Trafalgar Development Bank 1998

NOTES TO THE FINANCIAL STATEMENTS

30 September 1998

1. Identification and Principal Activities

   The company operates as an approved venture capital company for purposes of the Income Tax Act. An extension of this status was granted with effect from 5 December 1997 for a period of three years. Both the company and its subsidiary are incorporated in Jamaica.

   The company's principal activities involve the financing of equipment leases and providing loans.

   All amounts in these financial statements are expressed in Jamaican dollars unless otherwise stated.

2. Significant Accounting Policies

   (a) Accounting convention

   These financial statements have been prepared under the historical cost convention.

   (b) Consolidation

   The group's financial statements include the financial statements of the 51% owned subsidiary, Trafalgar Commercial Bank Limited.

(c) Depreciation

Depreciation is calculated on the straight line basis at annual rates that will amortize the cost of each asset over its expected useful life. Rates are as follows:-

Office equipment	10%
Motor vehicles	20%
Leasehold improvements	20%
Computer equipment	33 1/3%

(d) Investments

Investments are stated at the lower of cost and net realisable value.

(e) Interest income

(i) Interest income in the company is accrued as earned. Where interest accrued is over 90 days past due a provision is then made for such accrued interest. This provision is classified as an expense.

(ii) Interest income in the subsidiary is accrued as earned except that interest accruals are normally discontinued whenever the payment of interest is 90 days past due. Under such conditions, no interest income is recognized until past due amounts are paid.

(f) Project fee income

Project fee income is recorded as income when loan agreements are signed and funds are committed for disbursement.

(g) Provision for loan losses

The company maintains an allowance for credit losses, which consists of specific provisions and general provisions for doubtful credits.

Specific provisions are established as a result of reviews of individual loans and is based on an assessment which takes into consideration all factors, including collateral held and business and economic conditions.

General provisions for doubtful credits are established against the loan portfolio in respect of the company's core business lines where a prudent assessment by the company of adverse economic trends suggests that losses may occur, but where such losses cannot yet be determined on an item-by-item basis.

(h) Leases

(i) Lease income is derived from finance leases and is recognised over the period of the lease on the actuarial or reducing balance method. This method provides a constant rate of return on the remaining net investment in the lease.

(ii) Unearned income from finance leases represents the income element of lease payments collectible in future accounting periods.

(i) Deferred taxation
Deferred taxation is recognised in these financial statements only to the extent that the timing differences are considered likely to reverse in the foreseeable future.

(j) Foreign currency translation

(i) Transactions during the year are converted at the rates of exchange prevailing on the transaction dates.

(ii) Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at rates of exchange prevailing at balance sheet date. Differences on translation are reflected in the profit and loss account.

(iii) Where foreign currency assets are specifically acquired to match foreign currency liabilities either in whole or in part, the translation gains or losses are netted and the difference taken to the profit and loss account.

(k) Assets purchased/sold under resale/repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expense are recorded on the accrual basis.

3. Profit before Taxation

	1998 $'000	1997 $'000
This is arrived at after charging/(crediting):		
Directors' emoluments -	1,194	784
Fees	4,200	3,915
Remuneration		
Auditors' remuneration		
Current year		
Prior year	2,430	2,124
Depreciation	-24	10
Interest on long term debts	11,558	10,362
Loss/(gain) on sale of fixed assets	86,067	76,987
	1,044	(540)

4. Taxation

(a) The company is relieved from taxation provided it complies with the requirements of the Income Tax Act relating to venture capital companies (see note 1). Dividends paid by the company will, nevertheless, be taxable in the hands of shareholders.

(b) Taxation relates to the subsidiary's operations and represents:

Income tax computed at 33 1/3% of the profits for the year adjusted for tax purposes:

	1998 $'000	1997 $'000
Provision for current year's charge	787	-
Over provision of prior year's charge	(42)	-
	745	-

(c) In 1997, the subsidiary had pre-tax losses of $8,388,000. In the current year, the subsidiary has pre-tax profits of $4,579,000 and an effective tax rate of 16.26% compared to a statutory rate of 33 1/3%. The tax charge is disproportionate to the profit before taxation mainly as a result of the following:

	1998 $'000	1997 $'000
Taxation computed on profit per the financial statements	1,526	-
Difference between computed and actual taxation arise from -		
Depreciation and capital allowances	(8)	-
Currency translation gains	348	-
Other disallowed expenses	(15)	-
Adjustment for tax losses	(1,106)	-
Actual taxation for the year	745	-

(d) Tax losses in previous years of $3,318,000 have been fully utilised, subject to the agreement by the Commissioner of Income Tax.

5. Net Profit and Retained Earnings

The net profit is dealt with in the financial statements as follows:

	1998 $'000	1997 $'000
The company	41,481	69,487
The subsidiary	1,956	(4,278)
	43,437	65,209

The retained earnings are reflected in the financial statements as follows:

	1998 $'000	1997 $'000
The company	399,052	373,508
The subsidiary	(2,364)	(3,745)
	396,688	369,763

6. Earnings Per Stock Unit

The calculation of earnings per stock unit is based on the group's net profit after taxation for each year and the 115,047,308 of stock units in issue.

7. Cash Resources

	The Group Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	4,693	-	-	-	4,693	5,543
Deposits with and money on call at Bank of Jamaica	94,882	-	-	-	94,882	87,651
Due from banks and other institutions	223,898	120,818	10,000	-	354,716	338,524
	323,473	120,818	10,000	-	454,291	431,718

Cash resources for the subsidiary include approximately $79,522,000 (1997: $69,587,000) held under Section 14(1) of the Banking Act, substantially on a non-interest bearing basis at the Bank of Jamaica as a cash reserve. Accordingly, it is not available for investment or other use by the subsidiary.

Accounts with other banks in the subsidiary include foreign bank's current accounts amounting to approximately $26,894,000 (1997: $54,558,000).

The Company

	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	Remaining Term to Maturity					
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	2	-	-	-	2	2
Due from banks and other institutions	251,362	107,961	10,000	-	369,323	328,719
	251,364	107,961	10,000	-	369,325	338,721

8. Investments

	1998	1997
At Cost:	$'000	$'000
Redeemable cumulative preference shares of $ 1 each -		
British Shoe Limited	2,000	2,000
Carib Metal Successor Limited	-	1,000
Caribbean Casting & Engineering Limited	2,000	2,000
Crimson Dawn Manufacturing Company	2,000	2,000
Edgechem (Jamaica) Limited	290	290
Gabriel Fisheries Limited	2,572	2,465
Hamilton's Auto & General Machine Shop Limited	2,000	2,000
Hillcar Nurseries and Farm Limited	600	600
Jamaican Heart Limited	500	500
Newport West Cold Storage Limited	843	843
Runaway Bay Development Limited	22,042	-
Sandosa Limited	500	500
Scott's Preserves Limited	500	500
Strategic Information Group Limited	7,170	7,033
Strategic Information Limited	1,873	1,837
Vilcomn Services International Limited	5,000	5,000
Villa D'Este Limited	2,000	2,000

Redeemable cumulative preference shares of $2 each -		
C. M. Associates Limited	-	1,000
Citrad Limited	500	500
Helitours Jamaica Limited	2,000	2,000
Jamaica Standard Products Limited	1,000	1,000
Jombolon Jamaica Limited	4,593	4,504
Solomon Armstrong Company Limited	300	300
	60,283	39,872
Ordinary shares -		
1,300,000 of $1 each -	3,495	3,495
Mclntosh Furniture Company Limited		
12,762 of $1 each -	300	300
Old England Coffee Development Company Limited		
2,500,000 of $1 each -	5,000	5,000
Long Pond Estates Limited		
200,000 of $10 each -	2,000	2,000
Jamaica Venture Fund Limited		
250,000 of $4 each -	1,000	1,000
Pulse Entertainment Group Limited	4,000	3,000
Pragma Development Company	15,795	14,795
	76,078	54,667
Less provision for losses	(7,895)	(1,400)
The Company	68,183	53,267
Government of Jamaica Securities	62,850	100,272
The Group	**131,033**	**153,539**

The Group

Remaining Term to Maturity

	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998
1997					
	$'000	$'000	$'000	$'000	$'000
$'000					

Government of Jamaica Securities	21,850	-	41,000	-	62,850	100,272
Unquoted investments -						
Redeemable preference shares	-	-	-	60,283	60,283	39,872
	21,850	-	41,000	60,283	123,133	140,144
Unquoted investments -						
Ordinary shares					15,795	14,795
Less: Provision for losses					(7,895)	(1,400)
					131,033	153,539

The market value of Government of Jamaica Securities in the subsidiary at 30 September 1998 was approximately $60,492,000. Present value analysis was used to determine the market value of local registered stock instruments and the discount rate used was the weighted average of actual returns for the instruments. Values for treasury bills were computed using the nominal value for the period/term to maturity and the discount rate explicit in the instruments.

Treasury bills in the subsidiary amounting to $15,000,000 are held by the Bank of Jamaica (BOJ) as security in the event of an overdraft on the BOJ's current account. There was no overdraft balance with BOJ at 30 September 1998.

The Company
Remaining Term to Maturity

	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Unquoted investments -						

Redeemable preference shares	-	-	-	60,283	60,283	39,872
	-	-	-	60,283	60,283	39,872
Unquoted investments -						
Investment in subsidiary					44,668	44,668
Ordinary shares					15,795	14,795
Less: Provision for losses					(7,895)	(1,400)
					112,851	97,935

9. Long Term Loan

	The Group and The Company	
	1998	1997
	$'000	$'000
Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)	166,594	155,214

In June 1997, the company entered into a foreign currency arrangement with DEG, a major shareholder and a provider of long term finance to the company. Under the agreement, the company borrowed from DEG, US$4,351,610 (the equivalent of DM 7,500,000) and immediately made a corresponding loan to DEG in the amount of DM 7,500,000 repayable in year 2012, the intention being that this loan to DEG is to hedge against the exchange risk which the company is exposed to in respect of an earlier DM loan from DEG and which is also repayable in year 2012 (Note 15). Interest on the loan to DEG is at 6% per annum and interest on the loan to the company is at 8 1/8% per annum and is included in long term liabilities (Note 15).

The company does not trade in foreign currency swaps and the above arrangement was entered into to reduce the impact of fluctuating currency rates, and related foreign currency exposure.

10. Loans to Customers

	The Group Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Loans to customers	262,067	103,358	626,428	709,688	1,701,541	1,547,196
Less: Provision for losses					(102,764)	(63,396)
					1,598,777	1,483,800

	The Company Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Loans to customers	3,085	8,383	515,725	669,936	1,197,129	1,200,169
Less: Provision for losses					(68,381)	(49,799)
					1,128,748	1,150,370

	The Group		The Company		The Group		The Company	
	Number of Accounts				1998	1997	1998	1997
	1998	1997	1998	1997	$'000	$'000	$'000	$'000
Professional and other services	112	72	14	15	153,854	126,204	38,730	44,120
Individuals	325	187	-	-	181,926	129,569	-	-
Agriculture	30	35	24	32	236,827	251,247	230,118	248,167
Manufacturing	94	94	75	83	502,749	539,488	483,147	525,511
Tourism	42	42	33	37	398,603	348,296	376,753	332,572
Transportation	21	12	-	-	31,228	22,266	-	-
Distribution	63	36	-	-	93,590	66,730	-	-
	687	478	146	167	1,598,777	1,483,800	1,128,748	1,150,370

Loans include the following:

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Total Non Performing Loans	219,228	218,943	184,845	205,347
The provision for loan losses comprises:				
At beginning of year	63,396	45,489	49,799	44,645

Net provision during the year	39,772	341,701	18,582	6,000
Net loan balances written off	(404)	(16,263)	-	(846)
	39,368	17,907	18,582	5,154
At end of year	**102,764**	**63,396**	**68,381**	**49,799**

11. Lease Receivables

	The Group and The Company Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Gross investment in leases	2,639	536	12,395	-	15,570	27,234
Less: Unearned income					(2,495)	(7,184)
Provision for losses					(1,550	-
					11,525	**20,050**

12. Fixed Assets

	The Group						
	Freehold Premises	Furniture and Equipment	Computer Equipment	Motor Vehicles	Leasehold Improvements	Leased Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
1.10.97	26,578	16,917	23,529	14,661	10,043	370	92,098
Additions	-	3,106	1,449	1,263	19	-	5,837
Disposals	-	767	-	(1,096)	(2,631)	-	(4,494)
30.9.98	26,578	19,256	24,978	14,828	7,431	370	93,441

Depreciation -

1.10.97	-	8,759	12,730	5,502	4,026	6	31,023
Charge for the year	-	3,185	5,312	1,947	1,040	74	11,558
On disposals	-	(415)	-	(582)	(1,365)	-	(2,362)
30.9.98	-	11,529	18,042	6,867	3,701	80	40,219
Net Book Value -							
30.9.98	26,578	7,727	6,936	7,961	3,730	290	53,222
30.9.97	26,578	8,158	10,799	9,159	6,017	364	61,075

The Company

	Freehold Premises $'000	Furniture and Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
Cost -						
1.10.97	26,578	2,162	9,358	12,437	3,308	53,843
Additions	-	485	278	1,263	-	2,026
Disposals	-	(12)	-	(1,096)	(2,631)	(3,739)
30.9.98	26,578	2,635	9,636	12,604	677	52,130
Depreciation -						
1.10.97	-	1,054	4,665	5,216	1,671	12,606
Charge for the year	-	248	2,346	1,944	368	4,906
On disposals	-	(12)	-	(582)	(1,365)	(1,959)
30.9.98	-	1,290	7,011	6,580	672	15,553
Net Book Value -						
30.9.98	26,578	1,345	2,625	6,024	5	36,577
30.9.97	26,578	1,108	4,693	7,221	1,637	41,237

13. Sundry Assets

	The Group		The Company	
	1998	1997	1998	1997
Interest receivable	34,093	37,858	29,389	26,931
Foreclosed asset	28,000	-	28,000	-
Other assets	28,196	34,910	27,030	28,982
	90,289	72,768	84,419	55,913

During the year the company foreclosed on a property which was used to secure a loan. The value at which the property is recorded represents loan principal plus interest accrued to the date of foreclosure. The property was professionally valued for $56,620,000 in June 1996.

14. Deposits by Customers

	The Group Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Customers' deposits	363,161	77,443	9	-	440,613	389,245

	Number of Accounts			
	1998	1997	1998	1997
			$'000	$'000
Public authorities	2	2	6,137	6,241
Financial institutions	53	37	176,799	128,886
Commercial and business enterprises	376	284	166,538	182,242
Others	815	689	91,139	71,876

	1,246	1,012	440,613	389,245

15. Due to Financial and Other Institutions

	Repayment Currency	Rate %	1998 $'000	1997 $'000
The Company:				
Long Term Loans				
United States Agency for International Development (USAID)				
Repayable in 21 semi-annual installments commencing January 1991 and ending July 2001	J$	5	51,746	58,477
Repayable in 16 semi-annual installments commencing August 1990 and ending February 1998	J$	5	-	5,156
Repayable within 10 years in 16 equal semi-annual installments commencing October 1997	J$	23 & 24	33,482	35,714
Repayable in 16 semi-annual installments commencing December 1996 and ending June 2003	J$	22 & 24	1,458	1,750
Financierings Maatschappij voor Ontwikkelingslanden N.V. (FMO) -				
Repayable in 14 semi-annual installments commencing October 1993 and ending April 2000	J$	7 3/4	4,259	7,098
Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) -				
Repayable in one amount on 31 December				

2009 (Loan #1)	J$	6	26,272	26,272
Repayable in one amount on 30 December 2012 (Loan #2)	DM	6	166,594	155,214
Repayable in 10 semi-annual installments commencing March 1999	US$	8 1/8	159,863	156,789
European Investment Bank (EIB)				
Repayable in 5 annual installments commencing March 2011 and ending March 2015	J$	2	23,583	23,583
Repayable in 1 installment on 31 December 2007	Ecu	2	24,894	4,768
Repayable in 12 semi-annual installments commencing March 1998 and ending September 2003	US$	3	129,507	152,409
Repayable in 12 semi-annual installments commencing March 1998 and ending September 2003	£	3	59,723	66,966
Commonwealth Development Corporation (CDC) -				
Repayable in 16 semi-annual installments commencing May 1994 and ending November 2001	£	10	107,504	129,163
Repayable in 12 semi-annual installments commencing January 1996 and ending July 2001 .	US$	9 1/4	110,209	144,120
Agricultural Credit Bank of Jamaica Limited (ACB)	J$	12	1,600	2,800
Carried forward			900,694	970,279
National Development Bank Limited (NDB) -				
Repayable in 32 quarterly installments commencing September 1993 and ending June 2001	J$	19	1,946	2,653

Repayable in 84 monthly installments commencing November 1998	J$	26	4,000	4,000
Repayable in 48 monthly installments commencing January 1999	J$	12	2,273	1,434
Repayable in 60 monthly installments commencing July 1998	US$	9	3,771	-
Repayable in 60 monthly installments commencing February 1999	J$	13	8,853	-
Repayable in 30 monthly installments commencing January 1999	J$	13	6,473	-
Repayable in 72 monthly installments commencing December 2000	J$	13	25,000	-
Repayable in 48 monthly installments commencing August 1999	J$	10	13,060	-
Repayable in 96 monthly installments commencing June 2000	US$	9	44,082	-
GOJ/World Bank Loan in association with Jamaica Exporters Association (JEA) -				
Repayable within 5 years of the date of each drawdown commencing August 1998	US$	Nil	52,221	48,965
Caribbean Development Bank (CDB) -				
Repayable in 32 quarterly installments commencing July 1996 and ending April 2004	US$	6 1/2	139,825	153,329
			1,202,198	1,180,660
Short Term Loans:				
Dehring, Bunting & Golding Limited	US$	10	18,368	-
Barclays Bank (Miami) -				
Loans at varying interest rates	US$		82,656	99,083
			1,303,222	1,279,743

The Company

The Subsidiary

Long Term Loan -

National Development Bank (NDB) -

Repayable in 60 monthly installments commencing June 1995	J$	12-24	5,580	7,584
Short term loan - Hamilton Bank N.A. -				
Open line for letter of credit and trade financing	US$	9 1/2-10 1/2	104,001	109,676
The Group			**1,412,803**	**1,397,003**

	The Group Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Due to Financial and other Institutions	72,797	303,855	648,975	387,176	1,412,803	1,397,003

	The Company Remaining Term to Maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	1998	1997
	$'000	$'000	$'000	$'000	$'000	$'000
Due to Financial and other Institutions	24,153	246,306	645,588	387,175	1,303,222	1,279,743

Under the terms and conditions of the USAID loan agreements, the company may prepay all or part of principal if the interest due is fully paid and up to date. The loans are repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time USAID disbursed the loan funds.

The loan agreements further require that the company:

(a) provide an annual reserve for loan losses of a minimum of 3% of average loans outstanding; and

(b) restrict ownership by any individual, association or company to a maximum of 15% of voting capital.

II The FMO loan totalling Dfl 7,500,000 was disbursed in 1989. The loan is repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time FMO disbursed the funds. The terms of the loan agreement state that the company will be allowed to prepay all or part of principal provided that five years have elapsed since the first disbursement of the loan to the company.

III Under the terms of the DEG Loan Agreements, the loans totalling DM 14,500,000 are to be applied for the financing of medium and small scale enterprises.

Loan #1 - DM 7,000,000 disbursed 1990.
This loan is repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time DEG disbursed the loan funds. The interest rate of 6% per annum consists of 3 portions, A-portion, B-portion and C-portion. The A-portion shall be 0.75% per annum and remitted in DM by the Ministry of Finance. The B-portion shall be 1.5% per annum and shall be remitted in J$ to the Ministry of Finance for exchange risk coverage. The C-portion shall be 3.75% per annum and payable in J$ out of the operating surplus of the company, paid to a special fund termed the "Trafalgar German Fund I".

Loan #2 - DM 7,500,000 disbursed 1993.
This loan is repayable in foreign currency. The interest rate of 6% per annum consists of an A-portion and a B-portion. The A-portion shall be 0.75% per annum and shall be remitted in DM to DEG. The B-portion shall be paid to a special fund termed "The Trafalgar German Fund 11". The fund is to be used primarily for the coverage of foreign exchange losses incurred by TDB should these funds be converted to Jamaican dollars, and for other technical assistance.

The third loan of US $4,351,610 (Note 9) was under a foreign currency hedging arrangement with DEG. It is repayable in 10 semi-annual installments commencing March 1999.

IV The EIB has established in favour of the company, credit in the amount of 1,000,000 European Currency Units (Ecu) for the financing of projects through equity participation in small and medium sized enterprises.

The company shall repay the loan in respect of amounts disbursed under each allocation, the Ecu equivalent of one half of the net amount of dividends received by the company in respect of the corresponding equity participation during the preceding calendar year.

The outstanding balance of the loan after the payments due on 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual installments beginning on 31 March 2011. Repayment may either be in Ecu or one or more currencies of the member states of the European Economic Community and shall be calculated as the Ecu equivalent of the Jamaican dollar liability using exchange rates between the Ecu and the selected currencies prevailing on the thirtieth day before the date of payment.

An additional facility was established in the amount of 5,000,000 ECU. The loan was disbursed to the company in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currencies as that in which the tranche was disbursed.

V The company has obtained two loans from the CDC. The first loan £4,000,000 Sterling was disbursed to the company in Pounds Sterling. A portion of these funds is held as collateral security for the short term United States Dollar loans from Barclays Bank, Miami (see Vlll). The remainder of these funds are on-lent to borrowers and are repayable in Sterling and are the principal and interest due to CDC.

The second loan for US$6,000,000 was on-lent to borrowers in United States Dollars and is repayable by the borrowers in United States Dollars as are the principal and interest due to CDC.

VI The agreement with the ACB allows ACB, at its absolute discretion, to approve J$ financing to the company for on-lending to farmers and other agricultural projects, on such terms and conditions as ACB may stipulate.

Of the total loan, $3,500,000 is repayable over a seven year period commencing January 1992. The remainder of the loan has a three year moratorium in respect of principal repayments which commenced in 1994.

VII The agreement with the NDB allows NDB, at its absolute discretion to approve J$ financing for onlending to development projects, on such terms and conditions as NDB may stipulate. Funds disbursed to the company bear interest at NDB's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by NDB.

VIII The loans with Barclays Bank are denominated in U.S. Dollars and are secured by Sterling deposits (see V).

IX The agreement with Government of Jamaica and the World Bank in association with the JEA allows TDB the facility to borrow up to US$4,400,000, for on-lending to private enterprises seeking funding for export development projects.

The loans are repayable in foreign currency within 5 years of the date of each individual advance, the first installment being due August 1998.

X The agreement with the CDB provides the company with a credit facility of US$5,000,000 for onlending to development projects on such terms and conditions as CDB may stipulate. The funds are repayable in foreign currency and had a two year moratorium in respect of principal repayments, which commenced in 1996.

16. Sundry Liabilities

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
DEG technical assistance fund	53,049	44,487	53,049	44,487
Interest payable	17,945	23,013	17,945	23,013
Other payables	46,988	24,013	18,623	10,141
	117,982	**91,513**	**89,617**	**77,641**

Other payables for the group include manager's cheques amounting to approximately $21,709,000 due within one year.

17. Obligations Under Finance Lease

	The Group 1998	1997
Year	$'000	$'000
1998	-	205
1999	205	205
2000	51	51
Total future minimum lease payments	256	461
Less future interest charges	(101)	(91)
Present value of minimum lease payments	155	370
Due from the date of the balance sheet as follows:		
within 1 year	118	100
after 1 year	37	270
	155	370

18. Share Capital

	1998	1997
	$'000	$'000
Authorised -		
Ordinary shares of $1 each	120,000	120,000
Issued and fully paid -		
Ordinary stock units of $1 each	115,047	115,047

19. General Reserve

The reserve has been created by the capitalisation of grants received from USAID and DEG for the purchase of equipment. The reserve is being written off to the profit and loss account by the amount of annual depreciation provided on the equipment. The balance comprises:

	The Group and The Company 1998	1997
	$'000	$'000
Balance brought forward 1 October	3,501	3,901
Transfer to retained earnings	(400)	(400)
	3,101	3,501

20. Reserve Fund

	The Group	
	1998	1997
	$'000	$'000
At beginning of year	2,426	2,426
Transfer for year	575	-
At end of year	3,001	2,426

The fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of net profits, as defined by the Act, be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid up capital of the subsidiary and thereafter 10% of the net profits until the amount of the fund is equal to the paid up capital of the subsidiary. No transfer was made in prior year as losses were incurred.

21. Commitments

At 30 September 1998, there were undisbursed loan commitments for the company as follows:

J$12,503,000	(1997-J$16,782,000)
US$3,792,000	(1997 - US$2,504,000)

22. Related Party Transactions and Balances

In the ordinary course of business, the company provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the company.

Two parties are considered to be related when:

(a) one party is able to exercise control or significant influence over the other party; or

(b) both parties are subject to common control or significant influence from the same source.

Transactions and balances with connected parties are as follows:

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Long term loans payable	356,988	345,373	356,988	345,373
Loans receivable	161,681	158,007	161,681	158,007
Long term receivable	166,594	155,214	166,594	155,214
Provision for loan losses	1,098	-	1,098	-
Deposits	60,828	32,501	-	-
Leases	1,573	2,837	1,573	2,837
DEG technical assistance fund	53,049	44,487	53,049	44,487
Interest and other income earned	28,740	16,982	28,740	16,982
Interest charged	33,910	17,876	29,586	15,657

23. Contingent Liability

Two customers of the subsidiary have filed a suit against that company, denying their indebtedness and are seeking declaration to that effect. The suit claims unquantified damages for fraud and breach of contract.

The subsidiary has filed a defence to the claim, denied the allegations, and counter claimed for the debt owing. A trial date has not yet been set.

As the matter is still at the preliminary stage, the company's lawyers are unable to comment on the likely outcome at this stage. No provision has been made in the financial statements.

24. Pension Scheme

The group participates in a pension scheme which is administered by First Life Insurance Company Limited. The scheme is open to all full-time employees and is funded by a basic employee contribution of 5% and a voluntary contribution up to a maximum of an additional

5%. Employer contributions are 5%. Retirement and death benefits are based on accumulated employer and employee contributions. Employer contributions charged in these financial statements amount to $ 1,829,100 (1997 -$1,732,559).

25. Brokered Funds

The subsidiary acted as a broker on behalf of its clients during the year. At 30 September 1998, these funds amounted to $86,738,876 (1997 - $121,335,728). The funds are not shown in the subsidiary's financial statements.

26. Net Foreign Currency Exposures

The net foreign currency exposures as at 30 September 1998 are as follows, asset/(liability):

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
United States ($)	8,684	8,628	9,227	8,343
Canadian ($)	56	16	-	-
Pound Sterling (£)	(908)	(1,384)	(860)	(1,424)
Deutsche Mark (DEM)	298	(149)	298	(149)

27. Subsequent Event

The reserve requirements of commercial banks were amended as follows:

With effect from 1 November 1998, the minimum cash reserve and liquid assets requirements of commercial banks with respect to local currency liabilities were further reduced by two (2%) percentage points to twenty one percent (21%) and forty three percent (43%), respectively.