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INDEPENDENT AUDITORS' REPORT

To the Members of
MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Report on the Financial Statements

We have audited the financial statements of Micro Investment Development Agency Limited (company), set out on pages 3 to 27, which comprise the statement of financial position as at March 31, 2010, statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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



To the Members of
MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Report on the Financial Statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2010, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

A handwritten signature in black ink, appearing to read 'J. W. M. G.'.

Chartered Accountants
Kingston, Jamaica

November 2, 2010


MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Statement of Financial Position
March 31, 2010

| | <u>Notes</u> | <u>2010</u> | <u>2009</u> |
|--|--------------|----------------------|--------------------|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 4 | 2,719,107 | 2,965,466 |
| Loans receivable | 5 | 134,820,728 | 117,647,737 |
| SESP Managed Funds, as per contra | 6(a) | 17,624,473 | 18,444,930 |
| SKILLS 2000 Managed Funds, as per contra | 6(b) | 49,022 | 2,960,632 |
| GOJ/EU Managed Funds, as per contra | 6(c) | 40,418,458 | 45,856,708 |
| Jamaica Bauxite Institute Funds, as per contra | 6(d) | <u>7,463,941</u> | <u>7,463,941</u> |
| Total non-current assets | | <u>203,095,729</u> | <u>195,339,414</u> |
| Current assets: | | | |
| Cash and cash equivalents | 7 | 6,142,339 | 6,122,440 |
| Resale agreements | 8 | 55,899,011 | 63,723,401 |
| Other receivables | 9 | 19,387,470 | 16,933,716 |
| Current portion of loans receivable | 5 | <u>64,065,595</u> | <u>94,345,643</u> |
| Total current asset | | <u>145,494,415</u> | <u>181,125,200</u> |
| Total Assets | | <u>\$348,590,144</u> | <u>376,464,614</u> |
| EQUITY & LIABILITIES | | | |
| Share capital | 10 | 1,000 | 1,000 |
| Accumulated deficit | | (61,222,861) | (48,712,890) |
| Grants | 11 | <u>237,995,363</u> | <u>237,995,363</u> |
| | | <u>176,773,502</u> | <u>189,283,473</u> |
| Non-current liabilities: | | | |
| Long-term loans | 12 | 2,487,970 | 6,340,230 |
| SESP Managed Funds, as per contra | 6(a) | 17,624,473 | 18,444,930 |
| SKILLS 2000 Managed Funds, as per contra | 6(b) | 49,022 | 2,960,632 |
| GOJ/EU Managed Funds, as per contra | 6(c) | 40,418,458 | 45,856,708 |
| Jamaica Bauxite Institute Funds, as per contra | 6(d) | <u>7,463,941</u> | <u>7,463,941</u> |
| Total non-current liabilities | | <u>68,043,864</u> | <u>81,066,441</u> |
| Current liabilities: | | | |
| Accounts payable and accrued charges | 13 | 83,301,400 | 72,218,482 |
| Current portion of long-term loans | 12 | <u>20,471,378</u> | <u>33,896,218</u> |
| Total current liabilities | | <u>103,772,778</u> | <u>106,114,700</u> |
| Total liabilities | | <u>171,816,642</u> | <u>187,181,141</u> |
| Total equity and liabilities | | <u>\$348,590,144</u> | <u>376,464,614</u> |

The financial statements on pages 3 to 27 were approved for issue by the Board of Directors on November 2nd, 2010 and signed on its behalf by:


 _____ Chairman
 Cleveland Stewart


 _____ Managing Director (Acting)
 Berris Pitter

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITEDStatement of Comprehensive Income
Year ended March 31, 2010

| | <u>Notes</u> | <u>2010</u> | <u>2009</u> |
|--|--------------|-----------------------|---------------------|
| Revenue: | | | |
| Interest from loans | | 32,890,372 | 30,038,633 |
| Interest from resale agreements and current accounts | | <u>1,498,658</u> | <u>1,811,575</u> |
| | | 34,389,030 | 31,850,208 |
| Other income: | | | |
| Management fees | | 1,359,781 | 2,028,758 |
| Miscellaneous | | <u>1,584,265</u> | <u>4,996,887</u> |
| | | 37,333,076 | 38,875,853 |
| Administration expenses | | <u>(28,111,486)</u> | <u>(31,501,212)</u> |
| | | 9,221,590 | 7,374,641 |
| Finance costs: | | | |
| Interest expense | | <u>(2,512,343)</u> | <u>(3,423,675)</u> |
| Profit before impairment loss | | 6,709,247 | 3,950,966 |
| Impairment loss on loans | 5 | <u>(19,219,218)</u> | <u>(39,870,665)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | 16 | <u>\$(12,509,971)</u> | <u>(35,919,699)</u> |

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITEDStatement of Changes in Equity
Year ended March 31, 2010

| | <u>Share capital</u> (Note 10) | <u>Grants</u> (Note 11) | <u>Accumulated deficit</u> | <u>Total</u> |
|-----------------------------------|---------------------------------------|----------------------------|--------------------------------|--------------------|
| Balances at March 31, 2008 | 1,000 | 237,995,363 | (12,793,191) | 225,203,172 |
| Total comprehensive income | | | | |
| Loss for the year | - | - | (35,919,699) | (35,919,699) |
| Balances at March 31, 2009 | 1,000 | 237,995,363 | (48,712,890) | 189,283,473 |
| Total comprehensive income | | | | |
| Loss, for the year | - | - | (12,509,971) | (12,509,971) |
| Balances at March 31, 2010 | <u>\$1,000</u> | <u>237,995,363</u> | <u>(61,222,861)</u> | <u>176,773,502</u> |

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITEDStatement of Cash Flows
Year ended March 31, 2010

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| Cash flows from operating activities | | |
| Loss for the year | (12,509,971) | (35,919,699) |
| Adjustments to reconcile loss for the year to net cash provided by operating activities: | | |
| Depreciation | 823,862 | 764,169 |
| Gain on disposal of property, plant and equipment | (188,205) | (84,113) |
| Write-off of leasehold improvements | - | 700,961 |
| Interest income | (34,389,030) | (31,850,208) |
| Interest expense | 2,512,343 | 3,423,675 |
| Impairment loss on loans | 19,219,218 | 39,447,923 |
| Change in current assets: | | |
| Interest received | 31,078,235 | 21,664,779 |
| Resale agreements | 7,824,390 | (3,039,804) |
| Receivables | 212,839 | (7,226,717) |
| Change in current liabilities: | | |
| Accounts payable and accrued charges | 11,228,992 | 38,305,380 |
| Interest paid | (2,658,417) | (2,566,669) |
| Net cash provided by operating activities | <u>23,154,256</u> | <u>23,619,677</u> |
| Cash flows from investing activities | | |
| Loan repayments | 113,495,804 | 173,393,751 |
| Purchase of property, plant and equipment | (622,331) | (2,574,471) |
| Proceeds from disposal of property, plant and equipment | 233,033 | 232,720 |
| Loan disbursements | (118,963,763) | (168,717,455) |
| Net cash (used)/provided by investing activities | <u>(5,857,257)</u> | <u>2,334,545</u> |
| Cash flow from financing activity | | |
| Long-term loan, being net cash used by financing activities(<u>17,277,100</u>) | <u>(30,286,573)</u> | |
| Net increase/(decrease) in cash and cash equivalents | 19,899 | (4,332,351) |
| Cash and cash equivalents at beginning of year | <u>6,122,440</u> | <u>10,454,791</u> |
| Cash and cash equivalents at end of year | <u>\$ 6,142,339</u> | <u>6,122,440</u> |

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements
March 31, 2010

1. The company

Micro Investment Development Agency Limited (“company” or “MIDA”) is incorporated and domiciled in Jamaica. The company is wholly-owned by the Government of Jamaica, through the Accountant General, and its registered office is located at 12 Camp Road, Kingston 4.

The company’s principal function is to facilitate the development of the micro business sector in Jamaica by extension of loans. MIDA is exempt from the payment of income tax as an approved fund under Section 12(i) of the Income Tax Act. This approval is given on condition that the structure and operations of the company remain unchanged.

At the balance sheet date, the company had a total of 8 (2009: 9) employees.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

New standards and interpretations effective during the year

Certain new standards and interpretations of and amendments to, existing standards, came into effect for the current financial year. The following was considered relevant to the company:

- *IAS 1 (revised 2007) Presentation of Financial Statements* requires the presentation of all non-owners changes in equity either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. Consequently, the balance sheet was renamed statement of financial position and the income statement is replaced by a statement of comprehensive income.

New standards, and interpretations of, and amendments to existing standards that are not yet effective

At the date of authorisation of the financial statements, certain new standards, and amendments to, and interpretations of existing standards, have been issued which are not yet effective and which the company has not early-adopted. The company has determined that the following may be relevant to its operations and has concluded as follows:

- *IFRS 9, Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. Based on the nature and scope of current operations the standard is not expected to have any significant impact on the company’s 2014 financial statements.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)

March 31, 20102. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New standards, and interpretations of, and amendments to existing standards that are not yet effective (cont'd)

- IFRS 24, *Related Party Disclosures, revised* (effective for annual reporting periods beginning on or after January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends and definition of a related party. The standard also expands the list of transactions that require disclosure. This revision is not expected to have any significant impact on the company's 2012 financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for annual reporting periods beginning on or after July 1, 2009) provides clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. The adoption of these amendments is not expected to have any significant impact on the company's 2011 financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars, which is the functional currency of the company.

Critical accounting judgements and key sources of estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These judgements, estimates and assumptions affect the reported amounts of, and disclosures relating to, assets, liabilities, income, expenses, contingent assets and contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements and, therefore, may have a significant risk of material adjustment in the next year are discussed below:

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)

March 31, 20102. Statement of compliance and basis of preparation (cont'd)

(b) Basis of measurement (cont'd):

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

There are no critical judgements used in applying the company's accounting policies that have a significant risk of material adjustment in the next year.

(ii) Key source of estimation uncertainty

Allowance for loan losses:

In determining amounts recorded for impairment of loans in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows.

Management makes allowance for loan losses based on stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency.

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

3. Significant accounting policies

(a) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, including short-term deposits with maturities of three months or less from date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Resale agreements:

Securities purchased under agreements to resell ("resale agreements" or "reverse repos") are short-term transactions, whereby the company buys securities and simultaneously agrees to resell the securities on specified dates and at specified prices.

Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

Interest earned on resale agreements is recognised in the income statement over the life of each agreement using the effective interest rate method.

(c) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 3(g)].

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)

March 31, 20103. Significant accounting policies (cont'd):

(c) Property, plant and equipment (cont'd):

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

(d) Depreciation:

Property, plant and equipment are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives. The depreciation rates are as follows:

| | |
|-----------------------------------|-----|
| Furniture, fixtures and equipment | 10% |
| Computer equipment and software | 20% |
| Motor vehicles | 20% |
| Leasehold Improvements | 10% |

The depreciation method, useful lives and residual values are reassessed at each reporting date.

(e) Interest income and expenses:

Interest income and interest expense are recognised in the income statement on the accrual basis, except in the case of the re-scheduled loan portfolio on which no interest is being charged [notes 5(b) and 6 (a)(i)].

IFRS requires that when collection of loans becomes doubtful, such loans are to be written down to their recoverable amounts, after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of recognising interest (net of amounts which would be regarded as doubtful) described above and IFRS has been assessed as immaterial.

(f) Deferred income:

Where property, plant and equipment are received as gifts from, or acquired out of funds granted by donors, the amount of the grant, determined by the cash received or, in the case of gifts in kind, the fair value of the asset received, is credited to deferred income. An amount equivalent to the depreciation provided in respect of the relevant property, plant and equipment for the financial year is transferred each year from deferred income to the statement of comprehensive income.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

3. Significant accounting policies (cont'd)

(g) Impairment:

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

The recoverable amount of the company's originated debts is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

(ii) Reversals of impairment:

An impairment loss in respect of loans and receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed, if there has been a change in the estimate used to determine the recoverable amount.

(h) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, managed funds, other receivables and loans receivable. Similarly, financial liabilities include accounts payable, managed funds and long-term loans.

(i) Government grants:

Government grants are accounted for using the capital approach. This approach treats grants as financing devices which should be dealt with in the statement of financial position. Since no repayment is required, it is credited directly to equity (see note 11).

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

3. Significant accounting policies (cont'd)

(j) Employee benefits:

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

(i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described in (ii) below.

Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case, they are charged when paid.

(ii) Defined-contribution pension scheme:

As of March 31, 2008, the company entered into a joint defined-contribution pension scheme with the Portmore Community Development Fund, the assets of which were held separately from those of the company.

All contributions to the scheme are made on the basis provided for in the rules and recognised in the comprehensive income statement as incurred.

(k) Accounts payable and accrued charges:

Trade and other payables are stated at amortised cost.

(l) Provision for loan losses:

The allowance to cover specific loan losses is maintained at a level considered adequate to provide for probable loan losses and is based on management's evaluation of individual loans granted to Community Development Funds and other Approved Lending Agencies.

The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the security deposits held and the debtor's ability to repay the loan.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

4. Property, plant and equipment

| | <u>Furniture, fixtures and equipment</u> | <u>Computer equipment and software</u> | <u>Motor Vehicle</u> | <u>Leasehold Improvement</u> | <u>Total</u> |
|-------------------------|--|--|--------------------------|----------------------------------|-------------------|
| Cost: | | | | | |
| March 31, 2008 | 3,686,134 | 5,975,959 | - | 855,593 | 10,517,686 |
| Additions | 174,279 | 625,192 | 1,775,000 | | 2,574,471 |
| Disposals | (383,581) | - | - | - | (383,581) |
| Write-offs | - | - | - | (855,593) | (855,593) |
| March 31, 2009 | 3,476,832 | 6,601,151 | 1,775,000 | - | 11,852,983 |
| Additions | - | 622,331 | - | - | 622,331 |
| Disposals | (233,033) | - | - | - | (233,033) |
| Write-offs | - | (2,000,000) | - | - | (2,000,000) |
| March 31, 2010 | <u>3,243,799</u> | <u>5,223,482</u> | <u>1,775,000</u> | <u>-</u> | <u>10,242,281</u> |
| Depreciation: | | | | | |
| March 31, 2008 | 2,990,895 | 5,388,836 | - | 133,243 | 8,512,974 |
| Charge for the year | 298,790 | 166,799 | 277,191 | 21,389 | 764,169 |
| Eliminated on disposals | (234,994) | - | - | - | (234,994) |
| Write-offs | - | - | - | (154,632) | (154,632) |
| March 31, 2009 | 3,054,691 | 5,555,635 | 277,191 | - | 8,887,517 |
| Charge for the year | 210,341 | 259,493 | 354,028 | - | 823,862 |
| Eliminated on disposals | (188,205) | - | - | - | (188,205) |
| Write-offs | - | (2,000,000) | - | - | (2,000,000) |
| March 31, 2010 | <u>3,076,827</u> | <u>3,815,128</u> | <u>631,219</u> | <u>-</u> | <u>7,523,174</u> |
| Net book values: | | | | | |
| March 31, 2010 | <u>\$ 166,972</u> | <u>1,408,354</u> | <u>1,143,781</u> | <u>-</u> | <u>2,719,107</u> |
| March 31, 2009 | <u>\$ 422,141</u> | <u>1,045,516</u> | <u>1,497,809</u> | <u>-</u> | <u>2,965,466</u> |
| March 31, 2008 | <u>\$ 695,239</u> | <u>587,123</u> | <u>-</u> | <u>722,350</u> | <u>2,004,712</u> |

5. Loans receivable

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|--------------------|
| Loans receivable [see (b) below] | 233,819,623 | 251,864,045 |
| Less provision for doubtful debts [see (a) below] | (34,933,300) | (39,870,665) |
| | 198,886,323 | 211,993,380 |
| Less: Current portion | (64,065,595) | (94,345,643) |
| | <u>\$134,820,728</u> | <u>117,647,737</u> |
| (a) Provision for doubtful debts: | | |
| Balance at start of the year | 39,870,665 | - |
| Amount provided during the year, net of recoveries | 19,219,218 | 39,870,665 |
| Loans written off [see note (c) below] | (24,156,583) | - |
| Balance at end of the year | <u>\$ 34,933,300</u> | <u>39,870,665</u> |

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

5. Loans receivable (cont'd)

- (b) Loans receivable consists of loans granted to Community Development Funds and other Approved Lending Agencies for on-lending to small businesses at interest rates ranging from 6% to 16% (2009: 8% to 19%) per annum. These loans, except for the re-scheduled portfolio, have a moratorium on principal of up to three months after disbursement, and are repayable in equal quarterly instalments, starting from the first quarter after the moratorium ends.

Included in loans receivable is \$6,679,771 (2009: \$16,160,000) representing loans disbursed from security deposits held. The loans bear interest at 2% per annum.

As at November 1, 2001, loan principal and interest amounting to \$79,008,067 were re-scheduled. These loans had a moratorium on interest of two years after the re-scheduled date and are repayable in equal quarterly instalments, starting November 1, 2003 and ending on October 1, 2011. However, in October 2003, the Board of Directors took the decision to write back interest of \$16,732,149 accrued up to that date and to cease accruing any further interest on the re-scheduled portfolio.

Total loans on which interest is no longer accrued amounted to \$3,061,399 (2009: \$25,536,078) as at year-end [see note 3(1)].

(c) Loans written-off

During the year loans totalling \$24,156,583 were written-off and was a consequence of the continuing restructuring of the loan portfolios at the Community Development Funds. Of this amount \$22,132,333 was provided for in the last financial year while \$2,024,250 was written off directly against profits.

(d) Loans receivable are due, from the date year-end, as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------|----------------------|--------------------|
| Within 3 months | 5,980,582 | 28,720,233 |
| 3 months and over | 58,085,010 | 66,625,410 |
| From 1 year to 3 years | 96,544,906 | 82,172,155 |
| Thereafter | <u>38,275,825</u> | <u>34,475,582</u> |
| | <u>\$198,886,323</u> | <u>211,993,380</u> |

(e) The credit quality of loans receivable as at the reporting date was as follows:

| | Gross | Impairment provision | <u>2010</u> | <u>2009</u> |
|---------------------|----------------------|-------------------------|--------------------|--------------------|
| Current | 105,042,780 | - | 180,159,682 | 166,380,773 |
| Past due 1-30 days | - | - | 6,321,320 | 8,545,044 |
| Past due 31-60 days | - | - | 6,408,105 | 5,364,355 |
| Past due 61-90 days | 94,830,498 | 20,327,952 | 1,833,286 | 3,870,229 |
| Over 90 days | <u>33,946,345</u> | <u>14,605,348</u> | <u>4,163,930</u> | <u>27,832,979</u> |
| | <u>\$233,819,623</u> | <u>(34,933,300)</u> | <u>198,886,323</u> | <u>211,993,380</u> |

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

5. Loans receivable (cont'd)

- (e) The credit quality of loans receivable as at the reporting date was as follows (cont'd):

Based on past experience, the company believes that no impairment allowance is necessary in respect of loans receivable not past due, as these are adequately secured by Promissory Notes and 25% cash security. Past due loan receivable are secured by Promissory Notes.

6. Funds

- (a) SESP managed funds

In February 1996, the company received \$100 million from the Government of Jamaica (GOJ) under the Social and Economic Support Programme (SESP). These funds are managed on behalf of GOJ, by the company and are made available to Approved Lending Agencies (ALAs) for funding of individual self-employment schemes and self-help economic projects through a special credit window. The company is entitled to receive 15% (2009: 15%) per annum of the amount lent to the ALAs. Due to the nature of these loans, the company's policy is to recognise interest income based on amounts repaid by the ALAs [see note 3(1)].

Income earned on investment of these funds is added to the corpus of the fund. The breakdown of the funds is as follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|-------------------|
| Accounts receivable | 1,045,558 | 971,350 |
| Cash and cash-equivalents | 637,337 | 1,914,547 |
| Loans to ALAs | <u>15,941,578</u> | <u>15,559,033</u> |
| Total funds represented by and also received from GOJ | <u>\$17,624,473</u> | <u>18,444,930</u> |

- (b) Skills 2000 managed funds

The Skills 2000 project is funded by the World Food Programme and the Government of Jamaica (GOJ). These funds are managed on behalf of the GOJ, by the company and are made available to Approved Lending Agencies (ALAs) under a management sub-contract.

Graduates of the Skills 2000 project shall be the primary beneficiaries of this program.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

6. Funds (cont'd)

(b) Skills 2000 managed funds (cont'd)

Income earned on investment of these funds is added to the corpus of the fund. The breakdown of the funds is as follows:

| | <u>2010</u> | <u>2009</u> |
|--|-----------------|------------------|
| Cash and cash-equivalents | - | - |
| Due from MIDA (see below) | - | 2,911,610 |
| Loans to ALAs | <u>49,022</u> | <u>49,022</u> |
| Total funds represented by and also received from Skills 2000 | <u>\$49,022</u> | <u>2,960,632</u> |

During the year the Ministry of Finance and the Public Service requested the return of \$1,860,164, which represented the residual balance owing to the Ministry. The difference of \$1,051,446, representing interest earned from the investment of these funds was taken into the comprehensive income statement.

(c) GOJ/EU Managed Funds

The Government of Jamaica (GOJ) and MIDA entered into a service agreement, dated July 21, 1999 to address the problem of economic growth and unemployment. The GOJ had secured financing from the European Development Fund to be made available to Micro and small enterprises in Jamaica. MIDA was selected as the wholesale Agent for the fund, from which they would on-lend to the Community Development Funds (CDFs).

Income earned on investment of these funds is added to the corpus of the fund. The breakdown of the funds is as follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|-------------------|
| Cash and cash-equivalents | 5,109,109 | 9,962,082 |
| Loans to ALAs | 33,804,589 | 34,975,320 |
| Accounts receivable | <u>1,504,760</u> | <u>919,306</u> |
| Total funds represented by and also received from GOJ/EU | <u>\$40,418,458</u> | <u>45,856,708</u> |

(d) Jamaica Bauxite Institute Funds

The Jamaica Bauxite Institute provides funding to the Bauxite Communities Development Programme to assist in training and income generating opportunities to residents of Bauxite Communities in five rural parishes. The funds are to be made available to Approved Lending Agencies (ALAs) under a management sub-contract.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

6. Funds (cont'd)

(d) Jamaica Bauxite Institute Funds (cont'd)

Income earned on investment of Jamaica Bauxite Institute (JBI) funds is added to the corpus of the fund. The breakdown of the funds is as follows:

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|------------------|
| Due from MIDA | 6,811,580 | 6,811,580 |
| Cash and cash-equivalents | 309,920 | 309,920 |
| Loans to Manchester & Clarendon Community Development Funds | 194,258 | 194,258 |
| Accounts receivable | <u>148,183</u> | <u>148,183</u> |
| Total funds represented by and also received from JBI | <u>\$7,463,941</u> | <u>7,463,941</u> |

7. Cash and cash equivalents

| | <u>2010</u> | <u>2009</u> |
|---------------|--------------------|------------------|
| Cash | 12,101 | 20,101 |
| Bank balances | <u>6,130,238</u> | <u>6,102,339</u> |
| | <u>\$6,142,339</u> | <u>6,122,440</u> |

8. Resale agreements

- (a) Resale agreements represent purchases by the company under agreements to resell them on specified dates at specified prices. The company on paying cash to the counterparty sometimes takes possession of the underlying securities, although title is not formally transferred, unless that counterparty fails to repurchase the securities on the date specified, or to honor other conditions. Under collateralised resale agreements, the company obtains securities on terms, which permit it to repledge or resell them to others subject to restriction (b) below. At March 31, 2010, securities with such permission that the company held had a fair value of \$55,899,011 (2009: (\$63,723,401).
- (b) Included in resale agreements is \$6,542,671 (2009: \$5,668,786) which represents funds held in respect of staff savings, together with interest thereon of \$3,005.08 (2009: \$Nil).
- (c) Consequent on the winding up of the pension scheme in a previous year and the subsequent pay-out of these funds to the members, an amount totalling \$1,421,030 was used by the company to collateralise liabilities of these members. This amount is held with Guardian Asset Management Limited and is hypothecated in favour of MIDA.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2010

| | | |
|------------------------------------|---------------------|-------------------|
| 9. <u>Other receivables</u> | | |
| | <u>2010</u> | <u>2009</u> |
| Interest receivable on loans | 8,678,401 | 5,907,249 |
| Interest receivable on investments | 236,968 | 448,618 |
| Withholding tax recoverable | 5,782,720 | 3,655,840 |
| Staff loans | 2,608,921 | 3,477,351 |
| Prepayments | 119,192 | 72,252 |
| Miscellaneous | <u>1,980,463</u> | <u>3,452,601</u> |
| | 19,406,665 | 17,013,911 |
| Less: Provision for doubtful debts | <u>(19,195)</u> | <u>(80,195)</u> |
| | <u>\$19,387,470</u> | <u>16,933,716</u> |

Interest is charged on staff loans at a rate of 8% (2009: 8%) per annum.

| | | |
|---------------------------------------|----------------|--------------|
| 10. <u>Share capital</u> | | |
| | <u>2010</u> | <u>2009</u> |
| Authorised, issued and fully paid: | | |
| 1,000 ordinary shares at no par value | <u>\$1,000</u> | <u>1,000</u> |

| | | |
|--|----------------------|--------------------|
| 11. <u>Grants</u> | | |
| The comprises non-reimbursable grants from the following bodies: | | |
| | <u>2010</u> | <u>2009</u> |
| Development Bank of | | |
| Jamaica Limited (formerly NIBJ) | 33,843,762 | 33,843,762 |
| Ministry of Youth and Community Development | 31,601,571 | 31,601,571 |
| Ministry of Industry & Commerce | 116,200,000 | 116,200,000 |
| Government of Jamaica (see below) | <u>56,350,030</u> | <u>56,350,030</u> |
| | <u>\$237,995,363</u> | <u>237,995,363</u> |

The grant from the Government of Jamaica (GOJ) was originally provided on the conditions that: (a) the grant be repaid at the time of maturity of a proposed \$200 million bond issue and; (b) a 25% Profit Participation annually accrues to the GOJ until the bond matures.

The bond issue was subsequently cancelled and an application was made to the Ministry of Finance & Planning to have the grant, together with the related accruals in respect of the profit participation, converted to equity. The application was approved during the year ended March 31, 2006 and the grant of \$40,000,000, together with the related accumulated accruals of \$16,350,030 up to March 31, 2006, were capitalised.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

12. Long-term loans

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|---------------------|---------------------|
| Development Options Limited (a) | 16,886,974 | 13,128,374 |
| National Insurance Fund/SME (b) | <u>6,072,374</u> | <u>27,108,074</u> |
| | 22,959,348 | 40,236,448 |
| Less: Current portion | <u>(20,471,378)</u> | <u>(33,896,218)</u> |
| | <u>\$ 2,487,970</u> | <u>6,340,230</u> |

(a) The purpose of these loans is for lending to micro and small entrepreneurs and are repayable in consecutive monthly instalments. The loans are secured by promissory notes duly executed by the company. The loans bear interest at rate of 9 -11% (2009: 6 -11%) per annum and are subject to review semi-annually.

(b) The purpose of these loans is for on lending to micro and small entrepreneurs and are repayable within forty eight months in quarterly monthly instalments. These loans are secured by promissory notes and deed of assignment duly executed by the company. The loans bear interest at a rate of 4% (2009: 4%) per annum.

13. Accounts payable and accrued charges

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|-------------------|
| Due to managed funds | 7,181,617 | 9,723,190 |
| SESP | 888,435 | 930,007 |
| Security deposits and other payables – CDFs | 60,978,171 | 48,635,473 |
| Miscellaneous | <u>14,253,177</u> | <u>12,929,812</u> |
| | <u>\$83,301,400</u> | <u>72,218,482</u> |

Miscellaneous payables includes accruals of \$306,085 (2009: \$139,858) for unused vacation leave.

14. Financial risk management

(a) Introduction and overview

The company has exposure to the following risks from its use of financial instruments:

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout the financial statements.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

14. Financial risk management

(a) Introduction and overview (cont'd)

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board through its Finance & Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The committee reports regularly to the Board on their activities. Assistance is received in these functions by Internal Audit which undertakes periodic reviews of risk management controls and procedures.

(b) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the company's lending activities and deposits with other financial institutions. Balances arising from these activities include loans receivable, cash and cash equivalents, other receivables and resale agreements.

The company manages this risk by monitoring the operations of the Approved Lending Agencies (ALAs) including the Community Development Funds (CDFs) and by reviewing the loans in arrears on a quarterly basis and ensuring that the ALAs comply with the stipulated credit policy. The CDFs are also required to deposit 25% of the amount being borrowed directly with the company, or with a financial institution, with the amount being hypothecated in favour of the company. Resale agreements are held with reputable financial institutions.

The concentration of credit risk is mainly in respect of the CDFs and resale agreements and the maximum exposure to this risk is represented by the carrying amount of financial assets.

Impaired loans

Impaired loans are loans for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. Loans in arrears for more than one hundred and twenty-one (121) days are considered to be impaired (see note 5).

Past due but not impaired loans

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

14. Financial risk management (cont'd)

(b) Credit risk (cont'd):

Loans with renegotiated terms

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

Write-off policy

The company writes off a loan and any related provisions for impairment when the company deems that the loans are uncollectible. This determination is reached after considering the financial position of the borrower and the value of collateral held.

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

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company 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, or 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 facilities. The company manages this risk by closely monitoring its cash resources and working capital.

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

| | <u>2010</u> | | | <u>Carrying amount</u> \$ |
|--------------------------------------|--------------------------------|---------------------------------|---------------------------------|----------------------------------|
| | <u>1 to 3 months</u> \$ | <u>3 to 12 months</u> \$ | <u>Over 12 months</u> \$ | |
| Accounts payable and accrued charges | 9,467,736 | 12,855,493 | 60,978,171 | 83,301,400 |
| Long-term loans | <u>7,262,484</u> | <u>13,208,894</u> | <u>2,487,970</u> | <u>22,959,348</u> |
| | <u>2009</u> | | | |
| | <u>1 to 3 months</u> \$ | <u>3 to 12 months</u> \$ | <u>Over 12 months</u> \$ | <u>Carrying amount</u> \$ |
| Accounts payable and accrued charges | 23,333,509 | 6,283,584 | 42,351,889 | 72,218,482 |
| Long-term loans | <u>8,474,055</u> | <u>25,422,163</u> | <u>6,340,230</u> | <u>40,236,448</u> |

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

14. Financial risk management (cont'd)

(d) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads 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 has no significant exposure to market risk as the company has no traded securities.

(i) 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 incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. At the reporting date, the company had no foreign currency assets or liabilities.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash-equivalents and resale agreements are held for the short-term and, accordingly, would substantially reflect prevailing interest rates in the financial markets. Interest rates on loans receivable are fixed and are below market as a matter of management policy.

The company contracts financial liabilities at fixed interest rates for the duration of the term. These primarily relate to loans, which are subject to interest rates that are fixed in advance, and may be varied with appropriate notice by the lenders.

At the reporting date, the interest profile of the company's interest bearing financial instruments was:

| | <u>Carrying amount</u> | |
|-------------|------------------------|--------------------|
| | <u>2010</u> | <u>2009</u> |
| | \$ | \$ |
| Fixed rate: | | |
| Assets | 260,927,673 | 282,261,963 |
| Liabilities | (22,959,348) | (40,236,448) |
| | <u>\$237,968,325</u> | <u>242,025,515</u> |

The following table summarises the carrying amounts of the balance sheet assets, liabilities and equity to arrive at the company's interest rate gap, based on the earlier of contractual repricing and maturity dates.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITEDNotes to the Financial Statements (Continued)
March 31, 201014. Financial risk management (cont'd)

(d) Market risk (cont'd):

(ii) Interest rate risk (cont'd)

| | <u>Within</u> <u>3 months</u> \$ | <u>3 months to</u> <u>12 months</u> \$ | <u>Over</u> <u>12 months</u> \$ | <u>Non-rate</u> <u>sensitive</u> \$ | <u>Total</u> \$ |
|--|--|--|---------------------------------------|---|--------------------|
| March 31, 2010 | | | | | |
| Property, plant and equipment | - | - | - | 2,719,107 | 2,719,107 |
| Loans receivable | - | - | 128,140,957 | 6,679,771 | 134,820,728 |
| Managed portfolio, as per contra | - | - | 65,555,894 | - | 65,555,894 |
| Cash and cash equivalents | 6,142,339 | - | - | - | 6,142,339 |
| Resale agreements | 55,899,011 | - | - | - | 55,899,011 |
| Other receivables | 8,915,369 | - | 2,589,726 | 7,882,375 | 19,387,470 |
| Current portion of loans receivable | <u>5,980,582</u> | <u>58,085,013</u> | <u>-</u> | <u>-</u> | <u>64,065,595</u> |
| Total assets | <u>76,937,301</u> | <u>58,085,013</u> | <u>196,286,577</u> | <u>17,281,253</u> | <u>348,590,144</u> |
| Managed portfolio, as per contra | - | - | 65,555,894 | - | 65,555,894 |
| Accounts payable and accrued charges | - | - | - | 82,806,495 | 82,806,495 |
| Current portion of long-term loans | - | 20,471,378 | - | - | 20,471,378 |
| Long-term loans | - | - | 2,487,970 | - | 2,487,970 |
| Shareholders' equity | <u>-</u> | <u>-</u> | <u>-</u> | <u>177,268,407</u> | <u>177,268,407</u> |
| Total liabilities and shareholders' equity | <u>-</u> | <u>20,471,378</u> | <u>68,043,864</u> | <u>260,074,902</u> | <u>348,590,144</u> |
| Total interest rate Sensitivity gap * | <u>\$76,937,301</u> | <u>37,613,635</u> | <u>128,242,713</u> | <u>(242,793,649)</u> | <u>-</u> |
| Cumulative gap | <u>\$76,937,301</u> | <u>114,550,936</u> | <u>242,793,649</u> | <u>-</u> | <u>-</u> |

* This is all on-balance gap; these are no off-balance sheet financial instruments.

| | <u>Within</u> <u>3 months</u> \$ | <u>3 months to</u> <u>12 months</u> \$ | <u>Over</u> <u>12 months</u> \$ | <u>Non-rate</u> <u>sensitive</u> \$ | <u>Total</u> \$ |
|-------------------------------------|--|--|---------------------------------------|---|--------------------|
| March 31, 2009 | | | | | |
| Property, plant & equipment | - | - | - | 2,965,466 | 2,965,466 |
| Loans receivable | - | - | 92,111,660 | 25,536,077 | 117,647,737 |
| Managed portfolio, as per contra | - | - | 74,726,211 | - | 74,726,211 |
| Cash and cash equivalents | 6,122,440 | - | - | - | 6,122,440 |
| Resale agreements | 63,723,401 | - | - | - | 63,723,401 |
| Other receivables | 6,124,048 | - | 3,477,355 | 7,332,313 | 16,933,716 |
| Current portion of loans receivable | <u>28,720,233</u> | <u>65,625,410</u> | <u>-</u> | <u>-</u> | <u>94,345,643</u> |
| Total assets | <u>104,690,122</u> | <u>65,625,410</u> | <u>170,315,226</u> | <u>35,833,856</u> | <u>376,464,614</u> |

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITEDNotes to the Financial Statements (Continued)
March 31, 201014. Financial risk management (cont'd)

(d) Market risk (cont'd):

(ii) Interest rate risk (cont'd)

| | Within <u>3 months</u> \$ | 3 months to <u>12 months</u> \$ | Over <u>12 months</u> \$ | Non-rate <u>sensitive</u> \$ | Total \$ |
|---|---------------------------------|---------------------------------------|--------------------------------|------------------------------------|-------------|
| Managed portfolio, as per contra | - | - | 74,726,211 | - | 74,726,211 |
| Accounts payable and accrued charges | - | - | - | 72,218,482 | 72,218,482 |
| Current portion of long-term loans | - | 33,896,218 | - | - | 33,896,218 |
| Long-term loans | - | - | 6,340,230 | - | 6,340,230 |
| Shareholders' equity | - | - | - | 189,283,473 | 189,283,473 |
| Total liabilities and shareholders' equity | - | 33,896,218 | 81,066,441 | 261,501,955 | 376,464,614 |
| Total interest rate sensitivity gap * | <u>104,690,122</u> | <u>31,729,192</u> | <u>89,248,785</u> | <u>(225,668,099)</u> | - |
| Cumulative gap | <u>\$104,690,122</u> | <u>136,419,314</u> | <u>225,668,099</u> | - | - |

* This is all on-balance gap; these are no off-balance sheet financial instruments.

The following table summarises the interest rate gap, based on the earlier of contractual repricing and maturity dates and represents average interest rates obtained on funds invested by the company based on the tenure of the investment. Approximately 70% of funds invested are on behalf of the Community Development Funds.

| | <u>March 2010 (%)</u> | | |
|-------------------------------------|----------------------------|-------------------------------|---------------------------|
| | <u>Within 3 months</u> | <u>Three to 12 months</u> | <u>Over 12 months</u> |
| Cash and cash equivalents | 2.50 | - | - |
| Resale agreements | 9.00 | - | - |
| Current portion of loans receivable | 16.00 | 16.00 | - |
| Loans receivable | - | - | 16.00 |
| Current portion of long-term loans | - | (11.00) | - |
| Long-term loans | - | - | <u>(4.00)</u> |

| | <u>March 2009 (%)</u> | | |
|-------------------------------------|----------------------------|-------------------------------|---------------------------|
| | <u>Within 3 months</u> | <u>Three to 12 months</u> | <u>Over 12 months</u> |
| Cash and cash equivalents | 3.00 | - | - |
| Resale agreements | 14.00 | - | - |
| Current portion of loans receivable | 16.00 | 16.00 | - |
| Loans receivable | - | - | 16.00 |
| Current portion of long-term loans | - | (9.00) | - |
| Long-term loans | - | - | <u>(4.00)</u> |

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

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

14. Financial risk management (cont'd)

(e) Capital management:

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the micro enterprise sector. The company defines its capital base as share capital, grants and retained earnings. The company has no externally imposed capital requirements.

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

15. Fair 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.

Determination of fair values:

The fair values of cash and cash equivalents, resale agreements, other receivables, bank overdraft and other payables are assumed to approximate their carrying values due to their short-term nature.

The fair values of the long-term receivables, SESP, SKILLS 2000, Jamaica Bauxite Institute, GOJ/EU managed funds and contra, as well as long-term loans by and to MIDA are assumed to approximate their carrying value as no loss or realisation, or discounts on settlement are anticipated.

16. Total comprehensive loss for the year

Total comprehensive loss for the year is stated after charging/(crediting):

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| | \$ | \$ |
| Auditors' remuneration | 1,000,000 | 950,000 |
| Depreciation | 823,862 | 764,169 |
| Directors' emoluments [note 17(b)]: | | |
| Fees | 454,125 | 1,411,000 |
| Management and other remuneration | 3,180,248 | 4,499,874 |
| Gain on disposal of property, plant and equipment | (188,205) | (89,113) |
| Write-off of leasehold improvements | - | 700,961 |
| Staff costs: | | |
| Salaries, wage related expenses and other costs | <u>16,424,550</u> | <u>21,206,632</u> |

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)

March 31, 201017. Related party balances and transactions

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate (as defined in IAS 28, *Investments in Associates*) of the entity;
- (iii) the party is a joint venture in which the entity is a venturer (see IAS 31, *Interests in Joint Ventures*);
- (iv) the party is a member of the key management personnel of the entity;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

The entity has a related party relationship with its directors, senior officers and executives. The directors, senior officers and executives are collectively referred to as “key management personnel”.

- (a) The statement of financial position includes balances arising in the ordinary course of business with related parties, as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------|----------------|-------------|
| | \$ | \$ |
| Loans receivable: | | |
| Key management personnel | <u>588,149</u> | <u>-</u> |

- (b) During the year, the following (income)/expenses, arising in the ordinary course of business with related parties, were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|------------------|
| | \$ | \$ |
| (h) Key management personnel compensation: | | |
| Short-term benefits: | | |
| Directors emoluments (note 16) | <u>\$3,634,373</u> | <u>5,910,874</u> |

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2010

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

(b) During the year, the following (income)/expenses, arising in the ordinary course of business with related parties, were as follows (cont'd):

(ii) The company currently occupies premises situated at 12 Camp Road Kingston 4 which is presently owned by The National Land Agency; however, the Ministry of Industry Investment and Commerce has already given approval for the transfer of the title to Jamaica Business Development Corporation (JBDC) and is presently awaiting final approval from the Cabinet. JBDC is currently charging a monthly occupancy cost of \$137,808, including boardroom rental, totalling \$390,922 for the year, until JBDC is in a legal position to enter into a landlord/tenant relationship with MIDA.

18. Pension scheme

The company provides for post-retirement pension benefits through a defined-contribution pension scheme, administered by Guardian Asset Management Limited. Employees of the company, who have satisfied certain minimum service requirements, are eligible to become members of the scheme. The scheme is funded by contributions from the company and employees in accordance with the rules of the scheme.

Under this scheme, retirement benefits will comprise an annuity of such amount as may be purchased by the sum of the members' and company's contributions together with credited interest thereon, and, therefore, the company has no further liability to fund benefits.

The company's contributions for the year amounted to \$322,809 (2009: \$298,405).

19. Subsequent events

(a) Redundancy exercise:

The company in its continued restructuring and repositioning of its operations has reduced its staff compliment by three (3). Two (2) positions were made redundant on 30th April 2010 which costed the agency approximately \$751,500 in redundancy and other related staff costs. The contract for the other position was not renewed.

(b) Management of Government of Jamaica/Government of the Netherlands Micro Enterprise Credit Scheme (GOJ/GON Micro-FIN):

The Government of Jamaica acting through its agent, the Ministry of Investment Industry and Commerce (MIIC), in keeping with recent Government objective of consolidating and streamlining the operations of ministries for economies of scales, improved efficiency and effectiveness, has taken a policy decision for MIDA to become the new wholesaler for the GOJ/GON Micro-FIN Credit Programme effective August 01, 2010. The agency has commenced lending under the programme.

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

SUPPLEMENTARY INFORMATION TO THE
FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

MICRO INVESTMENT DEVELOPMENT AGENCY LIMITED

Administration Expenses
Year ended March 31, 2010

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|---------------------|-------------------|
| Advertising and promotions | 131,341 | 234,018 |
| Audit fees | 1,000,000 | 950,000 |
| Depreciation | 823,862 | 764,169 |
| Directors' fees | 454,125 | 1,411,000 |
| Board meeting expenses | 278,692 | 423,490 |
| Consultant Fees | 327,844 | - |
| Donations | 17,301 | 40,500 |
| Electricity | 571,286 | 595,297 |
| Rates & charges | 74,739 | 48,495 |
| Entertainment | 21,500 | 21,110 |
| Insurance | 212,605 | 295,121 |
| Meals & Subsistence | 99,506 | - |
| Motor vehicle expense | 388,864 | 364,490 |
| Miscellaneous | 795,374 | 1,244,792 |
| Professional fees | 36,115 | 591,646 |
| Rental - office | 990,919 | 729,118 |
| Repairs and maintenance | 370,716 | 443,470 |
| Security Registry | 308,333 | - |
| Staff costs, including Directors: | | |
| Salaries and wage related expenses | 15,972,916 | 17,150,123 |
| Staff welfare | 2,191,322 | 1,797,387 |
| Performance incentive scheme | 183,118 | 989,780 |
| Other - Gratuities | 1,257,442 | 1,270,140 |
| Stationery and office supplies | 437,963 | 425,330 |
| Telephone | 476,866 | 475,258 |
| Travelling and accommodation | <u>688,737</u> | <u>1,236,478</u> |
| | <u>\$28,111,486</u> | <u>31,501,212</u> |