# DEHRING BUNTING & GOLDING LIMITED

## Notes to the Financial Statements

## March 31, 2002

1 The company

The company is incorporated in Jamaica and its principal activities comprise the provision of corporate finance and investment and advisory services in accordance with a licence issued by the Securities Commission, including the making of investments and the managing of funds on a non-recourse basis (note 27). The company's wholly-owned subsidiaries and their principal activities are detailed in note 32.

On March 30, 2001, the company entered into an agreement with FINSAC to purchase FINSAC's 49% shareholding in DB&G Merchant Bank Limited (formerly Billy Craig Finance & Merchant Bank Limited) for $23,000,000, subject to the fulfillment of two conditions. Firstly, the company would inject cash into the managed funds portfolio of the Merchant Bank to eliminate the shortfall in the assets of the fund and, secondly, the managed funds would be consolidated with the off balance sheet portfolio of Dehring Bunting & Golding Limited within ninety days of the agreement. These conditions were met during the year.
On June 22, 2001 the company acquired a stock broking license from the Jamaica Stock Exchange.

2 Basis of preparation, consolidation and significant accounting policies

Basis of preparation:

The financial statements are prepared in accordance with the provisions of the Companies Act and, in respect of applicable subsidiary company operations, the Financial Institutions Act and Industrial and Provident Societies Act, and in accordance with Jamaican generally accepted accounting principles ("GAAP"). GAAP is materially represented by Statements of Standard

Accounting Practice issued by the Institute of Chartered Accountants of Jamaica.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and liabilities at the balance sheet date and the income and expenses for the year then ended. These estimates may differ from actual amounts.

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation and are presented in Jamaica dollars. Where necessary, comparative figures have been reclassified to conform to 2002 presentation.

Basis of consolidation:

The group's financial statements include the group's share of the operations of the subsidiaries (note 32) for the year ended March 31, 2002, except for Billy Craig Investments Limited, which has audited financial statements up to December 31, 2001. These were adjusted for significant intervening transactions to March 31, 2002 for consolidation purposes.

All significant intra-group transactions are eliminated.

The company and its subsidiaries are collectively referred to as the "group".

The significant accounting policies are as follows:

Basis of consolidation:

(aDepreciation:

Fixed assets are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

| | |
|---|---|
| Building | 21/2% |
| Leasehold imp | 10%-331/3% |
| Motor vehicle | 20% |
| Furniture and | 10% |
| Computers | 20%-25% |

(bInvestments:

Short-term investments (excluding bonds) are stated at the lower of cost and market value. Other investments are shown at cost.

(cRepurchase and reverse repurchase agreements:

Sales of securities under agreements to repurchase [repurchase agreements ('repos')] or transactions involving purchases of securities under agreements to resell [reverse repurchase agreements ('reverse repos')] are accounted for as short-term collateralised financing. It is the policy of the group to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements.

(dForeign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

(eProvision for probable loan losses:

The provision for probable loan losses is maintained at a level considered ad-equate to provide for potential loan losses. The provision is increased by amounts charged to earnings and reduced by net charge-offs. The level of the provision is based on management's evaluation of each loan with due consideration being given to prevailing and anticipated economic conditions, the collateral held, the debtors ability to repay the loan and, in the case of a subsidiary, the requirements of the Financial Institutions Act.

General provision for doubtful credits are established against the loan portfolio where a prudent assessment by the subsidiary, of adverse economic trends, suggests that losses may occur, but where such losses cannot be determined on an item by item basis. This provision is established at the minimum 1% established by the Supervisor.

(gPension scheme costs:

The company participates in a pension scheme (note 29) the assets of which are held separately from those of the company and the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

(hRevenue and expense recognition:

Income from foreign exchange cambio trading is determined on a trade-date basis. Interest income is recorded on the accrual basis, except, where collectibility is considered doubtful, it is recorded when received. Other revenue and expenses are recorded as earned and incurred, respectively.

(iFinance leases:

Lease payments are apportioned between interest (included in the profit and loss account) and principal, to produce a constant periodic rate of return on the outstanding lease obligations.

Provisions:

A provision is recognised in the balance sheet when the company and the group have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(kGoodwill:

Goodwill arising on the acquisition of subsidiaries is written off to the profit and loss account over a period of twenty-five years.

(lInterest:

Interest income from demand loans is calculated on the "simple interest" basis.

3 Cash resources

| | Company | | Group | |
|---|---|---|---|---|
| | 2,002 | 2,001 | 2,002 | 2,000 |
| | ($'000) | ($'000) | ($'000) | ($'000) |

| | | | | |
|---|---|---|---|---|
| Cash floats | 29,616 | 34,944 | 39,439 | 50,451 |
| Cash reserve - Bank of Jamaica | - | - | 1,292 | 1,207 |
| Cash at bank | 116,315 | 109,588 | 119,082 | 116,638 |
| | 145,931 | 144,532 | 159,813 | 168,296 |

A minimum of 27% (2001: 30%) of prescribed liabilities is required to be maintained in liquid assets by a subsidiary. This includes a cash reserve deposit of 9% (2001: 12%) of the amount of the prescribed liabilities, which is required to be maintained with the Bank of Jamaica at Nil% interest.

4 Loans and other receivables

| | Company | | Group | |
|---|---|---|---|---|
| | 2,002 | 2,001 | 2,002 | 2,001 |
| | $'000 | $'000 | $'000 | $'000 |
| Loans receivable [see notes 4 (b), (c), (e) and 8) | 1,176,384 | 1,610,894* | 1,139,990 | 1,599,330* |
| Less provision for doubtful debts [note 4 (d)] | (359,357) | (274,701) | (359,363) | (274,722) |
| | 817,027 | 1,336,193 | 780,627 | 1,324,608 |
| Other receivables: | | | | |
| Interest | 462,529 | 285,509* | 466,921 | 287,544* |
| Sundry | 11,549 | 75,509 | 20,505 | 81,118 |
| Less: provision for doubtful debts | 474,078 | 361,018 | 487,426 | 368,662 |
| | - | - | (2,668) | (2,668) |
| | 474,078 | 361,018 | 484,758 | 365,994 |
| | 1,291,105 | 1,697,211 | 1,265,385 | 1,690,602 |
| Amounts due within twelve months from balance sheet date | 839,114 | 723,519 | 859,453 | 727,554 |
| Amounts due more than twelve months from balance sheet date | 451,991 | 973,692 | 405,932 | 963,048 |
| | 1,291,105 | 1,697,211 | 1,265,385 | 1,690,602 |

(aLoans which exceeded 10% of the total loans owing to the company and the group, respectively, and also exceeded 10% of the total deposits due by the company and the group totalled $Nil (2001: $Nil).

(bConcentration of loans

The loan portfolio before provision, is concentrated as follows:

| | Company 2002 $'000 | 2001 $'000 | Group 2002 $'000 | 2001 $'000 |
|---|---|---|---|---|
| Agriculture | 6,794 | 35,052 | 6,794 | 35,052 |
| Manufacturing | 87,878 | 81,859 | 92,817 | 83,548 |
| Construction and real estate development | 58,711 | 203,559 | 58,711 | 212,952 |
| Tourism | 395,894 | 507,176 | 392,770 | 507,176* |
| Professional and other services | 277,049 | 595,596 | 222,514 | 565,695 |
| Personal | 330,746 | 187,652 | 346,650 | 193,898 |
| Other | 19,312 | - | 19,734 | 1,009 |
| | 1,176,384 | 1,610,894 | 1,139,990 | 1,599,330 |

(cLoans on which interest is suspended amounted to $549,134 thousand (2001: $437,037 thousand). These loans are included in the financial statements at their estimated net realisable value of $187,633 thousand (2000: $232,265 thousand).

(dProvision for probable loan losses:

| | Company 2002 $'000 | 2001 $'000 | Group 2002 $'000 | 2001 $'000 |
|---|---|---|---|---|
| Provision made during the year | 91,237 | 154,961 | 91,243 | 154,984* |
| Provisions no longer required | (2,145) | (16,926) | (2,166) | (16,928) |
| Increase in provision | 89,092 | 138,035 | 89,077 | 138,056 |
| At beginning of year | 274,701 | 136,666 | 274,722 | 136,666 |
| Net loan balance written off during the year | (4,436) | - | (4,436) | - |
| At end of year | 359,357 | 274,701 | 359,363 | 274,722 |
| Comprised of- | | | | |
| Specific provisions | 359,357 | 274,701 | 359,363 | 274,722 |

(eLoans receivable include loans to the company's Employee Share Ownership Plan (ESOP) amounting to $7,249 thousand (2001: $8,333 thousand) for the company and the group.

The number of shares held by the ESOP at March 31, 2002 was 6,407 thousand (2001: 6,407 thousand) for the company and the group (see note 16).

(FLoans receivable include US$ loans to Runaway Bay Developments Limited amounting to US$9,109 thousand (2001: US$9,044 thousand) for the company and the group. The loans are secured by certain land and buildings and are repayable in 2009. Of this amount, the company has subordinated the servicing of US$2,300 thousand (2001: US$2,300 thousand) in favour of other creditors. Interest will accrue at 10.5% (2001: 12%) per annum but payment will be deferred together with principal based on certain stipulated conditions.

At the balance sheet date provision for probable loan losses in respect of these loans amounted to US2,351 thousand (2001: US$1,589 thousand) for the company and the group.

5 Net investment in leases

| | | Group | |
|---|---|---|---|
| | | 2002 | 2001 |
| | | $'000 | $'000 |
| Total minimum lease payments receivable | | 109,530 | 139,065 |
| Unearned income | | (42,246) | (67,762) |
| | | 67,284 | 71,303 |
| Comprised as follows | - current po | 21,991 | 16,236 |
| | - non-curren | 45,293 | 55,067 |

Future minimum lease payments are receivable after balance sheet date as follows:

| | Group | |
|---|---|---|
| | 2002 | 2001 |
| | $'000 | $'000 |
| Within 1 year | 29,739 | 25,720 |
| Between 1 and 3 years | 23,262 | 24,589 |
| Between 3 and 5 years | 23,262 | 24,589 |
| Greater than 5 years | 33,267 | 64,167 |
| | 109,530 | 139,065 |

6 Securities sold under repurchase agreements, and securities purchased under resale agreements

The company and the group make funds available to and acquire funds from institutions by entering into very short-term agreements with these institutions. For securities sold under agreements to repurchase, the company and the group, on receipt of the funds, deliver the securities and agree to repurchase them on a specified date and at a specified price. For securities purchased under resale agreements, the company and the group, on delivering the funds, receive the securities and agree to resell them on a specified date and at a specified price.

7 Capital management fund

The capital management fund represents investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the investments (see note 14).

8 Investments

| | Company | | Group | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Securities issued or guaranteed by | $'000 | $'000 | $'000 | $'000 |
| Government of Jamaica: | | | | |
| Local Registered Stock | 7,581,472 | 5,202,637 | 7,583,472 | 5,204,637 |
| Bonds | 3,421,851 | 1,066,178 | 3,421,967 | 1,068,721 |
| | 11,003,323 | 6,268,815 | 11,005,43 | 6,273,358 |
| Unit Trust Funds (i) | 118,527 | 27,002 | 118,527 | 68,705 |
| Runaway Bay Developments Limited (ii) | 83,811 | 83,8 11* | 83,811 | 83,085* |
| Jamaica Stock Exchange | 15,000 | - | 15,000 | - |
| Quoted, net of provision for diminution | 61,597 | 33,161 | 61,597 | 33,161 |
| | 11,282,258 | 6,412,789 | 11,284,37 | 6,458,309 |

(iThe company purchased units from a subsidiary company during the year at the carrying value of $57,365 thousand in the subsidiary's account.

(iThe company owns 19.5 % (2001: 19.5%) of the equity capital of Runaway Bay Developments Limited (RBDL). RBDL holds 100% of the equity capital of RBDL (1998) Limited and RBDL Services Limited, and all three companies are incorporated in Jamaica.

9 Interest in subsidiaries

| | 2002 | 2001 |
|---|---|---|
| | $'000 | $'000 |

| | | |
|---|---|---|
| Shares, at cost (see note 32) | 310,425 | 255,907 |
| Current accounts | -260,630 | -112,800 |
| | 49,795 | 143,107 |

10 Fixed assets

Company

| | Leasehold improvements $'000 | Motor vehicles $'000 | Furniture, equipment and computers $'000 | Total $'000 |
|---|---|---|---|---|
| At cost: | | | | |
| March 31, 2001 | 6,890 | 1,850 | 53,626 | 62,366 |
| Additions | 6,654 | - | 48,979 | 55,633 |
| March 31, 2002 | 13,544 | 1,850 | 102,605 | 117,999 |
| Depreciation: | | | | |
| March 31, 2001 | 4,932 | 1,850 | 29,214 | 35,996 |
| Charge for the year | 1,856 | - | 9,686 | 11,542 |
| March 31, 2002 | 6,788 | 1,850 | 38,900 | 47,538 |
| Net book values: | | | | |
| March 31, 2002 | 6,756 | - | 63,705 | 70,461 |
| March 31, 2001 | 1,958 | - | 24,412 | 26,370 |

Group

| | Building $'000 | Leasehold improvement $'000 | Motor vehicles $'000 | Furniture, equipment and computers $'000 | Total $'000 |
|---|---|---|---|---|---|
| At cost or valuation: | | | | | |
| March 31, 2002 | 3,671 | 7,323 | 2,030 | 67,092 | 80,116 |
| Additions | 330 | 6,869 | - | 50,440 | 57,639 |
| Disposals | - | - | - | (883) | (883) |
| Write off | - | - | - | (210) | (210) |
| March 31, 2002 | 4,001 | 14,192 | 2,030 | 116,439 | 136,662 |
| Broken down as follows: | | | | | |
| At cost | 451 | 14,192 | 2,030 | 116,439 | 133,112 |
| At valuation | 3,550 | - | - | - | 3,550 |

| | | | | | |
|---|---|---|---|---|---|
| | 4,001 | 14,192 | 2,030 | 116,439 | 136,662 |
| Depreciation: | | | | | |
| March 31, 2001 | 409 | 5,119 | 2,030 | 39,126 | 46,684 |
| Charge for the year | 97 | 1,969 | - | 10,609 | 12,675 |
| Eliminated on disposals | - | - | - | (586) | (586) |
| Eliminated on write off | - | - | - | (210) | (210) |
| March 31, 2002 | 506 | 7,088 | 2,030 | 48,939 | 58,563 |
| Net book values: | | | | | |
| March 31, 2002 | 3,495 | 7,104 | - | 67,500 | 78,099 |
| March 31, 2001 | 3,262 | 2,204 | - | 27,966 | 33,432 |

The building was revalued on May 15, 1996 at a market value of $3,550,000 by David deLisser Associates Limited, Real Estate Agents, Valuators, Auctioneers and Consultants. The resultant surplus, inclusive of depreciation no longer required, has been credited to capital reserves.

11Goodwill on consolidation

| | 2002 | 2001 |
|---|---|---|
| | $'000 | $'000 |
| At beginning of year | 102,695 | 107,160 |
| Acquisition of minority interests | -23,112- | |
| Amortisation for year | -4,465 | -4465 |
| At end of year | 75,118 | 102695 |

12 Customers' deposits

(aLocal currency deposits, including accrued interest comprise:-

Period after balance sheet date when deposits are due:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | No | $'000 | No | $'000 |
| Less than one month | 12 | 3,153 | 2 | 133 |
| 1 to 3 months | 4 | 870 | 8 | 1,596 |
| | 16 | 4023 | 10 | 1729 |

Depositors whose deposits, including accrued interest, exceed 10% of deposits in the class:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | No | $'000 | No | $'000 |

| | | | | |
|---|---|---|---|---|
| Less than one month | | | 2 | 133 |
| I to 3 months | 2 | 1,829 | 5 | 1,501 |
| 4 to 6 months | 2 | 762 | - | - |
| | 4 | 2591 | 7 | 1634 |

(bThere were no foreign deposits held by the group.

13Promissory notes

| | Company | | Group | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | $'000 | $'000 | $'000 | $'000 |
| 4%-10% (2001: 5.5% - 12%) United States dollar promissory notes (see below) | 176,527 | 531,282 | 176,527 | 531,282 |
| 9%-19.5 % (2001: 10% - 21 %) Jamaica dollar promissory notes (see below) | 635,870 | 461,652 | 635,870 | 424,556 |
| | 812,397 | 992,934 | 812,397 | 955,838 |

The promissory notes are repayable in 2002.

14Capital management fund obligations

The company's obligation to clients is based on the allocated share of the accumulated net value of the capital management fund (see note 7).

15Due from/to Unit Trust Funds

This represents the net of amounts due to and from the DB&G Premium Growth Fund (DB&G PGF) and DB&G Unit Trust Money Market Fund, for management fees due and not yet received from both funds and amounts due to be reimbursed by the Trustees of the Funds to a subsidiary company for the settlement of amounts due to unit holders on the encashment of units and amounts due to the Funds by the subsidiary for units purchased but for which payment has not yet been remitted to the Trustees.

16 Share capital

| | 2002 | 2001 |
|---|---|---|
| | $'000 | $'000 |
| Authorised: | | |

| | | |
|---|---|---|
| 250,000,000 ordinary shares of $0. 10 each | 25,000 | 25,000 |
| 1,000 special redeemable preference shares of $0. | 100- | |
| | 25100 | 25000 |
| Issued and fully paid: | | |
| 112,500,040 stock units [see note 4 (e)] | 11250 | 11250 |

At the Annual general Meeting held on December 17, 2001, the following resolution was passed -

BE IT RESOLVED THAT, to facilitate the implementation of the Executive Stock Compensation Plan which has been approved by the Company's Board of Directors, the authorised share capital of the Company, in the amount of $25,000,000.00 comprised of 250,000,000 ordinary stock units of 0.10 each, be and is hereby increased by the sum of one hundred dollars ($100.00) comprised of one thousand (1,000) special redeemable preference shares of 0.10 each, such special redeemable preference shares being non-voting and ranking pari passu in all respects as between themselves. Each one of the said special redeemable preference shares - (a) shall have the right to receive a dividend in respect of the period of fifteen months commencing on January 1, 2000 and ending March 31, 2001 and in respect of each financial year of the Company thereafter (until and including the financial year which most recently precedes the year during which such special redeemable preference share is redeemed) in the form of the issue to the holder thereof by the Company of such number of new ordinary shares of $0. 10 each in the Company as is arrived at from dividing - (i) 0.0 1 % of the amount of the Company's consolidated net profits before taxation for such fifteen month period or such financial year (as the case may be), by (ii) the average book value per ordinary stock unit in the Company during such fifteen month period or such financial year, as the case may be, such new ordinary shares to be treated as fully paid up in full at par (that is, $0. 10 per share) out of the Company's retained earnings account and to rank pari passu in all respects with the other issued ordinary stock units in the Company (save and except that such new ordinary shares shall not rank for any dividend or capital distribution declared from profits or gains made in the fifteen month period or financial year, as the case may be, with respect to which such new ordinary shares are issued), such new ordinary shares in the Company to be converted into ordinary stock units of $0.10 each in the Company upon their issue and to be thereupon listed on any and all stock exchanges as the Company's other issued ordinary stock units are from time to time listed, and such new ordinary shares to be issued either to the holder of such special redeemable preference share in respect of which they are issued or to such person as such holder may from time to time nominate; (b) shall not be transferable by the person to whom such special redeemable preference share is issued, other than to another executive officer employed to or otherwise engaged by the Company and then only with the prior approval of a resolution of the Company's Board of Directors, and (c) shall be redeemable at par at the option of the Company once the holder thereof ceases to be employed or engaged as an executive officer of the Company, AND BE IT RESOLVED THAT the Company's Board of Directors be and are hereby authorised to issue the said special redeemable preference shares at par to such executive officers of the Company as they deem fit.

17Statutory reserve fund

Under Section 8 of the Financial Institutions Act, a subsidiary is required to transfer at least 15% of its profit after taxation in each year to a reserve fund until the credit balance in the fund equals fifty percent (50%) of its paid-up capital, and thereafter, 10% of the net profit until the amount of credit in the said fund is equal to the paid-up capital.

18Reserve

Retained earnings include $225,174(2001: 225,174) incentive dividends and $105,749 (2001: $105,464) franked income available for distribution without deduction of tax.

19Financial instruments

A financial instrument is any contract which gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.

(aFair value

Fair value amounts represent estimates of the arm's length consideration that would be currently 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 company's and 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 realisable in an immediate settlement of the instruments.

The carrying amounts included in the financial statements for cash resources (excluding cash floats) loans and other receivables, net investment in leases, capital management fund, capital management fund obligations, customers' deposits and customers' savings accounts are considered to be equal to their carrying values, as the directors are of the opinion that there is no impairment in these values and based on prevailing economic conditions, the carrying values approximate estimated realisable values.

The fair value of quoted investments is determined by the quoted market price.

2002

| | Company | | Group | |
|---|---|---|---|---|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | |
| Cash resources | 116,315 | 116,315 | 120,373 | 120,373 |
| Loans and other receivables | 1,288,713 | 1,288,713 | 1,262,245 | 1,262,245 |
| Net investment in leases | - | - | 67,284 | 67,284 |
| Capital management fund | 1,063,896 | 1,063,896 | 1,063,896 | 1,063,896 |
| Investments | 11,629,582 | 11,282,258 | 11,631,69 | 11,284,374 |
| Due from Unit Trusts Funds | - | - | 3,390 | 3,390 |
| Liabilities | | | | |
| Bank overdrafts | 15,577 | 15,577 | 15,577 | 15,577 |
| Customers' deposits | - | - | 4,023 | 4,023 |
| Accounts payable | 292,954 | 292,954 | 300,615 | 300,615 |
| Customers' savings accounts | - | - | 7,722 | 7,722 |
| Securities sold under repurchase agreements | 11,279,598 | 11,279,598 | 11,261,15 | 11,261,156 |
| Promissory notes | 812,397 | 812,397 | 812,397 | 812,397 |
| Capital management fund obligations | 1,063,896 | 1,063,896 | 1,063,896 | 1,063,896 |

| | Company | | Group | |
|---|---|---|---|---|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| | $'000 | $'000 | $'000 | $'000 |
| Assets | | | | |
| Cash resources | 109,588 | 109,588 | 117,845 | 117,845 |
| Loans and other receivables | 1,695,604 | 1,695,604 | 1,688,213 | 1,688,213* |
| Net investment in leases | - | - | 71,303 | 71,303 |
| Capital management fund | 830,598 | 830,598 | 830,598 | 830,598 |
| Investments | 6,412,789 | 6,412,789 | 6,458,309 | 6,458,309* |

| | | | | |
|---|---|---|---|---|
| Due from Unit Trusts Funds | - | - | 9,238 | 9,238 |
| **Liabilities** | | | | |
| Bank overdrafts | 6,650 | 6,650 | 6,727 | 6,727 |
| Accounts payable | 193,242 | 193,242 | 199,256 | 199,256 |
| Customers' deposits | - | - | 1,729 | 1,729 |
| Customers' savings accounts | - | - | 8,075 | 8,075 |
| Securities sold under repurchase agreements | 6,941,802 | 6,941,802 | 6,923,903 | 6,923,903 |
| Promissory notes | 992,934 | 992,934 | 955,838 | 955,838 |
| Capital management fund obligati | 830598 | 830598 | 830,598 | 830,598 |

(b Financial instrument risks:

Exposure to interest rate, credit and foreign currency risks arises in the ordinary course of the company's and group's business.

(iInterest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustment within a specified period. The company and the group manage this risk by creating a portfolio of assets that reprices frequently and at different periods. This risk is further reduced by constant extensive market research which provides a basis for predicting interest rate market movements. The assets portfolio is then adjusted based on the market prediction.

The following tables summarise the carrying amounts of financial assets and liabilities, and off-balance sheet financial instruments to arrive at the company's and the group's interest rate gap based on the earlier of contractual repricing and maturity dates:

Company
2002

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Non-rate sensitive | Total |
|---|---|---|---|---|---|---|

| | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) |
|---|---|---|---|---|---|---|
| Cash resources | - | - | - | - | 116,315 | 116,315 |
| Loans and other receivables | 33,694 | 185,413 | 145,929 | 447,361 | 476,316 | 1,288,713 |
| Capital management fund | 235,410 | 68,724 | 399,306 | 360,456 | - | 1,063,896 |
| Investments | 452,431 | 6,967,447 | 3,856,009 | 6,371 | - | 11,282,258 |
| Total financial assets | 721,535 | 7,221,584 | 4,401,244 | 814,188 | 592,631 | 13,751,182 |
| Bank overdrafts | - | - | - | - | 15,577 | 15,577 |
| Accounts payable | - | - | - | - | 292,954 | 292,954 |
| Securities sold under repurchase agreements | 116,408 | 8,994,502 | 2,165,988 | 2,700 | - | 11,279,598 |
| Promissory notes | 635 | 743,216 | 68,546 | - | - | 812,397 |
| Capital management fund obligati | 685,674 | 218,499 | 159,723 | - | - | 1,063,896 |
| Total financial liabilities | 802,717 | 9,956,217 | 2,394,257 | 2,700 | 308,531 | 13,464,422 |
| On- balance sheet gap | (81,182) | (2,734,633) | 2,006,987 | 811,488 | 284,100 | 286,760 |
| Off- balance sheet gap | (101,427) | 129,739 | (28,312) | - | - | - |
| Total interest rate sensitivity | (182,609) | (2,604,894) | 1,978,675 | 811,488 | 284,100 | 286,760 |
| Cumulative gap | (182,609) | (2,787,503) | (808,828) | 2,660 | 286,760 | 286,760 |

Company

2001

| | Immediately rate sensit ($'000) | Within 3 months ($'000) | Three to 12 months ($'000) | Over 12 months ($'000) | Non-rate sensitive ($'000) | Total ($'000) |
|---|---|---|---|---|---|---|
| Cash resources | - | - | - | - | 109,588 | 109,588 |
| Loans and other receivables | 84,174 | 174,342 | 106,674 | 971,003 | 358,329 | 1,694,522 |
| Capital management fund | 561,117 | 133,755 | 90,078 | 45,648 | - | 830,598 |
| Investments | 63,515 | 4,774,456 | 1,490,963 | 44 | 83,811 | 6,412,789 |
| Total financial assets | 708,806 | 5,082,553 | 1,687,715 | 1,016,695 | 551,728 | 9,047,497 |
| Bank overdrafts | - | - | - | - | 6,650 | 6,650 |
| Accounts payable | - | - | - | - | 193,242 | 193,242 |
| Securities sold under repurchase agreements | 26,859 | 5,632,126 | 1,277,257 | 5,560 | - | 6,941,802 |
| Promissory notes | 29,236 | 774,084 | 189,614 | - | - | 992,934 |
| Capital management fund obligati | 561,117 | 133,755 | 90,078 | 45,648 | - | 830,598 |
| Total financial liabilities | 617,212 | 6,539,965 | 1,556,949 | 51,208 | 199,892 | 8,965,226 |

| | | | | | | |
|---|---|---|---|---|---|---|
| On- balance sheet gap | 91,594 | (1,457,412) | 130,766 | 965,487 | 351,836 | 82,271 |
| Off- balance sheet gap | (639,824) | 679,949 | (40,016) | (109) | - | - |
| Total interest rate sensitivity | (548,230) | (777,463) | 90,750 | 965,378 | 351,836 | 82,271 |
| Cumulative gap | (548,230) | (1,325,693) | (1,234,943 | (269,565) | 82,271 | 82,271 |

Group
2002

| | Immediately rate sensit ($'000) | Within 3 months ($'000) | Three to 12 months ($'000) | Over 12 months ($'000) | Non-rate sensitive ($'000) | Total ($'000) |
|---|---|---|---|---|---|---|
| Cash resources | - | - | - | - | 120,373 | 120,373 |
| Loans and other receivables | 33,781 | 185,441 | 153,922 | 402,792 | 486,309 | 1,262,245 |
| Net investment in leases | - | - | 21,991 | 45,293 | - | 67,284 |
| Capital management fund | 235,410 | 68,724 | 399,306 | 360,456 | - | 1,063,896 |
| Investments | 452,431 | 6,967,447 | 3,858,125 | 6,371 | - | 11,284,374 |
| Due from Unit Trust Funds | - | - | - | - | 3,390 | 3,390 |
| Total financial assets | 721,622 | 7,221,612 | 4,433,344 | 814,912 | 610,072 | 13,801,562 |
| Bank overdraft | - | - | - | - | 15,577 | 15,577 |
| Customers' deposits | - | 3,925 | - | - | 98 | 4,023 |
| Accounts payable | - | - | - | - | 300,615 | 300,615 |
| Customer savings account | 7,717 | - | - | - | 5 | 7,722 |
| Securities sold under repurchase agreements | 116,408 | 8,994,502 | 2,147,546 | 2,700 | - | 11,261,156 |
| Promissory notes | 635 | 743,216 | 68,546 | - | - | 812,397 |
| Capital management fund obligati | 685,674 | 218,499 | 159,723 | - | - | 1,063,896 |
| Total financial liabilities | 810,434 | 9,960,142 | 2,375,815 | 2,700 | 316,295 | 13,465,386 |
| On- balance sheet gap | (88,812) | (2,738,530) | 2,057,529 | 812,212 | 293,777 | 336,176 |
| Off- balance sheet gap | (101,427) | 129,739 | (28,312) | - | - | - |
| Total interest rate sensitivity | (190,239) | (2,608,791) | 2,029,217 | 812,212 | 293,777 | 336,176 |
| Cumulative gap | (190,239) | (2,799,030) | (769,813) | 42,399 | 336,176 | 336,176 |

Group
2001

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Non-rate sensitive | Total |
|---|---|---|---|---|---|---|

| | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) | ($'000) |
|---|---|---|---|---|---|---|
| Cash resources | - | - | - | - | 117,845 | 117,845 |
| Loans and other receivables | 79,301 | 175,012 | 107,773 | 959,576 | 365,468 | 1,687,130 |
| Net investment in leases | - | - | - | 71,303 | - | 71,303 |
| Capital management fund | 561,117 | 133,755 | 90,078 | 45,648 | - | 830,598 |
| Investments | 63,515 | 4,791,172 | 1,515,886 | 44 | 87,692 | 6,458,309 |
| Due from Unit Trust Funds | - | - | - | - | 9,238 | 9,238 |
| Total financial assets | 703,933 | 5,099,939 | 1,713,737 | 1,076,571 | 580,243 | 9,174,423 |
| Bank overdraft | 6,727 | - | - | - | - | 6,727 |
| Customers' deposits | - | I , 657 | - | - | 72 | 1,729 |
| Accounts payable | - | - | - | - | 199,256 | 199,256 |
| Customer savings account | 8,075 | - | - | - | - | 8,075 |
| Securities sold under repurchase agreements | 8,960 | 5,632,126 | 1,277,257 | 5,560 | - | 6,923,903 |
| Promissory notes | 29,235 | 736,988 | 189,615 | - | - | 955,838 |
| Capital management fund obligati | 561,117 | 133,755 | 90,078 | 45,648 | - | 830,598 |
| Total financial liabilities | 614,114 | 6,504,526 | 1,556,950 | 51,208 | 199,328 | 8,926,126 |
| on- balance sheet gap | 89,819 | (1,404,587) | 156,787 | 1,025,363 | 380,915 | 248,297 |
| Off- balance sheet gap | (756,608) | 635,909 | 85,997 | 2,641 | - | (32,061) |
| Total interest rate sensitivity | (666,789) | (768,678) | 242,784 | 1,028,004 | 380,915 | 216,236 |
| Cumulative gap | (666,789) | (1,435,467) | (1,192,683 | (164,679) | 216,236 | 216,236 |

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

Company

2002

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Loans and other receivables | 45.36 | 17.67 | 15.18 | 15.46 | 17.15 |
| Capital management fund | 19.23 | 12.38 | 18.16 | 10.42 | 15.40 |
| Investments | 8.29 | 16.58 | 17.78 | 9.97 | 16.41 |
| Securities sold under repurchase agreements | 11.67 | 13.56 | 17.19 | 10.00 | 14.24 |
| Promissory notes | 10.16 | 14.62 | 14.56 | - | 14.61 |
| Capital management fund | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| obligations | 13.3 | 15.35 | 16.27 | - | 14.17 |

2001

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Loans and other receivables | 21.81 | 13.64 | 11.76 | 15.48 | 17.12 |
| Capital management fund | 11.26 | 17.72 | 18.58 | 11.04 | 15.78 |
| Investments | 11.30 | 18.85 | 19.19 | 22.30 | 17.96 |
| Securities sold under repurchase agreements | 12.26 | 15.40 | 18.17 | 11.29 | 14.28 |
| Promissory notes | 9.38 | 13.16 | 20.32- | | 14.29 |
| Capital management fund obligations | 9.72 | 16.18 | 17.04 | 9.50 | 13.11 |

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

Group

2002

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Total. |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Loans and other receivables | 45.24 | 17.67 | 15.85 | 16.21 | 17.64 |
| Net investments in leases | - | - | 18.02 | 18.02 | 18.02 |
| Capital management fund | 19.23 | 12.38 | 18.16 | 10.42 | 15.40 |
| Investments | 5.16 | 16.58 | 17.06 | 9.97 | 16.28 |
| Customers' deposits payable | - | 13.46 | - | - | 13.13 |
| Customer savings accounts | 11.49 | - | - | - | 11.48 |
| Securities sold under repurchase agreements | - | 13.56 | 17.19 | 10.00 | 14.23 |
| Promissory notes | 10.16 | 14.62 | 14.56 | - | 14.61 |
| Capital management fund obligations | 13.3 | 15.35 | 16.27 | - | 14.17 |

2001

| | Immediately rate sensit | Within 3 months | Three to 12 months | Over 12 months | Total |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Loans and other receivables | 21.81 | 17.55 | 15.14 | 16.73 | 17.81 |
| Net investments in leases | | | | 16.98 | 16.98 |
| Capital management fund | 11.26 | 17.72 | 18.58 | 11.04 | 15.78 |
| Investments | 11.30 | 18.85 | 19.19 | 22.30 | 17.96 |
| Customers' deposits payable | - | 15.76 | - | - | 15.76 |
| Customer savings accounts | 13.66 | - | - | - | 13.66 |
| Securities sold under repurchase agreements | 12.26 | 15.40 | 18.17 | 11.29 | 14.28 |
| Promissory notes | 10.34 | 13.16 | 20.32 | - | 14.60 |
| Capital management fund obligations | 9.72 | 16.18 | 17.04 | 9.50 | 13.11 |

(cCredit risk

(iCredit 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 company and the group monitor their credit risk by establishing a credit committee which reviews and assesses the company's and the group's credit portfolio with a view to reducing and controlling the company's and the group's credit risk. The tools utilised by the credit committee are based on local and international credit guidelines.

Note 4(b) summarises the credit exposure of the company and the group by sector in respect of loans and other receivables.

In respect of cash and short-term deposits, securities purchased under resale agreements, capital management fund and investments, there is a significant concentration of credit risk with financial institutions. The credit exposure is limited to the carrying value of financial instruments in the balance sheet.

(iForeign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company and the group incur foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currency giving rise to this risk is the United States dollar. The company and the group ensure that the net exposure is kept within limits established by management as a proportion of the company's capital base.

At the balance sheet date, the net foreign currency assets/(liabilities) were as follows:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | Company | Group | Company | Group |
| | ($'000) | ($'000) | ($'000) | ($'000) |
| United States dollars | | 12,349 | (900) | (491) |
| Canadian dollars | | 53 | 73 | 74 |
| Pounds Sterling | | 142 | 75 | 79 |

(iMarket risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company and group manage this risk through a Financial Planning Unit which carries out extensive research and monitors the price movement of securities on the local and international markets. The company and group's portfolios are balanced with respect to the duration of the securities included in order to minimise exposure to volatility, based on projected market conditions.

(vLiquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company and the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The company and group manage their liquidity risk by establishing accurate projections for varying tenors of maturing assets and liabilities. These projections are monitored daily by the Treasury Committee and the portfolio of assets and liabilities are adjusted according to the need to liquidate maturing liabilities or take advantage of impending opportunities.

20Staff costs

| | 2002 | 2001 |
|---|---|---|

| | ($'000) | ($'000) |
|---|---|---|
| Salaries and incentive pay | 136,503 | 80,144 |
| Statutory contributions | 12,014 | 8,044 |
| Pension scheme contributions | 7,883 | 4,771 |
| Other | 24,059 | 19,136 |
| | 180,459 | 112,095 |

The number of employees for the group were as follows:

| | Average number | |
|---|---|---|
| | 2002 | 2001 |
| Full time | 111 | 90 |
| Part time | 6 | 4 |
| | 117 | 94 |

21Exceptional item

This represents loss incurred by a subsidiary on the encashment of units held in the DB&G Premium Growth Fund.

22 Profit before taxation

Profit before taxation is stated after charging:

| | | 2002 | 2001 |
|---|---|---|---|
| | | ($'000) | ($'000) |
| Directors' emoluments | - fees | 120 | 98 |
| | - management remunerat | 31,497 | 6,594 |
| Auditors' remuneration | - current year | 4,070 | 3,965 |
| | - previous year | 624 | 400 |
| Depreciation | | 12,675 | 12,305 |
| Bad debts | | 80,107 | 129,891 |

23Taxation

(aThe charge for income tax is calculated at 331/3% of the profit before taxation, as adjusted for tax purposes, and is made up as follows:

| 2002 | 2001 |
|---|---|
| ($'000) | ($'000) |

| | | |
|---|---|---|
| Current year | 1,980 | 161 |
| Adjustment in respect of previou | 80 | -1,028 |
| | 2060 | -867 |

(bTaxation losses in subsidiaries, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately $400,913 thousand (2001: $340,199 thousand).

24 Net profit attributable to members

Dealt with in the financial statements of the company, $160,944 thousand (2001: $86,737 thousand).

Arrears of preference dividends receivable for 31/4years (2001: 21/4years ) to March 31, 2002 amounted to $45,072,554 (2001: $31,204,076).

25Retained profits

Retained in the financial statements of.

| | 2002 ($'000) | 2001 ($'000) |
|---|---|---|
| The company | 320,274 | 170,468 |
| Subsidiaries | 92,827 | 75,352 |
| Associated company | - | -726 |
| | 413101 | 245,094 |

26Earnings per stock unit

The calculation of earnings per stock unit is based on the net profit of $180,216 thousand (2001: $111,625 thousand) and 112,500 thousand (2001: 112,500 thousand) stock units in issue.

27Managed funds

The company and some of its subsidiaries (note 3 1) manage funds, on a non-recourse basis, on behalf of investors. The group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements.

At March 31, 2002, these funds aggregated $711,350 thousand (2001: $829,342 thousand) for the company and $2,798,308 thousand (2001: $3,077,665 thousand) for the group.

## 28 Related party balances and transactions

` A related party is one which controls or exercises significant influence over or is controlled or significantly influenced by the company in making financial and operating decisions, or, along with the company, is subject to common control or significant influence.

(aThe balance sheet includes balances arising in the ordinary course of business with related parties, as follows:

| | Company | | Group | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | ($'000) | ($'000) | ($'000) | ($'000) |
| Loans and other receivables: | | | | |
| Loans | | | | |
| Directors | 42,595 | 70,677 | 42,595 | 70,677 |
| Subsidiaries | 67,284 | 79,821 | - | - |
| Other related companies | - | 321,798 | - | 321,798 |
| Interest receivable | | | | |
| Directors | 679 | 395 | 679 | 395 |
| Other related companies | - | 1,082 | - | 1,082 |
| Capital management fund obligations: | | | | |
| Directors | (8,116) | (55,332) | - | (55,332) |
| Accounts payable: | | | | |
| Interest | | | | |
| Directors | (139) | (306) | (139) | (306) |
| Subsidiaries | (1,148) | (1,075) | - | - |
| Current account | | | | |
| Subsidiaries | (186,900) | (90,632) | - | - |
| Securities sold under repurchase agreements: | | | | |
| Subsidiaries | 1,761 | (60,481) | - | - |

(bThe profit and loss account includes the following (income)/expenses arising in the ordinary course of business with related parties, as follows:

| | Company | | Group | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | ($'000) | ($'000) | ($'000) | ($'000) |
| Interest income: | | | | |
| Directors | 5,329 | (19,113) | 5,329 | (62) |
| Other related companies | - | - | - | (36,087) |
| Interest expense: | | | | |
| Directors | 3,673 | 16,308 | 3,673 | 2,854 |
| Subsidiaries | 7,922 | 7,123 | - | - |
| Other related companies | - | - | - | 27,859 |
| Other administration costs: | | | | |
| Subsidiaries | - | 1,200 | - | - |

29 Pension scheme

The company operates a contributory pension scheme for employees who have satisfied certain minimum service requirements.

The scheme, which is a defined contribution plan, is managed by a life insurance company. The contributions for the year amounted to $7,883 thousand (2001: $4,771 thousand) for the company and the group.

30Lease commitments

At March 31, 2002, commitments under non-cancellable operating leases expiring in 2002-2003 amounted to $Nil (2001: $Nil) for the company and $7,627 thousand (2001: $7,062 thousand) for the group. The lease payments due within twelve months of the balance sheet date amounted to $Nil (2001: $Nil) for the company and $7,627 thousand (2001: $3,531 thousand) for the group.

31Contingent liabilfty

At March 31, 2002, outstanding guarantees in favour of customers amounted to $123,702 thousand (2001: $85,078 thousand) for the company and the group.

32 Subsidiaries

Country of % of equity

| | incorporati | capital held 2002 | 2001 | Principal activities |
|---|---|---|---|---|
| DB&G Merchant Bank Limited | Jamaica | 100 | 51 | Receiving deposit, making loans, leasing assets and managing funds |
| DB&G Unit Trust Managers Limited | Jamaica | 100 | 100 | Management of Unit Trust Funds |
| Billy Craig Investments Limited | Jamaica | 100 | 100 | Holding of investments |
| Asset Management Company Limited | Jamaica | 100 | 100 | Management of funds on non-recourse basis |
| Interlink Investments Limited | Grand Cayma | 100 | 100 | Holding of investments |
| DB & G Corporate Services Limited | Jamaica | 100 | 100 | Administration and management services provider |

The shares in Interlink Investments Limited may be redeemed by that company at any time at its option, en bloc or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.

33 Dividends paid

A capital distribution of 9.9 cents per stock unit, (less transfer tax of 71/2%) was paid on September 21, 2001 to shareholders on record at close of business on August 10, 200 1.