
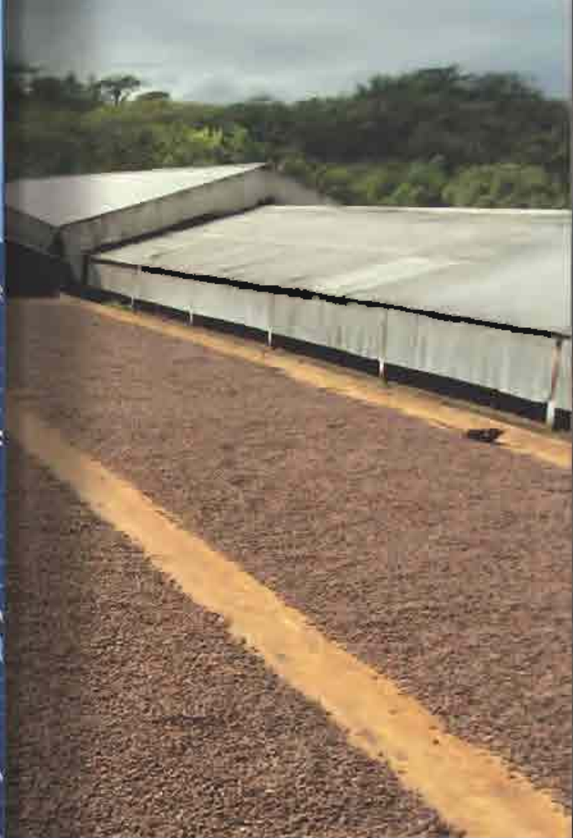


Development Bank of Jamaica Limited

Facilitating economic growth and development


Annual Report 2013 - 2014

Mission

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

Vision

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

Core Values

Professionalism
Integrity
Accountability
Innovation

Background

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

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

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

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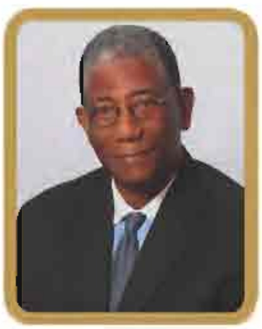
Board of Directors

Joseph M. Matalon
Chairman

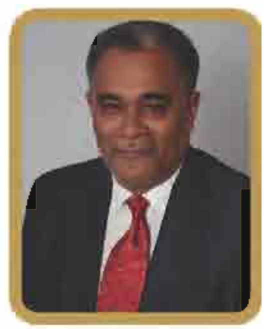
Milverton Reynolds
Managing Director



Richard Burgher

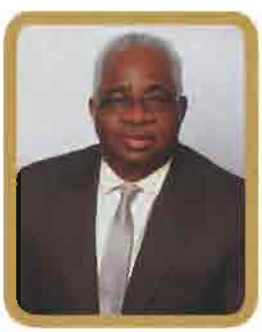
Jeffrey Cobham

Marc Harrison



Dennis Morrison

Shakira Pickersgill
Company Secretary



Errol Powell

Ann Marie Rhoden

Dr. Dhiru Tanna

Maureen Webber

Management Team

Standing:

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

Seated:

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

Chairman & Managing Director's Report

DBJ DRIVEN

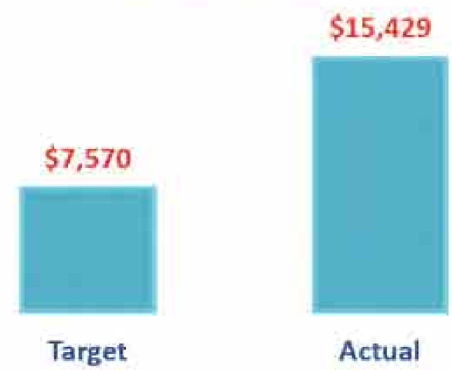
results beyond imagination

Delivering Real Impact and Value, Enabling National goals

The DBJ began its 2013/14 Financial Year under the strategic theme *"DBJ DRIVEN (**D**elivering **R**eal **I**mpact and **V**alue **E**nabling **N**ational goals) results beyond imagination".* By the close of the period, the organization remained true to its commitment and delivered sustainable value in impactful ways for its stakeholders.

The Bank was *DRIVEN* to achieve and surpass most of its major targets including surpassing its investment target by 104% through the facilitation of investments of $15.4 billion from its lending activities. In fact, the DBJ made record high approvals in 2013/14, approving some 9,799 loans valued at $8.2 billion. This is 36% higher than the amount approved the prior year. The DBJ was also able to facilitate a projected 4,436 new jobs while maintaining 15,992 existing jobs in the period under review.

New Investments Supported by DBJ Financing 2013/14 (J$M)



Setting the Environmental Context

The DBJ operated within the context of a socio-economic environment that brought both challenges and opportunities. The Bank was able to use its strengths to mitigate many of the threats from its external environment and capitalize on opportunities presented.

In 2013/14, the Government of Jamaica's (GOJ) operations were shaped by an improved international economic environment, which facilitated increases in remittance inflows and growth in the tourism sector. Despite these conditions, there was weakened domestic demand throughout the fiscal year occasioned by continuing high unemployment coupled with the effects of the GOJ's programme of fiscal consolidation.

In May 2013, the International Monetary Fund (IMF) approved a Four-Year Extended Fund Facility (EFF) with the GOJ, to provide funding of approximately US$952.0 million. The aim of the EFF is to assist with creating an environment for sustained growth through improvement in fiscal operations, reduction of the debt burden as well as structural reforms aimed at improving the competitiveness of the Jamaican economy.

Since the signing of the EFF, the Government has met all quantitative performance criteria and structural benchmarks as required by the IMF programme resulting in the successful completion of three successive quarterly programme reviews by the IMF.

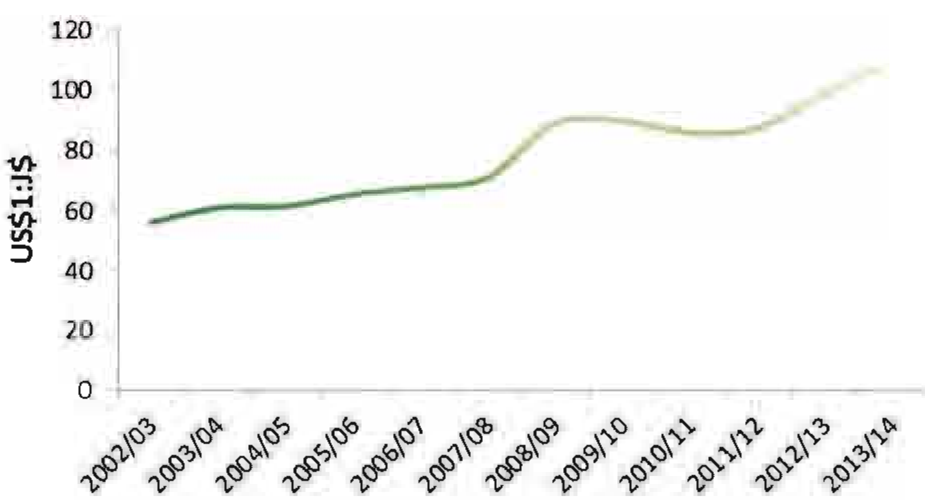
Within the context of GOJ successfully meeting targets set by the IMF programme and improved international macroeconomic conditions, Jamaica's macroeconomic environment remained stable.

Real Gross Domestic Product (GDP) is estimated to have increased marginally by 0.9% in FY 2013/14 compared with 0.7% in the previous year. Real value added growth estimated at 2.6% for the Goods-producing sectors accounted for the larger share of increased economic activity. This was followed by the Services sector with growth estimated at 0.3%. Changes in GDP were primarily driven by:

- Growth in stopover arrivals due to an increase in airline seats
- Increase in global demand and an increase in the local production of bauxite and alumina
- Increased support from multilaterals
- Increased demand for domestic and export crops
- Expansion in residential and non-residential construction activities; and
- Favourable weather conditions relative to the previous fiscal year in which output was impacted by the effects of Hurricane Sandy and drought conditions.

During the review period, all industries are estimated to have

End of period exchange rate, $J/$US



Source: Bank of Jamaica

recorded increases in value added with the exception of manufacturing, which is estimated to have declined by -0.5%. The largest change in value added is estimated for mining and quarrying at 8.3%. The substantial change in mining and quarrying was as a result of increased production of alumina and bauxite, in the context of an increase in global demand. Another area that experienced substantial growth was agriculture and fishing, estimated at 7.6%.

The Services sector value added was primarily driven by increases in Hotels and Restaurants estimated at 1.6% and Goods estimated at 3.2%. Other industries that are estimated to have had a positive out-turn are Transport, Storage and Communications at 0.2%, Finance and Insurance services at 0.4% and Real estate, Rental and Business Activities at 0.3%.

Exchange Rate

Over the review period, the Jamaican dollar depreciated against the US dollar by 12.2%, moving from $91.17 at end-March 2013 to $109.57 at end-March 2014. The depreciation was largely due to a concentration of foreign currency supply in a few entities, as investors hedged against further depreciation by augmenting their foreign currency denominated positions.

Inflation

Inflation for FY2013/14 declined to 8.3% from 9.1% in the previous year, based on movements in the All Jamaica 'All Divisions' Consumer Price Index. The inflation out-turn for the 2013 calendar year was 9.7%, relative to the 8.0% recorded in 2012. The main sources of inflationary pressure during the 2013/14 fiscal year were:

- Depreciation of the local currency, moderated by persistent weak domestic demand conditions
- Drought conditions during the first quarter which adversely affected agricultural prices
- Administrative increases granted by the Office of Utilities Regulation (OUR) for bus fares in the second quarter as well as for water and sewerage during the third quarter
- Increases in the national minimum wage in January 2014
- Increases in imported oil prices
- Food and non-alcoholic beverages (up 6.3%); and
- Transportation (up 19.0%).

Labour Force

In January 2014, there were 1,130,500 persons employed in Jamaica. This showed no significant change compared with total employed of 1,110,000 in January 2013.

DBJ funding was used on behalf of KHJ Holdings Limited for the remodelling and refurbishing of the former Sandy Bay Beach Resort and the Mahogany Beach Hotel in Negril, Westmoreland, into a luxury 5-star hotel now known as 'Hotel Azul Sensatoria Jamaica'.

In January 2014, the overall unemployment rate was 13.4% for both sexes with a higher rate among females than males (17.4% and 10.1%, respectively). This overall unemployment rate reflected a marginal reduction when compared with 14.5 per cent in January 2013. The unemployment rates among youths aged 14-24 years was 33.3% for January 2014, representing a decrease of 3.2 percentage points when compared with 36.5% in January 2013.

Results Beyond Imagination

It is within this economic environment that the DBJ was able to achieve "results beyond imagination" especially in providing the required development financing and other critical support needed to drive growth and development in the Micro, Small and Medium-sized Enterprises (MSME) sector in 2013/14.

Outlook

We believe the outlook for the Jamaica economy is positive, with a forecast for moderate growth. Over the medium term, with continued support from the IMF under the EFF facility, the GOJ is committed to achieving debt reductions to more sustainable levels, improved fiscal operations, and an improved business environment arising from continued implementation of economic and other structural reforms. The Jamaican economy will, however, remain susceptible to external macroeconomic shocks and natural hazards that have the potential to negatively impact its macroeconomic performance.

DBJ was able to achieve "results beyond imagination"

Providing access to financing for MSMEs

The DBJ once again signaled its commitment to MSME financing when an ambitious target of $2 billion was established at the start of the year. This target formed a part of the 'growth strategy' underpinning the IMF's Four-Year Extended Fund Facility agreement with the Government.

The DBJ exceeded this target by 14.4% with approvals of $2,288.8 million in loans for the MSME sector and by 66% when compared with amounts on-lent in the previous financial year. Some 9,642 of these loans were facilitated through Microfinance Institutions, underscoring the DBJ's ongoing commitment to micro entrepreneurs as fundamental building blocks of the Jamaican economy.

The DBJ promotes and finances investments in energy conservation, energy efficiency and renewable energy technologies, and provides energy loans for businesses and households.

A worker at the Leon Blackwood poultry farm demonstrates the use of a brooder that is used to keep the baby chicks warm. A DBJ loan is being used to purchase and install solar panels on the poultry houses.

Building the Capacity of MSMEs

Through its capacity-building strategy and programmes, the DBJ continued to address the capacity challenges that inhibit access to financing by MSMEs.

In the period under review, the DBJ invested $62 million and leveraged $466 million in counterpart grants from international development partners and local partners to fund various capacity-building, technical assistance and institutional strengthening programmes and projects.

As a result, over 300 MSMEs participated in various DBJ-sponsored initiatives during the year. These developmental programmes have created varying degrees of success including the creation of opportunities for MSMEs to access financing, increases in business sales and the penetration of new markets.

Building the foundations for a sustainable venture capital ecosystem

In its determination to provide an environment conducive to the growth of the MSME sector, in 2013-14 the DBJ continued to take a comprehensive approach to development financing by also facilitating access to equity via the Jamaica Venture Capital Programme (JVCP).

The Bank focused on filling those gaps that represent hurdles to the development of a vibrant and effective venture capital market. One gap addressed was the venture capital knowledge deficit within the Jamaican marketplace. Consequently, the DBJ in partnership with the IDB and World Bank pursued a programme of knowledge development, information sharing and sensitisation aimed at building the capacity of multiple stakeholders, resulting in the inaugural Venture Capital Conference in September 2013, attracting 300 persons from the business sector, financial markets, academia and Government.

The conference spawned further developments which included the introduction of the National Business Model Competition aimed at promoting innovation and entrepreneurship among tertiary level students, ultimately leading to viable business models which are supported to become operational. The objective is to encourage new businesses that have the capacity to positively impact growth and employment.

It is expected that the JVCP will provide training, advice and other forms of support to potential investors and aid in the development of the professionally managed venture funds that are vital to a sustainable local venture capital industry.

Increasing revenues and economic growth through privatisations and public-private partnerships (PPPs)

In the area of Privatisation and PPP management, the DBJ built on the foundations of policy, legislative and institutional framework, and internal capacity-building while simultaneously executing critical transactions in support of the GOJ's Growth Agenda and public sector reform programme.

Among the many crucial privatisation transactions under management during the review year were the sale of assets of the Cocoa Industry Board with the objective of facilitating an increase in cocoa production and the development and modernisation of the industry; and the sale of the Petroleum Company of Jamaica (Petcom) to expand and develop the petroleum industry. Other privatisation transactions in varying stages of execution included the Jamaica Railway Corporation, Windalco, and Caymanas Track Limited.

The DBJ also had several PPP transactions in progress. They included the Norman Manley International Airport, a critical component of the Government's plans to establish Jamaica as a logistics hub; Kingston Container Terminal, to enable the port to meet anticipated traffic from the Panama Canal expansion; and the Port Community Systems, to improve efficiency in doing business within the port community.

Having recognised the importance of building the capacity of government ministries, departments and agencies to identify and structure viable PPP and privatisation opportunities, the DBJ hosted several awareness-raising and training sessions during the year. Broadening that mandate, the DBJ also collaborated with UK Trade and Invest to deliver the Jamaica PPP Conference in February 2013 which was attended by several Caribbean government officials, international PPP practitioners and local private sector interests.

Strong leadership, Prudent Governance, solid strategy and efficient operations underpin the DBJ's success

Good corporate governance underpins the DBJ's systems of accountability, transparency and efficiency. The Bank's corporate governance is guided by the Government of Jamaica Corporate Governance Framework for Public Bodies (2012), The Public Bodies Management Accountability Act (2012), the Financial Administrative & Audit Act, and the Companies Act of Jamaica.

Sound strategic planning, risk management and execution drive the delivery of value to Jamaica. The execution of strategy by the Bank's 116 staff members led by a strong Board of Directors has resulted in a credible performance in this financial year. This was recognised by the regional ratings agency, Caribbean Information and Credit Ratings Services Limited (CariCRIS), which has endorsed the prudent management of the institution.

The CariCRIS report

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

CariCRIS writes that "The ratings of DBJ continue to reflect the company's dominant market position in development financing in Jamaica and the GOJ's continued support via loan guarantees. Further supporting the ratings are DBJ's good financial performance, relatively low credit risk via its intermediary lending model, well qualified senior management team and the organization's continued focus on risk management."

Bottom line Impact

The Bank's Statement of Financial position continued to reflect a strong financial position. The DBJ recorded Net Profits of $742.8 million, Total Assets amounted to $23.2 billion, and an equity base of $8.5 billion.

Workers display products at Southside Distributors in Junction, St. Elizabeth. The company used DBJ funding to purchase equipment and expand the factory space.

DBJ, Still *DRIVEN*...

The DBJ looks towards the next financial year inspired to have an even greater impact continuing the theme *"DBJ DRIVEN (**D**elivering **R**eal **I**mpact and **V**alue, **E**nabling **N**ational goals) results beyond imagination."* The 2014/15 strategy is underpinned by three pillars:

- Driving growth & development of MSME sectors
- Creating growth with Social Inclusion
- Developing efficient strategies for the GOJ and creating optimal investment opportunities for Jamaica

Your Bank is committed more than ever to deliver impact and value toward achievement of its Mission to "provide opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy", a central pillar of the Vision 2030's strategy to make *"Jamaica the place to live, work and raise families".*

DBJ Financial Highlights

COMPARATIVE FINANCIAL SUMMARY (J$M)

Year Ended 31-Mar	2014	2013	2012	2011	2010	2009	2008
Total Income	2,110.30	1,586.40	2,740.60	4,413.20	4,175.50	3,901.20	3,772.20
Total Interest Income	1,198.60	1,142.50	1,764.80	3,688.50	3,792.90	3,393.70	3,142.90
Total Interest Expense	531.0	477.1	1,053.50	2,889.50	2,992.20	2,500.60	2,184.70
Non-Interest/Other Income	911.7	443.9	975.8	724.7	382.6	507.5	629.3
Non-Interest Expense	650.1	603.1*	567.3	805.8	705.3	890.9	973.9
Net Profit Before Impairment Loss	929.2	506.2	1,119.90	1,002.60	604.3	980.1	684.6
Impairment Loss	(177.40)	(2,928.30)	(407.50)	(279.10)	(287.90)	(562.70)	(312.70)
(Loss)/Profit for year	742.8	(2,453.20)	691.7	723.5	316.4	417.4	371.9
Total Assets	23,269.20	22,167.80	22,624.40	48,928.00	49,686.20	46,414.50	46,262.70
Total Equity	8,468.20	7,641.30	10,634.60	9,978.70	9,536.10	8,921.90	6,359.60
Loans Payable	14,433.50	14,125.60	11,491.20	38,597.90	39,851.50	36,473.10	34,324.30
Regular Loan Portfolio	15,263.50	11,966.70	11,948.20	9,060.90	12,239.90	10,605.80	8,101.20
GOJ Infrastructural Loan Programme	29.0	183.4	181.5	25,156.50	25,521.90	24,846.80	24,618.60

The DBJ performed creditably during Financial Year 2013/14, recording a Net Profit of $742.8 million. Total Assets amounted to $23,269.2 million and the Equity base stood at J$8.5 billion. The Bank's Statement of Financial position continued to reflect a strong financial position.

Income

The DBJ's Total Income of $2,110.3 million for the financial year ended 31 March 2014 represents an increase of 33% above the previous financial year and was mainly due to the recovery of previous impairment loss provision amounting to J$408.6 million.

Interest Income

Interest Income amounted to $1,198.6 million for the Financial Year 2013/14, representing an increase of 5% above the previous financial year. The following sources generated the interest income:

	2013/14	2012/13
	$'m	$'m
Loan Portfolio	898.6	810.7
Investment	300	331.8
	1,198.6	1,142.5

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

- The Bank's Loans Portfolio, which includes a mortgage receivable from Ackendown of $2,324.9 million (US$21.3M), increased by 28%, moving from $11,966.7 million at the beginning of the financial year under review, to $15,263.5 million at the end of March 31, 2014. The interest income from the Loans Portfolio amounted to $898.6 million and represented a 10.8% increase above the earnings recorded for the previous year. This increase was mainly due to the high demand for the DBJ Loan products.
- The Bank's Investment in resale agreements declined by $1,223.3 million or 63% when compared with the Investments in this category for the previous financial year. The decline was mainly due to financing of the DBJ's loan products. Interest income for the year 2013/14 on the Bank's Investments amounted to $300.0 million and was 10% below the earnings recorded for the previous financial year.
- Interest in Associated Compa-

nies increased from $902.8 million at the beginning of the year to $924.9 million at March 31, 2014. The increase was mainly due to additional funding provided by the Bank.

Other Income

For the Financial Year 2013/14, the DBJ recorded other income mainly comprising administrative fees, rental income, commitment fees, Appreciation in Fair value of investment properties and net foreign exchange gains arising on the translation of Assets and Liabilities *(see Table)*.

The other income recorded for the year under review amounted to J$911.7 million, of which 45% or J$408,573 million arose from the recovery of previous impairment losses.

Administrative fees declined by 55% below the amount recorded for the previous year and this decrease was attributable to the fact that the PetroCaribe Development Fund (PDF) established its own financial and administrative functions during the previous year. The PDF had grown to a size where it was not prudent for the DBJ to provide these services. However the increase in rental income is attributable to the space occupied by the PDF.

Foreign Exchange gains was the second highest item included in other income and represents the net gains on the company's assets and liabilities due to the devaluation of the Jamaican Dollar vis-à-vis the United States Dollar.

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

Interest Expenses

Interest expense for the financial year under review amountec to $531.0 million, representing an increase of 11% above the previous year's interest of $477.1 million. This increase was mainly due to the draw-down under the PDF's line of credit and also the devaluation of the Jamaican dollar vis-à-vis the United States Dollar. The Bank honored its loan obligations to the multilateral institutions on a timely basis during the year under review.

	2014	2013
	$'000	$'000
Administrative Fees	17,668	39,682
Commitment Fees	57,171	26,293
Rental Income	89,142	77,858
Privatisation Fees	16,546	24,445
Foreign Exchange gains	167,562	243,063
Appreciation in Fair value of investment properties	113,730	
Gain on disposal of property and equipment	1,103	951
Other non-interest income	40,183	31,602
Bad Debt Recoveries	408,573	0
	911,678	443,894

Non-Interest Expenses

During the period under review, the DBJ incurred operating costs totaling $650.1 million and this represented an increase of 8% above the costs incurred in the previous financial year. The Bank continues to monitor its costs by implementing cost-containment measures. The following items are significant or showed increases over the previous year:

- Advertising and public relations costs showed an increase of 18% above those recorded for the previous financial year. The Bank has embarked on an advertising programme to ensure that clients are aware of its loan products in order to facilitate the country's Growth Agenda.
- Professional Fees which totaled $43.4 million and represented a significant increase over the previous year costs included:
  - Receiver's fees - $15.2 million
  - IAS valuation etc. re the Banks Pension Fund - $.971 million

- Property valuations - $.889 million
- Special review of the Micro Finance Institution - $1.3 million
- Professional fees re Casino Gaming - $5.8 million
- Professional fees re Ministry of Transport & Works - $5.5 million

- Occupancy costs which include: electricity, insurance, security and repairs and maintenance recorded a decrease of 3% below the costs incurred in the 2012/13 Financial Year. The decrease resulted from the costs of repairs to buildings showing a decrease of 17% below the previous year when considerable maintenance work had been undertaken.

Net Profit

The Bank recorded a net profit of $742,817 million, after impairment losses of J$177.4 million.

The DBJ continues to carry out its mandate of providing financial solutions to viable projects and facilitate growth and development in the economy and has adequate reserves and assets to continue this mandate.

ASSET AND EQUITY BASES

Asset Base

The DBJ's asset base stood at $23,269.2 million as at 31 March 2014, representing an increase of 5% above the Total Assets recorded for the Financial Year 2012/13. This increase was mainly due to the impairment loss provision which was mentioned earlier under net profit.

Workers bag potatoes on the Clifton Campbell farm in North Manchester. DBJ funding was used to expand the farm.

Equity Base

Shareholder's Equity amounted to $8,468.2 million at the end of March 2014, recording an increase of 11% from the restated previous year figure of $7,641.3 million. The Equity base remains strorg, providing the foundation for the Bank to execute its mandate and continue to play a pro-active role in fostering growth in the economy.

FUNDING

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows, internally generated cash provided from operations, as well as Loans drawn amounting to over J$376.7 million. Included in this amount was US$3.0 million from the Petro Caribe Development Fund and US$587,371.48 was drawn from the Caribbean Development Bank.

FUNDS MANAGEMENT

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

1. Capital Development Fund
2. Private Sector Energy Fund
3. Intech Fund
4. Rio Tinto Alcan Legacy Fund
5. National Investment Bank of Jamaica - Recoveries
6. Credit Enhancement Fund

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

LOAN PORTFOLIO

At the end of the financial year 31 March 2014, the total outstanding loan portfolio of the Bank stood at $15,263.5 million compared to $11,966.7 million for the financial year ended 31 March 2013, an increase of 28%. The distribution of the outstanding loan portfolio at the end of the year 2014 and 2013 is shown in table:

Solvency

At the end of the period under review, the Bank reported a debt/ equity ratio of 1.6:1 in line with the ratio of 1.8:1 at the end of March 2013. This ratio remains within the guidelines of the multilateral lending agencies, which stipulate a maximum range of 4:1 and 6:1. The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.

	2014	2013
	J$'000	J$'000
Loans to AFIs	7,802	4,954.2
Loans to PC Banks	1,264.5	1,192.7
Loans to Direct Borrowers	3,356.7	2,754.1
MFIs	515.3	585.3
Mortgage Receivable Ackendown	2,324.9	2,480.3
	15,263.5	11,966.7

Foreign Exchange gains was the second highest item included in other income and represents the net gains on the company's assets and liabilities due to the devaluation of the Jamaican Dollar vis-à-vis the United States Dollar.

Loan Origination & Portfolio Management (LOPM)

In 2013/14, the DBJ's lending operations continued to deliver strong results in support of the Government's Growth Agenda. The Bank maintained its emphasis on the creation of new jobs and the stimulation of new investments in key growth sectors along with access to affordable financing for MSMEs.

In this regard, DBJ continued to make loans available to support new investments in agriculture, agro-processing, manufacturing, mining, tourism, technology and services at preferred rates of interest and on flexible terms to MSMEs through its network of Approved Financial Institutions (AFI) and Microfinance Institutions (MFI) as well as to larger businesses.

Initiatives undertaken this year

In pursuit of the Bank's lending targets the LOPM department intensified its engagement of SMEs and AFIs to better understand their needs and communicate the benefits of DBJ's financing solutions while generating and converting leads through relationship building and tactical selling. This involved DBJ's Account Executives meeting with potential borrowers and representatives of financial intermediaries in their business places island-wide. The team continued its customer acquisition initiative by the following deliberate strategies:

1. Each AFI and MFI was reviewed to determine and understand their relative appetites for development loans with the relationships managed to achieve mutual benefit.
2. Investors and sector groups that showed potential for growth in investment and job creation were identified and meetings were held with them to understand their needs; to inform them about the benefits of DBJ's products and to explain how these benefits could be accessed through the intermediaries.
3. Meetings were facilitated between potential sub-borrowers and their AFI or MFI to ensure effective communication of the benefits of and the requirements to access DBJ loans.
4. Follow up with AFIs and sub-

A worker moves goods in Rudolph May's Clarendon-based company. Mr. May received DBJ financing to expand the warehouse in his packaging and distribution company and a DBJ energy loan to purchase a photovoltaic system for his nine poultry houses.

borrowers to ensure smooth processing of loan applications.

The Bank also reorganized its portfolio management functions by splitting that unit into two parts. Of these, one section focused on loan administration and compliance while the other focused on credit appraisal. As a result the team ensured that loan applications were processed efficiently and ensured that clients returned documentation and requested disbursements within the DBJ's established timelines.

REVIEW OF LENDING ACTIVITIES

The DBJ's strategic focus and initiatives allowed the Bank to significantly increase its prior year lending and surpass the loan impact targets established at the start of the year.

During the year, the Bank's lending activities facilitated overall new investments of $15,429 million and the creation of 4,436 new jobs while maintaining 15,992 existing jobs. This reflects a continued improvement on the $12,167 million in investments, 7,271 potential new jobs and 13,266 jobs maintained in 2012/13.

LOAN APPROVALS

The DBJ's loan approvals grew by 36% above approvals for the previous year. The Bank's impact on new investments and job creation was facilitated through the approval of 9,799 new loans with a total value of $8,198 million compared to 8,368 new loans with a total value of $6,044 million in the previous year. DBJ's loan approvals were distributed to various sectors and through the following channels as below:

Channel	# of Loans	Loan Approval in J$'m	%
NPCB	84	428.132	5.2
AFI	67	4,172.976	50.9
MFI	9,642	620.031	7.6
Direct	6	2,976.616	36.3
Total	9,799	8197.755	100

Domestic Currency Approvals

Local currency loan approvals for the year grew by 40% above the prior year and amounted to 9,795 loans valued $5,043 million reflecting an increase of $1,431 million. These loans were realised through the following channels:

- Approved Financial Institutions – 65 loans valued at $3,318 million, up from 39 loans valued $1,741 million
- National People's Co-operative Bank – 84 loans valued at $428 million, down from 108 loans valued $529 million
- Microfinance Institutions – 9,642 loans valued at $620 million, up from 8,206 loans valued $614 million
- Direct Lending – Three loans valued at $676 million, down from seven loans valued $728.5 million.

Foreign Currency Approvals

Foreign currency loan approvals for the year grew by 17% above the previous year and amounted to five loans valuing US$28.9 million reflecting an increase of US$4.1 million. These loans were realized through the following channels:

- Approved Financial Institutions – Two loans valued at US$7.8 million, up from two loans valued US$6.9 million
- Direct Lending - Three loans valuing US$21.1 million, compared with six loans valued at US$17.9 million

LOAN DISBURSEMENTS

The DBJ's loan disbursements grew by 93% over the prior year, with the Bank disbursing loans amounting to $7,468 million, reflecting an increase of $3,594 million.

Local Currency Disbursements

Local currency disbursements for the year grew by 83% above the prior year and amounted to $4,633 million reflecting an increase of $2,108 million. These loans were realized through the following channels:

- Approved Financial Institutions – $3,062.5 million, up from

$1,461.1 million in 2012/13
- National People's Co-operative Bank – $478.1 million, up from $443.4 million
- Microfinance Institutions – $570.9 million, down from $575.5 million
- Direct Lending – $521.3 million, up from $44.8 million

Foreign Currency Disbursements

Foreign currency disbursements for the year grew by 89% above the prior year and amounted to US$26.0 million reflecting an increase of US$12.2 million. These loans were realised through the following channels:

- Approved Financial Institutions – US$7.8 million, up from US$7.1 million
- Direct Lending – US$18.1 million, up from US$6.6 million

REVIEW OF LENDING PROGRAMMES

DBJ's Lending through AFIs

The DBJ's primary channel for lending to the productive sector remains the extensive branch network of its AFIs which include all commercial banks as well as other financial institutions. In this regard, the DBJ makes lines of credit available to the AFIs and works with them to introduce development products such as financing for SME and Energy projects.

During the year, the DBJ's engagement of its AFIs yielded positive results with local currency loans approved through AFIs showing a significant increase. During the year, the DBJ approved 67 loans totaling $3,318.5 million up from 39 loans totaling $1,740.1 million in 2012/13.

This reflected an increase of $1,577.6 million or 91% above the prior year. Disbursements through AFIs were made on loans totaling $3,062 million reflecting an increase of $1,601 million or 110% above the prior year.

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

During the year, the Bank provided strong support to initiatives for increasing access to affordable credit for MSMEs with MSME loans increasing by 66% over the previous year.

In this regard, the DBJ facilitated the approval of 9,773 loans with a value of $2,288.8 million through its intermediaries for MSME sub-borrowers compared to 8,336 loans with a value of $1,378.8 million in 2012/13. Of this total, the vast majority - 9,642 loans totaling $620.0 million - were facilitated through

Diamond Ice Company Limited makes crushed ice, block ice and party ice. The St. Elizabeth-based company received DBJ funds to expand the company by acquiring vehicles and equipment and to install a photovoltaic energy system.

the Microfinance Institutions, while 84 loans valued $428.1 million went through the National People's Co-operative Bank, and 53 loans valued at $1,240.5 million were facilitated by Approved Financial Institutions to SMEs.

Microfinance Lending Window

The DBJ's Microfinance Lending Window was established in 2009 to improve access to credit for micro entrepreneurs who generally are unable to secure financing for their business ventures through the AFIs. The DBJ provides loans through its 11 accredited MFIs, two of which secured accreditation in March 2014.

During the year, the DBJ's lending to MFIs saw growth with 9,642 loans totaling $620.0 million approved compared to 8,206 loans totaling $613.7 million in 2012/13. Disbursements at $570.9 million reflected a decrease of $4.6 million or 1% below the prior year.

The DBJ's lending through MFIs preserved the livelihood of 7,660 persons while creating ten new jobs compared to 9,525 existing and 130 new jobs in 2012/13. The majority or some 46% or $234.0 million of the DBJ's lending to MFIs during the year supported 5,297 borrowers in the distribution and trading sector, while 30% or $185.7 million supported 2,501 borrowers in the service sector.

Since the inception of the microfinance facility in 2009, the DBJ has approved $2,328.0 million and disbursed $2,240.0 million on 35,483 loans to various sectors.

AFI SME Lending Window

The DBJ's SME Lending Window was established in 2009 to improve access to affordable credit through the AFIs by small and medium-sized enterprises and continues to generate positive results.

Workers reap fruit on the Conway Scott farm in Clarendon. DBJ funding was used to expand the orchard consisting of avocado and other fruit trees.

During the year, the Bank's lending to SMEs increased by 118% from $765 million to $1,669 million.

In this regard, SMEs were able to access 84 loans valued at $428.1 million through the National People's Co-operative Bank (NPCB), and 53 loans valued at $1,240.6 million through Approved Financial Institutions. This compares to 108 loans valued at $529.2 million through the NPCB and 21 loans valued at $236.0 million through Approved Financial Institutions to SMEs in 2012/13.

The DBJ's loans to the SME sector supported new investments of $2,677.1 million and 419 new jobs, while maintaining 1,865 existing jobs. This compares to new investments of $1,246.0 million, 244 new jobs and 881 maintained in 2012/13.

In 2013/14, the DBJ's SME loans through the NPCB supported $593.4 million in new investments while creating 44 new jobs and maintaining 497, compared with $673.0 million in new investments while creating 30 new jobs and maintaining 491 in the previous year. SME loans through AFIs supported new investments of $2,128.0 million, while creating 375 new jobs and maintaining 1,368, up significantly from $573.0 million, while creating 214 new jobs and maintaining 390 in the previous year.

National People's Co-operative Bank (NPCB)

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

During the year, the NPCB increased lending from its own resources and as a result DBJ's lending through the NPCB declined to 84 loans valued at $428.1 million being approved. The DBJ's loans supported $593.4 million in new investments and 44 potential new jobs and compares to 108 loans valued $529.2 million that were approved in the previous year.

Disbursements through the NPCB increased from $443.5 million to $478.1 million reflecting an increase of 8% above the prior year.

DBJ's Lending to Small Farmers

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

In this regard, 1,182 local currency loans were approved at a value of $1,977.5 million for these sectors supporting investments of $2,716.6 million and 263 new jobs. This reflects an increase from the 1,077 loans valued at $915.0 million in 2012/13.

Microfinance Institutions and the NPCB continue to be key channels for loans to the agriculture sector. Of the amount approved for lending to agriculture, 1,091 loans totaling $53 million were issued to small farmers through MFIs, compared with 972 loans totaling $80.0 million. The NPCB facilitated 77 loans to farmers with a value of $302 million down from 94 loans with a value of $455 million in 2012/13, and 136 loans valued $310.7 million in 2011/12. AFIs made a total of 12 loans valued at $1,292 million during the year. Of this amount six were made to SMEs for a value of $424 million.

SME Credit Enhancement Facility

The Credit Enhancement Facility (CEF) was established in July 2009 to increase access to financing for SME borrowers by partially underwriting the credit risk for viable SME projects that an AFI may not otherwise have considered. Under this programme, the DBJ provides partial credit guarantees to AFIs for a maximum guarantee of $10 million or 50% of the loan for general SME loans and 80% for SME Energy loans being considered for a prospective SME borrower.

During the year, the DBJ approved 24 guarantees valuing $78.0 million and supporting $213.5 million in loans through seven AFIs. This compares to 105 guarantees valuing $154.8 million and supporting $233.0 million in loans through eight AFIs in 2012/13.

Since inception, the $250-million CEF has facilitated the issue of $526.3 million (including US$0.2 million) in loans to 139 SME sub-borrowers with guarantees totaling $259.2 million as outlined in the table below.

Year End	Loan	Guarantee	#
March-10	30,000,000	8,320,000	4
March-11	10,800,000	4,176,000	3
March-12	34,700,000	10,750,000	3
March-13	237,269,378	157,997,000	105
March-14	213,544,600	77,957,150	24
TOTAL	526,313,978	259,200,150	139

To date, there has been only one claim against the CEF for $338,515 while some of the initial beneficiaries have graduated with the AFI discontinuing the guarantees and relying on the credit worthiness of the SMEs for additional loans. The CEF will continue to be a vital part of the Bank's strategies to facilitate increased access to financing for viable SME projects in under-served sectors with high growth potential such as the knowledge and creative industries.

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

In 2011, the DBJ was appointed Trustee and Administrator of the Rio Tinto Alcan Legacy Loan Guarantee Fund of an initial US$1.8 million. Income from the fund will establish a Loan Guarantee Fund to support micro enterprise loans to small farmers in Manchester, St. Ann and St. Catherine through approved MFIs, credit unions and the NPCB, as well as to fund the Rio Tinto Alcan Agriculture Scholarships being administered by the Jamaica 4H Clubs. The loan guarantee programme is expected to commence issuing guarantees in 2014/15.

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

During the year, the Bank continued to support the national efforts toward energy conservation, energy efficiency and the adoption of renewable energy solutions by providing and promoting financing for energy investments through its AFIs and MFIs.

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

During the period under review, 39 loans totalling $658.8 million were approved under the DBJ's Energy lines. This includes one loan for $198 million to Caribbean Broilers to install photovoltaic panels on 65 poultry houses for their farmers. In 2012/13, the DBJ had made Energy loans to 77 projects totalling $658.2 million.

As outlined below, the DBJ has significantly increased its lending for energy since 2009 and has approved energy loans totalling $1,619.0 million to 133 projects *(see second Table).*

Year End	No. of Loans	Project Cost ($)	Loan Approved (J$)
March-10	5	68,725,000	68,725,000
March-11	5	135,089,683	58,326,800
March-12	7	506,617,000	174,500,000
March-13	77	2,093,837,787	658,230,714
March-14	39	1,990,078,067	658,786,124
TOTAL	133	4,794,347,538	1,618,568,638

Direct Lending

US$20-million ICT/BPO Loan Facility

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

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

During the year, DBJ approved two loans under this facility for a total of US$7.6 million for the construction of ICT/BPO centres at four locations in New Kingston, Spanish Town and Mandeville. These facilities, when completed, will add a further 144,000 square feet of ICT/BPO space with the potential to employ 3,480 persons per shift.

Since April 2012, the Bank has received eight applications for US$23.3 million from JAMPRO. Of this total, six applications have been approved for US$22.3 million to create 334,000 square feet of ICT space and 7,000 to 10,000 jobs. Of these, five are in varying stages of completion. These facilities include: the 48,000 square foot UWI Call Centre in Mona, St. Andrew, which is completed and fully operational; a 52,000 sq. ft. facility at Portmore Pines, St. Catherine, which is due for completion in June 2014; a 50,000 sq. ft. facility at Barnett Tech Park in Montego Bay, St. James, on which construction is ongoing for opening in 2015; a 70,000 sq. ft. facility in Mandeville, Manchester, and project comprising three buildings totaling 74,000 sq. ft. in New Kingston, St. Andrew, and Spanish Town, St. Catherine.

Construction is ongoing on all three buildings and completion is expected during the next financial year.

With the initial facility substantially committed, the DBJ is putting in place a second round of financing from the PetroCaribe Development Fund.

The Barnett Tech Park project is currently under construction in Fairfield, St. James, to build a 50,000 sq. ft. Information and Communication Technology/Business Processing Outsourcing (ICT/BPO) facility. Upon completion, the facility will have the potential of creating up to 1,000 jobs. The DBJ provided financing for the project's development.

Social Inclusion at Work

Snapshots of the DBJ's Microfinance Activities

Products produced by PaperChem Industrial Ltd.

PAPERCHEM INDUSTRIAL LTD

Established in 2011, PaperChem Industrial Limited is a small manufacturer and distributor.

Located in The Domes on Hagley Park Road in Kingston, the company is in the business of manufacturing products that include:

- All-purpose soaps
- Dishwashing liquids
- Solvent degreaser; and
- All-purpose degreaser

Paperchem is also a distributor for industrial and domestic products such as:

- Hand and paper towels
- Hand sanitizers
- Hand towels and tissue dispensers
- Cleaning gloves (disposal and latex); and
- Dust masks

Proprietors Cecile Robinson-Bodden and Carnelia Henny are clients of McKayla Financial Services, a DBJ-approved MFI which is based in Kingston.

FOSTER'S PHOTO STUDIO

Foster's Photo Studio, based on Hagley Park Road in Kingston, has been in operation since 1999 when proprietor William Foster completed his apprenticeship.

With the rapid changes in technology taking place within the last decade, Mr. Foster has moved with the times from analog to digital photography. So much so that at the 5th Caribbean Microfinance Forum, held in Montego Bay in June 2014, Foster's Photo Studio won second prize from a field of seven applicants in the category of "Best Technology Microentrepreneur" for its use of technology in the business.

With the help of several loans from Access Financial Services Limited, a DBJ-approved Microfinance Institution, Mr. Foster has been able not only to grow his clientele to include many corporate entities but also employ two persons in his company.

CGB WATER GAUGE SOLUTIONS

This company, the first of its kind in Jamaica, is based in St. Andrew. It produces and distributes liquid (e.g. water, gas, etc.) gauges and other related products for the Jamaican and the Caribbean markets. The applications provide real-time reading and abnormality detections to the company's clientele.

These very innovative products are offered both wirelessly and non-wirelessly and are proving to be extremely important and relevant in the Jamaican market, especially with the rise in the theft of petrol from companies and individuals.

Mr. Carey Gerold Bolt, proprietor of CGB Water Gauge Solutions, received DBJ funding to start the company from First Union Financial Company Ltd., a DBJ-approved Microfinance Institution based in Kingston.

William Foster enters his photo studio in Kingston.

JEMAR PRINTERY

Jemar Printery Ltd. is a printing and graphic design company that is involved in offset, continuous form and digital printing.

The company has been in existence for nearly 20 years, has 18 employees and provides printing solutions for Government and some of the major financing and commercial businesses operating within Jamaica. The clients include the Ministry of Finance and Planning, National Housing Trust, National Water Commission, Jamaica Money Market Brokers, First Caribbean Bank, RBTT Bank, Scotia Jamaica Building Society and Victoria Mutual Building Society.

Jemar Printery has received two DBJ loans via JN Small Business Loans Limited to purchase and upgrade a digital imaging printing press that does most of the printing jobs, given its advanced and continuous form capabilities.


A technician monitors a machine at Jemar Printery.

The business, based on Hendon Drive in Kingston, is managed by Dwight Taylor and Eula Jones and has a huge potential for growth.

DBJ'S MICRO FINANCE LENDING

March 2009 to March 2014					
Year ended	No. of Loans	Approved	Disbursed	% per sector	
				App.	Dsbrt.
31-Mar-09	4,347	200,000,000.00	200,000,000.00	9%	9%
31-Mar-10	2,077	174,172,970.32	174,172,970.32	7%	8%
31-Mar-11	4,215	228,602,855.37	228,602,855.37	10%	10%
31-Mar-12	6,995	491,482,736.12	491,482,735.80	21%	22%
31-Mar-13	8,207	613,682,596.97	575,479,632.96	26%	26%
31-Mar-14	9,642	620,030,451.00	570,233,415.46	27%	25%
Total	35,483	2,327,971,609.78	2,239,971,609.91	100%	100%

Since 2009, the DBJ has been providing support to the micro finance industry through the accreditation of 11 micro finance institutions and the on-lending of loans valued at $2.2 billion. Over this period, the DBJ's loans have consistently increased on an annual basis. The DBJ projects to lend a further $900 million in 2014-15.

Strategic Services

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

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

Responding to investment and growth challenges of the MSME sector through Capacity Development

Micro, small and medium-sized enterprises continue to be constrained by a number of factors, such as technical and business capacity limitations (which include lack of proper business plans and proper accounting records), among other things. During the 2013/14 Financial Year, the DBJ hosted an SME Consultation to engage SME stakeholders to gain better insight regarding the issues and challenges facing SMEs in order to improve DBJ's intervention in the MSME sector. Most participants indicated that the DBJ should further help to foster economic growth and social inclusiveness in Jamaica by increasing its facilitation of capacity building for SMEs.

Consequently, the DBJ continued to pursue a comprehensive capacity-building strategy underpinned by a number of programmes and initiatives that were geared towards addressing challenges which inhibited MSME access to financing.

In 2013/14, the DBJ invested $62 million and leveraged $466 million from international development partners and local

The DBJ hosted an 'SME Consultation' in November 2013, at which representatives from small and medium-sized enterprises and other industry stakeholders to gather critical information on the financing, capacity-building and other needs of the business sector.

partners in counterpart grants to fund various capacity building, technical assistance, institutional strengthening programmes and projects. The DBJ also invested over $8 million in grants for start ups in the area of innovation and creative industries.

As a result, over 300 MSMEs participated in various capacity-development initiatives ranging from training to incubation from DBJ-sponsored programmes during the year. These developmental programmes have created varying degrees of success, including creating opportunities for MSMEs to access financing, increase business sales and penetrate new markets. The DBJ was therefore able to remain true to its 2013/14 strategic theme in delivering real impact and value through capacity development.

Creating Value for MSMEs through direct innovation grants to start and/or expand their businesses

The DBJ invested just over $7 million and committed $16 million in direct grants to SMEs in the areas of energy and innovation. These include:

• Turner Innovations Limited:
A grant of $3 million was made to Turner Innovations Limited to develop a sorrel harvesting machine. Dubbed the ODT1, this machine is the first of its kind globally and has the potential to revolutionise the sorrel industry in Jamaica by significantly increasing output, minimizing cost and adding significant value to the domestic supply chain for sorrel agro-processing while increasing Jamaica's competiveness in the export market.

• GSW Animation Limited (GSW):
Another innovation grant, this time in the emerging animation industry, was extended to GSW Animation Limited to fund the development of an accredited training centre, along with training programmes which should result in at least 63 professional animators being trained and employed. The DBJ has committed $5 million in grant financing towards this project and has disbursed just over $4 million to GSW. The animation industry is targeted by the Government as a high growth, high employment industry for Jamaica.

• Energy Audit Grant Programme:
The DBJ launched its Energy Audit Grant Programme to encourage SME investment in energy efficiency and renewable energy projects, significantly reduce energy costs and improve SME sustainability. At the end of the financial year, the DBJ issued energy audit grants to10 small and medium-sized enterprises, three of which have gone on to access DBJ financing to implement energy management solutions in their businesses.

The principals of Turner Innovations Limited pose with The ODT1, also known as a sorrel harvesting machine, which was developed with the assistance of a DBJ grant.

- **Institute of Law and Economics:** During the last financial year, the DBJ partnered with Government and private business development organizations to provide various capacity development programmes for MSMEs. The $7.49 million grant to the Institute of Law and Economics to implement the Business Entrepreneurial Empowerment Programme (BEEP-Round II) is an example of one such partnership. The objective of this project was to provide entrepreneurial training to at least 300 micro, small and medium-sized enterprises to assist them in achieving minimum business standards in key areas such as legal compliance, taxation, book-keeping and accounting, business planning and management, financial literacy and computer literacy.

The DBJ partnered with the Inter-American Development Bank's Scotiabank Enterprise-Wide Risk Management and Financing project (SERMaF) to enhance the creditworthiness of BEEP participants. On successful completion of the BEEP programme, eligible beneficiaries will be further trained, rated for business risk, and helped to access finance using an innovative risk management and risk rating measure based on a survey of 3,000 SMEs across at least eight sectors/sub-sectors.

Facilitating Impact for Export SME through incubation and acceleration

The DBJ partnered with Jamaica Promotions Limited (JAMPRO) in the Enterprise Development for Export Growth Programme (Export Max I) during the year in review. This was a two-year pilot initiative geared towards providing support in capacity building and market penetration to an initial group of 15 Jamaican export and export-ready firms, selected from those priority sectors identified under the National Export Strategy. The goal of the programme, to which the DBJ gave a grant of $5 million, was to enable

Jerkaz Restaurant is owned and operated by Trevor Donegal and his family. The company, which produces several jerk and hot pepper sauces that are marketed through the restaurant, is a beneficiary of a DBJ guarantee under the Credit Enhancement Facility.

the companies to be competitively positioned to take advantage of market opportunities and ultimately make a greater contribution to the overall performance of the Jamaican economy. The programme included capacity building support through the provision of business development and management planning tools.

Enabling National Goals through Youth Entrepreneurship and Employment

The DBJ partnered with the World Bank and the Ministry of Science, Technology, Energy and Mining to build a strong ecosystem for the emergence and growth of youth-led start-up enterprises, with a focus on digital and animation industries to generate employment.

The World Bank - Digital Jam 3.0 "Caribbean Edition"

Digital Jam 3.0 "Caribbean Edition" initiative sought solutions to high youth unemployment in Jamaica and the Caribbean via new opportunities in the virtual global economy - including new niches such as microwork, e-lancing and the app economy. Following the success of its first Jamaican edition in 2012, Digital Jam 3.0 "Caribbean Edition" broadened its scope and reach to the entire region.

Over 720 young people from nine Caribbean countries participated in themed sub-programmes culminating in a conference in Kingston on March 1-2, 2014.

The event focused on aspects of tech entrepreneurship, start-up investment (angel investing and crowd funding), and start-up business development.

The World Bank KingstOOn

KingstOOn, an animation conference, took place in June 2013 to increase the awareness in Jamaica

A section of the Douglas Williams cattle farm in St. Catherine. DBJ funds were used to expand the business.

of the possibilities provided by the animation industry and showcased (via competitions) the pool of talent among young Jamaicans. Organized by the World Bank in collaboration with the DBJ, the Ministry of Investment, Industry and Commerce, MSTEM and other partners, KingstOOn sought to identify the key challenges and opportunities to position the country as a Caribbean hub for the animation industry.

Workers and visitors at the booth of Tijule Company Limited at the 59th Summer Fancy Food Show held in the United States in 2013. Tijule is an agro-processor and is one of 15 companies that benefited from DBJ's funding of Export Max, a JAMPRO capacity-building project for local exporters and export-ready firms.

Facilitating Growth with social inclusion via the M3 Pilot Project

As part of its mandate to facilitate economic growth with social inclusion, the DBJ seeks to provide opportunities for all Jamaicans to improve their quality of life through, among other things, development financing and capacity development for micro businesses and small and medium-sized enterprises.

The development and growth of an impactful and meaningful ecosystem of financing and capacity development to support micro entrepreneurs is a major area of focus for the Bank which identifies gaps and market failures within this ecosystem. The DBJ then facilitates programmes and projects that address these problems, allowing micro business to receive financing, to invest, expand and become sustainable.

A market problem being tackled by the DBJ is high microfinance operating costs which translates to very high borrowing interest rates for micro businesses. The Bank and its partners have designed, and are within the first phase of implementation, a major game changer within microfinance, the Mobile Money for Microfinance (Pilot) Project dubbed M3.

The M3 project seeks to:

- Give the unbanked and under-banked greater access to

financial services;
- Reduce the cost of micro-transactions; and
- Give microfinance institutions and their customers more flexibility in their lending and payment options.

During 2013-14, Phase I of the M3 project commenced with the development of the core mobile money platform services, the integration with banking services hosted by the National Commercial Bank and the development of support infrastructure that are required for the operation of mobile money services by the DBJ.

Other key activities that are planned for phases II and III of the project include expansion of the service to over 1,000 sub-borrowers and subscribers, the establishment of the customer care and call centre, the establishment of a mobile money agent network and the expansion of partnerships with private and public sector organisations.

The M3 project has received the support of multilateral agencies, including the IDB. Several local private and public sector bodies have expressed their interest in participating in the pilot project given the success stories in emerging markets similar to Jamaica.

Approved microfinance entities that have been included in the pilot project include:

1. First Union Financial Limited
2. Micro Credit Limited
3. McKayla Limited
4. The National People's Co-operative Bank (NPCB)
5. Jamaica National Small Business Loans Ltd

Institutional Strengthening of Intermediaries in the MSME ecosystems

The DBJ continued to strengthen the National People's Co-operative Bank to optimally serve the MSME markets by providing financial support and technical assistance. In the 2013-14 financial year the NPCB was assisted in implementing the final year of its 2011–2013 Strategic Plan to improve its operations and performance.

The DBJ made direct grant contributions during the period to assist the NPCB in acquiring an online banking system and facilitated NPCB's participation in the Carib-Cap II Microfinance capacity building project. Participation in this programme by the NPCB led to the creation of a microfinance unit which underwrote 5,930 loans

The DBJ provides support to the Enterprise Team overseeing the development and expansion of the Kingston Container Terminal via a public-private partnership.

valued at $308 million during the period April 2013 to March 2014.

Responding to the market through product development

In 2013/14, in response to the needs of SMEs and SME stakeholders, the DBJ focused on developing a new capacity development product, the Voucher for Technical Assistance.

The voucher programme is an arrangement among the DBJ, its Approved Financial Institutions and select Business Development Organisations for BDOs to provide training, at reduced rates, to SMEs which have management gaps that hinder their creditworthiness. Training is expected to improve the SME's business operations and close the existing management gaps thereby improving the entity's chances of accessing credit.

Research, Risk, Analytics and Strategy Management: Imperatives to DRIVE DBJ's Output

The Enterprise Risk Management, Research and Strategy Management programmes were fundamental pillars that assisted the Bank to perform effectively and efficiently and achieve the results and impact experienced in 2013/14. The models and research that were completed in the period under review include:

- An MFI Credit Risk Model and tiered Borrower Risk Rating System, to measure and evaluate the credit risk profile of MFIs based on financial, social and managerial indicators. The creation of a tiered system to align the credit score to a credit limit in excess of current limit of 50% of the MFI's net worth
- AFI CAMEL Scoring and tiered Borrower Risk Rating System, capturing business indicators, financial information and details of risk management policies and procedures of AFIs, for evaluation on an ongoing basis.
- An Evaluation Model for Technical Assistance (TA) Applications, to implement an objective and standard scoring model to evaluate and score the extent to which requests for Technical Assistance are aligned with DBJ's KPIs, strategy and capacity development framework. This model was used as the logical framework to make recommendations to the Board of Directors for technical assistance grants
- Animation Industry research, which indicated ways in which the DBJ could deepen its support to the animation industry
- MFI Interest Rate Research Paper that examined the benefits of reducing interest rates in the sector to increase access to finance; this was done by analyzing the microfinance pricing determinants facing DBJ-approved MFIs
- The DBJ's 'SME Consultation', held to get insights on problems facing the SME industry and methods for creating opportunities for the Bank to increase its value and impact in providing development banking services to the SME sector.

A section of the poultry-processing facility being established by Narvarde Enterprises. DBJ funds are being used to launch an integrated poultry business consisting of feed mills, hatchery, broiler grow-out facility, slaughter and processing plant, packaging, sale and distribution of poultry products.

Jamaica Venture Capital Programme

The DBJ's medium-term strategy increasingly gives focus not only to facilitating access to credit, but also access to equity via the Jamaica Venture Capital Programme. Having signed a non-refundable Technical Co-operation Agreement with the Inter-American Development Bank through its Multilateral Investment Fund (IDB-MIF) in February 2013, the major imperatives of the DBJ's venture capital strategy are:

1. Developing a venture capital ecosystem to provide an environment conducive to the establishment of a dynamic private equity/venture capital (PE/VC) industry to include legal, taxation and regulatory changes as well as significant training of local investors, fund managers and entrepreneurs;
2. Fostering the establishment of new venture capital and private equity funds through public and private sector collaboration with local and international fund managers. Further, the DBJ will also seek to stimulate investments in new venture capital funds through co-investment, with private sector partners;
3. Fostering the development of a sustainable deal flow of investment-ready businesses, through the support of entrepreneurs, incubators and accelerators and sponsorship of business model competitions and pitch events;
4. Building strong linkages with our international development partners (IDP), the Jamaican Diaspora, as well as our Latin American and Caribbean partners;

During the year under review, strong focus was placed on 'filling the gaps' within the local environment, which are likely to constrain the development of a vibrant VC market. The VC team, along with its international development partners - the IDB and the World Bank - embarked

The Hon. Dr. Peter Phillips (second right), Minister of Finance and Planning, talks with, from left, Susana Garcia-Robles, Principal Investment Officer in charge of MIF Early Stage Equity Group; Patricia Freitas, who created and structured the venture capital investment unit at FINEP, the Brazilian Agency of Innovation; DBJ Managing Director Milverton Reynolds; Winsome Leslie, Senior Specialist at the IDB; JVCP Consultant Audrey Richards and DBJ Chairman Joseph M. Matalon at the first venture capital conference held in Kingston in September 2013.

upon a programme of knowledge development, information sharing and sensitisation of stakeholders, in an effort to increase awareness and move local market participants along the 'learning curve'. Activities included various speaking engagements, presentation at seminars and workshops as well as participation in local panel discussions and sponsorship of special market events.

Legal & Regulatory Framework

The DBJ recognises that a robust and transparent legislative and regulatory framework is required for a sustainable and effective PE/VC industry. Through the JVCP a number of legal, taxation and regulatory changes have been identified, recommendations have been documented, and short, medium and long-term strategies have been devised. These legislative amendments are to be submitted for consideration by the Ministry of Finance and possibly the Cabinet during Financial Year 2014/2015.

Venture Capital Conference

In September 2013, the DBJ hosted Jamaica's first Venture Capital Conference. The one-day event was attended by 300 persons, representing a wide cross- section of Jamaican professionals, local and international policymakers, regulators, academics and entrepreneurs. The keynote address was delivered by venture capitalist, Paul Ahlstrom, the founder of Alta Ventures, USA. Other presenters included the Hon. Minister of Finance & Planning, who officially opened the Conference. The conference took the form of plenaries and round table discussions, and concluded with a dynamic post-conference workshop for local and international, private sector and policymakers.

The members of Herboo Enterprise pose with officials from the IDB, PSOJ, Alta Ventures USA, and the DBJ after winning the first National Business Model Competition among local universities. The competition was held in March 2014 to encourage and promote creativity and the entrepreneurial spirit, and to create a pool of potential businesses.

Investor Panel

An Investor Panel comprising local public and private sector investors, including institutional investors, corporates, investment bankers and advisors, as well as pension funds and multilateral partners, has been established.

The mandate of the Panel is to encourage the establishment of venture capital and private equity funds operated by qualified local and/or international fund managers, who are fund-raising for the purpose of investing in companies operating in Jamaica. The members of the Panel will individually, based on their investment preferences, make the decision to invest in selected fund managers, following a due diligence process.

Through the mechanism of the Investor Panel, it is envisaged that new, as well as existing fund managers, will have the opportunity of presenting proposals to this consortium of prospective local investors and potentially acquiring partners with access to significant pools of capital.

The Panel will drive the process of identifying, selecting and investing in these fund managers. Many of the investors who sit on the Panel are expected to be actively involved in the angel and venture capital communities. It is hoped that members of the Panel will also participate in mentorship and coaching, of entrepreneurs.

National Business Model Competition (NBMC)

The National Business Model Competition was introduced to Jamaica at the September 2013 Venture Capital Conference, when keynote presenter, Paul Ahlstrom, extended an invitation to the three major universities to organize the competition. He offered prize monies totaling some $2 million and a place in the international competition. The ICD Group of Companies matched this sponsorship offer for the competition's prizes, while further sponsorship was secured from the DBJ, through the JVCP, the IDB's Multilateral Investment Fund and the Private Sector Organization of Jamaica.

The objectives of the NBMC were to encourage and promote creative thinking and the entrepreneurial spirit and to create a pool of potential businesses. The idea of involving the universities was based on the international model where universities are seen as fertile grounds for the unearthing of new innovation.

Organized on a tiered model whereby intra-university competitions were held between October 2013 and January 2014, to select their top four teams to participate in the national finals, the competition saw the three universities working together collaboratively, to develop a first-class event.

The finals of the NBMC were held on March 6 and 7 at the Jamaica Conference Centre at which time HERBOO Enterprises, a team of five student entrepreneurs representing Northern Caribbean University, emerged National winner. At the awards presentation, Mr. Ahlstrom and the ICD Group again pledged their support for the next year's competition. The International Business Model Competition is scheduled take place in Salt Lake City, Utah, USA on April 30 – May 4, 2014.

The NBMC is now listed on the universities' calendar of events, and the expectation is that the competition in the coming year will attract the participation of hundreds of student entrepreneurs, across the various campuses.

Angel Network

Critical to the success of a vibrant and sustainable VC/PE industry is the need for 'angel' investors who will provide guidance, mentorship and patient funding for start-ups and innovators.

The JVCP is supporting the establishment of Jamaica's first Angel Investor Network. 'Angels' are typically mature, successful high net worth individuals who themselves may be entrepreneurs and are at the stage of wanting to 'give back' and assist in moulding and coaching young, budding entrepreneurs. Advice and guidance on the establishment of a network is being sought from the Bank's IDPs and developmental activities have commenced with a number of local and international individuals.

Outlook

The JVCP imperatives over the next 12 months include a continued focus on knowledge development, information sharing and establishment of a conducive legal and regulatory framework. The DBJ and its partners are committed to the process and will:

- Host executive education training workshops on Private Equity and Venture Capital, with the first workshop to be held in June 2014
- Host the 2nd annual Venture Capital Conference in September 2014
- Continue the training of entrepreneurs through partnerships with local agencies and universities in order to promote a deal flow of eligible projects;
- Embark upon a major communication and change management plan aimed at fostering a culture shift, particularly among entrepreneurs
- Develop a 'toolkit' of standardized documents, templates and agreements for use by industry participants, thereby lowering the legal costs associated with private equity and venture capital transactions. The adoption (and adaptation) of international standardized documents and best practices is aimed at ensuring that all local practitioners have the requisite tools, knowledge and procedures to effectively participate in the venture capital deals
- Continue to lend support to the newly established Angel Investor group, through facilitation of training and linkages with local and international stakeholders
- Continue to support start-ups and innovators through the business model competitions, Digital Jam and Startup Jamaica
- Commence the establishment of a Private Equity and Venture Capital Association in Jamaica, to provide leadership of the venture capital industry, over the long term.

A section of the piggery at the Douglas Williams farm in St. Catherine. DBJ funds were used to expand the farm.

Public-Private Partnerships & Privatisation

Delivering growth through Public-Private Partnerships and Privatisation

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

The GOJ and the DBJ are committed to ensuring that transactions are executed efficiently, transparently and in a fiscally responsible and sustainable manner to ensure that the Government's exposure to moral hazard and future liabilities is mitigated.

During the 2013/14 Financial Year, critical privatisation and PPP transactions progressed in support of the Government's Growth Agenda and public sector reform programme. The private sector management of the entities and selected operations is expected to yield several economic benefits: Expansion, modernisation and diversification of operations and industries, increase in exports and transfer of operating costs and jobs from the public purse to the private sector. Private-sector participation will assist in alleviating the burden of the Government's obligation to finance loss-making operations and result in increased efficiency in the delivery and quality of public goods and services.

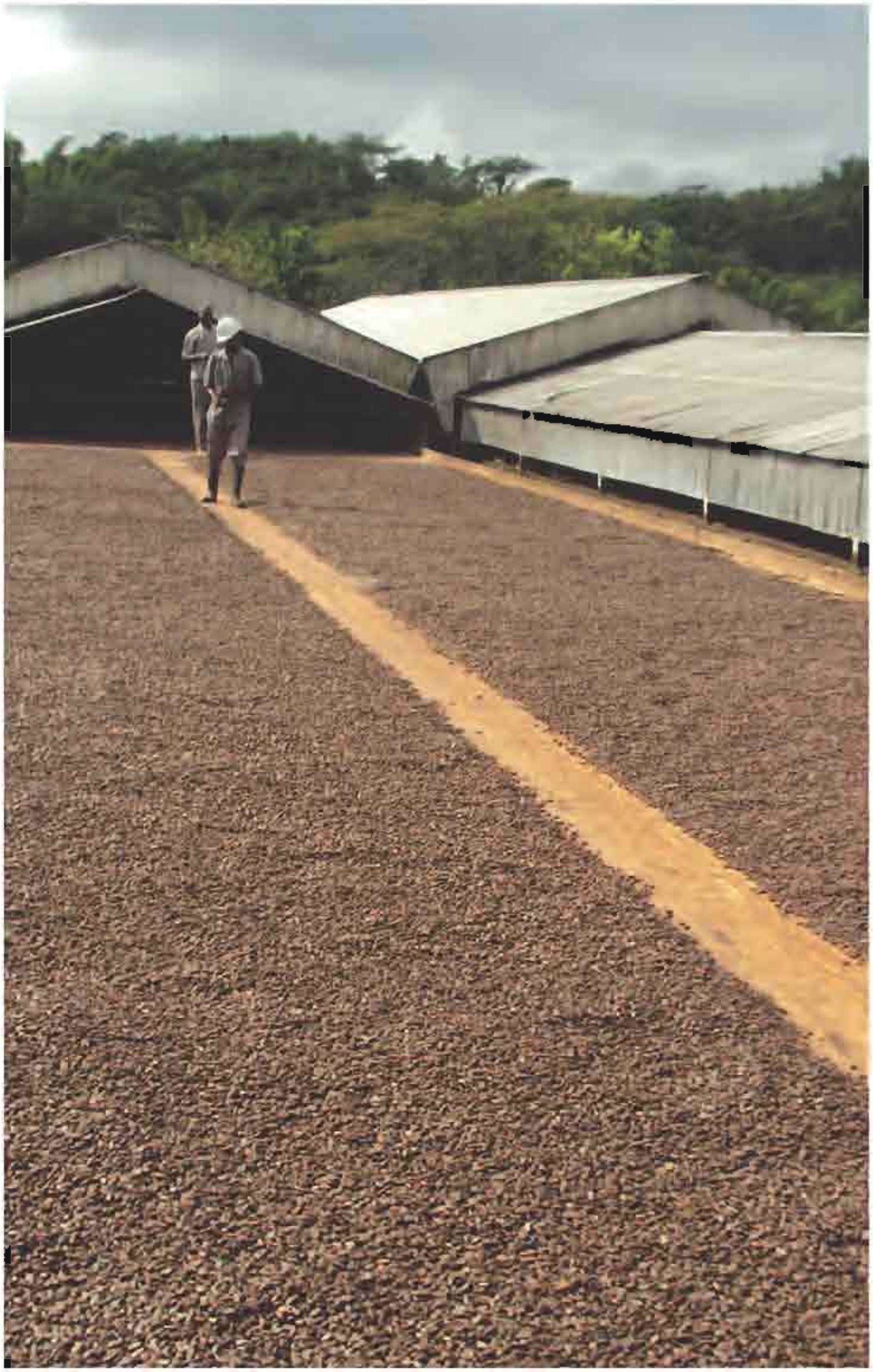
In addition to the work on transactions, the DBJ commenced an extensive capacity and awareness-building programme with Ministries, Departments and Agencies (MDAs) to identify and develop potential PPP opportunities.

PRIVATISATIONS IN PROGRESS

Sale of Assets of the Cocoa Industry Board

The GOJ's objective is to facilitate an increase in cocoa production and the development and modernisation of the industry with a view towards its future sustainability. As at year-end, a Request for Proposal had been issued to the public with bids due by May 2014. Several firms have expressed interest in this opportunity.

The DBJ provides technical and administrative support to the Enterprise Team overseeing the privatisation of Caymanas Track Limited.



Workers monitoring the drying of cocoa beans. The DBJ is currently managing the privatisation of the Cocoa Industry Board.

Sale of Petroleum Company of Jamaica Limited (Petcom)

The Government is seeking to divest Petcom and is seeking investors to expand and develop the petroleum industry. Pre-divestment due diligence on the entity was undertaken during the financial year to determine the divestment strategy. Several firms expressed an interest in this opportunity and a Preferred Bidder is expected to be identified in the FY 2014/15.

Privatisation of the Jamaica Railway Corporation

The GOJ is seeking to privatise the entity primarily to explore the rehabilitation of rail infrastructure and resumption of rail operations. However, if this is not feasible, the Government will determine the best privatisation strategy to maximize the return and minimize fiscal exposure. The Government is allowing two firms which expressed interest in the opportunity to clarify the business and financial models that they would use to create a viable concession. Clarifications are expected by April 2014, after which the strategy will be determined.

Sale of interest in Windalco

Cabinet has approved the sale of Jamaica Bauxite Mining Ltd.'s 7% interest in Windalco to UC Rusal. Sale Agreements are to be finalised and the transaction closed within the first quarter of the 2014/15 financial year. This transaction will save the Government approximately US$3 million per annum.

Privatisation of Caymanas Track Limited (CTL)

CTL has accumulated losses of approximately $450 million as at March 2013. Due diligence is being undertaken to inform the privatisation strategy. Identification of a Preferred Bidder is expected within FY 2014/15.

PUBLIC-PRIVATE PARTNERSHIPS IN PROGRESS

Norman Manley International Airport

This development is a key part of the Government's plans to establish Kingston as a regional business hub and Jamaica as a logistics hub. At the end of the 2013/14 Financial Year the Business Case had been completed and Cabinet approval was being sought to implement the bidding process. Request for Proposals and identification of a Preferred Bidder is expected in FY 2014/15.

Kingston Container Terminal

This is an opportunity for the operations, expansion and management of the Port to meet anticipated traffic from the Panama Canal expansion and other emerging industry trends. As at year-end prequalified bidders were conducting due diligence to support their bids. The Government is expected to identify the Preferred Bidder and complete Commercial close in FY 2014/15.

Port Community Systems (PCS)

The PCS will improve efficiency in doing business within the port community. The project is key in positioning Jamaica as a global logistics hub. In March 2014, bids submitted by the two pre-qualified parties were being evaluated. Based on results of evaluation, the Port Authority of Jamaica has decided to terminate the tender process with a view to reissue a revised RFP to the pre-qualified bidders. Commercial close is anticipated in FY 2014/15.

ENTITIES IDENTIFIED FOR PRIVATISATION

During this financial year, the Privatisation Committee of Cabinet identified four additional entities for possible privatisation:

- The Bath Fountain Hotel and Spa is located in St. Thomas and is operated as a health and wellness tourism facility by the Ministry of Tourism. The property offers natural and therapeutic mineral baths, guest accommodation and dining facilities. The GOJ will again explore the privatisation of its mineral spas with a clear mandate for ownership remaining with the GOJ.
- Milk River Spa is a natural

The DBJ is overseeing the sale of the Petroleum Company of Jamaica.

mineral spa and is located in Clarendon. The high mineral content and radioactivity of the water is comparable to some of the world's leading natural spas.

- Public Parking: The Kingston & St. Andrew Corporation (KSAC) expressed an interest in resuming efforts to privatise on-street and on-lot parking in the Kingston Metropolitan Area and, in particular, the need for a structured parking system in the downtown Kingston area. The Government will examine this transaction in the context of other opportunities within local government.
- Jamaica Exotic Flavours and Essences aims to utilize Jamaica's primary agricultural products and appropriate technology to extract high levels of flavour compounds for sale to the international market. The Government will seek private sector investment to expand and commercialise this operation.

Morrison's Construction and Equipment and Quarrying, located in the Commodore area of St. Catherine, is using DBJ funds to purchase and upgrade equipment and to expand the company.

PROJECTS BEING ASSESSED FOR DEVELOPMENT AS PPPS

Solar Power in Schools

The National Education Trust in collaboration with the DBJ is exploring the option for a pilot PPP arrangement for the provision of photovoltaic energy to 30 public schools, which if successful, could be replicated. As at year end, a feasibility study was being completed with technical assistance from IDB's Multilateral Investment Fund, to determine eligibility for PPP development.

Opportunities in Local Government

The DBJ held discussions with the Kingston and St. Andrew Corporation and the Ministry of Local Government & Community Development (MLGCD) during the year to explore a number of opportunities with the potential for private sector partnership including the provision of parking facilities in downtown Kingston and the provision of LED bulbs for use in streetlights.

Development and Expansion of Soapberry Wastewater Treatment Plant

The National Water Commission (NWC) has received grant funding from the Public-Private Infrastructure Advisory Facility to complete prefeasibility assessment for the expansion of Soapberry Wastewater treatment plant through a PPP arrangement. As at the end of FY 2013/14 the NWC, with the assistance of the International Finance Corporation (IFC) and Technical Consultants WorleyParsons, was completing its review of the draft prefeasibility study to inform the strategy for the way forward.

OTHER DEVELOPMENTS

Funding For Project Preparation

The DBJ has identified the lack of funding as a key constraint to the timely adequate development and packaging of privatisation and PPP opportunities for the private sector. In this regard, the DBJ made several representations to multilaterals for support for project development. As at year end, the Government was in discussions with the World Bank to provide funding for a Project Preparation Fund which will finance the engagement of advisors and completion of the requisite technical studies to support the development of privatisation and PPP projects. This is expected to come on stream during the coming financial year.

Increasing the Capacity of Key Agencies

The DBJ canvassed the support of the World Bank to provide funding to increase the capacity of key MDAs including the Attorney General's Chambers to facilitate increasing efficiency in the execution of transactions.

General Capacity Building within the GOJ

A critical factor to the sustainability of the PPP Programme is building the capacity of MDAs to identify those assets and services whose productivity and efficiency could be enhanced through partnerships with the private sector. As a first step in achieving this objective, the DBJ undertook several initiatives aimed at raising awareness of the benefits of privatisation and PPPs and in FY 2013/14 accomplished the following:

1. Hosted five PPP workshops and trained 70 Government representatives in topics related to PPPs, supported by technical assistance from the World Bank and the IDB's Multilateral Investment Fund;
2. Engaged expert advisors through multilateral support and at no cost to the government to undertake four preliminary feasibility studies aimed at assisting MDAs with PPP evaluation and screening. These studies included building schools using a PPP arrangement, the provision of solar energy in schools, the concessioning of the operation of the railway and operation and expansion of the Soapberry Wastewater Treatment Plant.

Sensitisation and Awareness Building

In addition to the targeted capacity-building and training sessions, DBJ also had the opportunity to collaborate with the British High Commission to host a two-day PPP conference in February 2014. The Conference was entitled Delivering Growth by Partnership: Sharing UK Capabilities in PPP and included over 150 participants from the local private sector and Government representatives from eight Caribbean nations including Jamaica.

The Conference was aimed primarily at sharing lessons learnt from the UK's experience in pioneering the development and implementation of PPPs and presenters included experienced PPP practitioners from the United Kingdom and representatives from the DBJ's and Ministry of Finance and Planning's PPP Units.

Risk Management at the DBJ

Enterprise Risk Management (ERM) is central to the fulfilment of the Mission and Vision of the DBJ. By taking risks, the Bank becomes a catalyst for growth in the national economy. Hence, the Bank manages its risk on an enterprise-wide basis, ensuring on-going, continuous risk management, which is embedded within the business cycle, starting with strategic planning, and carrying through to execution and evaluation. The DBJ's ERM programme is guided by its ERM Framework and Policy which was approved by its Board of Directors in 2014.

The DBJ realises that if risks are not properly managed, then the Bank could face unexpected and possibly severe financial distress. A sound ERM framework therefore addresses the integration of risk management in high-level decision making, as well as day-to-day business decisions and outlines the Board's role in effective oversight.

DBJ's ERM Framework

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

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

The DBJ ERM sub-Committee:

Jeffrey Cobham - Chairman
Dr. Dhiru Tanna
Errol Powell
Marc Harrison
Richard Burgher

The Role of the ERM Board sub-Committee

- Reviews risk policies and makes recommendations to the wider Board
- Establishes and reviews Risk Tolerance Levels and makes recommendations regarding overall risk appetite to the Board
- Reviews and approves high-level risk management reports
- Makes decisions regarding critical risk treatment options
- Assesses the management team's management of key business risks within the risk management policy and risk tolerance levels

- Reviews recommendations for Board risk management professional development

DBJ's Risk Appetite & Tolerance

Risk Philosophy

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

Managing Risk Appetite & Tolerance Levels

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

Analyzing and Managing Risks

The DBJ uses a Risk Control Assessment tool to identify and assess strategies to treat risks at all levels. The Bank has analysed and actively monitors Strategic and Key Business Risks at the enterprise level.

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

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

Credit Risk

Credit risk is the potential for loss to the organization arising from failure of borrowers to honour their contractual obligations to the Bank. The DBJ is exposed to credit risk from direct lending as well as wholesale lending through intermediaries namely Approved Financial Institutions (AFI) and Microfinance Institutions (MFI).

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

Market Risk

Market risk relates to movements in specific market variables, including interest rates and foreign exchange rates, which will have an adverse impact on income and/or portfolio value. External Risk Indicators (ERI) which are used to track the movement of market prices are monitored by the ERM and Strategy Unit to trigger the appropriate management response.

These responses are guided by the Bank's policies and strategies and the appropriate market risk models are used to assess exposure and inform optimal responses. Market risks are monitored by the ERM Committee and reported to the Board via risk dashboards and reports.

Strategic, Operational and Reputational Risks

Strategic risks

Strategic risk refers to internal or external uncertainties which impact an organisation's strategies and/or the implementation of strategies or risks that emanate from changes in strategy. The risk that the DBJ's execution of strategies and/or achievement of business objectives will be affected by internal and/or external events falls under this heading. The Bank's risk management structure was designed to integrate risk management with strategy management through the ERM and Strategy Unit in Strategic Services Division Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board.

DBJ's Critical Uncertainty Matrix

Operational risks

Operational risks emanate from the execution of business activities. Operational risks are identified, analyzed and monitored at the department level with quarterly reporting to the Managing Director. Operational risks that have a large impact on the business, have a relatively high likelihood of occurrence and are fairly imminent are escalated to the level of Key Business Risk (KBR), which is given special managerial and Board attention.

Reputational risks

Reputational risks can emerge if the DBJ fails to deliver satisfactory standards of service quality, fails to comply with legal and ethical standards, commits operational failures, fails to adhere to the Bank's policies, established practices and procedures and/or best practices, fails to meet stakeholder expectations on responsible behaviour, and/or is unethical in its practices and beliefs.

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

Risk–based Scenario Planning

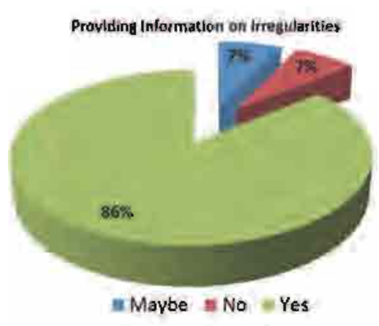
During the strategic planning process, the DBJ identifies several critical external driving forces with high levels of uncertainty that could significantly impact the Bank's strategy and business sustainability. The Bank then applies risk management principles to mitigate, avoid, transfer, accept and/or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

Corporate Governance

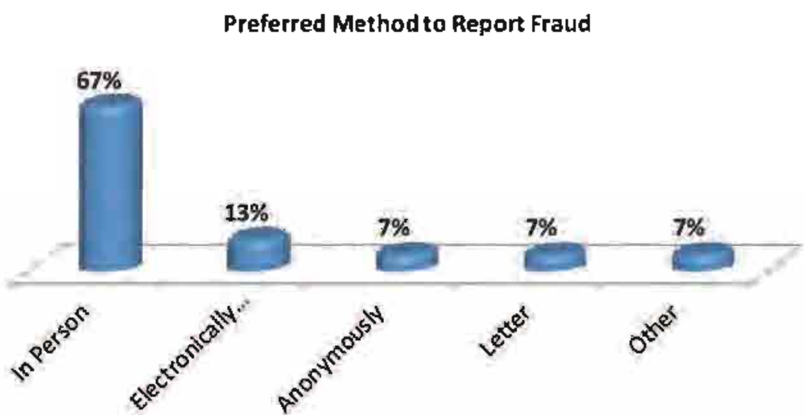
Good corporate governance underpins the DBJ's systems of accountability, transparency and efficiency. The Board of Directors, Audit & Conduct Review sub-Committee, Internal Audit, Enterprise Risk Management, senior management and staff have all contributed to the company's success of maintaining a strong governance foundation.

The Bank's corporate governance principles are rooted in internationally accepted standards that are locally guided by:

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



The confidence shown in the DBJ's corporate governance systems was demonstrated in a 2013 survey, where **8 of every 10** of DBJ's staff when asked about their willingness to provide information on irregularities to internal audit, indicated a definitive "Yes", an



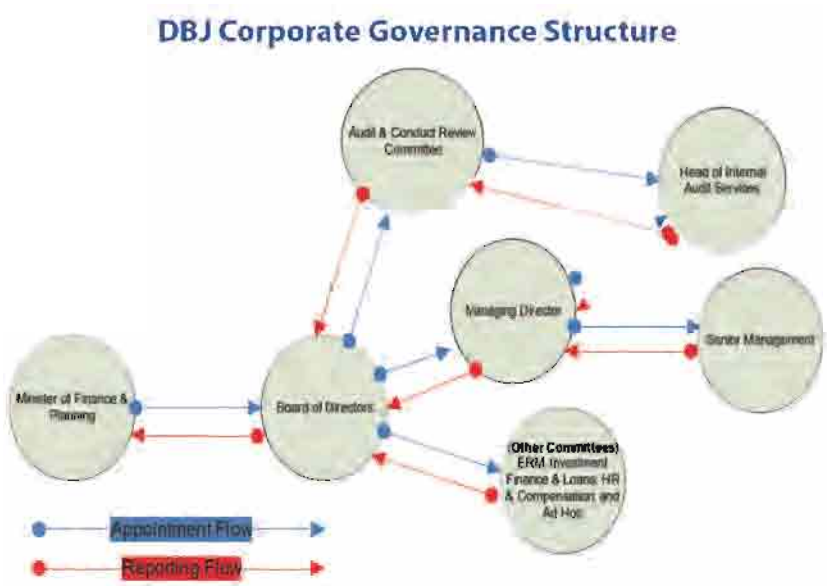
additional 7% of staff stated "Maybe".

When further asked about the preferred method to report fraudulent activities 87% chose a direct approach. This is indicative of the company's goal of fostering a good corporate governance culture.

Framework

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

- Contribution to nation building, business, institutions and professions
- Integrity, honesty and the ability to generate public confidence
- Sound and independent business judgment
- Financial literacy
- Knowledge and appreciation of



public issues and familiarity with local, national and international affairs

- Knowledge of the business of the company; and
- Ability to dedicate adequate time to the Board and committee work.

Internal Audit

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

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

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

These initiatives include:

1. Quality Assurance Improvement Programme (QAIP)

Launched and completed Phase 1 of its Quality Assurance Improvement Programme (QAIP) - Internal Self-Assessment. The QAIP provides assurance to the Bank's stakeholders that the internal audit activities conform to the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing (Standards).

2. Improvements in Management Corrective Actions (MCAs)

Made significant improvements in implementation of recommendations to strengthen the Bank's GRC systems and processes. Within the year, 90% of recommendations made were successfully implemented and corrective actions were initiated for the other 10%.

3. Monitor controls using technology

Acquired and installed a Continuous Auditing Software Solution. The system enables the Bank to automate monitoring of some of its internal controls.

Attendance for Board of Directors' and sub-Committee Meetings

Board of Directors' meetings

	Name of Director	Number of Meetings Held	Number of Meetings Attended
1	Joseph M. Matalon	13	13
2	Richard Burgher	13	11
3	Jeffrey Cobham	13	10
4	Brian George*	13	4
5	Marc Harrison	13	8
6	Dennis Morrison**	13	7
7	Errol Powell	13	11
8	Ann Marie Rhoden	13	8
9	Dhiru Tanna	13	9
10	Maureen Webber	13	12
11	Milverton Reynolds	13	13

* Mr. George resigned from the Board of Directors effective February 14, 2014

**Mr. Morrison joined the Board of Directors in October 2013.

Investment, Finance & Loans sub-Committee meetings

	Name of Director	Number of Meetings Held	Number of Meetings Attended
1	Joseph M. Matalon	7	6
2	Richard Burgher	7	5
3	Jeffrey Cobham	7	6
4	Brian George	7	2
5	Dhiru Tanna	7	5
6	Maureen Webber	7	7
7	Milverton Reynolds	7	7

Audit & Conduct Review sub-Committee meetings

	Name of Director	Number of Meetings Held	Number of Meetings Attended
1	Errol Powell	4	4
2	Marc Harrison	4	4
3	Ann Marie Rhoden	4	4
4	Maureen Webber	4	4
5	Milverton Reynolds (non-Committee member)	4	2

Enterprise Risk Management sub-Committee meetings

	Name of Director	Number of Meetings Held	Number of Meetings Attended
1	Jeffrey Cobham	3	3
2	Richard Burgher	3	0
3	Marc Harrison	3	3
4	Errol Powell	3	3
5	Dhiru Tanna	3	1
6	Milverton Reynolds (non-Committee member)	3	2

Human Resources and Compensation sub-Committee meetings

	Name of Director	Number of Meetings Held	Number of Meetings Attended
1	Maureen Webber	1	1
2	Brian George	1	0
3	Joseph M. Matalon	1	0
4	Dhiru Tanna	1	1
5	Milverton Reynolds	1	1

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

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

In 2013/14, the DBJ invested in a range of projects across the productive sector.

Manufacturing

Agriculture (Poultry)

Construction

Glossary of Acronyms

Below is a list of acronyms and their meanings as they appear in the DBJ's 2013-14 Annual Report:

AFI - Approved Financial Institutions

CariCRIS - Caribbean Information and Credit Ratings Services Limited

CDB - Caribbean Development Bank

CIB - Cocoa Industry Board

EFF - Extended Fund Facility

ERM - Enterprise Risk Management

EXIM - National Export-Import Bank of Jamaica Limited

EU - European Union

GOJ - Government of Jamaica

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

IDB - Inter-American Development Bank

IFC - International Finance Corporation

IMF - International Monetary Fund

JAMPRO - Jamaica Promotions Limited

JBDC - Jamaica Business Development Corporation

JVCP - Jamaica Venture Capital Programme

LOPM - Loan Origination and Portfolio Management

M3 - Mobile Money for Microfinance

MFI - Micro Finance Institutions

MSME - Micro, Small and Medium-sized Enterprises

MSTEM - Ministry of Science, Technology, Energy and Mining

NMIA - Norman Manley International Airport

NPCB - National People's Co-operative Bank

PDF - PetroCaribe Development Fund

PPP - Public-Private Partnerships

SME - Small and Medium-sized Enterprises

Workers reap avocado on the Conway Scott farm in Clarendon. DBJ funding was used to expand the orchard.

DIRECTORS' GROSS COMPENSATION

For year ended 31 MARCH 2014

Position of Director	FEES (J$)		Motor Vehicle Upkeep/Traveling or Value of Assigned Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
	Board Meetings	Committee Meetings				
CHAIRMAN	208,000	42,000	N/A	N/A	N/A	250,000
BOARD MEMBER 1*	85,000	21,000	"	"	"	106,000
BOARD MEMBER 2	93,500	17,500	"	"	"	111,000
BOARD MEMBER 3	102,000	38,500	"	"	"	140,500
BOARD MEMBER 4	93,500	10,500	"	"	"	104,000
BOARD MEMBER 5	133,000	24,500	"	"	"	157,500
BOARD MEMBER 6	119,000	28,000	"	"	"	147,000
BOARD MEMBER 7	59,500	N/A	"	"	"	59,500
BOARD MEMBER 8	68,000	14,000	"	"	"	82,000
BOARD MEMBER 9	34,000	7,000	"	"	"	41,000
TOTALS	995,500	203,000				1,198,500

* Board fees used for charitable purposes

SENIOR EXECUTIVE COMPENSATION

For year ended 31 MARCH 2014

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)		Traveling Allowance or Value of Assigned Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances (Clothing) ($)	Non-Cash Benefits ($)	Total ($)
			Gratuity (Note 1)	Performance Incentive (Note 2)					
Managing Director	2013/14	10,336,200	2,584,050	826,896	120,000 (Note 3)	N/A	N/A	N/A	13,867,146
GM 1	"	5,304,259	1,326,065	441,727	1,102,500	N/A	65,000	N/A	8,239,550
GM 2 (Note 4)	"	1,790,747	447,687	0	367,500	N/A	65,000	N/A	2,670,933
GM 3	"	5,447,351	N/A	441,727	1,102,500	375,867	65,000	N/A	7,432,445
GM 4	"	5,453,770	N/A	386,511	1,102,500	376,310	65,000	N/A	7,384,091
GM 5	"	5,374,300	N/A	441,727	1,102,500	370,827	65,000	N/A	7,354,354
GM 6	"	4,155,192	N/A	341,181	1,102,500	286,708	65,000	N/A	5,950,581
GM 7	"	5,133,948	N/A	416,590	1,102,500	354,242	65,000	N/A	7,072,281
GM 8	"	3,960,000	N/A	207,900	1,102,500	273,240	65,000	N/A	5,608,640
GM 9	"	5,791,767	N/A	466,863	1,102,500	399,632	65,000	N/A	7,825,762
Totals		**52,747,533**	**4,357,801**	**3,971,122**	**9,307,500**	**2,436,827**	**585,000**		**73,405,783**

* GM – General Manager

Notes

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

Audited Accounts
2013 - 2014

Development Bank of Jamaica Limited

Facilitating economic growth and development

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of
DEVELOPMENT BANK OF JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Development Bank of Jamaica Limited ("the company"), set out on pages 56 to 133, which comprise the statement of financial position as at March 31, 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of these records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

June 23, 2014

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2014 $'000	2013 $'000
Net interest and other income			
Interest income		1,198,634	1,142,492
Interest expense		(531,009)	(477,074)
Net interest income	7	667,625	665,418
Other income	8	911,678	443,894
		1,579,303	1,109,312
Operating expenses			
Staff costs	9	(369,455)	(363,173)*
Other operating expenses	10	(280,636)	(239,924)
Total staff costs and other operating expenses		(650,091)	(603,097)
Profit from operating activities before impairment losses		929,212	506,215
Impairment losses on loans	18(b)	-	(1,014,697)
Impairment losses on investment securities	13(a)	-	(1,913,579)
Impairment loss - other	19	(177,431)	-
Total impairment losses		(177,431)	(2,928,276)
Profit/(loss) from operating activities		751,781	(2,422,061)
Share of losses of associated companies	15	(38,263)	(38,776)
Profit from Credit Enhancement Facility Fund	22	29,299	7,651
Profit/(loss) for the year		742,817	(2,453,186)
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss			
Remeasurement of employee benefit asset	24(c)	(906)	(52,586)*
Items that are or may be reclassified to profit or loss			
Net gain/(loss) in fair value of available-for-sale securities	31(a)	79,084	(51,158)
Surplus on revaluation of property and equipment	26	91,590	-
Other comprehensive income/(loss) for the year		169,768	(103,744)
Total comprehensive income/(loss)for the year		912,585	(2,556,930)

* Restated (note 36).

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

Statement of Financial Position
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2014 $'000	2013 $'000	2012 $'000
ASSETS				
Cash and cash equivalents	11	490,358	630,377	794,361
Resale agreements	12	723,233	3,253,786	1,946,502
Investment securities	13	2,324,622	2,035,802	3,686,405
Investment properties	14	448,233	321,171	315,207
Interest in associated companies	15	924,919	902,829	825,829
Loans receivable, net of impairment allowance:				
Direct loans	16	5,681,613	5,234,452	5,497,310
Financial and agricultural institutions loans	17	9,581,882	6,732,175	6,450,964
Government of Jamaica infrastructural programmes	19	29	183,436	181,467
Due from Government of Jamaica – Privatisation	20	8,329	1,404	28,289
– Note receivable	21(a)	391,271	472,065	561,066
Other	21(b)	858,367	690,673	588,418
Income tax recoverable		344,987	338,790	339,824
Due from Credit Enhancement Facility Fund	22	369,051	340,757	335,313
Other receivables	23	117,067	120,073	108,693
Employee benefit asset	24	233,450	216,238*	251,639*
Intangible assets	25	5,677	932	639
Property and equipment	26	766,145	692,841	712,442
		23,269,233	**22,167,801**	**22,624,368**
LIABILITIES				
Loans payable	27	14,433,488	14,125,577	11,491,213
Other	28	367,512	400,958	498,529
		14,801,000	14,526,535	11,989,742
EQUITY				
Share capital	29 (a)	1,757,539	1,757,539	1,757,539
Share premium	29 (b)	98,856	98,856	98,856
Capital reserves	30	1,206,517	1,206,613	1,419,338
Other reserves	31	5,102,757	4,944,109*	5,106,693*
Retained earnings/(deficit)		302,564	(365,851)*	2,252,200*
		8,468,233	7,641,266	10,634,626
		23,269,233	**22,167,801**	**22,624,368**

The financial statements on pages 3 to 80 were approved for issue by the Board of Directors on June 23, 2014 and signed on its behalf by:

_________________ Chairman
Joseph Matalon

_________________ Managing Director
Milverton Reynolds

* Restated (note 36).
The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	Share capital $'000	Share premium $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balances at March 31, 2012							
As previously reported		1,757,539	98,856	1,419,338	5,112,054	2,257,814	10,645,601
Prior year adjustment	36	-	-	-	(5,361)	(5,614)	(10,975)
As restated		1,757,539	98,856	1,419,338	5,106,693	2,252,200	10,634,626
Total comprehensive loss for the year							
Loss for the year:							
As previously reported		-	-	-	-	(2,448,124)	(2,448,124)
Prior year adjustment	36	-	-	-	-	(5,062)	(5,062)
As restated		-	-	-	-	(2,453,186)	(2,453,186)
Total other comprehensive loss:							
Net loss in fair value of available-for-sale securities As previously reported	31(a)	-	-		(51,158)	-	(51,158)
Prior year adjustment	36	-	-	-	(52,586)	-	(52,586)
As restated		-	-	-	(103,744)	-	(103,744)
Total comprehensive loss for the year, as restated		-	-	-	(103,744)	(2,453,186)	(2,556,930)
Transfers							
Amortisation of grants	30(d)	-	-	(106)	-	-	(106)
Transfer to special reserves	31(d)	-	-	-	(18,492)	-	(18,492)
Transfer of profit on CEF	31(f)	-	-	-	7,651	(7,651)	-
Transfer to technical reserve	31(g)	-	-	-	(47,999)	(11,414)	(59,413)
		-	-	(106)	(58,840)	(19,065)	(78,011)
Transactions with owners, recognised directly in equity							
Dividends	32	-	-	(212,619)	-	(145,800)	(358,419)
Restated balances at March 31, 2013		1,757,539	98,856	1,206,613	4,944,109	(365,851)	7,641,266
Balances at March 31, 2013:							
As previously reported		1,757,539	98,856	1,206,613	5,002,056	(355,175)	7,709,889
Prior year adjustment 2012	36	-	-	-	(5,361)	(5,614)	(10,975
Prior year adjustment 2013	36	-	-	-	(52,586)	(5,062)	(57,648)
As restated		1,757,539	98,856	1,206,613	4,944,109	(365,851)	7,641,266
Total comprehensive income for the year							
Profit for the year		-	-	-	-	742,817	742,817
Other comprehensive income							
Remeasurement of employee benefit obligation		-	-	-	(906)	-	(906)
Net change in fair value of available-for-sale securities	31(a)	-	-	-	79,084	-	79,084
Surplus on revaluation of property plant and equipment	26	-	-	-	91,590	-	91,590
Total other comprehensive income for the year		-	-	-	169,768	-	169,768
Total comprehensive income for the year		-	-	-	169,768	742,817	912,585
Transfers							
Amortisation of grants	30(d)	-	-	(96)	-	-	(96)
Transfer from special reserves	31d)	-	-	-	(4,538)	-	(4,538)
Transfer of profit on CEF	31(f)	-	-	-	29,299	(29,299)	-
Transfer to technical reserve	31(g)	-	-	-	(35,881)	(19,623)	(55,504)
		-	-	(96)	(11,120)	(48,922)	(60,138)
Transactions with owners, recognised directly in equity							
Dividends	32	-	-	-	-	(25,480)	(25,480)
Balances at March 31, 2014		1,757,539	98,856	1,206,517	5,102,757	302,564	8,468,233

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

Statement of Cash Flows (continued)

Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2014 $'000	2013 $'000
Cash flows from investing activities			
Resale agreements		2,513,643	(1,296,451)
Investment securities, net		(540,896)	(300,334)
Interest in associated companies		(68,111)	(101,896)
Purchase of intangible assets	25	(6,277)	(1,044)
Purchase of property and equipment	26	(23,356)	(19,654)
Proceeds of disposal of property and equipment		1,103	979
Additions to investment properties		240,792	(4,487)
Net cash provided/(used) by investing activities		2,116,898	(1,722,887)
Cash flows from financing activities			
Loans to financial and agricultural institutions		(3,374,920)	(370,942)
Direct borrowers		12,104	(273,768)
Loans received		315,224	4,286,058
Loans repaid		(1,460,953)	(1,469,477)
Dividends paid	32	(25,480)	(358,419)
Net cash (used) /provided by financing activities		(4,534,025)	1,813,452
Net increase in cash and cash equivalents		(74,334)	(78,928)
Effect of exchange rate fluctuations on cash and cash equivalents		(65,685)	(85,056)
Cash and cash equivalents at beginning of year		630,377	794,361
Cash and cash equivalents at end of year	11	490,358	630,377

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

(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 those of the Agricultural Credit Bank of Jamaica Limited ("ACB"), also incorporated in Jamaica. Thereafter, the name of ACB was changed to Development Bank of Jamaica Limited. The company is domiciled in Jamaica and its registered office is located at 11A Oxford Road, Kingston 5, Jamaica.

(ii) With effect from September 1, 2006, the company, under the terms of Cabinet decision # 26/06, dated July 24, 2006, took over the operations and certain assets and liabilities of National Investment Bank of Jamaica Limited ("NIBJ"). This resulted in the company acquiring net identifiable assets, amounting to $1,727,539,000. On July 24, 2009, the company issued shares to the Accountant General, in trust for the Capital Development Fund, as compensation for this amount. Certain non-performing assets were retained by NIBJ, which continues to operate for the purpose of pursuing the recovery of those assets.

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

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

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

(d) (Cont'd)

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

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

2. **Basis of preparation**

(a) Statement of compliance

The financial statements as of and for the year ended March 31, 2014 ("reporting date") are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act.

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

Certain new, revised and amended standards and interpretations came into effect during the financial year under review. Those that had a significant effect on the amounts and disclosures in the financial statements are as follows:

- IFRS 13, *Fair Value Measurement*

  IFRS 13, which is effective for annual reporting periods beginning January 1, 2013, establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The standard led to additional disclosures, as set out in notes 6 and 14, but had no significant impact on the measurements of the company's assets and liabilities.

- Amendments to IAS 19, *Employee Benefits*

  As a result of the adoption of the 2011 amendments to IAS 19, *Employee Benefits,* the company has changed its accounting policy with respect to the basis for determining the income or expense relating to its post-employment defined benefit plans.

(Expressed in Jamaica dollars unless otherwise indicated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

- Amendments to IAS 19, *Employee Benefits* (cont'd)

  As a consequence of the change, the company now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability at the beginning of the year. Net interest also takes into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Actuarial gains and losses are now recognised immediately in other comprehensive income. Previously, the company recognised actuarial gains and losses using the corridor method, which required that any cumulative unrecognised gains or losses exceeding 10% of the present value of the benefit obligation were recognised in profit or loss over the expected average remaining working lives of the employees affected.

  The change has been applied retrospectively and relevant prior year financial statement amounts have been restated accordingly (notes 24 and 36).

- Amendment to IAS, *Presentation of Financial Statements*

  The adoption of the Amendment to IAS 1, entitled, "IAS 1, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*" led to the change in the title of the statement from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income.'

- *Improvements to IFRS, 2009-2011 Cycle,* contained amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The amendment which impacted the presentation in these financial statements is as follows:

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

(Expressed in Jamaica dollars unless otherwise indicated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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

- IFRS 9, *Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2018. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard 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.

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

- IFRIC 21, *Levies*, which is effective for annual reporting periods beginning on or after January 1, 2014 provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs.

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

(Expressed in Jamaica dollars unless otherwise indicated)

2. **Basis of preparation (cont'd)**

(b) **Basis of measurement**

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

(c) **Functional and presentation currency**

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

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

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

Estimates, and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

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

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

3. **Significant accounting policies**

(a) **Associates**

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

3. Significant accounting policies (cont'd)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement:

(iii) Non-derivative financial assets – measurement

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

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

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

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.
- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the accumulated fair value adjustments accumulated in equity are reclassified to profit or loss.

3. Significant accounting policies (cont'd)

(c) Specific financial instruments

(i) Cash and cash equivalents

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

Cash and cash equivalents are carried at cost.

(ii) Resale agreements

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

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

(iii) Investment securities

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

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

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

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

(iv) Loans receivable

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(c) Specific financial instruments

(v) Borrowings

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

(vi) Share capital and dividends:

(1) Classification:

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

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

(2) Dividends:

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

(d) Impairment of financial assets

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

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

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

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

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

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

(e) Foreign currency translation

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(e) Foreign currency translation (cont'd)

(iv) Those foreign currency loans which were negotiated by the Government of Jamaica and on-lent to the company by the Ministry of Finance and Planning (MOFP) in Jamaica dollars [see notes 27 (xiii), (xiv)], are stated in Jamaica dollars at the exchange rate prevailing at the date of disbursement, as the Government has agreed to bear the exchange risk.

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

(f) Intangible assets

Computer software

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

(g) Property and equipment

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

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(g) Property and equipment (cont'd)

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

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

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

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

(h) Investment properties

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

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

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

(i) Leased assets

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

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(j) Impairment of non-financial assets

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

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

(k) Revenue recognition

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

(i) Interest income

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

IFRS requires that when loans become doubtful of collection, i.e., impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received.

(Expressed in Jamaica dollars unless otherwise indicated)

3. Significant accounting policies (cont'd)

(k) Revenue recognition

(ii) Fee and commission income

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

(l) Interest expense

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

(m) Employee benefits

(i) General benefits:

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

(ii) Defined benefit pension plan

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

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

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

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

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

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

(n) **Government grants**

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The determination of whether a security may be classified as 'loans and receivables' [note 3(b)(iii)] or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy [note 4(b)(ii) below] requires judgement as to whether a market is active. Classification of financial instruments also requires judgement as to whether all the relevant criteria have been met – for example, in classifying financial assets as held-to-maturity, the company has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 3(c)(iii).

(b) Key sources of estimation uncertainty

(i) Allowances for credit losses:

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

The allowance for impairment of loans receivable and debt securities is determined by evaluating those assets individually for impairment. This is done where there are indicators of impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes assumptions about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. There is inherent uncertainty in these estimates and assumptions.

(ii) Fair value of financial instruments

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

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

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

5. Financial instrument risk management

(a) Overview

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

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

Risk management framework

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

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

(i) Investment, Finance and Loans Committee

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

Risk management framework (cont'd)

(ii) Audit and Conduct Review Committee

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

(iii) Compensation Committee

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

(iv) Enterprise Risk Management Committee

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

(b) **Market risk**

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

(i) **Foreign currency risk**

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

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

The company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the US Dollar and the Euro.

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

	2014	
	US$ '000	€ '000
Cash and cash equivalents	1,629	-
Resale agreements	6,428	-
Investment securities	26,959	-
Mortgage loan receivable	21,260	-
Loans, net of impairment losses	44,507	-
Total foreign currency assets	100,783	-
Short-term loans	(45,576)	(64)
Long-term loans	(58,257)	(795)
Other-liabilities	(1,600)	-
Total foreign currency liabilities	(105,433)	(859)
Net foreign currency liabilities	(4,650)	(859)

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

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

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

Sensitivity to foreign exchange rate movements:

A 1% (2013: 1%) strengthening or a 15% (2013: 10%) weakening of the Jamaica dollar against the following currencies at the reporting date would impact profit or loss and equity for the year as indicated in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2013.

	2014			2013		
	% Change in currency rate	Effect on profit $'000	Effect on equity $'000	% Change in currency rate	Effect on loss $'000	Effect on equity $'000
Strengthening of the Jamaica dollar						
Currency:						
USD	1% Revaluation	5,082	5,082	1% Revaluation	4,059	4,059
Euro	1% Revaluation	1,292	1,292	1% Revaluation	(1,371)	(1,371)
Weakening of the Jamaica dollar						
USD	15% Devaluation	(76,233)	(76,233)	10% Devaluation	(40,598)	(40,598)
Euro	15% Devaluation	(19,376)	(19,376)	10% Devaluation	13,706	13,706

This assumes that all other variables remain constant.

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

(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 re-pricing and maturity dates.

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2014			
Assets							
Cash and cash equivalents	-	7,416	-	-	-	482,942	490,358
Resale agreements	531,034	190,083	-	-	-	2,116	723,233
Investment securities	-	-	-	(6,758)	2,279,943	51,437	2,324,622
Interest in associated companies	-	-	-	-	622,242	302,677	924,919
Loans, net of impairment losses	-	1,433,560	2,557,184	6,633,854	4,243,347	395,550	15,263,495
Recoverables from Government of Jamaica	-	-	-	-	-	858,367	858,367
Due from Credit Enhancement Facility Fund	-	-	-	-	-	369,051	369,051
Employee benefit asset	-	-	-	-	-	233,450	233,450
Other receivables	-	-	-	-	-	2,081,738	2,081,738
Total financial assets	531,034	1,631,059	2,557,184	6,627,096	7,145,532	4,777,328	23,269,233
Liabilities							
Loans payable	-	464,928	3,174,534	4,027,822	5,322,424	1,443,780	14,433,488
Other liabilities	-	-	-	-	-	367,512	367,512
Total financial liabilities	-	464,928	3,174,534	4,027,822	5,322,424	1,811,292	14,801,000
Interest rate sensitivity gap	531,034	1,161,131	(617,350)	2,599,274	1,823,108	2,966,036	8,468,233
Cumulative interest sensitivity gap	531,034	1,697,165	1,079,815	3,679,089	5,502,197	8,468,233	-

Notes to the Financial Statements (Continued)

Year ended March 31, 2014

(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)

	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
				2013			
Total financial assets	1,541,447	1,561,300	3,262,552	5,681,188	5,303,919	4,817,395	22,167,801
Total financial liabilities	-	-	2,687,779	5,431,480	4,876,375	1,530,901	14,526,535
Interest rate sensitivity gap	**1,541,447**	**1,561,300**	**574,773**	**249,708**	**427,544**	**3,286,494**	**7,641,266**
Cumulative interest sensitivity gap	**1,541,447**	**3,102,747**	**3677,520**	**3,927,228**	**4,354,772**	**7,641,266**	**-**

Sensitivity to interest rate movements

The following table indicates the sensitivity to interest rate movements at the reporting date, in terms of the effect on the company's profit or loss and shareholders' equity. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis was performed on the same basis as for 2013.

	2014	2013
J$ interest rates	Increase by 250 bps Decrease by 100 bps	Increase by 250 bps Decrease by 100 bps
Foreign currency interest rates	Increase by 200 bps Decrease by 50 bps	Increase by 200 bps Decrease by 50 bps

	Effect on profit 2014 $'000	Effect on equity 2014 $'000	Effect on loss 2013 $'000	Effect on equity 2013 $'000
Change in basis points:				
Increase in interest rates	140,096	137,743	(62,406)	(62,406)
Decrease in interest rates	(57,563)	(55,097)	3,454	3,454

(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk

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

(i) Exposure to credit risk

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

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

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

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

- Credit risk exposures relating to items recognised:

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

- Credit risk exposures relating to items not recognised

	Maximum exposure	
	2014	**2013**
	$'000	**$'000**
Loan commitments	3,150,897	2,223,217
Guarantees	269,467	186,303
	3,420,364	2,409,520

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

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

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

(2) Concentration of credit risk

	2014						
	Cash and cash equivalents $'000	Loans $'000	Investment securities $'000	Resale agreements $'000	Recoverables from Govt. of Jamaica $'000	Others $'000	Total $'000
Carrying amounts	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,167,771
Concentration by sector:							
Financial institutions	490,358	-	2,284,614	721,118	-	-	3,496,089
Agriculture, fishing and mining	-	5,157,878	-	-	-	-	5,157,878
Government and public entities		29	-	-	1,257,967	-	1,257,967
Manufacturing	-	1,161,419	-	-	-	1,158,953	1,161,419
Professional and other services	-	3,546,082	5,450	-	-	117,067	3,668,718
Tourism and entertainment	-	5,458,386	800,904	-	-	-	6,259,290
Transportation, storage and communication	-	272,199	-	-	-	-	272,199
	490,358	15,596,082	3,090,968	721,118	1,257,967	117,067	21,273,560
Interest receivable	-	422,143	88,741	2,115	-	-	512,999
	490,358	16,018,225	3,179,709	723,233	1,257,967	117,067	21,786,560
Less: Impairment losses	-	(754,701)	(855,087)	-	-	-	(1,609,788)
	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,176,771
Concentration by location							
Jamaica	489,004	15,263,524	540,859	723,233	1,257,967	117,067	18,391,655
United States of America	1,354	-	1,778,313	-	-	-	1,779,667
Barbados	-	-	5,450	-	-	-	5,450
	490,358	15,263,524	2,324,622	723,233	1,257,967	117,067	20,176,771

(Expressed in Jamaica dollars unless otherwise indicated)

	2013								
	Cash and cash equivalents	Mortgage loan	Loans receivable	Guarantees	Investment securities	Resale agreements	Due from Govt. of Jamaica	Other receivables	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	630,377	2,480,330	9,669,733	71,808	2,035,802	3,253,786	1,164,142	120,073	19,426,051
Concentration by sector:									
Financial institutions	630,377	-	-	-	1,997,501	3,234,761	-	1,243,586	6,475,848
Agriculture, fishing and mining	-	-	3,836,541	-	-	-	-	-	3,836,541
Government and public entities	-	-	183,436	-	-	-	1,164,142	-	2,594,598
Manufacturing	-	-	1,060,431	71,808	-	-	-	-	1,132,239
Professional and other services	-	-	2,948,812	-	4,897	-	-	120,073	2,953,709
Tourism and entertainment	-	2,467,881	2,592,267	-	1,944,277	-	-	-	7,004,424
Transportation, storage and communication	-	-	46,982	-	-	-	-	-	46,982
	630,377	2,467,881	10,668,469	71,808	3,946,675	3,234,761	1,164,142	120,073	21,390,876
Interest receivable	-	12,449	485,356	-	419,901	19,025	-	-	1,850,041
	630,377	2,480,330	11,153,825	71,808	4,366,576	3,253,786	1,164,142	120,073	23,240,917
Less: Impairment losses	-	-	(1,484,092)	-	(2,330,774)	-	-	-	(3,814,866)
	630,377	2,480,330	9,669,733	71,808	2,035,802	3,253,786	1,164,142	120,073	19,426,051
Concentration by location									
Jamaica	594,771	2,480,330	9,669,733	71,808	504,009	3,253,786	1,164,142	120,073	20,669,025
United States of America	35,606	-	-	-	1,526,896	-	-	-	1,562,502
Barbados	-	-	-	-	4,897	-	-	-	4,897
	630,377	2,480,330	9,669,733	71,808	2,035,802	3,253,786	1,164,142	120,073	19,426,051

(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(3) Credit quality of loans and other amounts receivable

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

- Loans

	2014 $'000	2013 $'000
Direct loans	5,681,613	5,417,888
Financial and agricultural institutions loans	9,581,882	6,732,175
	15,263,495	12,150,063
Neither past due nor impaired	14,759,747	11,448,311
Past due but not impaired:		
1 to 3 months	145,487	187,265
3 to 6 months	32,022	1,719
6 to 12 months	-	2,388
Over 12 months	80,676	264,113
Past due and impaired	1,000,264	1,730,359
	16,018,196	13,634,155
Less allowance for loan losses	(754,701)	(1,484,092)
	15,263,495	12,150,063

- Other amounts receivable- contractual due dates:

	2014 $'000	2013 $'000
Neither past due nor impaired		
Due from Government of Jamaica:		
Note receivable	391,271	472,065
Other	858,367	690,673
	1,249,638	1,162,738

- Other amounts receivable- no contractual due dates:

	2014 $'000	2013 $'000
No due date – deemed not impaired		
Due from Government of Jamaica:		
Privatisation	8,329	1,404
Other receivables	117,067	120,073
	125,396	121,477

(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

(4) Renegotiated loans

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $208,457,000 (2013: $325,534,000).

(ii) Management of credit risk

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

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

(1) Cash and cash equivalents

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

(2) Investment securities and resale agreements

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

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

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

(3) Amounts due from Government of Jamaica

Balances with Government of Jamaica are regarded as sovereign debt and risk free investment by the regulators of licensed deposit taking and other financial institutions. The default risk of Government of Jamaica is low and, therefore, the company does not anticipate any default on the recovery of these balances.

(4) Loans

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

(iii) **Impairment**

Impaired financial assets are assets for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. In assessing the impairment of loans receivable, the main considerations are arrears of principal and interest for more than 90 days, known difficulties in the cash flows of the counterparty, and failure to comply with the original terms of the loan agreement.

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

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

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

(v) **Loans with renegotiated terms**

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

(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(c) Credit risk (cont'd)

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

	Loans receivable		Other receivables		Resale agreements	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Against neither past due nor impaired financial assets:						
Property (land and buildings)	824,304	8,606,487	11,744	10,000	-	-
Debt securities	-	-	-	-	610,740	5,290,292
Motor vehicles	-	-	54,988	10,000	-	-
Other	-	-	88,394	16,600	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	111,188	-	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	1,231,454	1,184,684	-	-	-	-

(Expressed in Jamaica dollars unless otherwise indicated)

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

(d) **Liquidity risk**

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

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

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

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

The company is not subject to any externally imposed liquidity limit.

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

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2014			
Liabilities							
Loans payable	629,056	1,638,202	6,456,818	4,379,092	2,011,860	15,115,028	14,433,488
Other liabilities	71,454	90,953	165,569	-	35,839	363,815	367,512
	700,510	1,729,155	6,622,388	4,379,092	2,047,698	15,478,843	14,801,000
				2013			
Liabilities							
Loans payable*	715,407	1,084,588	4,990,482	2,795,088	5,874,614	15,460,179	14,125,577
Other liabilities	34,218	107,000	258,206	-	1,534	400,958	400,958
	749,625	1,191,588	5,248,688	2,795,088	5,876,148	15,861,137	14,526,535

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

5. Financial instrument risk management (cont'd)

(e) Operational risk

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

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

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

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirement for the reconciliation and monitoring of transactions;
- compliance with legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- risk mitigation, including insurance where this is effective.

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

5. Financial instrument risk management (cont'd)

(f) Capital management

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

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

6. **Fair value estimation**

(a) Accounting classifications and fair values:

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

		2014									
		Carrying amount						Fair value*			
	Notes	Held-to-maturity $'000	Loan and receivables $'000	Available for sale $'000	Fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Units in unit trust	13	-	-	4,671	-	-	4,671	4,671	-	-	4,671
Government of Jamaica securities	13	-	-	1,746,882	-	-	1,746,882	-	1,746,882	-	1,746,882
		-	-	1,751,553	-	-	1,751,553	4,671	1,746,882	-	1,751,553
Financial assets not measured at fair value:											
Government of Jamaica securities		573,069	-	-	-	-	573,069				
Resale agreements		-	723,233	-	-	-	723,233				
Cash and cash equivalents		-	490,358	-	-	-	490,358				
Other receivables		-	117,067	-	-	-	117,067				
Direct loans		-	5,681,613	-	-	-	5,681,613				
Financial and agricultural institutions loans		-	9,581,882	-	-	-	9,581,882				
GOJ infrastructural programmes		-	29	-	-	-	29				
GOJ receivables		-	1,257,967	-	-	-	1,257,967				
		573,069	17,852,149	-	-	-	18,425,218				
Financial liabilities not measured at fair value:											
Loans payable		-	-	-	-	14,433,488	14,433,488				
Other		-	-	-	-	367,512	367,512				
		-	-	-	-	14,801,000	14,801,000				

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

6. Fair value estimation (cont'd)

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

		2013									
		Carrying amount						Fair value*			
	Notes	Held-to-maturity $'000	Loan and receivables $'000	Available for sale $'000	Fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Units in unit trust	13	-	-	4,310	-	-	4,310	4,310	-	-	4,310
Government of Jamaica securities	13	-	-	1,533,347	-	-	1,533,347	-	1,533,347	-	1,533,347
		-	-	1,537,657	-	-	1,537,657	4,310	1,533,347	-	1,537,657
Financial assets not measured at fair value:											
Government of Jamaica securities		498,145	-	-	-	-	498,145				
Resale agreements		-	5,253,786	-	-	-	5,253,786				
Cash and cash equivalents		-	630,377	-	-	-	630,377				
Direct loans		-	5,234,452	-	-	-	5,234,452				
Financial and agricultural institutions loans		-	6,732,175	-	-	-	6,732,175				
GOJ infrastructural programmes		-	183,436	-	-	-	183,436				
Other receivables		-	120,073	-	-	-	120,073				
GOJ receivables		-	1,164,142	-	-	-	1,164,142				
		498,145	17,318,441	-	-	-	17,816,586				
Financial liabilities not measured at fair value:											
Loans payable		-	-	-	-	400,958	400,958				
Other		-	-	-	-	14,125,577	14,125,577				
		-		-	-	14,526,535	14,526,535				

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

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

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

(b) Measurement of fair values:

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

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

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

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

7. **Net interest income**

	2014 $'000	2013 $'000
Interest income		
Cash and cash equivalents	12,065	18,046
Resale agreements	112,546	167,517
Investment securities	139,677	132,340
Advances (note 15)	16,111	13,879
Accretion of interest on non-interest-bearing note [note 21(a)]	19,623	-
Loans	898,612	810,710
Total interest income	1,198,634	1,142,492
Interest expense		
Long-term loans, being total interest expense	(531,009)	(477,074)
Net interest income	667,625	665,418

(Expressed in Jamaica dollars unless otherwise indicated)

8. Other income

	2014 $'000	2013 $'000
Administrative fees	17,668	39,682
Commitment fees	57,171	26,293
Gain on disposal of property and equipment	1,103	951
Rental income	89,142	77,858
Dividends	-	5,370
Foreign exchange gains	167,562	243,063
Collections in respect of loans previously written off	408,573	-
IDB Venture Capital Conference - income	11,514	-
IDB Venture Capital Conference - expense	(11,514)	-
Appreciation in fair value of investment properties [note 14 (a)]	113,730	5,964
Miscellaneous	56,729	44,713
	911,678	443,894

9. Staff costs and number of persons employed

	2014 $'000	2013 $'000
Salaries and wages	282,293	265,959
Performance incentive bonus	17,471	17,571
Statutory payroll contributions	18,552	17,606
Pension credit – defined benefit plan [note 24(c)(vi)]	(4,817)	(9,827)
Staff training	6,183	7,486
Staff welfare	1,071	1,417
Redundancy	6,546	-
Other	42,156	62,961
	369,455	363,173

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

	2014 No.	2013 No.
Full – time	110	109
Temporary	1	1
Contract	5	6
	116	116

(Expressed in Jamaica dollars unless otherwise indicated)

10. Operating expenses

	2014 $'000	2013 $'000
Amortisation (note 25)	1,533	751
Advertising and public relations	12,343	10,874
Assistance to projects	5,828	22,487
Auditors' remuneration	4,466	4,466
Depreciation (note 26)	41,643	39,228
Directors' fees	1,199	1,105
Legal fees	3,916	1,218
Other professional fees	43,399	15,907
Motor vehicle expenses	6,646	7,269
Occupancy costs – including insurance, utilities and repairs.	113,135	116,803
Travelling	6,313	4,648
Discount on additional advances made to Harmonisation (see note 15)	23,870	-
Other	16,344	15,168
	280,636	239,924

11. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash	95	70
Demand and savings deposits	490,263	625,731
Fixed-term deposits	-	4,536
	490,358	630,337
Interest receivable	-	40
	490,358	630,377

Cash and cash equivalents include interest-bearing balances totalling $7,416,000 (2013: $7,221,000) that are not available in the company's day to day operations. These amounts are held with a financial institution for the purpose of securing loans by that institution to employees of the company.

12. Resale agreements

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

Included in resale agreements is interest receivable of $2,115,000 (2013: $19,025,000).

The fair value of the collateral underlying the resale agreements was $610,740,000 (2013: $590,292,000) at the reporting date.

(Expressed in Jamaica dollars unless otherwise indicated)

13. Investment securities

	Remaining term to maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Carrying value $'000 2014	Carrying value $'000 2013
Held to maturity:						
Government of Jamaica	-	-	-	538,510	538,510	498,145
Loans and receivables:						
Preference shares	-	-	-	-	800,904	859,773
Preferred partnership equity interest	-	-	-	-	-	1,084,503
	-	-	-	-	800,904	1,944,276
Available-for-sale						
Units in unit trust	-	-	-	-	4,671	4,310
Government of Jamaica bonds	-	-	79,570	1,667,312	1,746,882	1,499,943
	-	-	79,570	1,667,312	1,751,553	1,504,253
Interest receivable					88,741	419,901
					3,179,708	4,366,575
Allowance for impairment					(855,086)	(2,330,773)
					2,324,622	2,035,802

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

	2014 $'000	2013 $'000
At beginning of year	2,330,773	417,194
Charged to profit or loss for the year	-	1,913,579
Investment securities previously provided for, now written off	(1,475,687)	-
At end of year [note 18(c)]	855,086	2,330,773

(b) National Debt Exchange

Government of Jamaica ("GOJ") bonds includes $136,000,000 of Fixed Rate Accreting Notes ("FRANs"). As part of the National Debt Exchange, GOJ mandated the company (and all other state-owned/controlled entities that held GOJ issued notes) ("Old Notes") to exchange those Old Notes for new notes – FRANs - as at February 22, 2013. Old notes with a carrying amount of $170,000,000 at that date were exchanged for FRANs with a fair value of $136,000,000, resulting in a loss of $34,000,000 [see note 32(d)]. The terms of the FRANs are as follows:

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

(Expressed in Jamaica dollars unless otherwise indicated)

13. Investment securities (cont'd)

(b) National Debt Exchange (cont'd)

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

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

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

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

14. Investment properties

(a) Reconciliation of carrying amount

	2014 $'000	2013 $'000
At beginning of year	321,171	315,207
Additions	13,332	-
Change in fair value (note 8)	113,730	5,964
At end of year	448,233	321,171

Investment property comprises:

	2014 $'000	2013 $'000
Land at Drax Hall, St. Ann, held for capital appreciation	11,233	14,684
Rented residential property, Manor Park Apartment	12,000	12,000
Rented office complex, 21 Dominica Drive, Kingston	425,000	294,487
Fair value of investment properties	448,233	321,171
Income earned from properties	41,683	38,343
Expenses incurred by properties	(10,695)	(10,695)

(Expressed in Jamaica dollars unless otherwise indicated)

14. Investment properties (cont'd)

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, Allison Pitter and Co., Chartered (Valuation) Surveyors, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, as at December 31, 2013.

The fair value measurement for investment property of $448,233,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used [see Note 4(b)(ii)].

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment Approach: This valuation model discounts the net cash flows to be generated from the property over its useful life, taking into account expected rental receipt, void periods and letting delays.	• Expected market rental growth 3 1/2%. • Void periods (average 5% over life of investment). • Rent used is guided by existing rentals. • Risk-adjusted discount rates (9.75-11.5%)	The estimated fair value would increase/(decrease) if: • expected market rental growth were higher/(lower) • void & rent free periods were shorter/(longer) • the risk-adjusted discount rate were lower/(higher).
Market Comparison Approach: This valuation model is an analysis of comparable property sales within the general locale. It considers variations in timing, size, age, facilities, standard of finishes, location etc. of similar properties.	• Sale price of similar properties in the locale were considered	The estimated fair value would increase/(decrease) if: • expected selling price was higher/(lower)

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

15. Interest in associated companies

	2014 $'000	2013 $'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivable		
Original amount of advances and accrued interest [footnote 1(a) below]	971,443	869,546
Additional advances	68,111	101,897
Gross amount receivable	1,039,554	971,443
Unaccreted imputed interest [footnote 1(b) below]:		
Original amount of discount	(186,642)	(186,642)
Discount on additional advances (see note 10)	(23,870)	-
Total discount	(210,512)	(186,642)
Accretion in previous years	45,853	31,974
Accretion in current year (note 7)	16,111	13,879
Accretion to date	61,964	45,853
Unaccreted interest carried forward	(148,548)	(140,789)
Present value of amount receivable	891,257	830,904
Share of profits		
At beginning of year	71,925	110,701
Loss recognised during year	(38,263)	(38,776)
At end of year	33,663	71,925
Carrying value of interest in associated companies	924,919	902,829

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

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

Summary financial information on associated companies:

	2014 $'000	2013 $'000
Assets	2,484,701	2,505,375
Liabilities	2,635,394	2,579,166
Revenue for the year	14,320	12,697
Loss for the year	(76,902)	(79,342)

(Expressed in Jamaica dollars unless otherwise indicated)

16. Direct loans

	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000 2014	$'000 2013
Loans receivable	855,452	1,076,936	2,696,312	1,402,430	6,017,584	6,230,130
Interest receivable					418,730	478,565
					6,436,314	6,708,695
Less impairment allowance [note 18(a)]					(754,701)	(1,474,243)
					5,681,613	5,234,452

The loans bear interest at rates ranging from 4% - 13% (2013: 4% - 13%) per annum and repayment terms range from three to twelve years - in some cases, subject to an initial moratorium on principal repayment for a period not exceeding three years.

17. Loans to financial and agricultural institutions

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

	Interest rate %	2014 $'000	2013 $'000
Loans to financial institutions	4% - 10%	8,312,849	5,542,890
Loans to People's Co-operative Banks	1% - 10%	1,264,028	1,192,343
		9,576,877	6,735,233
Interest receivable from financial institutions		4,519	6,449
Interest receivable from People's Co-operative Banks		486	344
		5,005	6,793
		9,581,882	6,742,024
Less impairment losses on loans [note 18(a)]		-	(9,849)
		9,581,882	6,732,175

(Expressed in Jamaica dollars unless otherwise indicated)

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 2014	Carrying value $'000 2013
Loans:						
Financial institutions	418,991	1,210,381	3,341,796	3,341,680	8,312,848	5,542,890
People's Co-operative Banks	201,915	388,019	447,534	226,561	1,264,029	1,192,343
	620,906	1,598,400	3,789,330	3,568,241	9,576,877	6,735,233
Interest receivable:						
Financial institutions					4,519	6,449
People's Co-operative Banks					486	343
					5,005	6,792
					9,581,882	6,732,175

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

(a) Summary of impairment losses on loans

	2014 $'000	2013 $'000
Loans to direct borrowers (note 16)	754,701	1,474,243
Loans to financial and agricultural institutions [note 17(a)]	-	9,849
	754,701	1,484,092

Specific allowance has been made for impairment losses.

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $1,533,278 million (2013: $2,664,437).

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

	2014 $'000	2013 $'000
Allowance at beginning of year	1,484,092	827,330
Loans previously provided for written-off during the year	(729,391)	(357,935)
Additions to allowance for doubtful debts	-	1,014,697
Allowance no longer required	-	-
At end of year [note 18(c)]	754,701	1,484,092

(Expressed in Jamaica dollars unless otherwise indicated)

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

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

	2014 $'000	2013 $'000
Impairment on loans – per note 18(b)	754,701	1,484,092
Impairment on investment securities - per note 13(a)	855,086	2,330,773
Total allowance for impairment	1,609,787	3,814,865

19. Government of Jamaica Infrastructure Loan Programme

	2014 $'000	2013 $'000
Loan amount	29	2,005
Interest receivable	177,431	181,431
	177,460	183,436
Impairment provision	(177,431)	-
	29	183,436

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

(Expressed in Jamaica dollars unless otherwise indicated)

20. Due from Government of Jamaica - Privatisation

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

	Net recoverable/ (payable) $'000 2013	Amount advanced $'000	Proceeds collected $'000	Net recoverable/ (payable) $'000 2014
Projects in progress	88,469	6,880	-	95,349
Projects completed	(79,987)	45	-	(79,942)
Others	(7,078)	-	-	(7,078)
	1,404	6,925	-	8,329

21. Due from Government of Jamaica – other

(a) Note receivable:

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

	2014 $'000	2013 $'000
Face value of 10-year interest-free note	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Fair value at date of issue	659,112	659,112
Principal portion repaid in instalments received to date	(267,841)	(187,047)
Carrying amount	391,271	472,065

(b) Exchange losses on loans:

	2014 $'000	2013 $'000
(i) Caribbean Development Bank loans [note 3(e)(iv) and note 27(xiii)]:		
Unrealised	178,945	130,175
Realised	414,755	376,003
	593,700	506,178
(ii) European Investment Bank loans [notes 3(e)(iv) and note 27(xiv)]:		
Realised	153,192	144,069
(iii) Other loans [note 3(e)(iv)]:		
Unrealised	111,475	40,426
	858,367	690,673

(Expressed in Jamaica dollars unless otherwise indicated)

22. Credit Enhancement Facility Fund

The Credit Enhancement Facility Fund ("the Fund"), which was established with effect from July 2009, is an arrangement between the Approved Financial Institutions ("AFI") and the company, which is aimed at providing partial collateral guarantees to AFIs for loans to Small and Medium-sized Enterprises ("SMEs") which do not meet the full collateral requirements, and the Fund was set up as a part of the arrangements. Losses arising from these guaranteed loans are shared between the company and the AFIs.

The company indemnifies the AFIs for losses incurred on loans made, with the indemnity maximised at (1) $10 million or (2) 50 per cent of the value of the loan on regular SME lines and up to 80 per cent on SME Energy loans, whichever is lower, for each burrower. The company has transferred $250 million from its investments and placed it in a Trust managed by a Board of Trustees.

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

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

Financial position

	2014 $'000	2013 $'000
Assets:		
Investments	250,000	250,000
Receivables	119,051	90,757
Total assets	369,051	340,757
Fund capital, reserve and liability:		
Fund capital	250,000	250,000
Accumulated profit	115,828	86,529
Total fund capital and reserve [note 31(f)]	365,828	336,529
Payables	3,223	4,228
Total fund capital, reserve and liability	369,051	340,757

Financial performance

	2014 $'000	2013 $'000
Income	29,299	7,651
Expenses*	-	-
Profit for the year [note 31(f)]	29,299	7,651

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

23. Other receivables

	2014 $'000	2013 $'000
Prepayments	4,655	2,569
Staff receivables (a)	74,750	78,463
Recoveries, net (b)	532,291	532,291
Provision for recoveries (b)	(532,291)	(532,291)
Sundry	37,662	39,041
	117,067	120,073

(a) The company has a policy whereby each staff member can borrow up to twice his/her annual salary, subject to ability to repay. The terms of the loans range from one year to seven years and interest is charged at a rate of 5% per annum. All loans are fully secured.

Included in staff receivables are loans to senior managers amounting to $13,943,000 (2013: $12,899,000) [note 33(d)].

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

24. Employee benefit asset

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

24. Employee benefit asset (cont'd)

(c) The company has a defined-benefit scheme, which is administered by Trustees appointed by the company and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employee may voluntarily contribute a further 5% of pensionable salaries. The pensionable amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his years of pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence. The funding valuation of the scheme as at December 31, 2012 had a past service surplus of $195,517,000.

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

	2014 $'000	2013 $'000
Present value of funded obligations	(718,307)	(564,695)
Fair value of plan assets	951,757	780,933
Asset recognised	233,450	216,238

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

	2014 $'000	2013 $'000
At beginning of year	216,238	251,639
Credit/(expense) recognised in profit or loss and OCI	3,911	(48,120)
Contributions paid	13,301	12,719
At end of year	233,450	216,238

(iii) Movement in present value of funded obligation:

	2014 $'000	2013 $'000
At beginning of year	564,695	519,214
Interest cost	66,469	52,781
Current service cost	25,083	23,319
Voluntary contributions	7,064	6,516
Transfer from former NIBJ Scheme [see note 24(b)]	90,821	-
Benefits paid during the year	(38,184)	(35,959)
Re-measurement loss/(gain) on plan obligation [note 24(c)(vii)]	2,359	(1,176)
At end of year	718,307	564,695

24. Employee benefit asset (cont'd)

(c) (Cont'd)

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

	2014 $'000	2013 $'000
At beginning of year	780,933	770,853
Interest income on plan assets	86,732	76,710
Contributions	30,003	28,452
Transfer from former NIBJ Scheme [see note 24(b)]	90,821	-
Benefits paid during the year	(38,184)	(35,959)
Re-measurement gain/(loss) on plan assets [note 24(c)(vii)]	1,452	(59,123)
At end of year	951,757	780,933

(v) Plan assets consist of the following:

	2014 $'000	2013 $'000
Equities	155,532	92,880
Government of Jamaica securities	499,461	485,419
Resale agreements	55,947	61,401
Unitised investments	21,542	19,756
Bonds	114,915	77,639
Real estate	62,802	32,000
Net current assets	41,558	11,838
	951,757	780,933

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

	2014 $'000	2013 $'000
Current service cost	15,445	14,102
Interest on obligation	66,469	52,781
Interest income on plan assets	(86,732)	(76,710)
Total, included in staff costs (note 9)	(4,817)	(9,827)
Actual return on plan assets	6.50%	9.62%

(Expressed in Jamaica dollars unless otherwise indicated)

24. Employee benefit asset (cont'd)

(c) (Cont'd)

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

	2014 $'000	2013 $'000
Actuarial losses recognised in 2012 in OCI	5,361	5,361
Actuarial losses recognised in 2013 in OCI	52,586	-
	57,947	5,361
Actuarial losses recognised in current year's OCI	906	52,586
	58,853	57,947
Re-measurement loss/(gain) on obligation [note 24(c)(iii)]	2,359	(1,176)
Re-measurement (gain)/loss on assets [note 24(c)(iv)]	(1,452)	59,123
Total re-measurement loss included in OCI current year	906	57,947
Total re-measurement loss included in OCI in prior year and earlier years		

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

	2014	2013
Discount rate	9.50%	10.00%
Future salary increases	6.50%	6.50%
Future pension increases	2.00%	2.00%
Remaining working lives	14 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.

(ix) The pension contributions expected to be paid into the plan during the next financial year is estimated to be $30,003,000 (2013: $28,452,000).

(x) Sensitivity analysis on projected benefit obligation:

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

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

24. Employee benefit asset (cont'd)

(c) (cont'd)

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

	Pension asset 2014	
	$'000 1 % increase	$'000 1 % decrease
Discount rate	639,571	815,189
Future salary increases	746,316	692,887
Future pension increases	781,577	651,924

This information is not available for 2013.

(xi) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit and obligation of an increase of one year in the life expectancy is approximately $33 million (2013: $24 million).

25. Intangible assets – computer software

	2014 $'000	2013 $'000
Cost:		
At beginning of year	7,049	6,005
Additions	6,277	1,044
At end of year	13,326	7,049
Amortisation:		
At beginning of year	6,117	5,366
Charged during the year (note 10)	1,533	751
	7,650	6,117
Net book values	5,677	932

(Expressed in Jamaica dollars unless otherwise indicated)

26. Property and equipment

	Freehold land, buildings and signs $'000	Furniture, fixtures, plant and equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
March 31, 2012	663,725	197,801	27,784	37,924	927,234
Additions	322	9,194	4,043	6,095	19,654
Disposals	-	(3,636)	-	(1,746)	(5,382)
March 31, 2013	664,047	203,359	31,827	42,273	941,506
Additions	47	5,413	12,849	5,047	23,356
Increase on revaluation	91,590	-	-	-	91,590
Disposals	-	-	-	(5,738)	(5,738)
March 31, 2014	755,684	208,772	44,676	41,582	1,050,714
Depreciation:					
March 31, 2012	61,498	101,423	21,803	30,068	214,792
Charge for the year	10,229	22,789	2,461	3,749	39,228
Eliminated on disposals	-	(3,609)	-	(1,746)	(5,355)
March 31, 2013	71,727	120,603	24,264	32,071	248,665
Charge for the year	10,212	23,460	4,009	3,962	41,643
Eliminated on disposals	-	-	-	(5,738)	(5,738)
March 31, 2014	81,939	144,063	28,273	30,295	284,570
Net book values:					
March 31, 2014	673,745	64,709	16,403	11,287	766,145
March 31, 2013	592,320	82,756	7,563	10,202	692,841
March 31, 2012	602,227	96,378	5,981	7,856	712,442

The company's freehold land and buildings, with a historical cost of $94,941,000 (2013: $94,894,000), were last revalued in December 2013 at $717,908,000 on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $91,590,000 has been credited to other comprehensive income (included in revaluation reserve) [note 31(e)].

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

Notes to the Financial Statements (Continued)

Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

	Interest Rate %	March 31, 2013 \$'000	New loans/ Adjustments \$'000	Transaction Costs/ Repaid \$'000	Exchange Differences /Interest Capitalised \$'000	March 31, 2014 \$'000
(a) Government of Jamaica (GOJ)						
(i) Ministry of Mining and Energy	-	120	-	-	-	120
(ii) Ministry of Finance and the Public Service ("MOF"):						
(1) Caribbean Basin Initiative Loan 1993/2003	3.00	3,333	-	-	-	3,333
(2) International Fund for Agricultural Development 1988/2002	4.00	3,021	-	-	-	3,021
(3) Inter-American Development Bank 1991/2018	4.00	31,750	-	-	-	31,750
(4) International Bank for Reconstruction and Development 1994/2001	2.54	973,124	-	-	105,177	1,078,301
(iii) United States Agency for International Development Energy Credit Fund	3.00	5,013	-	-	-	5,013
(iv) MOF – Dairy Sector	-	111,698	-	(180)	-	111,518
(v) MOF – US\$29.03M	6.00	2,951,185	-	(84,715)	314,344	3,180,814
(vi) MOF Advance	-	1,945	-	-	-	1,945
(vii) GOJ – Citrus Growers	6.00	60,000	-	-	-	60,000
(viii) GOJ – YEP Programmes	-	2,595	-	-	-	2,595
Total GOJ loans		4,143,784	-	(84,895)	419,521	4,478,410

(Expressed in Jamaica dollars unless otherwise indicated)

	Interest Rate %	March 31, 2013 $'000	New loans/ Adjustments $'000	Transaction Costs/ Repaid $'000	Exchange Differences /Interest Capitalised $'000	March 31, 2014 $'000
(b) Direct Borrowing						
(ix) Micro Investment Development Agency	-	491	-	-	-	491
(x) IBRD US$ P.I.E.D. Line of Credit	2.82	61,194	-	-	6,614	67,808
(xi) OFID	6.35	224,742	-	(93,557)	18,235	149,420
(xii) (1) China Development Bank	3.64	369,115	-	(254,028)	21,749	136,836
(2) China Development Bank	4.26	492,835	-	(257,986)	38,423	273,272
(xiii) Caribbean Development Bank 1987/2005:						
18OR J	4.10	36,421	-	(36,421)	-	-
26OR J	4.10	1,672,789	-	(174,950)	170,391	1,668,230
8SFR J	4.10	15,137	-	(15,137)	-	-
11SFR/ORJ	4.10	149,983	-	-	16,210	166,193
20SFR/ORJ	2.50	678,978	-	-	175,698	854,676
(xiv) European Community	1.00	114,111	-	(9,016)	21,973	127,068
(xv) Jamaica Development Bank						
-Loan I	10.00	6,738	-	-	-	6,738
-Loan II	8.00	138,876	-	-	124	139,000
-Loan III	8.75	46,859	-	-	5,064	51,923
-Loan IV	10.00	220,409	-	-	-	220,409
(xvi) BNS Tourism/Agri Sector	7.36/8	99,980	-	(99,980)	-	-
(xvii) NHT Surehop	-	77,780	-	-	-	77,780
(xviii) GOJ NIF	4.0	29,739	-	(26,014)	-	3,725
Balance c/f – Direct borrowing		4,436,177	-	(967,089)	474,481	3,943,569

27. Loans payable (cont'd)

(b) Direct Borrowing (cont'd)

	Interest Rate %	March 31, 2013 $'000	Net interest payable movement	Transaction New loans/ Adjustments $'000	Exchange Differences Cost/ Repaid $'000	/Interest Capitalised $'000	March 31, 2014 $'000
Balance b/f - Direct borrowing	-	4,436,177	-	-	(967,089)	474,481	3,943,569
(xix) PetroCaribe Loan:							
(1) US$19.6M loan	3.00	1,313,395	-	315,224	(74,059)	185,325	1,739,885
(2) US$20.0 M loan	2.50	1,230,552	-	-	(7,902)	117,670	1,340,320
(3) J$1.7bn loan	4.00	1,681,023	-	-	(327,008)	-	1,354,015
(xx) World Bank Energy LOC	0.98	189,531	-	-	-	20,485	210,016
Total direct borrowing		8,850,678	-	315,224	(1,376,058)	797,961	8,587,805
Total loans payable (see below)		12,994,462	-	315,224	(1,460,953)	1,217,482	13,066,215
Interest payable		1,131,115	236,158	-	-	-	1,367,273
		14,125,577	236,158	315,224	(1,460,953)	1,217,482	14,433,488

Analysis between current and non current portions

	2014 $'000	2013 $'000
Portion due for repayment within a year of the reporting date	3,717,242	3,633,601
Portion payable thereafter	9,277,220	9,432,614
Total loans payable	12,994,462	13,066,215

(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

(a) Government of Jamaica

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

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

(ii) These loans represent the Government of Jamaica contribution to the company in accordance with certain agreements. Regarding loan (a)(ii)(4), the International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity. At March 31, 2014, the financial position of the company disclosed a ratio of 1.6:1 (2013: 1.8:1).

(iii) 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:

	2014 $'000	2013 $'000
Government of Jamaica	3,904	3,904
USAID funds on-lent by GOJ	1,109	1,109
Total financing for Energy Credit Fund	5,013	5,013

The Government's contribution bears interest at a rate of 2% per annum for 10 years which commenced in March 1984, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments and will be included in the debt off-set between the company and the MOF&P [note 27(c)].

USAID's contribution bears interest at 2% per annum for 10 years, which commenced in January 1986, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments which should have commenced January 1996. This amount will be included in the debt off-set between the company and the MOF&P [note 27(c)].

(Expressed in Jamaica dollars unless otherwise indicated)

27. **Loans payable (cont'd)**

(a) Government of Jamaica (cont'd)

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

(v) This loan was made by the Ministry of Finance to NIBJ to facilitate investment in the development of Jamaica's South Coast through Ackendown Newtown Development Company Limited (ANDCO). The loan bears interest at a rate of 6% per annum and is to be repaid in 20 equal instalments on June 30 and December 31 each year. The current portion will be included in the debt off-set by the company and the MOF&P.

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

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

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

(b) Direct loans

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

(b) Direct loans (cont'd)

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

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

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

(xiv) This represents the balance of Euro 1,629,099 drawn down under an ECU 1.86 million line of credit granted under a Financing Contract dated April 2, 1986, between the company and the European Community. The loan bears interest at the rate of 1% per annum, and is repayable in 60 semi-annual instalments, the first of which was due on October 1, 1995. The loan is guaranteed by the Government of Jamaica [see note 31(d)(i)].

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

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

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

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

(xvi) This is the balance on a $600,000,000 special purpose loan from The Bank of Nova Scotia Jamaica Limited. Of this:

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

(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 was for seven years, inclusive of a one year moratorium on principal, from the date of the first advance, and was repayable by March 2014. The interest rate was 7.625% per annum. The loan was repaid during the year.

(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

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

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

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

(xviii) 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 2014.

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

(2) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund, specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/BPO facilities. It bears interest of 2.5% over annum, paid quarterly over a 15 year period maturing in 2027 with three years moratorium on principal.

(3) This represents amounts drawn under a loan from PetroCaribe Development Fund to provide financing to Small and Medium Enterprises (SME) and the energy sector. Interest is payable semi-annually at a rate of 4% per annum. The loan matures in December 2023.

(Expressed in Jamaica dollars unless otherwise indicated)

27. Loans payable (cont'd)

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

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

28. Other liabilities

	2014 $'000	2013 $'000
Due to related entities	271,962	280,328
Accrued charges	51,532	52,048
Statutory payroll liabilities	2,989	3,002
Other	41,029	65,580
	367,512	400,958

29. Share capital and share premium

(a) Share capital:

Authorised:
1,757,539,000 (2013: 1,757,539,000) ordinary shares at no par value

	2014 $'000	2013 $'000
Stated capital [note 29(b)]		
Issued and fully paid:		
1,757,539,000 (2013: 1,757,539,000) ordinary shares	1,757,539	1,757,539

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

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

(b) Share premium:

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

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

(Expressed in Jamaica dollars unless otherwise indicated)

30. Capital reserves

		2014 $'000	2013 $'000
Funds for capital	[see (a)]	1,179,817	1,179,817
Government subvention	[see (b)]	83,180	83,180
Self-Supporting Farmers Development Programme	[see (c)]	15,941	15,941
Capital grants	[see (d)]	862	958
Other capital reserves – NIBJ	[see (e)]	139,336	139,336
Capital distribution [note 32(c)]		(212,619)	(212,619)
		1,206,517	1,206,613

(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 at that time to be doubtful.

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

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

(Expressed in Jamaica dollars unless otherwise indicated)

30. Capital reserves (cont'd)

(d) Capital grants

	2014 $'000	2013 $'000
At beginning of year	958	1,064
Less: Amortised during the year	(96)	(106)
At end of year	862	958

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

(e) Other capital reserves – NIBJ

This represents gain on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ [note 32(c)].

31. Other reserve

		2014 $'000	2013 $'000
Fair value reserve	[see (a)]	79,224	140
General reserve – Equalisation Fund	[see (b)]	957,597	957,596
Revenue reserve	[see (c)]	2,539,391	2,539,391
Special reserve	[see (d)]	7,933	12,470
Revaluation reserve	[see (e)]	641,853	550,262
Credit Enhancement Facility Fund reserve	[see (f)]	365,819	336,529
Technical assistance reserve	[see (g)]	569,784	605,667
Employee benefit asset reserve	[see (h)]	(58,853)	(57,947)
		5,102,757	4,944,109

(a) Fair value reserve

This represents unrealised gain in fair value of available-for-sale securities made up as follows:

	2014 $'000	2013 $'000
At beginning of year	140	51,298
Gain/(loss) for year	79,084	(51,158)
At end of year	79,224	140

(Expressed in Jamaica dollars unless otherwise indicated)

31. Other reserves (cont'd)

(b) General reserve - Equalisation Fund

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

(c) Revenue reserve

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

The company transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund [notes 22 and 31(f)].

(d) Special reserve

	Technical Assistance		Exchange Equalisation		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	9,347	27,839	3,123	3,123	12,470	30,962
Transfers from retained earnings	(4,538)	(18,492)	-	-	(4,538)	(18,492)
Balance at end of year	4,809	9,347	3,123	3,123	7,932	12,470

(i) Technical assistance

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27 (xiv)], which provided, during the period of the lending agreement, for the annual transfer to a special reserve of a portion of the interest differential on loans funded from the loan proceeds. This loan has been repaid, no further transfers are being made, and the reserve is being used on a discretionary basis to provide technical assistance to entrepreneurs who do not otherwise qualify for financial support from the company.

(ii) Exchange equalisation

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27 (xiv)] which provided, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement. This loan has been repaid and no further transfers are being made.

(e) Revaluation reserve

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

(Expressed in Jamaica dollars unless otherwise indicated)

31. Other reserves (cont'd)

(f) Credit Enhancement Facility Fund reserve

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

		2014 $'000	2013 $'000
Fund capital		250,000	250,000
Accumulated profit transferred	- at beginning of year	86,529	78,878
	- for the year	29,299	7,651
	- at end of year	115,828	86,529
Total of Fund		365,828	336,529

(g) Technical assistance reserve

This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the company, as set out in note 21(a). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Institutional Strengthening and Research Division.

		2014 $'000	2013 $'000
Original amount assumed by the GOJ		1,004,167	1,004,167
Imputed interest		(345,055)	(345,055)
Original amount transferred from retained earnings		659,112	659,112
Interest transferred from retained earnings	- Previously	13,787	2,373
	- During year	19,623	11,414
	- To date	33,410	13,787
Gross accumulated resources at end of year		692,522	672,899
Utilised	- Previously	67,232	7,819
	- During year	55,504	59,413
	- To date	122,736	67,232
Net at end of year		569,786	605,667

(h) Employee benefit asset reserve

This represents the net present value of the employee benefit assets and obligations.

(Expressed in Jamaica dollars unless otherwise indicated)

32. Dividends paid

	2014 $'000	2013 $'000
Interim dividend paid [see (a)]	25,480	-
Interim dividend paid [see (b)]	-	111,800
Interim dividend paid [see (c)]	-	212,619
Special distribution [see (d)]	-	34,000
	25,480	358,419

(a) Interim dividend of 1.45 cent per share paid on January 31, 2014 in respect of profits for the year ended March 31, 2013.

		$'000
(b) (i)	Interim dividend of 0.05 cents per share paid on December 31, 2012 in respect of profits for year ended March 31, 2012.	81,500
(ii)	Interim dividend of 0.02 cents per share paid on March 28, 2013 in respect of profits for year ended March 31, 2012.	30,300
		111,800

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

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

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

(Expressed in Jamaica dollars unless otherwise indicated)

33. Related party transactions and balances

(a) Definition of related party

A related party is a person or entity that is related to the company.

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

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

(2) has significant influence over the company; or

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

(ii) An entity is related to the company if any of the following conditions applies:

(1) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

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

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

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

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

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity).

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

A related party transaction is a transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged.

(b) Related party transactions

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

	2014 $'000	2013 $'000
(i) Other income:		
Other income - rental: Government related entities	68,469	69,100

(Expressed in Jamaica dollars unless otherwise indicated)

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

(b) Related party transactions (cont'd)

(ii) Other expenses:

	2014 $'000	2013 $'000
Administrative fees - Government related entities	16,868	38,721

(c) Key management personnel compensation

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including the Directors and the members of the senior or executive management of the company.

	2014 $'000	2013 $'000
Salaries and other short-term employee benefits	82,311	88,219
Statutory payroll contributions	4,955	5,137
Pension benefits	2,716	2,662
	89,982	96,018
Directors' emoluments:		
Fees	1,198	1,105
Management remuneration		
(included above) - Current year	14,313	14,526
- Prior year	-	3,467
Redundancy	6,546	-

(d) Related party balances

(i) Receivable from related parties:

	2014 $'000	2013 $'000
(1) Loans:		
Government related entities		-
Associated companies	717,703	649,244
(2) Interest receivable:		
Government related entities	-	181,431
Associated companies	319,918	319,918
(3) Staff loans receivable [note 23(a)]	13,943	12,899

(Expressed in Jamaica dollars unless otherwise indicated)

34. Commitments

(a) As at March 31, 2014, there were outstanding commitments to disburse loans totalling approximately J$1,189 million and US$18 million (2013: J$1,500 million and US$15 million).

(b) The company had capital commitments, in respect of projects being undertaken, totalling approximately $213.2 million (2013: $254.2 million).

(c) As lessee, the company has lease commitments under a non-cancellable 99 year operating lease for which the future minimum lease payments were, in relation to the reporting date, as follows:

	2014 $'000	2013 $'000
Not later than one year	288	288
Later than one year and not later than five years	1,152	1,152
Later than five years (Eighty eight years - 2021 to 2101)	23,904	25,920
	25,344	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 advisors, (1) it is probable that a payment will be made by the company, and (2) the amount can be reasonably estimated.

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

The significant claims are listed below:

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

In 1996, National Development Bank of Jamaica Limited (NDB) [see note 1(a)(i)] had agreed to on-lend, through a Commercial Bank, the sum of US$600,000 to the plaintiff. This sum was never disbursed because the company contends that the plaintiff failed to satisfy the conditions precedent for the disbursement of the said loan.

The plaintiff is now contending that the failure to disburse the sum was in breach of contract and/or negligence and consequently the plaintiff has suffered loss and damage which exceeds US$600,000. Judgement was handed down in favour of NDB; the plaintiff filed an appeal on the 12th November 2012 against the judgement. However, since filing the Notice and Grounds of Appeal, no further steps have been taken. Management is confident in its defense but, should it be unsuccessful, it would not materially affect the company's financial condition. No provision has been made in these financial statements for this claim.

35. Contingencies (cont'd)

(b) A suit was brought against the company and the other defendants alleging breaches to the terms of a lease agreement entered into between the plaintiff and the Commissioner of Lands. The plaintiff is seeking to enforce an option to purchase the leased property and claims damages of an unspecified amount for negligence. The company has filed a defence denying liability and, in the view of management and its legal counsel, it has a reasonable prospect of successfully defending the claim. There is a pending application by the Attorney General of Jamaica to file its defence out of time. The application is pending settlement discussions between the parties involved. No provision has been made in these financial statements for this claim.

(c) A suit was brought against the company to set aside the sale of property and claiming damages for the alleged sale at an undervalue and/ or the difference between the sale price and the true market value of property plus interest & costs. The claimant subsequently amended its fixed date claim form to seek declarations that the proposed sale was fraudulent and a violation of the company's obligations as a trustee. The first hearing was held on May 26, 2014 and the matter was referred to mediation. The property has not yet been sold so the company has no current exposure, and, accordingly, no provision for this claim in these financial statements.

36. Prior year adjustment

The company adopted the 2011 amendment to IAS 19, *Employee Benefits*, which is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this amendment removed the corridor method for recognising actuarial gains and losses. All actuarial gains and losses are now recognised immediately in other comprehensive income.

The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

	Pension asset $'000	Other reserve $'000	Retained earnings $'000
Balances at March 31, 2012:			
As previously reported	262,614	5,112,054	2,257,814
Effect of remeasurement of pension asset	(10,975)	(5,361)	(5,614
As restated	251,639	5,106,693	2,252,200
Balances at March 31, 2013:			
As previously reported	273,886	5,002,056	(355,175)
Effect of remeasurement of pension asset	(57,648)	(57,947)	(10,676)
As restated	216,238	(4,944,109)	(365,851)
Effect on total comprehensive income for year ended March 31, 2013:			
As previously reported	(51,158)		
Prior year adjustment (see below)	(52,586)		
As restated	(103,744)		
Effect on profit for year ended March 31, 2013:			
Increase in staff costs	5,062		

36. Prior year adjustment (cont'd)

Effect on other comprehensive income for year ended March 31, 2013:	
Actuarial loss recognised in other comprehensive income	(52,586)
Increase in other comprehensive income	(52,586)
Effect on total comprehensive income for year ended March 31, 2013:	
Decrease in profit	(5,062)
Decrease in other comprehensive income	(52,586)
Increase in total comprehensive income	(57,648)

Notes

Development Bank of Jamaica Limited

Facilitating economic growth and development

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