the termination and is without possibility of withdrawal, i.e., irrevocable. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

3. Significant accounting policies (cont'd)

(i) Employee benefits (cont'd)

Pensions are the company's only post-employment benefit. Pension scheme costs included in profit or loss represent costs determined for the three schemes which the company operates:

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

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

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

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

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

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(i) Employee benefits (cont'd)

(i) (Cont'd)

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

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

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

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

(j) 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.

(k) 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.

3. Significant accounting policies (cont'd)

(k) Property and equipment (cont'd)

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.

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.

(l) Investment properties

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

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

The fair value of investment property is based on Directors' valuation.

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

(m) 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.

(n) Government grants

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

Government grants related to the purchase of property and equipment are recorded in the statement of financial position as capitalisation reserve [note 30(d)] and are credited to profit or loss on the straight-line basis over the expected useful lives of the related assets.

(o) 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.

(p) 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, other receivables, loans payable and other liabilities.

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

(b) Key sources of estimation uncertainty

(i) Allowances for credit losses:

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

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

(ii) Determination of fair values:

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

(iii) Pension benefits:

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

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

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

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

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

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

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

5. Financial instrument risk management

(a) Overview

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

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

Risk management framework

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

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

(i) Investment, Finance and Loans Committee

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

(ii) Audit and Conduct Review Committee

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

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

(a) Overview (cont'd)

(iii) Compensation Committee

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

(b) Market risk

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

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

(i) Foreign currency risk

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

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

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

At the financial year-end, the Jamaica dollar equivalent of net foreign currency assets was as follows:

			Exchange rates	
	2011 $'000	2010 $'000	2011	2010
United States dollars	1,130,351	150,493	85.57265	89.2325
Pounds Sterling	-	(25,875)	136.8378	134.1880
Euros	(124,485)	(92,896)	120.71295	119.8057
Japanese Yen	-	(4,189)	0.9568	0.9598
	1,005,866	27,533		

Notes to the Financial Statements (Continued)
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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 (2010: 5 percent) strengthening of the Jamaica dollar against the following currencies at March 31 would have (decreased)/increased profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	2011 $'000	2010 $'000
United States dollar	11,304	7,525
Pounds Sterling	-	(1,294)
Euros	(1,245)	(4,645)
Japanese Yen	-	(209)
	10,059	1,377

A 1 percent (2010: 5 percent) weakening of the Jamaica dollar against these currencies at March 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

(ii) Interest rate risk

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

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

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

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

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	Immediately rate sensitive $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2011			
Assets							
Cash and cash equivalents	-	4,210	6,888	-	-	575,131	586,229
Resale agreements	729,795	715,090	233,556	-	-	11,888	1,690,329
Investment securities	-	30,000	1,502,269	280,533	2,332,617	440,561	4,585,980
Interest in associated companies	-	-	-	-	239,487	610,025	849,512
Loans, net of impairment losses	-	-	-	2,780,622	30,028,507	1,408,355	34,217,484
Recoverables from Government of Jamaica	-	-	-	-	-	2,247,182	2,247,182
Due from Credit Enhancement Facility Fund	-	-	-	-	-	309,567	309,567
Employee benefits asset	-	-	-	-	-	243,821	243,821
Other assets	-	-	-	-	-	4,197,942	4,197,942
Total assets	729,795	749,300	1,742,713	3,061,155	32,600,611	10,044,472	48,928,046
Liabilities							
Loans payable	-	-	-	34,132,993	2,148,891	2,316,033	38,597,917
Other liabilities	-	-	-	-	-	351,470	351,470
Total liabilities	-	-	-	34,132,993	2,148,891	2,667,503	38,949,387
Interest rate sensitivity gap	**729,795**	**749,300**	**1,742,713**	**(31,071,838)**	**30,451,720**	**7,376,969**	**9,978,659**
Cumulative interest sensitivity gap	**729,795**	**1,479,095**	**3,221,808**	**(27,850,030)**	**2,601,690**	**9,978,659**	**-**
				2010			
Total assets	797,699	498,214	236,204	13,298,006	26,862,412	7,993,675	49,686,210
Total liabilities	-	-	50,000	9,609,440	24,558,430	5,932,251	40,150,121
Interest rate sensitivity gap	**797,699**	**498,214**	**186,204**	**3,688,566**	**2,303,982**	**2,061,424**	**9,536,089**
Cumulative interest sensitivity gap	**797,699**	**1,295,913**	**1,482,117**	**5,170,683**	**7,474,665**	**9,536,089**	**-**

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Sensitivity to interest rate movements:

Most of the company's financial instruments are fixed rate investments. Changes in interest rates will only affect the company's variable rate instruments. An increase or decrease of 100 basis points in interest rates would increase/(decrease) profit for the year by $(29,372,000) (2010: $8,192,000).

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

(c) Credit risk

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

(i) Exposure to credit risk

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

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

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

	Maximum exposure	
	2011	**2010**
	$'000	**$'000**
Credit risk exposures relating to recognised items are as follows:		
Cash and cash equivalents	586,229	402,910
Resale agreements	1,690,329	1,463,622
Investment securities	4,585,980	4,399,819
Loans	34,217,484	37,761,810
Government of Jamaica – Privatisation recoverable	2,641	34,302
Government of Jamaica – other recoverables	2,247,182	2,251,954
Due from Credit Enhancement Facility Fund	309,567	272,164
Other receivables, net of provision	2,884,787	127,839
	46,524,199	46,714,420
Credit risk exposures relating to items not recognised are as follows:		
Loan commitments	470,336	470,336
Guarantees	-	9,000
	470,336	479,336

The above table represents a worst-case scenario of credit risk exposure to the company at March 31, 2011 and 2010, i.e., without taking account of any collateral held or other credit enhancements. For recognised assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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

(c) Credit risk (cont'd)

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

(2) *Concentration of credit risk*

	2011							
	Cash and cash equivalents	Loans	Guarantees	Investment securities	Resale agreements	Recoverables from Govt. of Jamaica	Other receivables	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	586,229	34,217,484	-	4,585,980	1,690,329	2,249,823	3,194,354	46,524,199
Concentration by Sector:								
Financial institutions	586,187	-	-	2,813,349	1,678,441	-	2,884,787	7,962,764
Agriculture, fishing and mining	-	2,956,675	-	-	-	-	-	2,956,675
Government and public entities	-	22,890,943	-	-	-	2,249,823	309,567	25,450,333
Manufacturing	-	1,176,624	-	-	-	-	-	1,176,624
Professional and other services	-	1,942,315	-	-	-	-	-	1,942,315
Tourism and entertainment	-	4,656,044	-	1,787,969	-	-	-	6,444,013
Transportation, storage and communication	-	70,567	-	-	-	-	-	70,567
	586,187	33,693,168	-	4,601,318	1,678,441	2,249,823	3,194,354	46,003,291
Interest receivable	42	965,865	-	387,481	11,888	-	-	1,365,276
	586,229	34,659,033	-	4,988,799	1,690,329	2,249,823	3,194,354	47,368,567
Less: Impairment losses	-	(441,549)	-	(402,819)	-	-	-	(844,368)
	586,229	34,217,484	-	4,585,980	1,690,329	2,249,823	3,194,354	46,524,199
Concentration by location:								
Jamaica	581,369	34,217,484	-	3,685,069	1,690,329	2,249,823	3,194,354	45,618,428
United States of America	4,835	-	-	900,911	-	-	-	905,746
United Kingdom	25	-	-	-	-	-	-	25
	586,229	34,217,484	-	4,585,980	1,690,329	2,249,823	3,194,354	46,524,199

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

(c) Credit risk (cont'd)

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

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

	2010							
	Cash and cash equivalents $'000	Loans $'000	Guarantees $'000	Investment securities $'000	Resale agreements $'000	Recoverables from Govt. of Jamaica $'000	Other receivables $'000	Total $'000
Carrying amounts	402,910	37,761,810	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420
Concentration by Sector:								
Financial institutions	401,938	-	-	2,560,694	1,441,817	-	127,839	4,532,288
Agriculture, fishing and mining	-	2,810,169	-	-	-	-	-	2,810,169
Government and public entities	-	24,613,420	-	-	-	2,286,256	1,192,388	28,092,064
Manufacturing	-	1,474,352	9,000	-	-	-	-	1,483,352
Professional and other services	-	2,637,002	-	-	-	-	272,164	2,909,166
Tourism and entertainment	-	4,822,728	-	1,857,238	-	-	-	6,679,966
Transportation, storage and communication	-	86,003	-	-	-	-	-	86,003
	401,938	36,443,675	9,000	4,417,932	1,441,817	2,286,256	1,592,391	46,593,008
Interest receivable	972	1,637,918	-	365,927	21,805	-	-	2,026,622
	402,910	38,081,693	9,000	4,783,859	1,463,622	2,286,256	1,592,391	48,619,630
Less: Impairment losses	-	(319,782)	-	(384,040)	-	-	(1,192,388)	(1,896,210)
	402,910	37,861,811	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420
Concentration by location:								
Jamaica	397,383	37,761,810	9,000	3,577,494	1,463,622	2,286,256	400,003	45,895,568
United States of America	5,527	-	-	822,325	-	-	-	827,852
	402,910	37,761,810	9,000	4,399,819	1,463,622	2,286,256	400,003	46,723,420

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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:

	2011 $'000	2010 $'000
Neither past due nor impaired	32,648,698	35,875,376
Past due and impaired	702,934	566,097
Past due but not impaired:		
1 to 3 months	768,508	1,058,054
3 to 6 months	34,903	67,725
6 to 12 months	70,824	101,419
Over 12 months	433,166	412,921
Less allowance for loan losses	(441,549)	(319,782)
	34,217,484	37,761,810

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

	2011 $'000	2010 $'000
Past due but not impaired	53,244,108	3,599,887
Individually impaired	1,322,925	594,153

(4) Renegotiated loans

The carrying amount of renegotiated loans at the financial year-end was $216,193,000 (2010: $1,920,368,000).

(ii) Management of credit risk

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

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5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

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

(1) Cash and cash equivalents

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

(2) Investment securities and resale agreements

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

The company has documented investment policies, which serve as a guide in managing credit risk on investment securities and resale agreements. The company's exposure and the credit ratings of its counterparties are 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 debts and, therefore, the company does not anticipate any default on the recovery of these balances.

(4) Loans

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

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

(c) Credit risk (cont'd)

(iii) Collateral

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

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

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

(iv) Impairment

Impaired financial assets are assets for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. 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 financial year-end on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

(v) Past due but not impaired loans

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

(vi) Loans with renegotiated terms

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

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

(vii) Write-off policy

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

(d) Liquidity risk

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

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

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

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

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

(d) **Liquidity risk (cont'd)**

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2011			
Liabilities						
Loans payable	555,895	986,677	2,298,682	31,341,807	3,414,856	38,597,917
Other liabilities	28,300	54,403	267,239	-	1,528	351,470
	584,195	1,041,080	2,565,921	31,341,807	3,416,384	38,949,387
			2010			
Liabilities						
Loans payable	2,088,434	3,971,325	7,756,853	26,030,823	4,033	39,851,468
Other liabilities	134,801	3,923	124,308	-	35,621	298,653
	2,223,235	3,975,248	7,881,161	26,030,823	39,654	40,150,121

(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;

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5. Financial instrument risk management (cont'd)

(e) Operational risk (cont'd)

- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial 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 Board of Directors.

(f) Capital management

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

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

6. Fair value estimation

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

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

6. Fair value estimation (cont'd)

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

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

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

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

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

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Investment securities	2,338,017	2,856,841	2,347,037	2,659,849
Financial liabilities				
Long-term loans	38,597,917	39,958,652	39,851,468	49,894,041

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

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

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6. Fair value estimation (cont'd)

Fair value hierarchy

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

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

	Level 1 $'000	Level 2 $'000	Total $'000
March 31, 2011			
Available-for-sale financial assets	-	2,263,301	2,263,301
March 31, 2010			
Available-for-sale financial assets	-	2,094,839	2,094,839

7. Net interest income

	2011 $'000	2010 $'000
Interest income		
Cash and cash equivalents	27,241	22,770
Resale agreements	117,294	140,538
Investment securities	120,696	117,749
Loans	3,423,292	3,511,827
Total interest income	3,688,523	3,792,884
Interest expense		
Long-term loans	(2,855,388)	(2,956,048)
Short-term loans	(34,114)	(36,187)
Total interest expense	(2,889,502)	(2,992,235)
Net interest income	799,021	800,649

Notes to the Financial Statements (Continued)
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8. Other income

	2011 $'000	2010 $'000
Gain on disposal of interest in associated company (note 15)	488,039	-
Administrative fees	95,716	89,206
Commitment fees	28,077	27,174
Gain on disposal of property and equipment	19	750
Rental income	89,792	56,274
Dividends	108	7
Foreign exchange gains	1,432	41,447
Gain on disposal of investments	-	107,907
Miscellaneous	21,532	59,874
	724,715	382,639

9. Staff costs and number of persons employed

	2011 $'000	2010 $'000
Salaries and wages	246,447	237,212
Performance incentive bonus	15,294	13,000
Statutory payroll contributions	15,883	15,537
Pension costs – defined benefit plan [note 24(b)(vi)]	(2,432)	(93,396)
Redundancy costs	-	14,904
Staff training	4,410	3,082
Staff welfare	336	505
Other	37,000	34,281
	316,938	225,125

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

	2011 No.	2010 No.
Full – time	106	106
Temporary	2	2
Contract	5	5
	113	113

Notes to the Financial Statements (Continued)
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10. Operating expenses by nature

	2011 $'000	2010 $'000
Amortisation (note 25)	896	979
Advertising and public relations	10,071	12,096
Assistance to projects	32,678	23,835
Auditors' remuneration	4,060	4,000
Depreciation (note 26)	40,641	28,932
Directors' fees	1,361	1,207
Legal and other professional fees	6,361	15,844
Motor vehicle expenses	8,360	6,185
Occupancy costs – insurance, utilities, repairs, etc.	91,641	83,789
Net impairment loss on financial assets	279,075	287,937
Staff costs (note 9)	316,938	225,125
Travelling	5,229	5,226
Other operating expenses	8,533	10,133
	805,844	705,288

11. Cash and cash equivalents

	2011 $'000	2010 $'000
Cash	581,977	398,859
Fixed term deposits	4,210	3,989
Interest receivable	42	62
	586,229	402,910

Cash and cash equivalents include interest-bearing balances totalling $160,766,000 (2010: $173,331,000) that are not available in the company's day to day operations. These comprise $158,444,000 (2010: $165,040,000) which represents funds held on behalf of the Hillside Farmers Support Project, the disbursement of which is at the discretion of the Government of Jamaica, and $6,888,000 (2010: $8,291,000) which represents funds with a financial institution securing loans by that institution to employees of the company.

12. Resale agreements

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

Included in resale agreements is interest receivable of $11,888,000 (2010: $21,805,000). At the reporting date, the fair value of securities provided to the company as collateral for resale agreements approximates carrying value.

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13. Investment securities

	Remaining term to maturity					
	Within 3 Month $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2011	Carrying value $'000 2010
Held to maturity:						
Government of Jamaica	19,540	48,703	288,669	193,136	550,048	489,799
Loans and receivables:						
Preference shares					792,954	820,743
Preferred equity interests					995,015	1,036,495
					1,787,969	1,857,238
Available-for-sale :						
Units in unit trust					3,899	3,431
Government of Jamaica bonds	-	-	34,299	2,225,103	2,259,402	2,091,408
					2,263,301	2,094,839
Interest receivable					387,481	341,983
					4,988,799	4,783,859
Allowance for impairment					(402,819)	(384,040)
					4,585,980	4,399,819

Investment securities include $868,218,943 (2010: $749,644,315) used as collateral against a margin account.

14. Investment properties

	2011 $'000	2010 $'000
Land at Drax Hall, St. Ann, held for capital appreciation	6,520	6,520
Rented residential property, Manor Park Apartment	10,900	10,900
Rented office complex, at 21 Dominica Drive, Kingston	297,784	296,774
Fair value of investment properties	315,204	314,194
Income earned from properties	49,537	29,201
Expenses incurred by properties	(9,552)	(9,493)

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

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15. **Interest in associated companies**

(a) Composition of balance

	2011 $'000	2010 $'000
Ordinary shares, at cost	250	540,762
Preference shares, at cost	-	641,858
Translation reserve [note 31(f)]	-	374,373
Advances and interest receivable thereon (see note 1 below)	859,166	854,053
	859,416	2,411,046
Valuation adjustments:		
Discounting adjustment		
At beginning of year	(194,588)	(194,588)
Credit for the year	27,775	-
At end of year	(166,813)	(194,588)
Allowance for impairment		
At beginning of year	(516,870)	(264,000)
Charge for the year	(166,304)	(252,870)
Write off	683,174	-
At end of year	-	(516,870)
Total valuation adjustments	(166,813)	(711,458)
Share of losses:		
At beginning of year	(234,796)	(53,396)
Write-off	419,595	-
Recognised during year	(27,890)	(181,400)
At end of year	156,909	(234,796)
Carrying value	849,512	1,464,792

Note 1: In 2009, the shareholders of Harmonisation Limited entered a new agreement between themselves to cease charging interest on the advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. Advances are unsecured with no fixed repayment terms.

Summary financial information on associated companies:

	2011 $'000	2010 $'000
Assets	2,560,291	12,071,262
Liabilities	2,461,587	5,430,552
Revenue for the year	18,075	126,620
Loss for the year	(59,415)	(540,580)

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15 Interest in associated companies (cont'd)

(b) Disposal of interest in ANDCo

During the year, the company and the other shareholders in its associated company, Ackendown Newtown Development Company Limited (ANDCo), and the directors of ANDCo, by resolution, agreed to sell the hotel property, which was ANDCo's primary operating asset, and took other steps to dispose of the other assets and settle or otherwise dispose of the liabilities of ANDCo, to the end that, as of March 31, 2011, ANDCo had neither assets nor liabilities. In connection with the disposal of the hotel property, ANDCo granted a vendor's mortgage in the amount of US$32,500,000 to the purchaser. Under the terms of a deed of assignment dated March 18, 2011, ANDCo assigned all future instalments of principal and interest due under the vendor's mortgage to the company, and further agreed to, subsequent to the reporting date, transfer all rights under the mortgage to the company, which would then be registered as the mortgagee.

The assignment of rights under the mortgage was accepted by the company in settlement of amounts due to the company.

The foregoing transactions and events had the following effect on the company's interest in, and loans and related interest receivable from, ANDCo:

	$'000	$'000
Ordinary shares	540,762	
Impairment provision	(683,174)	
Net		(142,412)
Preference shares		641,858
Loans receivable	1,823,304	
Accrued interest receivable	384,199	2,207,503
Effect of exchange rate changes on US$ denominated shares		(311,822)
Cumulative translation reserve		311,822
Cumulative share of losses		(419,595)
Other receivable (pending registration of mortgage) (US$32,500,000)		(2,775,393)
Net credit, included in other income		$(488,039)

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16. Direct loans

	Remaining Term to Maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2011	Carrying value $'000 2010
Loans receivable	67,074	146,656	1,110,280	1,807,772	3,131,782	5,351,087
Interest receivable					502,792	712,102
					3,634,574	6,063,189
Less impairment allowance [note 18(a)]					(424,302)	(312,097)
					3,210,272	5,751,092

The loans bear interest at rates ranging from 4% - 14% (2010: 4% -14%) per annum and repayment terms range from three to twelve years, in some cases subject to an initial moratorium on principal repayment for a period not exceeding three years.

17. Loans to financial and agricultural institutions

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

	Interest rate %	2011 $'000	2010 $'000
Loans to financial institutions	4.875% - 10%	4,574,498	5,320,368
Loans to People's Co-operative Banks	1% - 10%	1,272,652	1,158,800
		5,847,150	6,479,168
Interest receivable from financial institutions		8,161	17,373
Interest receivable from People's Co-operative Banks		12,650	10
		20,811	17,383
		5,867,961	6,496,551
Less impairment losses on loans [note 18(a)]		(17,247)	(7,685)
		5,850,714	6,488,866

Notes to the Financial Statements (Continued)
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17. Loans to financial and agricultural institutions (cont'd)

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

	Remaining Term to Maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2011	Carrying value $'000 2010
Loans:						
Financial institutions	506,208	1,037,387	2,061,706	969,197	4,574,498	5,320,368
People's Co-operative Banks	188,352	425,549	342,593	316,158	1,272,652	1,158,800
					5,847,150	6,479,168
Interest receivable:						
Financial institutions					8,161	17,373
People's Co-operative Banks					12,650	10
					20,811	17,383
					5,867,961	6,496,551

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

(a) Summary of impairment losses on loans

	2011 $'000	2010 $'000
Loans to direct borrowers (note 16)	424,302	312,097
Loans to financial and agricultural institutions [note 17(a)]	17,247	7,685
	441,549	319,782

A specific allowance has been made for impairment losses.

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $60 million (2010: $60 million).

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

	2011 $'000	2010 $'000
Allowance at beginning of year	319,782	325,926
Additions to, less reversal of, allowance for doubtful debts	121,767	(6,144)
At end of year	441,549	319,782

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

(c) Impairment losses recognised in profit or loss:

	2011 $'000	2010 $'000
Direct write-offs	-	3,600
Recoveries of debts previously written off	-	(26,684)
Additions to/(reversal) of allowance for doubtful debts	121,767	(6,144)
	121,767	(29,228)

19. Government of Jamaica Infrastructure Loan Programmes

		2011 $'000	2010 $'000
(a)	Road rehabilitation loans on-lent through Ministry of Finance	-	50,000
(b)	National Road Operating and Constructing Company Limited	24,714,236	24,563,419
		24,714,236	24,613,419
	Interest receivable	442,262	908,433
		25,156,498	25,521,852

(a) This represented loans on-lent to the Ministry of Transport and Works to finance the Government of Jamaica's Road Rehabilitation and Maintenance Programme.

(b) This represents loans to National Road Operating and Constructing Company Limited (NROCC) [see note 27(xxiv)] for the establishment, development, financing, operation and maintenance of a tolled highway. The company's assessment of NROCC's servicing of the loan for the foreseeable future has taken into account the fact that (1) Cabinet, by Decision No. 37/08, dated November 3, 2008, approved the issue of a Government Guarantee for these loans to the extent of €204.4 million with effect from April 1, 2009 and (2) the Government of Jamaica has paid all obligations under the loan during this year.

20. Recoverables from Government of Jamaica - Privatisation

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

	Amount advanced $'000	Proceeds collected $'000	Net recoverable /(payable) $'000 2011	$'000 2010
Projects in progress	88,515	(46)	88,469	88,287
Projects completed	151	(53,622)	(53,471)	(21,127)
Others	897	(33,254)	(32,357)	(32,858)
	89,563	(86,922)	2,641	34,302

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

	2011 $'000	2010 $'000
Exchange losses on loans:		
(i) Caribbean Development Bank loans [note 3(b)(iv) and note 27(xvi)]:		
Unrealised	109,174	258,509
Realised	1,373,646	1,242,604
	1,482,820	1,501,113
(ii) European Investment Bank loans [notes 3(b)(iv) and note 27(xviii)]:		
Unrealised	-	34,273
Realised	717,062	671,139
	717,062	705,412
(iii) Other loans [note 3(b)(iv)]:		
Unrealised	47,300	45,429
	2,247,182	2,251,954

22. 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 on a *pari-passu* basis between the company and the AFIs.

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

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

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22. Credit Enhancement Facility Fund (cont'd)

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

Financial position

	2011 $'000	2010 $'000
Assets:		
Investments	250,000	250,000
Receivables	59,567	22,164
	309,567	272,164
Liabilities and fund capital:		
Payables	6,181	2,322
Fund capital	250,000	250,000
Accumulated profit	53,386	19,842
	309,567	272,164

Financial performance

	2011 $'000	2010 $'000
Income	37,409	22,164
Expenses	(3,865)	(2,322)
Profit for the year	33,544	19,842

23. Other receivables

	2011 $'000	2010 $'000
Prepayments	2,764	10,408
Staff receivables (a)	78,461	88,094
Recoveries, net	1,192,388	1,192,388
Provision for recoveries (b)	(1,192,388)	(1,192,388)
Note receivable (c)	2,775,393	-
Sundry	28,169	29,337
	2,884,787	127,839

(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 $16,646,000 (2010: $19,986,000).

(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.

(c) Note receivable of $2,775,393,000 represents the principal amount of a mortgage loan, the future instalments of principal and interest under which have been assigned to the company (see note 15).

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24. Employee benefit asset

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

(b) Effective January 1999, the company took over the administration of the Agricultural Credit Bank of Jamaica Limited's superannuation scheme from the National Commercial Bank Trustee Department. This is a defined-benefit scheme, which is administered by Trustees appointed by the company. The scheme, which is open to all full time permanent employees, is funded by employer and employee contributions of 6.9% and 5% of salaries, respectively. In addition, the employee may voluntarily contribute a further 5%. The amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence. The funding valuation of the scheme as at December 31, 2009 had a past service surplus of $130,345,000.

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

	2011 $'000	**2010 $'000**
Present value of funded obligations	(449,642)	(307,686)
Fair value of plan assets	684,101	578,730
	234,459	271,044
Unrecognised actuarial gains/(losses)	7,571	(40,287)
Limitations on recognition of surplus due to uncertainty of future benefits	1,791	-
Asset in the statement of financial position	243,821	230,757

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24. Employee benefit asset (cont'd)

(b) (cont'd)

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

	2011 $'000	2010 $'000
At beginning of year	230,757	126,918
Total income – (v) below	2,432	93,396
Contributions paid	10,632	10,443
At end of year	243,821	230,757

(iii) Movement in present value of funded obligations:

	2011 $'000	2010 $'000
Present value of funded obligation at beginning of year	307,686	210,859
Interest cost	38,496	35,155
Current service cost	16,677	11,384
Voluntary contributions	4,598	5,154
Past service cost-non-vested benefits	2,089	-
Past service cost-vested benefits	13,858	-
Benefits paid	(15,730)	(10,206)
Actual loss on obligation	81,968	55,340
Balance at end of year	449,642	307,686

(iv) Movement in plan assets:

	2011 $'000	2010 $'000
Fair value of plan assets at beginning of year	578,730	472,538
Expected return on plan assets	64,057	71,853
Contributions	22,934	23,164
Benefits paid during the year	(15,730)	(10,206)
Actuarial gain on plan assets	34,110	21,381
Fair value of plan assets at end of year	684,101	578,730

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

(b) (cont'd)

(v) Plan assets consist of the following:

	2011 $'000	2010 $'000
Equities	80,362	45,329
Government of Jamaica securities	510,307	434,707
Resale agreements	41,424	60,497
Preference shares	7	-
Unitised investments	2,813	2,537
Term deposits	-	3,843
Real estate	39,866	-
Net current assets	9,322	31,817
	684,101	578,730

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

	2011 $'000	2010 $'000
Current service cost	8,973	3,817
Interest cost	38,496	35,156
Expected return on plan assets	(64,057)	(71,853)
Net actuarial gain recognised in year	-	(2,454)
Change in unrecognised asset	-	(58,062)
Past service costs – non-vested benefits	298	-
Past service costs – vested benefits	13,858	-
Total, included in staff costs (note 9)	(2,432)	(93,396)

The actual return on plan assets was $98,167,000 (2010: $93,234,000).

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

	2011	2010
Discount rate	10.50%	11.50%
Expected return on plan assets	10.00%	11.00%
Future salary increases	7.50%	8.50%
Future pension increases	2.00%	-
Remaining working lives	12 years	12 years

- Assumptions regarding future mortality are based on PA(90) tables for pensioners with ages rated down by six years.
- The overall expected long-term rate of return of assets is 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.

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

(b) (cont'd)

(viii) Historical information – Pension Plan

Year ended March 31	2011 $Mn	2010 $Mn	2009 $Mn	2008 $Mn	2007 $Mn
Present value of defined benefit obligation	(449.6)	(307.7)	(210.9)	(197.8)	(173.6)
Plan assets	684.1	578.7	472.5	406.7	364.5
Surplus	234.5	271.0	261.7	208.9	190.9
Experience adjustment on plan liabilities	(4.5)	11.9	(21.8)	(5.6)	(40.5)
Experience adjustment on plan assets	34.1	21.4	(5.6)	(3.5)	19.5

(ix) The estimated pension contributions expected to be paid into the plan during the next financial year is $22,934,000 (2010: $23,164,000).

25. Intangible assets

	Computer software $'000
Cost:	
March 31, 2009	4,586
Additions	278
Adjustments	(4)
March 31, 2010	4,860
Additions	403
March 31, 2011	5,263
Amortisation:	
March 31, 2009	3,002
Charged during the year	979
March 31, 2010	3,981
Charged during the year	896
March 31, 2011	4,877
Net book values:	
March 31, 2011	386
March 31, 2010	879
March 31, 2009	1,584

Notes to the Financial Statements (Continued)
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26. Property and equipment

	Freehold land, buildings & signs $'000	Furniture, fixtures, plant & equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
March 31, 2009	572,870	131,878	22,247	43,545	770,540
Additions	10,189	49,529	405	5,537	65,660
Disposals	-	(43)	-	(5,318)	(5,361)
Adjustment	-	151	-	136	287
March 31, 2010	583,059	181,515	22,652	43,900	831,126
Additions	4,259	14,931	3,368	56	22,614
Disposals	-	(269)	(77)	(2,887)	(3,233)
March 31, 2011	587,318	196,177	25,943	41,069	850,507
Depreciation:					
March 31, 2009	25,046	45,042	17,681	36,658	124,427
Charge for the year	11,741	12,124	1,815	3,252	28,932
Disposals	-	(24)	-	(4,532)	(4,556)
Adjustment	-	20	-	123	143
March 31, 2010	36,787	57,162	19,496	35,501	148,946
Charge for the year	12,635	22,013	3,595	2,398	40,641
Disposals	-	(216)	(49)	(2,886)	(3,151)
March 31, 2011	49,422	78,959	23,042	35,013	186,436
Net book values:					
March 31, 2011	537,896	117,218	2,901	6,056	664,071
March 31, 2010	546,272	124,353	3,156	8,399	682,180
March 31, 2009	547,824	86,836	4,566	6,887	646,113

The company's freehold land and buildings, at cost of $94,572,000 (2010: $94,572,000), were last revalued in August 2007 at $312,990,000, on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $218,418,000 has been credited to the revaluation reserve within shareholders' equity [note 31(e)].

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

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

		Interest Rate %	March 31, 2010 $'000	New loans/ Adjustments $'000	Transaction Cost/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2011 $'000
(a)	**Government of Jamaica**						
(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	5.00	3,021	-	-	-	3,021
	(3) Inter-American Development Bank 1991/2018	2.00	31,750	-	-	-	31,750
	(4) Inter-American Development Bank 1991/2007	7.00	22,614	-	-	-	22,614
	(5) International Bank for Reconstruction and Development 1994/2001	7.35	880,833	-	-	(36,997)	843,836
(iii)	International Fund for Agricultural Development Hillside Credit 1998/2002	4.00	113,486	-	-	-	113,486
(iv)	Rural Financial Services IFAD – 294- JA	8.00	58,425	-	-	-	58,425
(v)	United States Agency for International Development Energy Credit Fund	3.00	5,013	-	-	-	5,013
(vi)	MOF – Dairy Sector	-	82,358	-	(442)	-	81,916
(vii)	MOF – US$40.36M	6.00	3,613,048	-	-	(151,758)	3,461,290
(viii)	MOF Advance	-	1,945	-	-	-	1,945
(ix)	DBJ 400/Ton	-	95,173	-	(95,173)	-	-
(x)	GOJ – Citrus Growers	6.00	60,000	-	-	-	60,000
(xi)	GOJ – YEP Programmes	-	18,349	-	(15,754)	-	2,595
		-	4,989,468	-	(111,369)	(188,755)	4,689,344
(b)	**Direct Borrowing**						
(xii)	Micro Investment Development Agency		491	-	-	-	491
(xiii)	IBRD US$ P.I.E.D. Line of Credit	variable	56,477	-	-	(3,413)	53,064
(xiv)	(1) OPEC Fund I	variable	81,372	-	(79,438)	(1,934)	-
	(2) OPEC Fund II	6.35	447,541	-	(78,688)	(18,246)	350,607
(xv)	(1) China Development Bank	variable	888,639	-	(111,809)	(31,395)	745,435
	(2) China Development Bank	4.25688	-	430,346	(3,319)	(1,603)	425,424
			1,474,520	430,346	(273,254)	(56,591)	1,575,021

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

		Interest rate %	March 31 2010 $'000	New loans/ adjustments $'000	Transaction cost/ Repaid $'000	Exchange differences /Interest capitalised $'000	March 31 2011 $'000
(b) Direct Borrowing (cont'd)							
	Balance b/f		1,474,520	430,346	(273,254)	(56,591)	1,575,021
(xvi)	Caribbean Development Bank 1987/2005:						
	8SFR J	4.09	53,721	-	(13,016)	(2,107)	38,598
	13OR J	4.09	-	-	-	-	-
	14OR J	4.09	22,112	-	(21,493)	(619)	-
	15OR J	4.09	48,304	-	(46,949)	(1,355)	-
	17OR J	4.09	82,548	-	(45,679)	(2,977)	33,892
	18OR J	4.09	164,836	-	(42,592)	(6,442)	115,802
	26OR J	4.09	1,968,386	-	(146,715)	(81,017)	1,740,654
	11SFR/ORJ	4.09	135,759	-	-	(5,702)	130,057
	20SFR/ORJ	2.50	232,942	-	-	(9,996)	222,946
(xvii)	European Community	1.00	131,123	-	(7,371)	717	124,469
(xviii)	European Investment Bank	3/4.15	63,616	-	(63,245)	(371)	-
(xix)	BNS Road Rehabilitation	variable	50,000	-	(50,000)	-	-
(xx)	Jamaica Development Bank						
	- Loan I	10.00	6,738	-	-	-	6,738
	- Loan II	8.00	138,876	-	-	-	138,876
(xxi)	BNS Hurricane Fund	9.50	46,250	-	(25,000)	-	21,250
(xxii)	BNS Productive Sector	9.50	41,250	-	(25,000)	-	16,250
(xxiii)	BNS Tourism/Agri. Sector	8.00 and 7.625	399,992	-	(100,004)	-	299,988
(xxiv)	Venezuelan Loan	8.29	24,558,430	-	-	147,566	24,705,996
(xxv)	NHT Surchop Loan	12.0	84,280	-	-	-	84,280
(xxvi)	GOJ NIF Loan	4.0	282,145	-	(124,462)	-	157,683
(xxvii)	PetroCaribe Loan:						
	(1) US$8.6M loan	5.0	695,277	-	(47,697)	(29,084)	618,496
	(2) J$1.7bn loan	6.0	1,651,930	-	(121,535)	-	1,530,395
			30,858,515	-	(880,758)	8,613	29,986,370
(c) Other							
(xxviii)	Jamaica Development Bank	8 - 10	262,496	-	-	-	262,496
Total loans payable			37,584,999	430,346	(1,265,381)	(236,733)	36,513,231
Interest payable			2,266,469				2,084,686
			39,851,468				38,597,917

27. Loans payable (cont'd)

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

(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)(5), the International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity; at March 31, 2011, the financial position of the company disclosed a ratio of 3.9:1 (2010: 4.2:1).

(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.

(iv) Loan No. 294-JA, which was negotiated by the Government of Jamaica from the International Fund for Agricultural Development (IFAD), is repayable over a period of 18 years and has a moratorium of 3 years. This amount will be settled as part of the debt exchange, amounting to $1.6 billion, between the company and the MOFPS.

(v) 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:

	2011 $'000	2010 $'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 which should have commenced March 1994.

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

(v) (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.

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

(vii) 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.

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

(ix) This represented the balance on loan from MOFPS on-lent to the Sugar Industry.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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. The loan is repayable January 2011. This amount will be settled as part of the debt exchange amounting to $1.6 billion between the company and the MOFPS.

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

(xiv) (1) This loan represents funds borrowed from OPEC to on-lend to foreign-exchange-earning projects through Approved Financial Institutions. This loan was repaid during the year.

(2) During 2008, a further loan of US$5M was drawn down, and is repayable May 2013. It bears interest at the rate of 6.35% per annum and is unsecured.

(xv) (1) This is a loan from China Development Bank, which is to be on-lent to projects purchasing goods and services out of China. The loan is for 5 years with a moratorium of one year on principal, repayment of which commenced October 19, 2010, and bears interest at a rate of 6 month - Libor plus 310 basis points.

(2) During 2010, 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.

(xvi) These loans, negotiated by the company, are denominated in foreign currency and are repayable in 2020. The Government of Jamaica has undertaken to bear the exchange risk associated with the CDB loans except for the 26 ORJ loan, the exchange risk on which is borne by the company. The 14ORJ and 15 ORJ loans were repaid during the year.

(xvii) 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.

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

	NDB IV Global Loan	
	2011	**2010**
	'000	**'000**
Pounds sterling	-	192
United States dollars	-	375
Japanese Yen	-	4,351

The NDB IV Global loan bore interest at the rate of 3/4.15% per annum and is repayable in twenty semi-annual instalments, which commenced November 5, 2000.

All balances are repayable in the currencies disbursed and all the loans are guaranteed by the Government of Jamaica. This loan was repaid during the year.

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

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

(xx) 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.

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

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

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

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

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

(xxiv) This is the Jamaica dollar equivalent of €204.4 million which was on-lent to National Road Operating and Constructing Company Limited ("NROCC") [note 19(b)] to facilitate the refinancing of high cost debts, thus enabling highways to be constructed at a lower cost. Principal is to be repaid in a single payment, which becomes due in the year 2026. The company effected a currency swap on the interest coupons. This transaction was done at a spot rate of Euro 1: US$1.5240 and Euro coupons at 7.5% were swapped for US$ coupon at 7.75%, later amended to 8.35% then 8.29%. This loan was converted to a global note and offered on the market, administered by Deutsche Bank – London, with the company thereby becoming indebted to those who held an interest in the global note. The Government of Jamaica has issued a Parliamentary Guarantee to the company in respect of (1) the loan of €204.4 million from the company to NROCC, and (2) the company's satisfaction of certain conditions required by Citibank under the terms of the cross-currency swap entered into on March 1, 2008, to cover the amount of the maximum mark-to-market exposure of the transaction (estimated at a maximum of US$79 million). The company earns an interest spread of 0.25% on the loan.

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

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

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

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

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

(xxvii) (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 5% per annum, and the loan matures in December 2023.

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

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

* All interest payments as well as the margin calls made to secure the mark-to-market exposure are made by Government of Jamaica.-

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28. Other liabilities

	2011 $'000	2010 $'000
Due to related entities	218,749	176,292
Accruals	45,014	48,685
Statutory payroll liabilities	5,778	5,552
Other	81,929	68,124
	351,470	298,653

29. Share capital and share premium

(a) Share capital:

Authorised:
1,757,539,000 (2010: 1,757,539,000) ordinary shares at no par value

	2011 $'000	2010 $'000
Stated capital [note 29(b)]		
Issued and fully paid:		
1,757,539,000 (2010: 1,757,539,000) ordinary shares	1,757,539	1,757,539

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 29(a)].

30. Capitalisation reserve

		2011 $'000	2010 $'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
IDB grants	[see (d)]	1,474	3,590
Capital reserves – NIBJ	[see (e)]	139,336	139,336
		1,419,748	1,421,864

30. Capitalisation reserve (cont'd)

(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 in 1997 as a contribution to the equity of those banks.

(d) Grants

	2011 $'000	**2010 $'000**
At beginning of year	3,590	3,748
Less: Amortised during the year	(2,116)	(158)
At end of year	1,474	3,590

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

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30. Capitalisation reserve (cont'd)

(e) Capital reserves – NIBJ

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

31. Other reserves

		2011 $'000	2010 $'000
Fair value reserves	[see (a)]	120,057	16,542
General reserve – Equalisation Fund	[see (b)]	957,596	957,596
Revenue reserve	[see (c)]	2,539,391	2,539,391
Special reserves	[see (d)]	57,182	65,035
Revaluation reserve	[see (e)]	446,791	446,791
Foreign currency translation reserve (note 15)	[see (f)]	-	374,373
Credit Enhancement Facility Fund reserve	[see (g)]	303,386	269,842
		4,424,403	4,669,570

(a) Fair value reserves

This represents unrealised surplus on the change 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.

(c) Revenue reserve

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

	2011 $'000	2010 $'000
At beginning of year	2,539,391	2,789,391
Transfer to Credit Enhancement Facility Fund (note 22)	-	(250,000)
At end of year	2,539,391	2,539,391

The company transferred $250 million to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the fund (note 22).

31. Other reserves (cont'd)

(d) Special reserves

	Technical Assistance		Exchange Equalisation		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	61,912	61,469	3,123	3,123	65,035	64,592
Transfers from retained earnings	(7,853)	443	-	-	(7,853)	443
Balance at end of year	54,059	61,912	3,123	3,123	57,182	65,035

(i) Technical assistance

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

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

(ii) Exchange equalisation

The maintenance of this reserve is a requirement of a lending agreement between the company and the European Investment Bank [note 27 (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.

(e) Revaluation reserve

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

(f) Foreign currency translation reserve

This represented foreign exchange gains on the translation of investment in associated company. Upon disposal of the associated company, the amount was eliminated from reserves by a reclassification to other comprehensive income (note 15).

(g) Credit Enhancement Facility Fund reserve

This represents funds transferred from revenue reserve [note 31(c)] to be used as start up capital for the fund, plus accumulated profit or loss from the fund (note 22) and is made up as follows:

Notes to the Financial Statements (Continued)
March 31, 2011
(Expressed in Jamaica dollars unless otherwise indicated)

31. Other reserves (cont'd)

(g) Credit Enhancement Facility Fund reserve (cont'd)

	2011 $'000	2010 $'000
Fund capital	250,000	250,000
Accumulated profit	53,386	19,842
	303,386	269,842

32. Dividends paid

No dividend was declared during the financial year (2010: $60 million).

33. Related party transactions and balances

A party is related to the company if:

(i) directly or indirectly, the party:

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

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

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

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

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

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

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

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

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

(a) Related party transactions

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

	2011 $'000	2010 $'000
(i) Interest and other income		
Interest income -		
Government related entities	2,320,254	2,435,925
Other income - rental:		
Government related entities	75,883	50,749
(ii) Interest and other expenses		
Interest expense - Government related entities	2,258,475	2,360,294
Administrative fees - Government related entities	82,263	80,705

(b) Key management personnel compensation

Key management personnel comprise directors and executive management of the company.

	2011 $'000	2010 $'000
Salaries and other short-term employee benefits	63,280	61,378
Statutory payroll contributions	3,563	3,598
Pension benefits	2,078	2,078
	68,921	67,054
Directors' emoluments -		
Fees	1,362	1,207
Management remuneration (included above)	17,381	13,784

(c) Related party balances

(i) Receivable from related parties:

	2011 $'000	2010 $'000
(1) Loans:		
Government related entities	24,714,236	24,613,420
Associated companies	539,248	1,752,363

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

(c) Related party balances (cont'd)

(2) Interest receivable:		
Government related entities	442,262	908,433
Associated companies	319,918	319,918

(ii) Payable to related parties:

	2011 $'000	2010 $'000
(1) Loans: Government related entities	4,689,344	4,989,468
(2) Interest payable: Government related entities	1,494,197	1,265,262

34. Commitments

(a) As at March 31, 2011, there were outstanding commitments to disburse loans totalling approximatelyJ$11,206 million (2010: J$536 million and US$5 million).

(b) The company had capital commitments, in respect of projects being undertaken, totalling approximately $118.6 million (2010: $88.95 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:

	2011 $'000	2010 $'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

35. Contingencies

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

35. Contingencies (cont'd)

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

The significant claims are listed below:

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

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

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

(b) A suit was brought by Gorstew Limited and Sandals Whitehouse Management Limited against Urban Development Corporation, National Investment Bank of Jamaica (NIBJ), now merged with Development Bank of Jamaica, and Ackendown Newtown Development Company Limited for damages for cost over-runs totalling US$28.9 million, and for an order to restrain Ackendown Newtown Development Company Limited from paying or acknowledging any liability for costs overruns. The matter was referred to arbitration. Consquent on the sale of the Sandals Whitehouse Hotel to Gorstew Limited, (with effect from February 2011) a deed of discontinuance was executed by all parties to the suit and filed in the Supreme Court.

Development Bank of Jamaica Limited

Facilitating economic growth and development

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