TRAFALGAR DEVELOPMENT BANK LIMITED 2000

Notes to the Financial Statements
30 September 2000

1. Identification and Principal Activities

The company operates as an approved venture capital company for purpose 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 providing loans, investment banking and equity financing. loans.

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

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Companies Act and the Banking Act, and comply with Jamaican Accounting Standards. These financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

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

The subsidiary is licensed under the Banking Act (Act), and during the year ended 30 September 2000, the subsidiary did not comply with Sections 13(1)(f)(i); 13(l)(f)(ii), and 16(f).

These non-compliances were rectified as at 30 September 2000.

Unless otherwise stated, the other provisions of the Act have been met.

(c) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

(d) Foreign currencies

(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 the balance sheet date. Gains and losses arising from fluctuations in exchange rates are included 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.

(e) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, long term loan receivables, loans to customers, lease receivables, all other assets excluding fixed assets and goodwill arising on consolidation, deposits by customers, and all other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the group's financial instruments are discussed in Note (22).

(f) Interest and fees

Interest income and expenses are recognised on the accrual basis, except that where collection of interest income is considered doubtful or payment of interest is outstanding for more than 90 days, interest is taken on the cash basis. Accrued interest on loans which are in arrears for 90 days and more is excluded from income in accordance with the Banking Act.

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

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents relate to cash resources which comprise cash in hand, short term deposits with and money on call at the Bank of Jamaica and other banks and financial institutions, net of amounts due to banks and other financial institutions.

(h) Investments

(i) Investments in the company are stated at the lower of cost and net realizable value.

(ii) Investments in the subsidiary are shown at cost, plus.accrued interest where applicable.

Where there is a diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(i) Provision for loan losses

The group 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 are 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.

(j) Fixed assets and depreciation

(i) Fixed assets are recorded at cost and are stated at historical cost less depreciation.

(ii) Depreciation is provided on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The following rates are used:

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

(iii) In the subsidiary, fixed assets acquired under finance leasing arrangements are included at cost, less accumulated depreciation calculated to write them off over the period of the leases. Interest is charged so as to arrive at a constant rate of charge over the period of the leases.

(iv) Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating results.

(k) 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.

(l) 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.

(m) Acceptance under guarantees and letters of credit
Liabilities under acceptances in respect of guarantees, commitments and letters of credit are reported as a liability in the balance sheet. Equal and off setting claims against customers in the event of a call on these commitments, are reported as an asset.

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

A repurchase agreement ("Repo")/reverse repurchase agreement is a short term transaction whereby securities are sold/bought with simultaneous agreements for reselling/repurchasing the securities on a specified date and at a specified price.

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

(o) Employee benefit costs

Contributions by the Group to fund benefits under the pension scheme are actuarially determined and include amounts to fund future service benefits, expenses and past service benefits. Contributions are charged as an expense in the year in which they are due.

(p) Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation

(ii) JSSAP 3.30 - Presentation of Financial Statements

3. Staff Costs

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000

Salaries and wages	64,322	64,801	37,949	37,894
Statutory contributions	5,362	5,448	3,097	3,130
Pension costs	1,956	2,028	1,439	1,472
Other staff benefits	8,042	9,176	3,570	2,708
	79,682	**81,453**	**46,055**	**45,204**

The number of employees of the Group and the company at 30 September 2000 were 66 (1999 - 67) and 29 (1999 - 32), respectively.

4. (Loss)/Profit before Taxation

	The Group		The Company	
	2000	1999	2000	1999
This is arrived at after charging/crediting):	$'000	$'000	$'000	$'000
Directors' emoluments -				
Fees	1,822	1,700	1,220	929
Remuneration (included in staff costs-Note 3)	4,740	4,740	4,740	4,740
Auditors' remuneration				
Current year	2,520	2,460	1,620	1,500
Prior year	19	250	-	150
Depreciation	9,748	9,479	4,571	3,969
Interest expense	172,031	158,390	104,823	100,188
Loss/(profit) on sale of fixed assets	**237**	**830**	**(182)**	**489**

5. Taxation

(a) The company is relieved from taxation provided it complies with the requirements of the Income Tax Act relating to venture capital companies (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 is computed at 33 1/3% of the profits for the year adjusted for tax purposes and comprises:

	2000	1999
	$'000	$'000
Provision for current year charge	-	591
Underprovision of prior year's charge	5	-
	5	591

(c) In 2000, the subsidiary had pre-tax profits of $1,063,471 (1999: -profit of $59,887). The effective tax rate was 0.48% (1999 - 987.09% compared to a statutory rate of 33 1/3% (1999 - 33 1/3%). The actual tax charge is disproportionate to the expected tax charge as follows:

	2000	1999
	$'000	$'000
Taxation computed on profit per the financial statements	354	20
Difference between computed and actual taxation arise from -		
Depreciation and capital allowances	168	784
Currency translation gains.	(631)	(249)
Other disallowed expenses	109	36
Under provision	5	-
Actual taxation charge for the year	**5**	**591**

6. Net (Loss)/Profit and Retained Earnings.

The net (loss)/profit is dealt with in the financial statements as follows:

	2000	1999
	$'000	$'000
The company -		
Profit and loss	(15,775)	1,457
Post acquisition profit in the subsidiary not recovered in sales proceeds (Note 28(a))	903	-
	(16,678)	1,457

The subsidiary	539	(271)
	(16,136)	**1,186**

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

	2000 $'000	1999 $'000
The company -		
Statement of changes in equity	379,381	394,256
Post acquisition profit in the subsidiary not recovered in sales proceeds (Note 28 (a))	(903)	-
	378,478	394,256
The subsidiary	(2,256)	(2,636)
	376,222	391,620

7. (Loss)/Earnings Per Stock Unit

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

8. Cash Resources

	The Group Remaining Term to Maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Cash	9,097	-	-	-	9,097	10,462
Deposits with and money on call at Bank of Jamaica	177,421	-	-	-	177,421	82,911
Due from banks and other institutions	100,184	125,895	42,860	-	268,939	427,778
	286,702	125,895	42,860	-	455,457	521,151

Cash resources for the Group include approximately $60,385,000 (1999: $59,857,000) held under Section 140) 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 Group.

The subsidiary held local registered stock, with a nominal value of $245,049,000 (1999: $25,000,000), as security for placements made with other financial institutions.

Accounts with other banks include foreign currency accounts amounting to approximately $206,845,000 (1999: $273,019,000). For the company, these accounts amounted to $192,361,000 (1999: $208,963,000).

The Company
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Cash	4	-	-	-	4	2
Due from banks and other institutions	144,696	121,896	42,860	-	309,452	358,376
	144,700	**121,896**	**42,860**	**-**	**309,456**	**358,378**

9. Investments

	2000 $'000	1999 $'000
At Cost:		
Redeemable cumulative preference shares of $1 each	99,754	75,575
Redeemable cumulative preference shares of $2 each		
Ordinary shares	8,403	7,799
	11,294	10,994
	119,451	94,368
Less provision for losses	(12,991)	(10,645)
The Company	106,460	83,723
National Development Bank bond	3,398	-
Government of Jamaica Securities	309,419	98,387
The Group	419,277	182,110

The Group
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Government of Jamaica Securities						
National Development Bank bond	22,063	43,411	176,348	70,995	312,817	98,387
Unquoted investments -						
Redeemable preference shares	-	-	-	108,157	108,157	83,374
	22,063	43,411	176,348	179,152	420,974	181,761
Unquoted investments						
Ordinary shares					11,294	10,994
Less: Provision for losses					(12,991)	(10,645)
					419,277	182,110

The market value of investments owned by the subsidiary at 30 September 2000 was approximately $374,302,000 (1999: $107,290,000). 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, period/term to maturity and the discount rate explicit in the instruments.

Treasury bills in the subsidiary amounting to $10,000,000 (1999: $Nil) are held by the Bank of Jamaica (BOJ) as security in the event of an overdraft on the BOJ's current account. Local Registered Stock certificate of $Nil (1999: $40,000,000) was held by BOJ as security for credit line of $10,000,000.

The Company
Remaining Term to Maturity

Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000

Unquoted investments -						
Redeemable preference shares	-	-	-	108,157	108,157	83,374
	-	-	-	108,157	108,157	83,374
Unquoted investments -						
Investment in subsidiary					44,668	44,668
Ordinary shares					11,294	10,994
Less: Provision for losses					(12,991)	(10,645)
					151,128	128,391

10. Long Term Loan

	The Group & The Company	
	2000	1999
	$'000	$'000
Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)	152,707	164,495

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 16). 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 16).

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.

11. Loans to Customers

The Group
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Loans to customers	229,803	236,308	713,786	561,969	1,741,866	1,726,200
Less: Provision for losses					(225,098)	(173,762)
					1,516,768	1,552,438

The Company
Remaining Term to Maturity .

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Loans to customers	84,358	180,577	597,762	473,435	1,336,132	1,298,219
Loans purchased					38,580	24,327
Less: Provision for losses					(178,077)	(135,520)
					1,196,635	**1,187,026**

	The Group		The Company		The Group		The Company	
	Number of Accounts				2000	1999	2000	1999
	2000	1999	2000	1999	$'000	$'000	$'000	$'000
Professional and other services	127	109	11	18	222,633	203,989	42,949	119,399
Individuals	228	312	-	-	111,327	151,250	-	-
Agriculture	21	30	20	27	233,983	287,003	231,849	282,137
Manufacturing and Mining	70	91	63	56	508,146	440,699	500,771	381,939
Tourism	36	47	34	42	565,404	517,161	560,563	514,744
Transportation	10	12	-	-	24,396	16,977	-	-
Distribution	26	61	-	-	75,977	109,121	-	-
	518	662	128	143	1,741,866	1,726,200	1,336,132	1,298,219

Loans include the following:

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Total Non-Performing Loans	**379,288**	**347,555**	**250,413**	**249,304**
The provision for loan losses comprises:				
At beginning of year	173,762	105,564	135,520	71,181
Provision made during the year	108,188	101,267	46,273	64,339
Provision no longer required	(49,963)	(15,632)	(1,251)	-
Net provision during the year	58,225	85,635	45,022	64,339
Net loan balances written off	(6,889)	(17,437)	(2,465)	-
At end of year	225,098	173,762	178,077	135,520

The subsidiary, Grace Kennedy & Company Limited (GK) and the Company, signed an Option Agreement dated 22 August 2000, under which GK and the company acquired the option to purchase loans with a principal balance of $30,553,000 for $30,400,000 (GK: $14,896,000; the company: $15,504,000). These loans were sold with the relevant securities and the effective date of the sale was 31 July 2000. GK and the company exercised the option and on the basis of this, the sale of the loans was recorded in the financial statements and the provision for probable loan losses of $30,553,000 was written back by the subsidiary.

The company has recorded its portion of the loans as 'loans purchased' and correspondingly made a provision for probable loan losses.

The subsidiary and GK signed an option agreement dated 21 December 2000 under which GK acquired the option to purchase loans with a principal balance of $34,395,000 for $33,700,000. (Note 24). These loans were sold with the relevant securities and the effective date of the sale was 30 September 2000. GK exercised the option and on the basis of this, the sale of the loans was booked in the financial statements and the provision for probable loan losses of

$33,645,000 was written back.

The subsidiary, GK and the Company, signed an option agreement dated 22 December 1999 under which GK and the Company acquired the option to purchase loans with a principal balance of $52,117,000 for $47,700,000. (GK - $23,373,000; the Company - $24,327,000) (Note 24). These loans were sold with the relevant securities and the effective date of the sale was 30 September 1999. GK and the Company exercised the option and on the basis of this, the sale of the loans was booked in the financial statements and the provision for probable loan losses of $43,917,000 was written back in 1999.

12. Lease Receivables

The Group and The Company
Remaining Term to_Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Gross investment in leases	3,970	-	-	-	3,970	8,188
Less: Unearned income					(479)	(593)
					3,491	7,595
Provision for losses					(1,631)	(1,582)
					1,860	6,013

13. Fixed Assets

The Group

	Freehold Premises $'000	Furniture and Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Leased Assets $'000	Total $'000
Cost -							
1.10.1999	26,578	18,778	28,717	15,927	7,733	2,260	99,993
Additions	-	6,835	7,041	152	970		14,998
Disposals	-	(1,918)	(3,212)	(3,323)	(677)	-	(9,130)
30.9.2000	26,578	23,695	32,546	12,756	8,026	2,260	105,861

Depreciation -							
1.10.1999	-	12,617	20,511	10,527	4,463	280	48,398
Charge for the year	-	2,274	3,576	2,569	877	452	9,748
On disposals	-	(1,676)	(3,212)	(2,045)	(672)	-	(7,605)
30.9.2000	-	13,215	20,875	11,051	4,668	732	50,541
Net Book Value							
30.9.2000	**26,578**	**10,480**	**11,671**	**1,705**	**3,358**	**1,528**	**55,320**
30.9.1999	**26,578**	**6,161**	**8,206**	**5,400**	**3,270**	**1,980**	**51,595**

The Company

	Freehold Premises $'000	Furniture and Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
Cost -						
1.10.1999	26,578	2,665	11,203	12,604	677	53,727
Additions	-	6,201	760	152	970	8,083
Disposals	-	(1,918)	(3,212)	-	(677)	(5,807)
30.9.2000	26,578	6,948	8,751	12,756	970	56,003
Depreciation -						
1.10.1999	-	1,550	7,425	8,810	672	18,457
Charge for the year	-	727	1,421	2,241	182	4,571
On disposals	-	(1,676)	(3,212)	-	(672)	(5,560)
30.9.2000	-	601	5,634	11,051	182	17,468
Net Book Value -						
30.9.2000	26,578	6,347	3,117	1,705	788	38,535
30.9.2000	26,578	1,115	3,778	3,794	5	35,270

14. Sundry Assets

	The Group 2000 $'000	The Group 1999 $'000	The Company 2000 $'000	The Company 1999 $'000
Interest receivable	35,796	42,387	24,106	26,027

Foreclosed asset	28,000	28,000	28,000	28,000
Other assets	70,322	57,177	30,271	29,750
	134,118	127,564	82,377	83,777

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. A recent valuation at 4 November 1999, by professional valuators George Gregg and Company, indicated a market value of $32,000,000

Other assets include the subsidiary's contribution to the National Housing Trust amounting to $49,567 (1999: $49,567), recoverable in the years 2001-4.

15. Deposits by Customers

The Group

	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	2000	1999
	$'000	$'000	$'000	$'000	$'000	$'000
Customers' deposits	**397,856**	**62,866**	**-**	**-**	**460,722**	**612,909**

	Number of Accounts			
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Public authorities	-	1	-	6,961
Financial institutions	54	54	158,168	173,308
Commercial and business enterprises	505	380	144,003	227,673
Others	1,405	1,400	158,551	204,967
	1,964	**1,835**	**460,722**	**612,909**

16. Due to Financial and Other Institutions

	Repayment Currency	Rate %	2000 $'000	1999 $'000
The Company:				
Lonq Term Loans-				
United States Agency for International Development (USAID) -				
Repayable in 21 semi-annual installments, with first drawdown starting January 1991 and ending July 2005	J$	5	38,309	45,027
Repayable within 10 years in 16 equal semi-annual installments commencing October 1997.	J$	23&24	24,553	30,580
Repayable in 16 semi-annual installments commencing December 1996 and ending June 2003	J$	22&24	875	1,167
Financierings Maatschappij voor Ontwikkelingslanden N.V. (FMO) -				
Repayable in 14 semi-annual installments commencing October 1993 and ending April 2000	J$	7 3/4	-	2,839
Deutsche Investitions - und Entwicklungsgeselischaft 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	152,597	164,495
Repayable in 10 semi-annual installments commencing March 1999	US$	LIBOR +2.25	117,037	139,129
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	24,854	24,854

Repayable in 12 semi-annual installments commencing March 1998 and ending September 2003.	US$	3	94,845	112,812
Repayable in 12 semi-annual installments commencing March 1998 and ending September 2003.	£	3	37,432	49,621
Repayable in 1 installment on 31 August 2002	Ecu	2	15,361	-
Repayable in 1 installment on 31 December 2007.	Ecu	2	21,676	23,763
Balance carried forward			577,394	644,142

Long Term Loans (continued)

Balance brought forward			577,394	644,142
Commonwealth Development Corporation (CDC) -				
Repayable in 16 semi-annual installments commencing May 1994 and ending November 2001	£	10	48,113	79,741
Repayable in 12 semi-annual installments commencing January 1996 and ending July 2001	US$	9 1/4	44,825	79,991
GOJ/World Bank Loan in association with Jamaica Exporters Association (JEA) -				
Repayable within 5 years of the date of each draw-down commencing August 1998	US$	Nil	46,828	51,498
Caribbean Development Bank (CDB) -				
Repayable in 32 quarterly installments commencing July 1996 and ending April 2004	US$	6 1/2	111,245	125,743
Balance carried forward			828,405	981,115

Development Bank of Jamaica Limited (DBJ) - (Formerly issued by National Development Bank Limited)				
Repayable in 32 quarterly installments commencing September 1993 and ending June 2001.	J$	19	531	1,238
Repayable in 84 monthly installments commencing October 1999.	US$	9	44,826	38,125

Repayable in 96 consecutive monthly installments commencing April 2001.	US$	Libor+3.5	44,826	10,239
Repayable in 60 monthly installments commencing April 2000.	J$	9	4,168	4,722
Repayable in 48 monthly installments commencing November 1999.	J$	13	6,244	8,100
Repayable in 48 monthly installments commencing July 2000.	J$	10	10,313	11,000
Repayable in 96 months installments commencing March 2001.	US$	Libor+3.5	32,963	15,905
Repayable in 60 monthly installments commencing July 2000.	J$	10	16,283	10,987
Repayable in 84 monthly installments commencing November 1998.	J$	26	2,905	3,524
Repayable in 48 monthly installments commencing January 1999.	J$	12	1,751	2,617
Repayable in 60 monthly installments commencing July 1998.	US$	9	3,796	4,722
Repayable in 60 monthly installments commencing February 1909.		13	5,902	7,820
Repayable in 30 monthly installments commencing January 1999.	J$	13	1,962	4,797
Repayable in 72 monthly installments commencing December 2000.	J$	13	21,528	25,000
Repayable in 48 monthly installments commencing				

August 1999.	J$	10	11,334	15,667
Repayable in 96 monthly installments commencing June 2000.	US$	9	51,549	47,995
Balance carried forward			1,089,286	1,193,573
Development Bank of Jamaica Limited (DBJ) - (Formerly issued by National Development Bank Limited)				
Repayable in 48 monthly installments commencing April 2001	US$ Libor + 6.5		13,027	-
Repayable in 48 monthly installments commencing November 2000.	US$	12	5,155	-
Repayable in 72 monthly installments commencing April 2000.	US$ Libor + 6.5		9,654	-
Repayable in 48 monthly installments commencing April 2001	J$	13	30,000	-
(Formerly held by Agricultural Credit Bank of Jamaica Limited)				
Repayable in 16 quarterly installments commencing June 1996	J$	10	320	960
			1,147,442	1,194,533
Short Term Loans:				
Dehring, Bunting & Golding Limited	US$	10	62,755	55,994
Barclays Bank (Miami) -				
Loans at varying interest rates	US$		78,444	79,991
The Company			1,288,641	1,330,518
The Subsidiary				

Long Term Loan - Development Bank of Jamaica. (DBJ) (Formerly issued by National Development Bank Limited). Repayable in 60 monthly installments commencing June 1995	J$	12-24	1,678	3,387
Short Term Loan - Overnight borrowing	J$		15,000	-
The Group			1,305,319	1,333,905

The Group
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years' $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Due to Financial and other Institutions	**49,944**	**338,928**	**604,397**	**312,050**	**1,305,319**	**1,333,905**

The Company
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	2000 $'000	1999 $'000
Due to Financial and other Institutions	**34,621**	**337,851**	**604,119**	**312,050**	**1,288,641**	**1,330,518**

1. 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.

Approval was granted during the year for the company to remove the above restriction of voting capital.

11 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 Agreement, 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% 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 10) 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 31st 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.

In 1999, an additional facility was established in the amount of 3,000,000 ECU, for the financing of projects through equity participation in small and medium sized enterprises. To date total disbursement stands at 1,110,000 ECU.

On the outstanding balance of the loan, the company shall repay in each year a sum representing the equivalent in Ecus of 50% of the Dividend (if any) received in respect of the corresponding equity participation during the preceding calendar year.

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 VII). The remainder of these funds are on-lent to borrowers and are repayable in Sterling as are the principal and interest due to CDC.

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

VI Development Bank of Jamaica

i) The agreement with the Agricultural Credit Bank (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.

ii) The agreement with the National Development Bank Limited (NDB) allows NDB, at its absolute discretion to approve J$ financing for on-lending 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.

iii) The notes payable by the subsidiary are issued to NDB in connection with amounts drawn-down from NDB for on-lending to borrowers for projects approved by the subsidiary. There is a one year moratorium on principal and the notes are repayable over 4 to 5 years.

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

VIII The loans with Dehring, Bunting & Golding Limited are denominated in U.S.Dollars and are evidenced by Promissory Notes.

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 on-lending 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.

XI Short term loan by the subsidiary represents overnight borrowing (1999: US$Nil) and repaid in the subsequent year.

17. Sundry Liabilities

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
DEG technical assistance fund	73,979	61,398	73,979	61,398
Interest payable	17,410	24,663	17,410	24,662
Other payables	45,928	41,501	19,021	33,519
	137,317	**127,562**	**110,410**	**119,579**

Other payables fqr the group include manager's cheques amounting to approximately $19,961,000 (1999: $25,233,000) due within one year.

18. Obligations under Finance Lease

	The Group	
	2000	1999
2000	-	856
2001	804	804
2002	804	804
2003	538	538
Total future minimum lease payments	2,146	3,002
Less future interest charges	(665)	(1,191)
Present value of minimum lease payments	**1,481**	**1,811**

Due from the date of the balance sheet as follows:

Within 1 year	428	358
After 1 year	1,053	1,453
	1,481	**1,811**

19. Share Capital

	2000 $'000	1999 $'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

20. General Reserve

	2000 $'000	1999 $'000
Grants capitalised -		
At 1 October	3,950	3,101
Additional grants capitalised during the year		1,498
Transfer to retained earnings	(900)	(649)
	3,050	3,950
Reserve for subsequent loss on disposal of subsidiary (Note 28(a))	36,169	-
The Company	39,219	3,950
Post acquisition profit in the subsidiary not recovered in sales proceeds (Note 28(a))	903	-
The Group	40,122	3,950

Grants received from USAID and DEG for the purchase of equipment are capitalised against reserves. The reserve is being written off to the profit and loss account by the amount of annual depreciation provided on the equipment.

21. Reserve Fund

	The Group	
	2000	1999
	$'000	$'000
At beginning of year	3,001	3,001
Transfer from retained earnings	159	-
At end of year	3,160	3,001

The fund is maintained in accordance with the Banking Act 1992, section 8 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.

22. Financial Instruments

(a) Fair values

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the Group's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Changes in interest rates are the main cause of changes in the fair value of the Group's financial instruments. The majority of the Group's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes.

The following tables set out the fair values of on-balance sheet financial instruments of the Group and the Company using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as fixed assets.

Fair values were estimated as follows:
The fair values of cash resources, sundry assets, cheques and other instruments in transit, customers' liability under guarantees and letters of credit, securities purchased/sold under agreeement to resell/repurchase, lease receivables and sundry liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of investments is assumed to be equal to the estimated market value of investments provided in tables below. These values are based on quoted market prices, when available; when not available other valuation techniques are used. The estimated fair value of loans to customers is assumed to be the principal receivable less any provision for losses.

The estimated fair value of long term loan and due to financial and other institutions reflects changes in the general level of interest rates that have occurred since the transactions were originated. The particular valuation methods used are as follows:

(i) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.

(ii) For match funded loans the fair value is assumed to be equal to their carrying value as gains and losses offset each other.

(iii) For all other loans, fair value is ascertained by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks. It is management's opinion that the existing rates are comparable to current rates that could be negotiated with the lenders.

The fair value of obligations under finance lease and deposits which are payable on demand or notice are assumed to be equal to their carrying values. Fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

The book value of financial assets and financial liabilities held for purposes other than trading may exceed their fair value due primarily to changes in interest rates. In such instances, the Group and the Company do not reduce the book value of these financial assets and financial liabilities to their fair values as it is the Group's and the Company's intention to hold them to maturity.

	The Group			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Cash resources	455,457	455,457	521,151	521,151
Investments	419,277	480,762	182,110	191,013
Long term loan	152,707	152,707	164,495	164,495
Loans to customers	1,516,768	1,516,768	1,552,438	1,552,438
Leased receivables	1,860	1,860	6,013	6,013
Customers' liability under guarantees and letters of credits	26,468	26,468	32,213	32,213
Cheques and other instruments intransit	42,549	42,549	19,786	19,786
Securities purchased under agreement to resell	216,741	216,741	-	-
Sundry assets	134,118	134,118	127,564	127,564

	The Group			
	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial Liabilities				
Deposits by customers	460,722	505,723	612,909	612,909

Due to financial and other institutions	1,305,319	1,305,319	1,333,905	1,333,905
Guarantees and letters of credit	26,463	26,468	32,213	32,213
Securities sold under agreement to repurchase	519,541	519,541	-	-
Sundry liabilities	137,317	137,317	127,562	127,562
Obligations under finance lease	1,481	1,481	11,811	11,811

The Company

	2000 Carrying Amount $'000	Fair Value $'000	1999 Carrying Amount $'000	Fair Value $'000
Financial Assets				
Cash resources	309,456	309,456	358,378	358,378
Investments	151,128	151,128	128,391	128,391
Long term loan	152,707	152,707	164,495	164,495
Loans to customers	1,196,635	1,196,635	1,187,026	1,187,026
Leased receivables	1,860	1,860	6,013	6,013
Sundry assets	82,377	82,377	83,777	83,777
Financial Liabilities				
Due to financial and other institutions	1,288,641	1,288,641	1,330,518	1,330,518
Sundry liabilities	110,410	110,410	119,580	119,580

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Position risk is the exposure to the effect of price changes on the market value of its portfolio of financial instruments, both on and off balance sheet.

The Group and the Company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial positions and cash flows. These risks are managed by establishing limits for the average modified duration of its portfolio, that is, the percentage change in the price of each type of financial instrument held for a given change in interest rate.

The tables below summarise the carrying amounts of balance sheet assets, liabilities and equity and off balance sheet financial instruments in order to arrive at the Group's and Company's interest rate gap based on earlier of contractual repricing or maturity dates.

No comparatives are shown for 1999, as the information is not readily available

The Group

	Immediately rate sensitive 2000 $'000	Within 3 Months 2000 $'000	3 to 12 Months 2000 $'000	1 to 5 Years 2000 $'000	Over 5 Years 2000 $'000	Non rate sensitive 2000 $'000	Total 2000 $'000
Cash resources	14,484	100,704	125,895	42,860	-	171,514	455,457
Investments	-	40,474	25,000	247,344	-	106,459[2]	419,277
Long term loan	-	-	-	-	152,707	-	152,707
Loans to customers	116,065	1,624	1,215,500	101,726	-	81,853[3]	1,516,768
Other assets	180,141	16,600	20,000	-	-	262,495[(4)]	479,236
Lease receivables	-	1,860	-	-	-	-	1,860
Total assets	310,690	161,262	1,386,395	391,930	152,707	622,321	3,025,305
Deposits	382,900	14,956	62,866	-	-	-	460,722
Other liabilities	426,691	116,583	534,851	491,748	256,498	163,785[(4)]	1,990,126
Minority interest	-	-	-	-	-	39,906	39,906
Shareholders' equity	-	-	-	-	-	534,551[(4)]	534,551
Total liabilities and shareholders' equity	809,591	131,509	597,717	491,748	256,498	738,242	3,025,305
On-balance sheet gap	(498,901)	29,753	788,678	(99,818)	(103,791)	(115,921)	-
Off-balance sheet gap	1,071	68,831	-	682	61,684	(132,268)	-
Total interest rate sensitivity gap	(497,830)	98,584	788,678	(99,136)	(42,107)	(248,189)	-
Cumulative gap	(399,246)	389,432	290,296	248,189	-	-	-

The Company

	Immediately rate sensitive 2000 $'000	Within 3 Months 2000 $'000	3 to 12 Months 2000 $'000	1 to 5 Years 2000 $'000	Over 5 Years 2000 $'000	Non rate sensitive 2000 $'000	Total 2000 $'000
Cash resources	14,811	129,889	121,896	42,860	-	-	309,456
Investments	-	-	-	-	-	151,128 (2)	151,128
Long term loan	-		-		152,707	-	152,707
Loans to customers	-	-	1,196,635	-	-	-3	1,196,635
Other assets	-	-	-	-	-	120,912 (4)	120,912
Lease receivables	-	1,860	-	-	-	-	1,860
Total assets	14,811	131,749	1,318,531	42,860	152,707	272,040	1,932,698
Due to financial and other institutions	-	34,621	507,105	490,417	256,498	-	1,288,641
Sundry liabilities	-	-	-	-	-	110,410 (4)	110,410
Shareholders' equity	-	-	-	-	-	533,647 (4)	533,647
Total liabilities and shareholders' equity	-	34,621	507,426	490,417	256,498	644,057	1,932,698
On-balance sheet gap	14,811	97,128	811,426	(447,557)	(103,791)	(372,017)	-
Off-balance sheet gap	1,071	68,831		682	61,684	(132,268)	-
Total interest rate sensitivity gap	15,882	165,959	811,426	(446,875)	(42,107)	(504,285)	-
Cumulative gap	181,841	993,267	546,392	504,285	-	-	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes non-financial instruments such as ordinary shares.

(3) This includes impaired loans to customers.

(4) These are (or include) non-financial instruments.

Average effective yields by the earlier of the contractual repricing or maturity dates:

The Group
2000

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Cash resources	6.50	12.62	7.16	21.25	-	11.19
Investments	-	18.20	17.27	11.66	-	15.71
Long term loan	-	-		-	6.00	6.00
Loans to customers	27.47	23.50	14.27	28.29		16.34
Lease receivables	-	28.00	-	-	-	28.00
Securities purchased under agreement to resell (a)	14.16	17.55	17.55	-	-	16.42
Deposits	6.38	6.58	6.67	-	-	6.54
Due to financial and other institutions (b)	16.00	6.98	7.93	7.03	5.76	7.06
Securities sold under repurchase agreements (b)	13.45	13.91	13.78	-	-	13.71
Obligations under finance lease	-	-	-	17.00	17.00	17.00

(a) This is the only interest bearing instrument included in other assets.
(b) These are the only interest bearing instruments included in other liabilities.

The Company
2000

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Cash resources	3.50	12.62	7.66	21.25	-	11.42
Long term loan	-	-	-		6.00	6.00
Loans to customers	-	-	14.11	-	-	14.11
Lease receivables	-	28.00	-	-	-	28.00
Due to financial and other institutions	-	6.98	7.92	7.03	5.76	6.95

(c) Credit risk

The following table summarises the credit exposure of the Group and the Company to individuals and businesses by sector:

The Group

	Long Term Loan	Loans to Customers	Guarantees and Letters of credit	2000
	%	%	%	%
	$'000	$'000	$'000	$'000
Professional and other services	152,707	131,854	5,100	289,661
Individuals	-	104,847	7,714	112,561
Agriculture	-	187,028	-	187,028
Manufacturing	-	469,117	80	469,197
Tourism	-	533,040	4,374	537,414
Transportation	-	23,796	9,200	32,996
Distribution	-	67,086	-	67,086
	152,707	1,516,768	26,468	1,695,943

The Company

Long Term Loan	Loans to Customers	2000

	$'000	$'000	$'000
Professional and other services	152,707	21,800	174,507
Individuals	-	-	-
Agriculture	-	184,894	184,894
Manufacturing	-	461,742	461,742
Tourism	-	528,199	528,199
Transportation	-	-	-
Distribution	-	-	-
	152,707	1,196,635	1,349,342

No comparatives are shown for 1999, as the information was not readily available.

(d) Currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The Group ensures that the net exposure is kept to a minimum by monitoring currency positions and matching foreign assets with liabilities, where possible.

The net foreign currency exposures as at 30 September 2000 are as follows, asset/(liability):

	The Group		The Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
United States ($)	10,871	11,104	10,121	10,561
Canadian ($)	12	18		
Pound Sterling (£)	1,622	(588)	1,622	(588)
Deutsche Mark (DEM)	326	124	326	124

23. Commitments

(a) At 30 September 2000, there were undisbursed loan commitments for the company as follows:

J$59,400,000 (1999 - J$9,430,728)
US$739,000 (1999 -US$ 2,466,811)

(b) At 30 September 2000, in the subsidiary there were arrears of $21,333,000 for dividends (1999:$16,000,000) for four years (1999: three years) preference dividends payable to the company and Grace Kennedy & Company Limited.

Preference dividends are an allowable charge against profits for taxation purposes in accordance with the Income Tax Act.

24. 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	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Long term loans payable	295,906	332,735	295,906	332,735
Loans receivable	97,447	95,467	97,447	95,467
Long term receivable,	152,707	164,495	152,707	164,495
Sundry assets	33,700	23,373	-	-
Sundry liabilities	-	-	-	24,327
Deposits	64,285	70,158		
Securities purchased under agreement to resell	35,000	-	-	-

Securities sold under agreement to repurchase	252,175	-	-	-
DEG technical assistance fund	73,978	61,399	73,978	61,399
Interest and other income earned	26,591	17,781	28,122	22,974
Interest and other expenses charged	39,317	34,074	27,633	29,462

25. Contingent Liabilities

(a) The company is involved in certain legal proceedings incidental to the normal conduct of business. Management believes that none of these proceedings, individually or in aggregate, will have a material effect on the company.

(b) The subsidiary has been sued by two of its customers who have alleged that they are not indebted to the subsidiary and have sought declarations 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 been set.

The subsidiary's lawyers are unable to provide a meaningful opinion as to the prospects of success for the subsidiary, as it will depend on oral evidence given at the trial, and the judge's opinion as to the truth of that evidence.

26. 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.

At 30 September 1992, the subsidiary participated in a defined contribution scheme sponsored and administered by Jamaica National Building Society. Contributions in this scheme were subsequently transferred to the Company's scheme.

An actuarial review showed that the scheme was adequately funded, if the employer's contributions are treated as vested liabilities, as at 31 August 1998.

27. Brokered Funds

Under an agreement with the Government of Jamaica, the company has undertaken to lend certain funds received to Participating Credit Institutions, for on-lending to Micro and Small Enterprises. At 30 September 2000, the funds received amounted to $120,000,000 (1999: $Nil). These funds are not reflected in these financial statements.

At 30 September 2000, the subsidiary had brokered funds totalling $15,144,000 (1999: $101,655,000). The funds are not shown in the subsidiary's financial statements.

28. Subsequent Event

(a) On 13 December 2000, the company entered into a conditional agreement for the sale of its 51% shareholding in its subsidiary, Trafalgar Commercial Bank (TCB), to Grace Kennedy and Company Limited (GK) for a consideration of $8,500,000. The remaining 49% of TCB's shares are currently held by GK. The completion of the sale is conditional on the written approval of the Minister of Finance, and such completion is to be effective seven days after the approval is granted.

At 30 September 2000, the company's investment in the subsidiary was $44,668,000 (Note 9) and in view of the sale agreement, the company's directors have decided to recognise the expected loss which will arise on the pending disposal of the investment. The loss on consolidation is expected to be approximately $37,072,000 and has been included in the group's profit and loss account as provision for losses on investments and in general reserve on the balance sheet.(Note 20).

The operations of TCB are currently being managed by GK, with effect.from 6 November 2000.

(b) On the 22 November 2000, the company entered into agreement.with First Life Insurance Company Limited for the exchange of shares. Under this agreement, the company will increase its authorised share capital then issue 140,613,376 new ordinary shares of $1 each to First Life in exchange for all the Pan-Caribbean Merchant Bank Limited's shares. All new shares issued by the company will rank pari passu to the existing ordinary shares.