NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

2010 ANNUAL REPORT

EXIM BANK

JAMAICA

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Company Profile & **Function**

The National Export-Import Bank of Jamaica Limited (EXIM Bank) was incorporated as a limited liability company on February 26, 1986 and commenced operations on May 1, 1986. It is an independent, public sector, trade financing institution wholly owned by the Government of Jamaica since September 1, 2000. The Bank is headed by a Board of Directors experienced in many disciplines and drawn from both the public and private sectors. Executive Management is directed by a Managing Director and a team of Divisional Managers.

EXIM Bank provides short-term financing to the non-traditional export sector to cover pre-shipment costs and post-shipment receivables.

EXIM Bank administers trade credit facilities made available through Foreign Lines of Credit. The Bank also offers medium term financing for the acquisition of capital equipment, re-tooling, refurbishing, upgrading and efficiency improvement to enhance export competitiveness within the Productive Sector.

EXIM Bank fosters trade development by offering Trade Credit Insurance as protection for foreign and domestic receivables against both commercial and political risks.

Financial **Highlights**

	2010	Restated 2009	Restated 2008
FINANCIAL POSITION (J$ MILLIONS)			
Total Assets	7,897.03	7,266.02	5,101.57
Cash and Cash Equivalents	1,704.53	1,440.24	512.64
Notes Discounted	2,333.38	2,032.88	1,043.49
Investments	568.58	495.26	479.94
Shareholder's Equity	1,816.26	1,637.06	1,697.64
EARNINGS (J$ MILLIONS)			
Total Revenue	796.53	389.64	453.25
Operating Profit	512.98	170.59	239.24
Profit/(Loss) Before Tax	255.40	(57.61)	30.47
Profit/(Loss) After Tax	164.89	(41.25)	17.53
FINANCIAL RATIOS			
Return on Assets	2.09%	-0.57%	-0.81
Return on Equity	9.08%	-2.52%	1.03
Admin. Expense Ratio	32.34%	58.57%	46.06
Operating Profit Margin	64.40%	43.78%	52.78

EX IM BANK JAMAICA

Chairman's **Message**

Since its inception in 1986, the role and function of EXIM Bank has never been so crucial to the success of the country's Productive Sector and the renewed national thrust for export-led growth of the economy. As we continue to grapple with unprecedented and protracted economic challenges, EXIM Bank has redoubled its efforts to better serve our stakeholders and our customers.

This institution remains a strong advocate for Jamaican exporters and business entities in the Productive Sector. To effectively carry out this role, we have pulled out all the stops to maintain a strong and forward-thinking philosophy that addresses the needs of our clients while pursuing the stringent targets identified in our performance metrics.

We pride ourselves on placing the customer at the centre of everything we do. In this environment of uncertainty, they can rest assured that we will provide affordable financial solutions to fill the gap when private financing is unavailable. EXIM Bank fully subscribes to the overarching tenets of the national export strategy which seeks to strengthen our economy by helping businesses to succeed and ensure that 'Brand Jamaica' goods and services reach their target markets and expand into non-traditional markets.

While the economic adversities are clear and present, this is not the time for us to recede into the shadows, lose courage and adopt the approach of waiting for an upswing to spur us into action. With every crisis comes great opportunities, and the onus is now on us to position ourselves to make the most of these opportunities. The Jamaica Debt Exchange (JDX) presents the country with such an opportunity to assist developing industries. With the declining yield on government instruments, it is my hope that investment dollars can now be directed towards exporting and the productive sectors.

Already, we are witnessing a reduction in domestic interest rates, due in part to the JDX, and this can serve to encourage development in key sectors and the expansion of production in Jamaica. This will undoubtedly bolster the local business climate and help arrest the rate of unemployment through job creation. The increase in employment opportunities for Jamaicans, in tandem with social infrastructure development, will have the welcomed corollary of a reduction in crime.

More than ever before, the local business sector must remain poised to capitalise on the post-recession opportunities and be prepared to seize the opportunities as they appear. Through a positive and prudent approach to entrepreneurship, we can demonstrate to the world that Jamaica is the place to do business and derive the mutual economic benefits of trade.

Of paramount importance to the Bank is the sourcing of Jamaica dollar funds for on-lending, which will require diligent effort and patience. We remain undaunted by the challenges ahead, even as we seek to strengthen our

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value proposition to our clients – an unwavering commitment to provide superior and competitive products and services. Our highly knowledgeable, dedicated and efficient members of staff are galvanised by the bold and pioneering ethos of EXIM Bank, and look forward to responding to the specific needs of existing and prospective clients. The experienced and enterprising members of the Board are also committed to providing the vision and leadership that will keep EXIM Bank focused on fulfilling its mandate.

It is most fitting at this juncture to thank Mrs. Pamella McLean, our former Managing Director who demits office at the end of this financial year, for 15 years of stellar service. An excellent administrator and leader, the institution solidified its foundation and flourished under her watch.

EXIM Bank is now on the cusp of achieving greater growth, and we warmly welcome Mrs. Lisa Bell, who will take over the post of Managing Director. Mrs. Bell brings to the bank over 20 years of experience in providing financial, analytical, project and general management expertise in both the private and public sectors, and the Board, management team and staff look forward to working with her as we collectively seek to raise the bar in our endeavours. We are confident in our ability to navigate the challenges of our times and remain grateful for the support of our valued stakeholders and customers. EXIM Bank will continue to work hard to earn this support as we sharpen our focus on fortifying partnerships, deepening relationships, facilitating business growth and forging a successful trail into the future.

Gary Craig "Butch" **Hendrickson**
Chairman

Corporate **Governance**

The Bank's Board of Directors has overall responsibility for and is accountable to its shareholders in the execution of the Bank's mandate while ensuring compliance with the highest standards of Corporate Governance and Risk Management. The Board meets monthly to consider issues of strategic direction guided by the establishment of specific performance objectives and key initiatives.

In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines, the Board delegates certain functions and responsibilities to a number of Standing Committees. These committees meet as needed and are chaired by an independent Director and consist of other members of the Board. The Board committees work with the Senior Management Group, who are charged with the responsibility of implementing the decisions of the Board. Each committee chairperson reports regularly to the Board of Directors on the progress achieved.

There are presently six such committees which operate within defined terms of reference laid down by the Board.

Credit Committee

The Committee's mandate is to approve or deny recommendations for credit within its designated approval authority as well as to review and make recommendations to the Board of Directors in respect of (i) all credit applications in excess of its authority and (ii) all other credit matters which require a decision from the full Board.

Committee members: Mr. Douglas Archibald (Chairperson)
Mr. Gary 'Butch' Hendrickson, Mrs. Sandra Glasgow,
Mrs. Marjory Kennedy, Mr. Albert Webb and
Mr. Geoffrey Ziadie.
The Committee met eleven (11) times for the year.

Audit Committee

The Audit Committee is responsible for issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor and recommending to the Board of Directors, the fees to be paid for external audit services. Specifically, the Audit Committee: (i) reviews the annual audited financial statements before presentation to the Board of Directors for approval (ii) reviews the scope and timing of the audit (iii) evaluates the results of the interim examination by the external auditors, and in particular, the strengths and weaknesses of the internal controls (iv) receives and reviews the reports from the Bank's Internal Audit Division; (v) reviews recommendations for provision for loan losses and bad debt write-offs; and (vi) evaluates the effectiveness of the risk management policy and framework.

Committee members: Mr. Albert Webb (Chairperson),
Mr. Douglas Archibald, Mrs. Sandra Glasgow and
Miss Darlene Morrison.
The Committee met four (4) times for the year, to consider, among other things, a revised approach to the management of the audit function within the context of the Bank's risk management policy and framework.

Budget Committee

This Committee's mandate is to examine and make recommendations to the Board of Directors in respect of the Bank's 3-year rolling strategic plan, and its annual operating plan and budget.

Committee members: Mr. Omar Azan (Chairperson),
Mr. Douglas Archibald, Mrs. Sandra Glasgow and
Mr. Albert Webb.
The Committee met once for the year.

Trade Finance and Product Development Committee

The main elements of the Committee's terms of reference are to act as an originating forum for ideas to ensure that the Bank's products and services provide maximum strategic and diagnostic support to the productive/export sector. It also helps to distill recommendations from Executive Management on the development of new products, sectors for economic support and the Bank's strategies for advertising and promotion.

Committee members: Mr. Gary Craig "Butch" Hendrickson (Chairperson), Mr. Omar Azan, Mr. Ian Forbes, Mrs. Sandra Glasgow, Mrs. Marjory Kennedy, Mr. Albert Webb and Mr. Geoffrey Ziadie.

Industrial Relations/Human Resource Committee

This Committee deals essentially with matters relating to personnel recruitment and appointment particularly at senior levels, and other related industrial and human relation issues. These include but are not necessarily limited to remuneration/compensation, particularly claims emanating from the biennial review of Wage Claim Agreements in respect of the unionised staff, issues relating to internal reclassification of job positions or re-organisation, and Human Relation issues affecting the staff generally which are outside the scope of the existing staff regulations.

Committee members: Mrs. Marjory Kennedy (Chairperson), Mr. Albert Webb and Mr. Geoffrey Ziadie.
The Committee met four (4) times for the year to consider, inter alia, matters related to the recruitment of a new Managing Director to succeed Mrs. Pamella McLean who was scheduled to retire from office on April 30, 2010 after serving fifteen years in the post.

Corporate Governance Committee

The Committee monitors the Bank's compliance to applicable laws and regulations and ensures the Bank's adherence to principles of good corporate governance and is responsible for coordinating formal self-evaluations of the performance of the Board. It monitors the Bank's operations and develops and recommends changes to the Board's corporate governance policies and procedures.

Committee members: Mrs. Sandra Glasgow (Chairperson), Mr. Douglas Archibald and Mr. Albert Webb.
The committee met once this year.

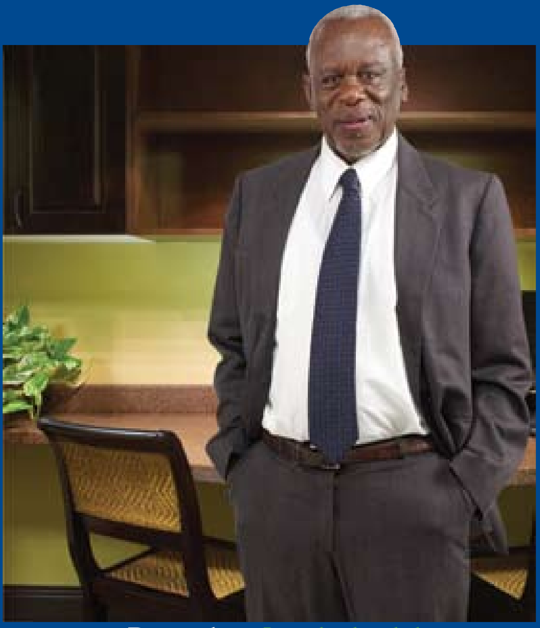

Gary Craig "Butch" **Hendrickson**


Pamella **McLean, CD**


Sandra **Glasgow**


Albert **Webb**


Omar **Azan**


Douglas **Archibald**

Marjory **Kennedy**

Darlene **Morrison**

Ian **Forbes, JP**

Geoffrey **Ziadie**

Board of **Directors**

EXIM BANK JAMAICA

Managing Director's **Report**

The financial year ended March 31, 2010 marked the successful conclusion of 'Vision 2010', the Bank's three-year Strategic Plan. Many initiatives and targets were achieved while others were affected by the challenging economic conditions.

At the commencement of the 2010 financial year, the economic indicators pointed to an economy under pressure. The Jamaica dollar declined by approximately 9.4% and inflation was reported at 12.5% at the end of March 2010. Significant imbalance was evidenced in the foreign exchange market due to reduced capital inflows and a reduction in credit lines to importers and financial institutions. The collapse of some of the major overseas financial markets and contraction in credit availability impacted most sectors, resulting in a slowdown in production activity.

Notwithstanding the foregoing, the 2010 financial year was characterised by innovation and sound risk management principles, guided by clear strategic directives to maintain the viability of the institution and sustain shareholder value with a strong profit performance.

FINANCIAL HIGHLIGHTS

The Bank is pleased to report that in spite of the general contraction in business activity, commendable performance was recorded for the 2010 financial year. Loan utilisation of J$5.5 billion was achieved, exceeding the revised target of J$5.4 billion. This however represented a 25% reduction on the original target of J$7.2 billion, and a 15% decline on the J$6.5 billion achieved at the financial year-end March 2009. The performance in loan utilisation for 2010 was a major contributor to the Bank's revenue, as interest income from loans stood at $486.3 million, representing 72% of the Bank's revenue (net of foreign exchange gain) recorded at $676.2 million. Net interest income, which amounted to J$345.1 million at year-end 2010, reflected an increase of 15.3% over the J$299.3 million reported at previous year-end 2009. Other income reported at $178.4 million was largely attributable to

Pamella McLean, CD
Managing Director

foreign exchange gains of $120.3 million, which boosted operating profit to $513.0 million at year-end 2010.
Net profit was recorded at $164.9 million, reversing the prior year's loss of J$41.2 million. The level of profit recorded resulted in an 12.5% increase in Shareholders' Equity, which moved from the $1.6 billion reported at year-end 2008/2009 to $1.8 billion at March 2010..

STRATEGIC INITIATIVES 2010

Vision 2010, the Bank's three-year plan, entered its final year in 2010 and largely reflected the continuation of many initiatives and the enhancement of several others. The strategic initiatives undertaken and achieved were those considered vital to the Bank's survival and the achievement of its mission to maintain a viable, customer-focused institution that supports sustainable economic growth for Jamaica. Key initiatives that were high on the agenda included:

- **Growing the Loan Portfolio** with emphasis on attracting new business from emerging industry sectors such as the Creative Industries.
- **Sourcing Low Cost Funds** for onlending at competitive rates of interest.
- **Optimising the Use of Technology** to improve efficiency.
- **Pursuing an Aggressive Marketing and Advertising Campaign** aimed at increasing the Bank's visibility and presence in the financial services marketplace.
- **Growing the Trade Credit Insurance Product.**

The growth target for loans initially projected at $7.2 billion was impacted both by the economic downturn and a scarcity of limited Jamaica dollar resources for onlending, which necessitated a downward revision to $5.4 billion. The Bank also had to suspend the establishment of new credits under the Cuban Line of Credit due to the level of delinquency. It is expected however, that through ongoing and progressive dialogue with the Bank's Cuban counterparts, activities will most likely resume in 2011.
Growth sectors of the economy were the primary beneficiaries of the Bank's funds, with the Agro Processing Sub-sector being the major beneficiary, followed by Food and Beverage. Together, they accounted for 62% of loan utilisation.
The Manufacturing Sector accounted for approximately 33% of loan utilisation, with the Mining, Distribution and Services Sectors taking up the remaining 5%.

Work commenced with the Creative Industries and the Bank provided financing to the Jamaica Guild of Artists to support capacity building through training as well as to enhance their marketing capabilities to compete effectively on the regional and international stages.

"Loan utilisation of J$5.5 billion was achieved, exceeding the revised target of J$5.4 billion…The performance in loan utilisation for 2010 was a major contributor to the Bank's revenue, as interest income from loans stood at $486.3 million, representing 72% of the Bank's revenue…."

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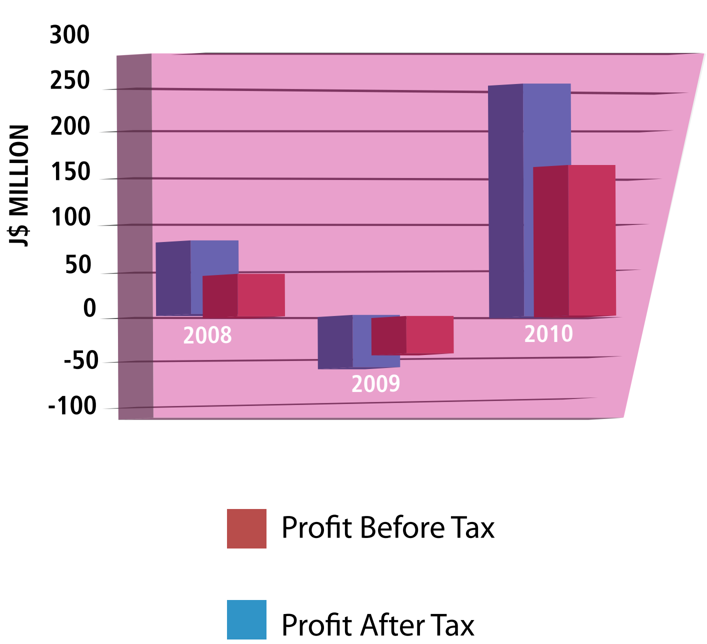
Ongoing assistance to the Creative Industries will be incorporated into the Bank's upcoming new three-year strategic plan, with emphasis on utilising the value of Intellectual Property to support loans for entrepreneurial activities.

The Bank was able to source adequate amounts of US dollar loan funds from the Inter-American Development Bank (IDB) to support loans to the productive sectors, while a limited number of attractively priced Jamaica dollar loan funds of J$150 million was made available to the Bank through the Development Bank of Jamaica (DBJ). This was fully allocated to the Small and Medium Enterprise (SME) Sector, which contributes significantly to national economic growth. An additional J$38 million, which was secured from the National Insurance Fund (NIF) at competitive rates of interest, augmented the J$100 million received in the previous financial year. These loan funds provided assistance to the Small Business Sector and were disbursed to a wide cross-section of manufacturers and service providers. A Correspondent Banking relationship is expected to be established with the EXIM Bank of China to provide a Line of Credit of US$100 million to EXIM Bank Jamaica following on the official signing of a Cooperation Agreement.

Work continued in expanding the use of information technology to enhance the Bank's operations.

We commenced the assessment of the feasibility of implementing a Customer Relationship Management (CRM) System to optimise the process flows between the Bank and its external clients. The final design, development and implementation of the CRM is expected in 2011. We also examined the feasibility of utilising electronic payment systems as alternative options for clients to settle their obligations with the Bank. This is expected to be finalised in the upcoming year 2011.

PROFITABILITY



Due to the contraction in borrowing from the productive sectors and the Bank's limited Jamaica dollar resources for on lending, selective marketing through appropriate media and our website was employed during the year to maintain the Bank's branding presence and keep the public informed. The Bank continued to promote its products and services, supported by ongoing liaison with other stakeholders such as the Jamaica Exporters' Association (JEA), The Jamaica Manufacturers Association (JMA), the Small Business Association of Jamaica (SBAJ) and The Private Sector Organisation of Jamaica (PSOJ).

Trade Credit Insurance, which now offers both export and domestic credit insurance coverage to the productive sector, has not been as buoyant as initially expected despite the increased risks associated with doing business in the current economic environment. Efforts to grow the portfolio, particularly domestic insurance, have met with much interest but limited take-up. In addition to continuing to conduct company visits, seminars and workshops, the Bank plans to embark on a marketing blitz in the up-coming financial year to familiarise and sensitise the productive sector of the benefits that can be derived from Trade Credit Insurance.

THE INTERNATIONAL ARENA

The Bank has been a member of the Berne Union (an association of International Credit and Investment Insurers) since 1984. During this period the Insurance staff has gained invaluable knowledge on the operation methodologies of Credit Insurance by attending meetings and workshops and keeping abreast of best practices in the international marketplace. The Bank is also a member of The Latin American Association of Credit Insurance (ALASECE), a non-profit private entity which comprises fourteen (14) active members that offers Credit Insurance in Latin America and the Caribbean. Through this association, the Bank exchanges information with other members on developments in Trade Credit Insurance and Trade Financing.

LOOKING TO THE FUTURE

As the Bank embarks on its visioning and strategic objectives for the upcoming three-year period, it fully recognises that the mode of operation cannot be 'business as usual'. The game plan has changed for Jamaica to once again take pride of place as the number one country in the Caribbean in which to invest and engage in viable business opportunities. EXIM sees its role as being pivotal in this regard and will continue to promote itself as the 'preferred Bank for the productive sectors', providing affordable financing through its various loan programmes that target not only exporters, but the wider gamut of producers and entrepreneurs.

The challenging economic environment both locally and globally will require VISION, INNOVATION and COMMITMENT in responding to the needs of the Bank's target market. With strong branding and consistent advertising and promotion, the Bank will be successful in creating demand for its competitively priced financing programme through partnership with its Approved Financial Institutions (AFIs), various umbrella organisations and stakeholders. It is also expected that the expanded use of information technology in the Bank's business processes will create greater efficiencies and redound to its increased and sustained viability.

Acknowledgement

I would like to take this opportunity to thank everyone who gave me unwavering support during my tenure over the last 15 years as Managing Director for the Bank. Without this support I could not have effectively steered the operations of the Bank. Profound thanks and appreciation are extended to the Board of Directors, both past and present, the Management Team and the entire staff body. It was my privilege to have served and I leave office feeling assured that the Bank is well poised to continue its excellent tradition of first class service delivery to the Productive Sectors of the economy whilst at the same time upholding the tenets of its core values.

Pamella McLean, CD
Managing Director

Review of **Operations**

The Bank recorded encouraging results for the financial year ended March 2010. Loan disbursements for the period were recorded at J$5.52 billion, marginally above the revised budget of J$5.4 billion. This performance was achieved against the background of the challenges posed by the global financial crisis and its attendant negative impact on the local business sector. The country's major foreign currency earning sectors such as bauxite, tourism and non-traditional exports declined. The Bank was also impacted by its inability to source low-cost funds in Jamaica dollars to meet the expanded demands of its customers for loan funds, and also had to contend with the temporary suspension of activities under the Cuban Lines of Credit, which was valued at CDN $10.0 million

Financial Performance

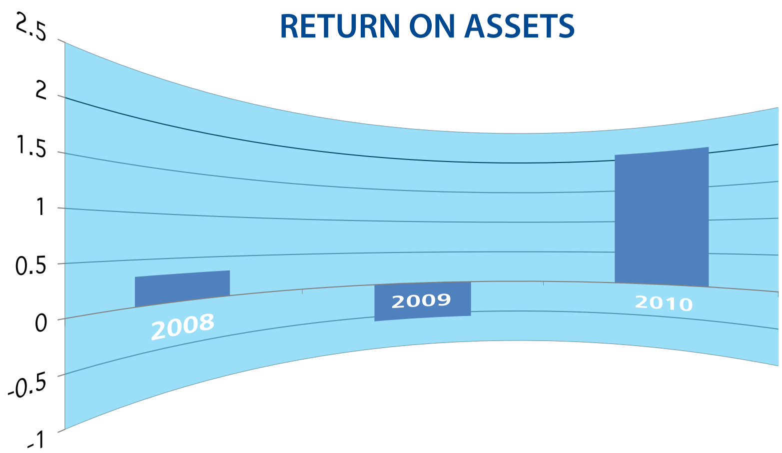
Revenue

For the financial year ended March 31, 2010, total revenue (net of exchange gain) was recorded at J$676.2 million, reflecting a 27.6% increase over the J$529.9 million achieved in the previous financial year. Net interest income was reported at J$345.1 million at year-end 2010, increasing from J$299.3 million at year-end 2009. The Bank's increased borrowing to fund its operations resulted in an increase in interest expense, which moved from J$207.6 million in 2009 to J$272.9 million at year-end, representing an increase of 31.5%.

"For the financial year ended March 31, 2010, total revenue (net of exchange gain) was recorded at J$676.2 million, reflecting a 27.6% increase over the J$529.9 million achieved in the previous financial year."

Other income

Other Income was boosted by significant foreign exchange gains of J$120.3 million, reversing a loss of J$140.2 million incurred the previous year. As a result of this gain, the Bank's Operating Profit increased from J$170.6 million in 2009 to J$513 million at year-end 2010, an improvement of almost 200%. The increased operating income resulted in the Bank reporting a profit of J$164.9 million, reversing the loss of J$41.2 million recorded last financial year. Administration expenses, recorded at J$257.5 million, reflected an increase of 12.84% over the 2009 figure of J$228.2 million. A dividend payment of J$30.0 million was made to the Bank's shareholder.



Earning Assets

The Bank's total assets for the financial year ended March 31, 2010 were reported at J$7.9 billion, which is an increase of 8.2% over the J$7.3 billion recorded the previous year. A 15% increase in Notes Discounted, which moved from the J$2.0 billion posted in 2009 to J$2.3 billion at the end of the financial year, as well as a 21.9% increase in Other Receivables, contributed to the increase recorded. Cash and Cash Equivalents due to the Bank also recorded an increase, moving from J$1.4 billion in 2009 to J$1.7 billion at year-end 2010. This increase of 21.4% represents loan funds received from international funding agencies.

Shareholders' Equity

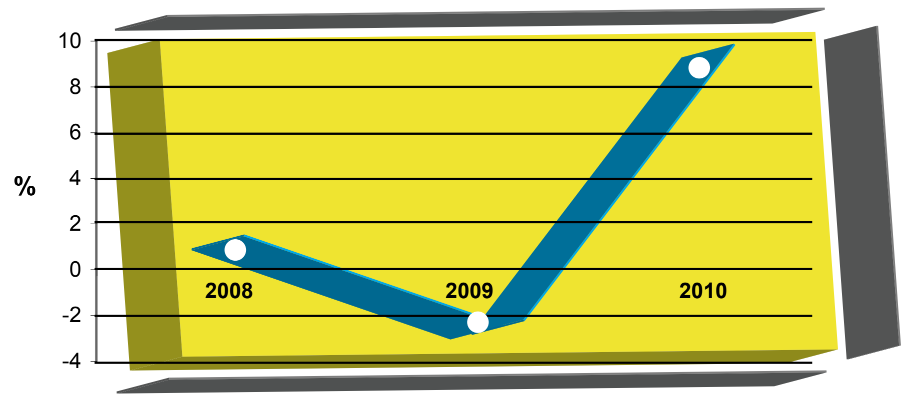
The strong profit performance recorded during the financial year resulted in an increase in the Bank's equity position, with Shareholders' Equity reported at J$1.8 billion, an 12.5% improvement on the J$1.6 billion achieved at year-end 2009.

Review and Analysis of Lending Operation

During the 2010 financial year, the Bank recorded loan utilisation under its various local and foreign currency facilities of J$5.5 billion, marginally above the revised target of J$5.4 billion and 18% below last year's result of J$6.0 billion. Loans disbursed under the various foreign and local currency facilities totalled US$35.6 million and J$2.3 billion respectively. The performance under the Bank's Foreign Line of Credit facilities was particularly commendable, even as borrowers continued to be reluctant to borrow in foreign currency. The Bank's foreign currency lending activities were bolstered by a loan from the Inter-American Development Bank (IDB), which was used to fund the purchase of raw materials and intermediate goods from IDB member countries. The Bank was also accorded Approved Financial Intermediary (AFI) status by the Development Bank of Jamaica Limited (DBJ) which is expected to enhance its range of services and financial products to the productive sector.

On the local currency side, loans of just over J$2.3 billion were disbursed through the various local currency facilities. This figure is significantly below the 2009 figure of J$3.6 billion, and represents a decline of 36%. The below par performance in the Bank's local currency portfolio is attributable to the continuing shortage of local currency resources to satisfy the increased demand from clients.

RETURN ON EQUITY



In spite of this hurdle, the Bank continued to record encouraging results on its Pre and Post shipment loans, which recorded total utilisation of J$1.8 billion, or 78.3 % of total local currency loan utilisation. Other local currency facilities offered by the Bank include the SME Growth Initiative loan programme, which provides funding to small and medium sized companies engaged in productive enterprises. This facility, which is available either through Approved Financial Intermediaries (AFIs) or directly from the Bank, provides support to companies in need of working capital, equipment acquisition and debt refinancing. Loans disbursed under this facility during the review period were reported at J$369.3 million, reflecting an increase of 29% over the J$286.3 million disbursed in 2009.

The Bank remained encouraged by the interest being shown by manufacturers in the Modernisation Fund for Exporters programme - a medium term loan facility that provides financing for the acquisition of capital equipment for the upgrading and retooling of factory facilities. Utilisation of this facility during the financial year was J$312.8 million, which is 16.2% below the J$373.5 million utilised during the course of the previous year. Despite this reduction, the Bank continued to receive feedback from customers about the positive impact that this facility has had on their operations, particularly as it relates to improved productivity, greater efficiency and enhanced capacity to compete effectively in regional and international markets.

Very little activity was recorded under the Cuban Line of Credit facility during the period due to a suspension of the Line. This was occasioned by growing levels of delinquency and as a result, loans disbursed under this facility were reported at US$1.3 million, well below the prior year's figure of US$6.5 million. The Bank is however pleased to report that the matter has since been resolved and resumption of business is expected at the start of the upcoming financial year 2011.

The Insurance Policy Discounting Facility (IPDF) - a post-shipment financing scheme that allows policyholders engaged in the sale of non-traditional goods and services to obtain short-term working capital loans on the strength of the policy – has been doing well. Loans disbursed under this facility during the review period were reported at J$67.4 million, an increase of 54.8% over the $41.1 million recorded for 2009. These loans are available for up to 120 days and are restricted to 80% of the invoice value for goods sold to approved buyers. The Bank continues to encourage manufacturers/exporters to become policyholders so that they can benefit from both the insurance coverage and the financing available under the policy.

"…the Bank's Operating Profit increased from J$170.6 million in 2009 to J$513 million at year-end 2010, an improvement of almost 200%."

Trade Credit Insurance

Trade Credit Insurance (TCI) protects the productive sectors of the economy from the risk of non-payment by local and overseas buyers. This encourages the expansion of trade by ensuring the viability of businesses which may incur losses. The policy operates under the co-insurance principle and covers 85% (commercial risk) and 90% (political risk) of the loss amount, with the policyholders assuming the remaining 15% and 10% respectively. TCI offers coverage at competitive premium rates and continues to facilitate the discounting of receivables through the Bank's Insurance Policy Discounting Facility (IPDF).

Through its long-standing association with the BERNE Union (The International Union of Credit and Investment Insurers), the Bank has access to a wealth of information that it has leveraged to the benefit of its policyholders over the years.

Reinsurance Quota Share Treaty

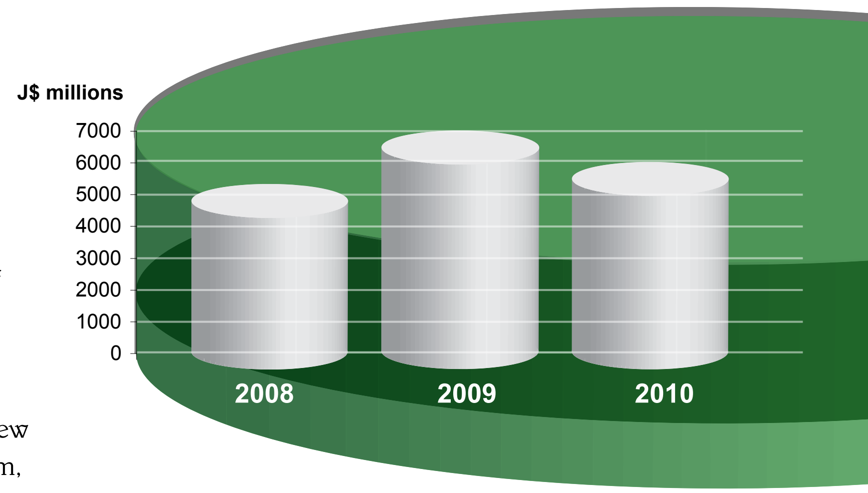
As a part of its risk mitigation strategy, the EXIM Bank reinsures the insurance portfolio under a Quota Share Agreement, whereby the Bank cedes 60% of its premium income for 60% coverage of its insurable risk,. Under the Agreement, both commercial and political risks are covered.

Human Resource Development

Being ever mindful that our employees are our most valuable asset, the Bank continued its emphasis on developing and sustaining the skills and competencies of its employees through relevant training courses. These courses covered areas such as credit analysis, customer service, leadership, auditing, communication, information technology and anti-money laundering to ensure the development of a well-equipped and knowledgeable cadre of staff that can efficiently execute the Bank's mandate.

Of particular significance was the anti-money laundering training course, in which almost all members of staff participated. It formed part of the continuing efforts of the Bank to adopt best practices in its operations as a financial institution, and by so doing mantains in good standing the Bank's relationship with its correspondent banking partners overseas.

VALUE OF LOANS DISBURSED OVER LAST 3 FINANCIAL YEARS



Additionally, through the provision of facilities such as the staff education loan scheme, staff members have been assisted in their pursuit of higher levels of academic qualification and professional development. The new Performance Management System, approved by the Ministry of Finance & the Public Service to evaluate and reward staff members' performance, was implemented in 2010. The Bank also implemented its Business Continuity Plan, aimed at maintaining continuous operations in the event of a disaster or eventuality with minimum interruption to client services.

Corporate Citizenship

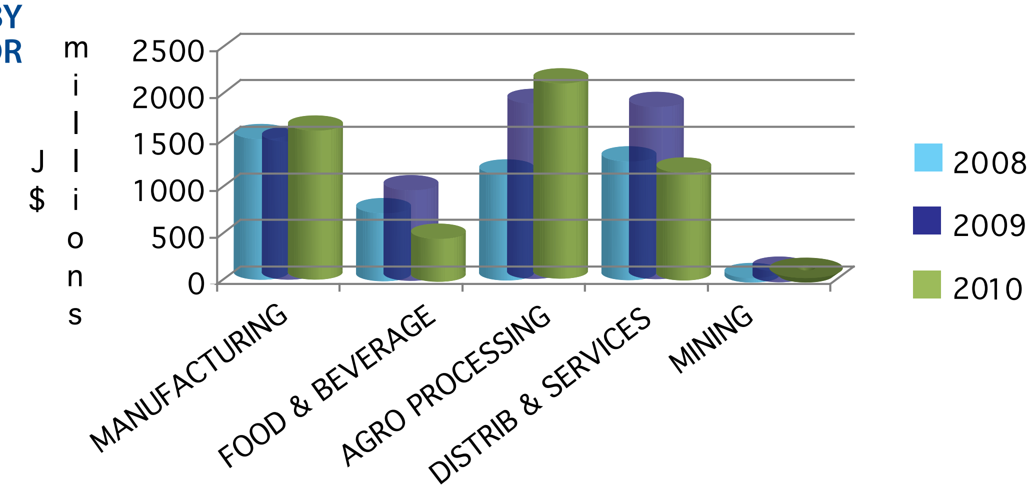
The Bank continued its social outreach to the wider community by way of contributions - financial and non-financial - to entities such as the Leila Tomlinson Wareika Hill Basic School, Missionaries of the Poor and the Jamaica Society for the Blind.

The Bank also continued its partnership with the EXED Community College through its Work Experience Programme by providing short-term employment opportunities to three (3) students from that institution during the year.

Social Outreach Programme

Several charities and other worthy causes in the wider society continued to benefit from the combined contributions of the staff and the Bank. Consistent with our focus in previous years, the major beneficiaries of the Social Outreach Programmes were projects geared towards children.

LOANS DISBURSED BY SECTOR



Vision, Mission & **Core Values**

Vision

To be the premier trade financing institution in the region, supporting sustainable economic growth and development for the nation.

Mission

To provide competitively priced trade financing and medium term loans to the Productive Sector, complemented by Trade Credit Insurance and other related services.

We aim to satisfy our customers' needs through a highly motivated and professional team working in a proactive manner to achieve sustainable economic growth for Jamaica, while ensuring a viable organisation.

Core Values

Our values provide direction and energy to what we do every day; they serve as the guiding principles of individual and organisational behaviour.

At EXIM Bank we believe in:

Satisfied Customers – We are responsive to the needs of our customers and deliver excellent customer service.

Motivated Staff – We create a caring environment that fosters open and honest communication, teamwork and above all, highly motivated staff.

Transparent Organisation – We conduct our business with equity, transparency and accountability.

Professional Conduct – We approach all we do with integrity and professionalism, always respecting the confidentiality of our customers, staff and others with whom we do business.

Proactive Attitude – We are innovative, creative and proactive, adding value through all we do.

EXIM BANK JAMAICA

Dennis Cunningham
Head, Human Resource & Administration

Camille Reid-Burrell
Manager, Legal & Corporate Secretarial

Valerie Crawford
Manager, Trade Financing & Risk Management

Senior **Management Group**

Angella Pennant
Manager, Internal Audit

Geta Wright-Jarrett
Manager, Finance & Information Systems

Megan Deane
Deputy Managing Director
Tenure completed December 1, 2009

EX IM BANK JAMAICA

Chief Officers & Insurance Administrator

Paul Carroll
Accounts

Lorraine Fuller
Finance

Audrey Morris
Credit Operations

Charles Lewis
Credit

Shernett Manning
Insurance

Hamlin Pagon
Information Systems

Ann Marie Walter-Allen
Marketing

Compensation

BOARD OF DIRECTORS

Directors are paid a fee for attendance at each meeting in accordance with Government Regulations, and for the year under consideration, compensation amounting to $1,191,500.00 was paid.

EXECUTIVE MANAGEMENT

(Summary)

1. Basic Salary Range of Executive Management $3,211,131.37 - $6,042,404.64

2. Motor Vehicle Allowance:

(a)	Managing Director	* Fully maintained company car provided for ten months
(b)	Deputy Managing Director & Managers	$349,992.00 - $582,000.00

3. Other Allowances:
   Deputy Managing Director & Managers $42,389.68 - $533,055.70

NOTES

(i) The above figures represent actual amounts paid.

(ii) All members of the Executive Management, except for one Manager, the Deputy Managing Director and Managing Director who are Contract Officers, are eligible to participate in a non-contributory pension plan. The Contract Officers receive a gratuity of 25% of basic salary in lieu of pension.

(iii) All members of Executive Management are eligible to participate in the staff loan schemes and the group health and life insurance schemes.

* Managing Director received $196,845.24 for motor vehicle allowance for approximately two months based on allowance payable at the rate of $1,200,000.00 per annum.

Corporate **Data**

Offices

National Export-Import Bank of Jamaica Limited
11 Oxford Road, Kingston 5
Entrance on Norwood Avenue
Jamaica, West Indies
Phone: (876) 960-9690
Fax: (876) 960-5956/906-9115
Email: info@eximbankja.com
Web: www.eximbankja.com

Primary Banker

Bank of Jamaica
Nethersole Place
P.O. Box 621, Kingston
Jamaica, West Indies

Auditors

PricewaterhouseCoopers
Chartered Accountants
Scotia Bank Centre
Duke Street, Kingston
Jamaica, West Indies

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

Independent Auditor's Report

To the Members of
National Export-Import Bank of Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Export-Import Bank of Jamaica Limited, set out on pages 28 to 77 which comprise the balance sheet as of 31 March 2010 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and 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 these financial statements in accordance with International Financial Reporting Standards and with the requirements of 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control 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.

PRICEWATERHOUSECOOPERS

Members of National Export-Import Bank of Jamaica Limited
Independent Auditors' Report
Page 2

Opinion

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

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers
Chartered Accountants

29 June 2010
Kingston, Jamaica

Statement of Comprehensive **Income**

Year ended 31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Interest income:			
Loans		486,250	425,211
Deposits		123,466	73,888
Investments		8,425	7,874
		618,141	506,973
Interest expense:			
Loans		(242,270)	(152,646)
Lines of credit		(30,728)	(54,986)
		(272,998)	(207,632)
Net interest income		345,143	299,341
Credit losses	3	(10,552)	(11,417)
		334,591	287,924
Other income:			
Dividend income		7,285	7,111
Fees and other charges		2,075	556
Foreign exchange gains/(losses)		120,295	(140,217)
Insurance premium		3,783	4,753
Other	5	44,947	10,460
		178,385	(117,337)
Operating Profit		512,976	170,587
Administration expenses		(257,575)	(228,196)
Profit/(Loss) before Taxation		255,401	(57,609)
Taxation	8	(90,508)	16,362
Net Profit/(Loss) for the Year		164,893	(41,247)
Other Comprehensive Income:			
Unrealised gain/(loss) on available-for-sale financial assets, net of tax		40,965	(20,104)
Total Other Comprehensive Income		40,965	(20,104)
TOTAL COMPREHENSIVE INCOME		205,858	(61,351)

Statement of Financial **Position**

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	Restated 2009 $'000	Restated 2008 $'000
ASSETS				
Cash and cash equivalents	9	1,704,531	1,440,241	512,643
Notes and other receivables	10	1,454,083	1,192,311	1,394,711
Notes discounted	11	2,333,383	2,032,876	1,043,486
Medium-term loans receivable	12	1,001,530	1,168,593	1,022,018
Demand and non-accrual loans	13	311,411	298,108	81,314
Investments	14	568,582	495,264	479,939
Letters of credit		73,809	186,598	165,344
Long-term loans receivable	15	17,820	27,059	22,902
Income tax recoverable		102,243	73,466	64,848
Post-employment benefit asset	16	219,650	233,974	198,980
Property, plant and equipment	17	109,992	117,534	115,382
Total assets		7,897,034	7,266,024	5,101,567
LIABILITIES				
Payables		29,667	27,216	44,467
Payable to Bank of Jamaica	18	-	29,911	56,366
Short- term loans and lines of credit	19	549,914	422,439	879,071
Deferred tax liabilities	20	121,500	24,588	70,818
Long-term loans	21	5,230,425	4,873,642	2,133,070
Letters of credit		73,809	186,598	165,344
Post-employment benefit obligation	16	75,455	64,570	54,791
Total liabilities		6,080,770	5,628,964	3,403,927
EQUITY				
Share capital	22	257,738	257,738	257,738
Capital reserve	23	352,458	349,112	348,341
Reserve fund	24	151,769	135,279	135,279
Reserve for trade credit insurance	25	11,625	10,754	8,491
Investment revaluation reserve	26	71,279	30,314	50,418
Retained earnings		971,395	853,863	897,373
Total equity		1,816,264	1,637,060	1,697,640
Total liabilities and equity		7,897,034	7,266,024	5,101,567

Approved for issue by the Board of Directors on 28 June 2010 and signed on its behalf by:

Gary Hendrickson — Chairman

Lisa Bell — Director

Statement of changes in **Equity**

Year ended 31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital Reserve	Reserve Fund	Reserve for Trade Credit Insurance	Investment Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2008, as restated	257,738	348,341	135,279	8,491	50,418	897,373	1,697,640
Comprehensive income:							
Net loss for the year	-	-	-	-	-	(41,247)	(41,247)
Other comprehensive income -							
Unrealised fair value loss on available-for-sale investments (net of tax)	-	-	-	-	(20,104)	-	(20,104)
Total other comprehensive income	-	-	-	-	(20,104)	-	(20,104)
Total comprehensive income	-	-	-	-	(20,104)	(41,247)	(61,351)
Transactions with owners							
Transfer to insurance reserve	-	-	-	2,263	-	(2,263)	-
Grant received (Note 23)	-	771	-	-	-	-	771
Total transactions with owners	-	771	-	2,263	-	(2,263)	771
Balance at 31 March 2009	257,738	349,112	135,279	10,754	30,314	853,863	1,637,060
Comprehensive income:							
Net profit for the year	-	-	-	-	-	164,893	164,893
Other comprehensive income -							
Unrealised fair value gain on available-for-sale investments (net of tax)	-	-	-	-	40,965	-	40,965
Total other comprehensive income	-	-	-	-	40,965	-	40,965
Total comprehensive income	-	-	-	-	40,965	164,893	205,858
Transactions with owners							
Transfer to reserve fund (Note 24)	-	-	16,490	-	-	(16,490)	-
Transfer to insurance reserve	-	-	-	871	-	(871)	-
Grant received (Note 23)	-	3,346	-	-	-	-	3,346
Dividend paid	-	-	-	-	-	(30,000)	(30,000)
Total transactions with owners	-	3,346	16,490	871	-	(47,361)	(26,654)
Balance at 31 March 2010	257,738	352,458	151,769	11,625	71,279	971,395	1,816,264

Statement of **Cash Flows**

Year ended 31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	Restated 2009 $'000
Cash Flows from Operating Activities			
Net profit/(loss)		164,893	(41,247)
Adjustments for:			
Depreciation	16	11,235	8,680
Loss/(gain) on disposal of property, plant and equipment		362	(72)
Interest income		(618,141)	(506,973)
Interest expense		272,998	207,632
Income tax expense	7	90,508	(16,362)
Post-employment benefits		25,209	(25,215)
		(52,936)	(373,557)
Changes in operating assets and liabilities -			
Notes and other receivables		(243,268)	194,878
Notes discounted		(287,319)	(981,141)
Medium-term loans receivables		169,944	(146,432)
Demand and non-accruals loans		172	(200,315)
Long-term loans receivable		9,239	(4,157)
Payables		2,451	(17,251)
		(401,717)	(1,527,975)
Dividend paid		(30,000)	-
Income tax paid		(42,919)	(28,434)
Interest received		571,547	493,944
Interest paid		(298,286)	(179,771)
Net cash used in operating activities		(201,375)	(1,242,236)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	17	(4,116)	(10,841)
Proceeds from disposal of property, plant and equipment		61	81
Investments		(13,261)	(49,801)
Net cash used in investing activities		(17,316)	(60,561)
Cash Flows from Financing Activities			
Payable to Bank of Jamaica		(22,379)	(20,290)
Short-term loans and lines of credit		124,892	(449,922)
Long-term loans payable		377,122	2,699,836
Capital grant received		3,346	771
Net cash provided by financing activities		482,981	2,230,395
Net increase in cash and cash equivalents for year		264,290	927,598
Cash and equivalents at beginning of year		1,440,241	512,643
CASH AND CASH EQUIVALENTS END OF YEAR	9	1,704,531	1,440,241

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

National Export-Import Bank of Jamaica Limited (The Bank/EXIM) is incorporated and domiciled in Jamaica and is wholly owned by the Government of Jamaica (GOJ). The registered office is located at 11 Oxford Road, Kingston 5, St. Andrew Jamaica.

The company provides financial services which includes Pre and Post-shipment financing, lines of credit and trade credit insurance which are aimed at the development of the productive sector. Specifically, its activities are geared primarily towards the development of the export sector, but it also assists other productive enterprises in the area of import substitution.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in the current year
Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following, which are immediately relevant to its operations:

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009) The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). In applying this revision, the comany has presented all owner changes in equity in the statement of changes in equity, and all non-owner changes in equity in one performance statement (the statement of comprehensive income). Comparative information has been re-presented to conform with the revised standard.

IFRS 7 (Amendment) - Financial instruments: Disclosure (effective 1 January 2009) This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

Standards, interpretations and amendments to published standards not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the company's accounting periods beginning on or after 1 April 2010 or later periods, but were not effective at the statement of financial position date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 9, 'Financial Instruments' (effective on or after 1 January 2013). This standard specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus particular transaction costs, in the case of a financial asset not at fair value through profit or loss, and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. The company is still assessing the potential impact of IFRS 9 and whether it should adopt the standard prior to the effective date to take advantage of the transitional arrangements which vary depending on the date of initial adoption.

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of monetary assets denominated in foreign currencies and classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the profit or loss and other changes are recognised in equity.

(c) Financial assets

The company classifies its financial assets in the available for sale and loans and receivables categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Regular purchases and sales of financial assets are recognised on the settlement date – the date on which an asset is delivered to or by the company. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Changes in the fair value of investments classified as available-for-sale are recognised in equity.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Financial assets are assessed at each statement of financial position date for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(d) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate.

(e) Customers' liability under letters of credit

Where the company is the primary obligor under letters of credit, the amounts are reported as a liability on the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Property, plant and equipment
All property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the items can be measured reliably.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	40 years
Motor vehicles	5 years
Furniture, fixtures and equipment	10 years
Leasehold improvements	10 years
Computers	3 years

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in administration expenses in the statement of comprehensive income.

Repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

(g) Securities purchased under resale agreements
Securities purchased under resale agreements are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(h) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) Receivables
Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

(j) Borrowings
Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any differences between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective yield method.

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(k) Payables

Payables are recorded at cost.

(l) Employee benefits

(i) Pension obligations

The company operates a defined benefit plan. The plan is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance date and the fair value of the plan assets, together with adjustments for actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The defined benefit obligation is measured at the present value of the estimated future outflows using discount rates based on market yields on government securities that have terms to maturity approximating the term of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(ii) Other post-employment obligations

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(iii) Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of the current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

2. Significant Accounting Policies (Continued)

(m) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest is taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(n) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the statement of financial position date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except, where they relate to items recorded in shareholders' equity, they are also charged or credited to shareholders' equity.

2. Significant Accounting Policies (Continued)

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(p) Trade credit insurance

Trade credit insurance contracts are financial guarantee contracts which require the issuer to make specified payments to reimburse the holder of the contract for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. These amounts are recognised initially at fair value and subsequently remeasured at the higher of the specified payment obligation under the contract or the initial amount less any subsequent cumulative amortisation.

(q) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

Financial assets comprise cash and cash equivalents, notes and other receivables, notes discounted, loans receivable, demand and non-accrual loans, investment securities and securities purchased under resale agreements. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

Financial liabilities comprise long and short-term loans payable, lines and letters of credit, amounts payable to Bank of Jamaica and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the company's financial instruments are discussed in Note 28.

3. Financial Risk Management

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business, and the operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. To bolster these activities in January 2010, the company instituted an Enterprise Risk Management Framework (ERM) system which among other things provides the company with a risk management framework and embeds risk management principles and practices within the organisation. The main objectives of the ERM are to assist in reducing the number of operational, financial, strategic, compliance and other related risks.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework and has established several committees with specific areas of responsibility for monitoring, evaluating and ensuring compliance. In keeping with the company's Credit Policy Guidelines, the Board has established Credit Committees both at the Managerial and Board levels to assess the risk exposure to which the company may be exposed.

The company has developed Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) Policies and Procedures designed to prevent or detect any involvement in money laundering and financing of terrorism in accordance with the relevant statutes. Upon the departure of the Deputy Managing Director, the Manager, Legal and Corporate Secretarial has assumed the position of Compliance Officer with responsibility for ensuring the effective implementation of the established policies, programmes, procedures and controls to achieve the objectives.

The Compliance Officer is required to prepare and submit a comprehensive report to the Board of Directors on a semi-annual basis. This report should include an overview and evaluation of the overall effectiveness of the company's anti-money laundering and anti-terrorism financing framework as well as the effectiveness of the AML/ATF measures implemented under each of the operational areas and/or product and service types.

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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, ensures that a disciplined and constructively controlled environment exists in which all employees understand their roles and obligations.

The company's 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 company's Audit Committee is assisted in these functions by Internal Audit, which undertake both regular and ad hoc reviews of risks, management controls and procedures, the results of which are reported to the Audit Committee.

The most important types of risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk. There has been no other changes other than those identified above, to the manner in which the company manages and measures these risks.

3. Financial Risk Management (Continued)

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is an important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Management Credit Committee (MCC), chaired by the Managing Director, is responsible for oversight of the company's credit risk, including:

- Formulating credit policies in consultation with the Senior Manager's Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Managing Director and Manager, Trade Financing. Larger facilities require approval by the MCC and the Board of Directors, as appropriate.

- Reviewing and assessing credit risk. MCC assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, and industries (for loans and advances).

- Developing and maintaining risk ratings in order to limit exposures according to the degree of risk of financial losses faced and to focus management on the attendant risks. The risk rating system is used in determining where impairment provisions may be required against specific credit exposures.

  The responsibility for setting risk ratings lies with the MCC. Risk grades are subject to regular reviews by the MCC.

- Reviewing compliance of business units with agreed exposure limits. Annual Reports are provided to the Bad Debt Committee on the credit quality of loan portfolios and appropriate corrective action taken.

- Providing advice, guidance and specialist skills to analysts to promote best practice throughout the company in the management of credit risk.

The Trade Financing and Risk Management division (TFRM) is required to implement the company's credit policies and procedures, with credit approval authorities delegated from the Board of Directors.
The division has credit analysts supervised by the Manager of the division who reports on all credit related matters to the MCC for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)
The TFRM is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval.

Regular audits of business units and the company's credit processes are undertaken by Internal Audit.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures are as follows:

	Maximum exposure	
	2010 $'000	**2009 $'000**
Cash and cash equivalents	1,704,531	1,440,241
Notes receivables	1,394,620	1,131,368
Notes discounted	2,333,383	2,032,876
Medium-term loans receivable	1,001,530	1,168,593
Demand and non-accruals loans	311,411	298,108
Investments	568,582	495,264
Long-term loans receivable	17,820	27,059
Other receivables	59,463	60,943
	7,391,340	6,654,452

The above table represents a worst case scenario of credit risk exposure to the company at 31 March 2010 and 2009, without taking account of any collateral held or other credit enhancements.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans

The company performs regular analysis of its loans which have become past due to determine their credit quality. The categories used for this analysis includes:

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the company believes that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection of amounts owed to the company.

Impaired loans and securities

Impaired loans and securities are loans and securities 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/securities agreement(s). These loans are categorised as:

Delinquent/past due

- Principal sum and/or accrued interest remains unpaid for a period of up to 90 days.
- Prospects for recovery are considered good
- Loan conditions are not expected to deteriorate

Protracted delinquency

- Principal sum and/or accrued interest remains unpaid for a period of 90 days or more, and
- Prospects for recovery still considered good but protracted and therefore legal action is not contemplated or recommended.

Default

- The principal sum and/or accrued interest remains unpaid for a period of 90 days or more;
- The prospects for full or any recovery are considered to be remote.
- The account has been referred to the company's lawyers; and
- Bad debt provision has been made.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the company has made concessions that it would not otherwise consider. Once consistent payments are made on the loan it reverts to a normal loan. Should consistent payments not be made then the loan is categorised as a demand loan and remains in that category.

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are (1) a specific loss component that relates to individually significant exposures, and (2) a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Write-off policy

The company writes off a loan/security balance (and any related allowances for impairment losses) when the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For standardised loans with small balances, charge-off decisions generally are based on a product specific past due status.

The credit quality of loans is summarised as follows:

	2010 $'000	2009 $'000
Neither past due nor impaired	3,312,833	2,805,620
Past due but not impaired loans	1,406,264	1,190,893
Impaired -		
Protracted delinquency	325,591	652,672
Default	114,948	103,385
Gross	5,159,636	4,752,570
Less: Provision for credit losses	(100,981)	(94,566)
Net	5,058,655	4,658,004

Included in the analysis are renegotiated loans of $824,193,000 (2009 - $964,101,000).

The fair value of collateral that the company held as security for individually impaired loans was $354,730,000 (2009 - $363,800,000).

There are no financial assets other than loans that are considered past due.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

The following table summarises the company's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	2010	**2009**
	$'000	**$'000**
Agro Processing	1,487,466	1,331,097
Food and Beverage	279,708	244,948
Textiles and Apparel	26,774	58,189
Manufacturing	1,856,457	1,756,771
Distribution	735,511	633,828
Mining	105,524	121,922
Services	363,335	413,697
Tourism	172,446	84,495
Other	31,978	25,823
	5,059,199	4,670,770
Less: Prepayments	(435)	(235)
Interest written back	-	(12,531)
	5,058,764	4,658,004

Movement in the provision for probable loan losses:

	2010	**2009**
	$'000	**$'000**
At beginning of year	94,566	83,149
Provision made during the year	35,293	18,348
Bad debt recovered	(24,741)	(6,931)
	10,552	11,417
Provision/adjustments written-off	(4,137)	-
At end of year	100,981	94,566

	2010	**2009**
	$'000	**$'000**
Notes discounted (Note 11)	40,118	60,347
Medium-term loans (Note 12)	1,342	2,252
Demand and non-accrual loans (Note 13)	59,521	31,967
	100,981	94,566

Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the company mitigates this risk by conducting settlements through Approved Financial Institutions (AFIs).

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Debt securities

The following table summarises the company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2010 **$'000**	**2009** **$'000**
Government of Jamaica (Note 14)	29,926	29,778
Securities purchased under agreements to resell (Note 14)	275,134	264,605
Short-term deposits (Note 9)	1,524,027	1,212,698
Fixed deposit (Note 14)	88,957	87,955
	1,918,044	1,595,036

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Management of liquidity risk

The company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets largely made up of short-term liquid investment securities, to ensure that sufficient liquidity is maintained within the company as a whole. The liquidity requirements of the company are met through encashment of investments to cover any short-term fluctuations. The accessing of loans is used to address longer term funding.

The daily liquidity position is monitored by the Treasury/Disbursement Units. The TFRM Division is required to submit to Treasury all expected disbursements at least two (2) days before disbursements.

A cash flow budget is prepared at the beginning of the year and any expected cash short fall is identified. The company then seeks additional funding to address funding needs.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial liabilities cash flows
The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial liabilities based on contractual repayment obligations.

	31 March 2010				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Short-term loans and lines of credit	-	463,799	87,786	-	551,585
Long-term loans payable	833,633	284,156	3,568,033	1,558,161	6,243,983
Payables	29,667	-	-	-	29,667
Total financial liabilities (contractual maturity dates)	863,300	747,955	3,655,819	1,558,161	6,825,235

	31 March 2009				
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Owed to Bank of Jamaica	7,428	22,483	-	-	29,911
Short-term loans and lines of credit	347,121	118,120	-	-	465,241
Long-term loans payable	147,413	859,826	3,009,515	1,560,948	5,577,702
Payables	27,216	-	-	-	27,216
Total financial liabilities (contractual maturity dates)	529,178	1,000,429	3,009,515	1,560,948	6,100,070

Assets available to meet all of the liabilities include cash and cash equivalents, investment securities, securities purchased under agreements to resell. The company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk
The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.

(i) Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company ensures that the net exposure is kept to an acceptable level by monitoring the level of its exposure on a daily basis against approved limits. The company further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The tables below summarise the currencies in which the company's assets and liabilities are denominated as at year end.

	31 March 2010				
	Jamaica$	**US$**	**GBP**	**CAN$**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Financial Assets					
Cash and cash equivalents	119,358	1,442,097	1,481	141,595	1,704,531
Notes and other receivables	60,886	555,311	5	837,881	1,454,083
Notes discounted	1,184,285	1,149,098	-	-	2,333,383
Medium-term loans	595,722	405,808	-	-	1,001,530
Demand and non-accrual loans	236,591	74,820	-	-	311,411
Investments	89,557	479,025	-	-	568,582
Long-term loans receivable	17,820	-	-	-	17,820
Total financial assets	2,304,219	4,106,159	1,486	979,476	7,391,340
Financial Liabilities					
Short-term loans and lines of credit	-	409,432	-	140,482	549,914
Long-term loans payable	1,597,700	3,632,725	-	-	5,230,425
Payables	29,667	-	-	-	29,667
Total financial liabilities	1,627,367	4,042,157	-	140,482	5,810,006
Net financial position	676,852	64,002	1,486	838,994	1,581,334

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Currency risk (continued)

	31 March 2009				
	Jamaica$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**Total J$'000**
Financial Assets					
Cash and cash equivalents	85,251	1,339,739	1,601	13,650	1,440,241
Notes and other receivables	62,526	511,457	8	618,320	1,192,311
Notes discounted	1,321,108	711,768	-	-	2,032,876
Medium-term loans	904,043	264,550	-	-	1,168,593
Demand and non-accrual loans	138,527	155,406	-	4,175	298,108
Investments	178,344	316,920	-	-	495,264
Long-term loans receivable	27,059	-	-	-	27,059
Total financial assets	2,716,858	3,299,840	1,609	636,145	6,654,452
Financial Liabilities					
Owed to Bank of Jamaica	29,911	-	-	-	29,911
Short-term loans and lines of credit	-	207,687	-	214,752	422,439
Long-term loans payable	1,638,834	3,234,808	-	-	4,873,642
Payables	27,216	-	-	-	27,216
Total financial liabilities	1,695,961	3,442,495	-	214,752	5,353,208
Net financial position	1,020,897	(142,655)	1,609	421,393	1,301,244

Foreign currency sensitivity

The following tables indicate the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and the corresponding impact on the statement of comprehensive income and equity resulting from a 5% increase/1% decrease (2009 – 15% increase/5% decrease) in foreign currency rates. The effects on net profit and equity shown are the totals of the changes to the values for each foreign currency denominated monetary item. Sensitivity analyses were performed on an individual basis for each category.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Currency risk (continued)

	31 March 2010					
	5% increase			1% decrease		
	% Change in Currency Rate	Effect on Net Profit $'000	Effect on Equity $'000	% Change in Currency Rate	Effect on Net Profit $'000	Effect on Equity $'000
Currency:						
USD	5	2,133	-	(1)	(426)	-
GBP	5	50	-	(1)	(10)	-
CAN	5	27,966	-	(1)	(5,593)	-

	31 March 2009					
	15% increase			5% decrease		
	% Change in Currency Rate	Effect on Net Profit $'000	Effect on Equity $'000	% Change in Currency Rate	Effect on Net Profit $'000	Effect on Equity $'000
Currency:						
USD	15	(14,266)	-	(5)	4,755	-
GBP	15	161	-	(5)	(54)	-
CAN	15	42,139	-	(5)	(14,046)	-

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The company's interest rate risk policy requires it to manage interest rate risk by monitoring the maturities of its interest bearing financial assets and interest bearing financial liabilities on a daily basis.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (continued)

The following tables summarise the company's exposure to interest rate risk. It includes the company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	31 March 2010						
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	155,934	1,548,597	-	-	-	-	1,704,531
Notes and other receivables	74,227	337,240	154,256	837,853	-	50,507	1,454,083
Notes discounted	170,974	664,678	896,045	601,686	-	-	2,333,383
Medium-term loans	283	23,754	161,053	816,440	-	-	1,001,530
Demand and non-accrual loans	311,411	-	-	-	-	-	311,411
Investments	88,957	274,527	16,612	13,921	-	174,565	568,582
Long-term loans receivable	-	18	1,409	1,068	15,325	-	17,820
Total financial assets	801,786	2,848,814	1,229,375	2,270,968	15,325	225,072	7,391,340
Short-term loans and lines of credit	-	409,432	140,482	-	-	-	549,914
Long-term loans payable	-	779,150	647,759	2,533,000	1,270,516	-	5,230,425
Payables	-	-	-	-	-	29,667	29,667
Total financial liabilities	-	1,188,582	788,241	2,533,000	1,270,516	29,667	5,810,006
Total interest repricing gap	801,786	1,660,232	441,134	(262,032)	(1,255,191)	195,405	1,581,334
Cumulative gap	801,786	2,462,018	2,903,152	2,641,120	1,385,929	1,581,334	

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (continued)

	31 March 2009						
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	134,214	1,306,027	-	-	-	-	1,440,241
Notes and other receivables	527,357	168,629	473,844	-	-	22,481	1,192,311
Notes discounted	282,468	608,413	651,721	490,274	-	-	2,032,876
Medium-term loans	2,554	84,442	45,971	1,035,626	-	-	1,168,593
Demand and non-accrual loans	298,108	-	-	-	-	-	298,108
Investments	-	339,765	21,656	20,917	-	112,926	495,264
Long-term loans receivable	947	-	363	11,992	13,757	-	27,059
Total financial assets	1,245,648	2,507,276	1,193,555	1,558.809	13,757	135,407	6,654,452
Owed to Bank of Jamaica	-	7,392	22,519	-	-	-	29,911
Short-term loans and lines of credit	151,491	195,230	75,718	-	-	-	422,439
Long-term loans payable	-	111,334	818,189	1,965,991	1,978,128	-	4,873,642
Payables	-	-	-	-	-	27,216	27,216
Total financial liabilities	151,491	313,956	916,426	1,965,991	1,978,128	27,216	5,353,208
Total interest repricing gap	1,094,157	2,193,320	277,129	(407,182)	(1,964,371)	108,191	1,301,244
Cumulative gap	1,094,157	3,287,477	3,564,606	3,157,424	1,193,053	1,301,244	

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity
The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the company's statement of comprehensive income and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The effects on net profit and equity shown below are the totals of individual sensitivity analyses performed on each category of the aforementioned financial assets and liabilities.

	2010	
	Effect on Net Profit $'000	Effect on Equity $'000
Change in basis points:		
- 200	27,478	-
+ 100	(13,739)	-

	2009	
	Effect on Net Profit $'000	Effect on Equity $'000
Change in basis points:		
- 100	53,289	-
+ 100	(10,658)	-

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (continued)

The range of effective yields by the earlier of the contractual re-pricing or maturity dates:

	31 March 2010			
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	Over 12 Months
	%	%	%	%
Cash and cash equivalents	-	4.00-8.00	-	-
Notes and other receivables	-	5.00-12.00	5.00-12.00	-
Notes discounted	-	5.00-12.00	12.00	12.00
Medium-term loans	-	-	12.00-16.00	12.00-16.00
Long-term loans receivable	-	-	-	1.00-4.00
Short-term loans and lines of credit	-	2.5-5.5	2.5-5.5	-
Long-term loans payable	-	2.00-7.00	2.00-7.00	4.89-7.00

	31 March 2009			
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	Over 12 Months
	%	%	%	%
Cash and cash equivalents	-	6.75	-	-
Notes and other receivables	-	5.00-12.00	5.00-12.00	-
Notes discounted	-	5.00-12.00	12.00	12.00
Medium-term loans	-	-	12.00-16.00	12.00-16.00
Long-term loans receivable	-	-	-	1.00-3.00
Owed to Bank of Jamaica	-	10.00	10.00	-
Short-term loans and lines of credit	-	4.00	4.00	-
Long-term loans payable	-	2.00-7.00	2.00-7.00	6.22

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(iii) Price risk

Price 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 instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to equity price risk because of equity investments held and classified on the statement of financial position as available for sale. The company is not exposed to commodity price risk.

The impact of a 10% change (2009 – 10%) in the quoted prices for these equities would be an increase or decrease in the carrying value of $17,456,000 in equity (2009 - $11,290,000).

(d) Operational risk

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

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

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

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

Compliance with company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the company.

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3. Financial Risk Management (Continued)

(e) Capital management

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To safeguard the company's ability to continue as a going concern so that it can continue to provide benefits for the stockholder and other stakeholders; and

(ii) To maintain a strong capital base to support the development of its business.

The allocation of capital between specific operations and activities is driven by the company's Strategic Plan and Budget approved by the Board of Directors, the desire to fulfill the company's mandate and support by the company for the Government's mission to enhance growth and development.

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes to the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(i) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Pension and post-employment benefits

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are to be determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The company determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the company considered the interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

(ii) Pension and post-employment benefits (continued)
The expected rate of increase of medical costs has been determined by comparing historical relationship of the actual medical cost increases with the rate of inflation in the economy. Other key assumptions for the pension and post-employment benefits costs and credits are based in part on current market conditions.

(iii) Impairment losses on loans and advances
The company reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. Other Income

	2010 $'000	2009 $'000
Government grant	35,000	-
Other	9,947	10,460
	44,947	10,460

6. Expense by Nature

	2010 $'000	2009 $'000
Auditors' remuneration	1,467	1,300
Bad debts, less recoveries	10,552	11,417
Depreciation	11,235	8,708
Directors' emoluments -		
Fees	1,192	1,332
Management (Included in staff costs – Note 7)	9,611	10,765
Other staff costs (Included in staff costs - Note 7)	156,999	123,240
Other operating expenses	77,071	82,851
	268,127	239,613

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7. Staff Costs

	2010 $'000	2009 $'000
Salaries and wages	122,927	137,274
Statutory payroll contributions	11,572	14,816
Pension income (Note 16)	15,164	(34,135)
Other staff costs	16,947	16,050
	166,610	134,005

The average number of persons employed by the company during the year were:

	2010 $'000	2009 $'000
Trade	17	14
Administration	48	47
	65	61

8. Taxation

Income tax is computed at 33⅓% of the profit/(loss) before income tax as adjusted for taxation purposes, and is made up as follows:

	2010 $'000	2009 $'000
Current income tax	13,783	19,786
Prior year under provision	359	30
Deferred income tax (Note 20)	76,366	(36,178)
Income tax expense/(benefit)	90,508	(16,362)

The tax on operating profit before tax differs from the theoretical amount that would arise using the basic statutory rate of 33 1/3% as follows:

	2010 $'000	2009 $'000
Profit/(Loss) before tax	255,401	(57,609)
Tax calculated at a rate of 33 1/3%	85,134	(19,203)
Adjustment for the effects of:		
Expenses not deductible for tax purposes	4,462	2,811
Prior year under provision	359	30
Other	553	-
Income tax charge/(credit)	90,508	(16,362)

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9. Cash and Cash Equivalents

	2010 $'000	2009 $'000
Cash	180,504	227,543
Short-term deposits	1,524,027	1,212,698
	1,704,531	1,440,241

10. Notes and Other Receivables

	2010 $'000	2009 $'000
Notes receivable	1,394,620	1,131,368
Receivable EXBED	34,813	36,152
Premiums receivable	175	1,701
Other receivable	24,475	23,090
	1,454,083	1,192,311

Notes receivable represent amounts due from clients utilising foreign currency loans and lines of credit. The average period for line of credit transactions is 180 days. Interest rates on notes receivable depend on the particular line of credit utilised and range from 8% -10% (2009 - 9.5% - 12%) per annum.

Receivable EXBED represents amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. This facility bears interest at a rate of 12% (2009 - 12%) These loans are unsecured.

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11. Notes Discounted

These represent notes discounted under the pre- and post-shipment financing schemes and are made up as follows:

	2010				2009
	Principal	Interest Receivable	Provision for Credit Losses	Carrying Value	Carrying Value
	$'000	$'000	$'000	$'000	$'000
(a) Export Credit Facility (ECF)	150,000	2,178	-	152,178	245,983
(b) Bankers Export Credit Facility (BECF)	135,891	1,392	-	137,283	38,838
(c) Small Business Discount Facility (SBDF)	558,520	3,589	-	562,109	543,174
(d) Insurance Policy Discount Facility (IPDF)	17,864	413	(8,554)	9,723	15,383
(e) Pre-Shipment Facility (PSF)	796,667	14,937	-	811,604	333,890
(f) Apparel Sector Financing Scheme (ASFS)	21,024	3,786	(15,705)	9,105	6,380
(g) Jamaica Exporters' Association (JEA)ExBED	17,091	1,871	(15,859)	3,103	5,221
(h) Jamaican Dollar Short Term Loans	37,954	159	-	38,113	92,784
(i) Co-packers Financing	70	3	-	73	15,888
(j) US Dollar Short-Term Loans	-	-	-	-	78,848
(k) Development Bank of Jamaica Limited Loan (DBJ#3)	102,705	825	-	103,530	32,016
(l) EXIM/IADB Discounting	498,023	8,539	-	506,562	624,471
	2,335,809	37,692	(40,118)	2,333,383	2,032,876

Maturing as follows:

	2010 $'000	2009 $'000
- Less than 12 months after the statement of financial position date	1,731,697	1,542,602
- Greater than 12 months after the statement of financial position date	601,686	490,274
	2,333,383	2,032,876

(a) The ECF bears interest of 10% to 12% (2009 - 10% to 12%) per annum and is for a period of 120 days.

(b) The BECF foreign currency facility bears interest at the rate of 10% (2009 - 10%) per annum and is for a period of 120 days. The BECF local currency facility bears interest at the rate of 12% (2009 - 12%) per annum and is for a period of 120 days.

(c) The SBDF bears interest at 12% (2009 - 12%) per annum, and is for a period of up to forty-eight months.

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11. Notes Discounted (Continued)

(d) The IPDF is available for small to medium size exporters who are the holders of an export credit insurance policy from the company. This facility bears interest at the rate of 12% (2009 - 12%) per annum, and is for a period of 120 days.

(e) The PSF bears interest at 12% (2009 - 12%) per annum, and is for a period of 90 days.

(f) The ASFS represents amounts loaned to the apparel sector. The facility, which bears interest at the rate of 12% (2009 - 12%) per annum, is for a period of 90 to 120 days. A total of $99,800,000 was made available by the company under this facility. Of this amount, the Government of Jamaica provided $45,842,000 by way of a non-reimbursable grant (Note 23).

The ASFS is an experimental and pioneering initiative designed to stabilise and rehabilitate the apparel sector. The grant funds were predicated against a high risk of default on these loans.

(g) The EX-BED project is a joint project with the Jamaica Exporters' Association and is available to small exporters. This facility bears interest at a rate of 12% (2009 - 12%) per annum and is for a period of 90 to 180 days.

(h) The Jamaican Dollar Short-term Loans are for periods of up to 180 days, and bear interest of 12%.

(i) The Co-packers Financing facility represents amounts loaned to agro-processors. The facility bears interest at the rate of 12% (2009 - 12%) per annum and is for 120 days.

(j) The US Dollar Short-Term Loans are extended at a rate of 10%, for 120 days, through Approved Financial Intermediaries (AFIs).

(k) The Development Bank of Jamaica #3 Loan Facility represents funds on-lent from DBJ at 10% per annum, for up to sixty months. The loan is to be used to provide pre-shipment export financing to small and medium enterprises.

(l) EXIM/IADB Discounting represents US Dollar funds borrowed from the Inter American Development Bank through the Development Bank of Jamaica and is for working capital and trade financing. They bear interest rates of 8% to10% and are for a period of up to thirty six months.

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12. Medium-Term Loans Receivable

	2010				2009
	Principal	Interest Receivable	Provision for doubtful debts	Carrying Value	Carrying Value
	$'000	$'000	$'000	$'000	$'000
(a) Modernisation Fund	447,386	898	-	448,284	647,762
(b) Information and Communication Technology (ICT) Medium Term	317	2	-	319	430
(c) Jamaica Exporters' Association (JEA/EGI)	282	1	-	283	18,596
(d) EXIM/Export Growth Initiative (EXIM/EGI)	-	-	-	-	53,620
(e) General Trade Line	82,733	1,559	-	84,292	151,315
(f) National Insurance Fund SME (Note 20 (c))	51,600	196	(417)	51,379	86,708
(g) US Dollar Medium Term Loans	401,317	2,616	-	403,933	195,423
(h) Other Medium Term Loans	13,941	24	(925)	13,040	14,738
	997,576	5,296	(1,342)	1,001,530	1,168,593

Maturing as follows:

	2010	2009
	$'000	$'000
- Up to 12 months after the statement of financial position date	185,090	132,967
- More than 12 months after the statement of financial position date	816,440	1,035,626
	1,001,530	1,168,593

(a) The Modernisation Fund is a medium-term facility introduced to assist exporters and manufacturers to retool. Amounts are lent at an interest rate of 12% (2009 - 12%) per annum over a three-year period.

(b) The ICT represents Loans for software development, training and telecommunications and bears interest of 12 % (2009 - 12%).

(c) These amounts represent loans on-lent through the Jamaica Exporters' Association Export Growth Initiative Programme. These loans bear interest at 5% - 7% per annum and are for periods of up to five years.

(d) These amounts represent loans to be used for manufacturing, import substitution and linkage activities and bear interest of 5% - 7% for up to five years. It relates to US$3,500,000 received from the JEA/GOJ (Note 21(b)).

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12. Medium-Term Loans Receivable (Continued)

(e) This facility is used for financing working capital in the commercial sector which supports the productive industries. These loans bear interest at 16 % per annum and are for periods of up to four years.

(f) This represents loans to small and medium enterprises (SME) from financing received from the National Insurance Fund (Note 20(c)) and is secured by a deed of assignment of loans. These loans bear interest of 8% - 10% and are for periods of up to forty eight months.

(g) The United States Dollar Medium Term Loans are extended at a rate of 7.20% - 9% and are for periods of up to forty eight months.

(h) Other Medium-Term Loans include loans to staff members which bear interest at 5 % per annum, and other loans which bear interest at 12 %. These loans are for a period of up to five years. Included in this amount is an adjustment of $3,078,000 (2009 - $3,089,000) representing the difference between the carrying amount and the net present value, as required under IFRS.

13. Demand and Non-accrual Loans

	2010 $'000	2009 $'000
Demand loans (J$)	296,113	170,493
Demand loans (US$)	74,819	155,407
Cuban Line of Credit (Cdn$)	-	4,175
Provision for credit losses	(59,521)	(31,967)
	311,411	298,108

14. Investments

	Number of shares held			
	2010	2009	2010 $'000	2009 $'000
Available-for-sale securities:				
Quoted equities:				
Bladex:				
Class 'A' common stock	107,065	107,065	137,388	88,877
Class 'B' common stock	28,971	28,971	37,177	23,049
			174,565	112,926
Loans and receivables:				
Fixed deposit			88,957	87,955
Securities purchased under resale agreements			275,134	264,605
Government of Jamaica securities			29,926	29,778
			394,017	382,338
			568,582	495,264

14. Investments (Continued)

	2010 $'000	2009 $'000
Remaining term to maturity:		
Within three months	363,484	251,810
From three months to one year	16,612	21,656
One to five years	13,921	20,917
	394,017	382,338

Government of Jamaica securities represent local registered stocks, US dollar indexed bonds, and treasury bills issued by the Government of Jamaica.

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2010 were $335,837,000 (2009 - $294,824,000).

In February 2010, the company participated in the Jamaica Debt Exchange (JDX) transaction. The JDX involved a par-for-par exchange of domestic debt instruments ("Old Notes") issued by the Government of Jamaica for new debt instruments ("New Notes") having lower interest rates and longer maturities. While the Old Notes were all callable by the Government of Jamaica, a majority of New Notes will be non-callable.

Participation in the JDX was voluntary. Interest accrued on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date) would be paid in cash, net of applicable withholding taxes.

The JDX has had a significant impact on the expected future cash flows from the company's investment portfolio. The company has instituted measures to mitigate the impact of reduced investment earnings on its profitability. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Pre JDX	Post JDX
Jamaican dollar denominated instruments –		
Face value exchanged (J$28,559,000)	$28,559,000	$28,559,000
Weighted average coupon rate (%)	18.21	11.81
Weighted average tenor to maturity (years)	1 yr	4 yrs

15. Long-term Loans Receivable

Long-term loans receivable represent staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at 31 March 2010 includes $1,427,000 (2009 - $1,310,000) receivable within twelve months of the statement of financial position date.

Included in this amount is an adjustment of $10,010,000 (2009 - $15,852,000), representing the difference between the carrying amount and the net present value, as required under IFRS.

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16. Post Employment Benefit Asset/Obligations

The company operates a non-contributory defined benefit pension plan for permanent employees who are employed directly by the company. The assets of the plan are held independently of the company in a separate trustee administered fund. The company also provides post-employment medical benefits to employees who satisfy the minimum service requirements. The Plan is valued by independent actuaries, Duggan Consulting Limited, annually using the projected unit credit method.

	2010 $'000	2009 $'000
Assets/(liabilities) recognised in the statement of financial position –		
Post-employment benefit asset	219,650	233,974
Post-employment benefit obligations	(75,455)	(64,570)
Amounts recognised in the statement of comprehensive income –		
Post-employment benefit asset	15,164	(34,135)
Post-employment medical benefit obligation	10,885	9,779

(a) Post- employment benefit asset

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

	2010 $'000	2009 $'000
Present value of funded obligations	(396,881)	(330,818)
Fair value of plan assets	445,863	403,784
	48,982	72,966
Unrecognised past service cost	-	55
Unrecognised actuarial gains	170,668	160,953
Asset recognised in statement of financial position	219,650	233,974

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16. Post-employment Benefit Asset/Obligation (Continued)

(a) Post- employment benefit asset (continued)

The movement in the present value of the defined benefit obligation:

	2010 $'000	2009 $'000
At beginning of year	330,818	192,388
Interest cost	54,767	26,009
Current service cost	12,753	8,977
Voluntary contributions	1,422	1,351
Past service cost	-	111
Benefits paid during year	(3,975)	(4,163)
Actuarial losses on obligations	1,096	106,145
At end of year	396,881	330,818

The movement in the fair value of the plan assets during the year was as follows:

	2010 $'000	2009 $'000
At beginning of year	403,784	492,913
Expected return on plan assets	64,468	63,952
Contributions paid	2,262	2,210
Benefits paid	(3,975)	(4,163)
Actuarial losses on plan assets	(20,676)	(151,128)
At end of year	445,863	403,784

The movements in the net asset recognised in the statement of financial position:

	2010 $'000	2009 $'000
Net asset at beginning of year	233,974	198,980
Contributions paid	840	859
(Expense)/income recognised in the statement of comprehensive income (Note 7)	(15,164)	34,135
Net asset at end of year	219,650	233,974

The majority of the plan assets are held in pooled investment funds. The distribution of the underlying assets was as follows:

	2010		2009	
	$'000	%	$'000	%
Equity securities (Pooled Fund)	301,158	67	269,117	67
Debt securities (Pooled Fund)	109,530	25	114,563	28
Other	35,175	8	20,104	5
	445,863	100	403,784	100

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16. Post-employment Benefit Asset/Obligation (Continued)

(a) Post-employment benefit asset (continued)

The amounts recognised in the statement of comprehensive income were:

	2010 $'000	2009 $'000
Current service cost	12,753	8,977
Interest on obligation	54,767	26,009
Expected return on plan assets	(64,468)	(63,952)
Net actuarial gain recognised during the year	12,057	(5,225)
Past service cost non vested	55	56
	15,164	(34,135)
Actual return on plan assets	(43,792)	87,176

The amount is recognised in administrative expenses in the statement of comprehensive income.

The principal actuarial assumptions used were as follows:

	2010 %	2009 %
Discount rate	11.50	16.00
Expected return on plan assets	11.50	16.00
Future salary increases	8.50	11.50
Future pension increases	6.00	10.00

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	2010 $000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Present value of defined benefit obligation	(396,881)	(330,818)	(192,388)	(151,812)	(116,261)
Fair value of plan assets	445,863	403,784	492,913	443,004	363,684
Surplus in plan	48,982	72,966	300,525	291,192	247,423
Experience adjustments arising on plan liabilities	28,986	2,405	(28,849)	(4,788)	3,487
Experience adjustments arising on plan assets	(20,676)	(151,128)	4,698	43,427	(109,910)

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16. Post-employment Benefit Asset/Obligation (Continued)

(b) Other post-employment benefit obligations

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

	2010 $'000	2009 $'000
Present value of obligations	70,730	49,896
Unrecognised past service cost - non-vested benefits	(355)	(399)
Unrecognised actuarial gains	5,080	15,073
	75,455	64,570

The movement in the present value of obligation during the year was as follows:

	2010 $'000	2009 $'000
At beginning of year	49,896	48,522
Current service cost	3,510	3,067
Interest cost	8,530	6,778
Actuarial loss/(gains) on obligations	8,985	(8,946)
Past service cost	-	631
Benefits paid	(191)	(156)
At end of year	70,730	49,896

The amounts recognised in the statement of comprehensive income are as follows:

	2010 $'000	2009 $'000
Net actuarial gains recognised	(1,009)	(142)
Current service costs	3,510	3,067
Past service costs - non-vested benefits	44	232
Interest cost	8,530	6,778
	11,075	9,935

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16. Post-employment Benefit Obligation (Continued)

(b) Other post-employment benefit obligation (continued)

Movements in the net liability recognised in the statement of financial position:

	2010 $'000	2009 $'000
Net liability at start of the year	64,570	54,791
Contributions paid	(190)	(156)
Expense recognised in the statement of comprehensive income	11,075	9,935
Net liability at end of year	75,455	64,570

The principal actuarial assumptions used were as follows:

	2010 %	2009 %
Discount rate	11.50	16.00
Medical rates	10.50	15.00
Future salary increases	8.50	11.50

Assumed health care cost trends have a significant effect on the amounts recognised in the statement of comprehensive income. A one percent point change in assumed health care cost trend rates would have the following effects:

	1% Increase $'000	1% Decrease $'000
Increase/(decrease) on the aggregate service and interest cost	2,386	(1,851)
Increase/(decrease) in the defined benefit obligation	13,037	(10,502)

The five-year trend for the present value of the defined benefit obligation, the surplus in the plan, and experience adjustments for plan liabilities is as follows:

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Present value of the defined benefit obligation	70,730	49,896	48,522	44,312	46,560
Experience adjustments arising on plan liabilities	(8,865)	10,257	4,130	15,460	137

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17. Property, Plant and Equipment

	Land and Building $'000	Motor Vehicles $'000	Equipment Furniture and Fixtures $'000	Office Improvements $'000	Computers $'000	Total $'000
Cost -						
31 March 2008	99,940	5,254	9,945	432	23,453	139,024
Additions	-	2,713	744	-	7,384	10,841
Disposal	-	-	(30)	-	(2,803)	(2,833)
31 March 2009	99,940	7,967	10,659	432	28,034	147,032
Additions	-	-	916	130	3,070	4,116
Disposal	-	-	(971)	-	(1,087)	(2,058)
31 March 2010	99,940	7,967	10,604	562	30,017	149,090
Depreciation -						
31 March 2008	999	4,417	3,575	14	14,637	23,642
Charge for the year	1,999	336	976	44	5,325	8,680
Disposal	-	-	(28)	-	(2,796)	(2,824)
31 March 2009	2,998	4,753	4,523	58	17,166	29,498
Charge for the year	3,248	806	925	48	6,208	11,235
Disposal	-	-	(565)	-	(1,070)	(1,635)
31 March 2010	6,246	5,559	4,883	106	22,304	39,098
Net Book Value -						
31 March 2010	93,694	2,408	5,721	456	7,713	109,992
31 March 2009	96,942	3,214	6,136	374	10,868	117,534

18. Payable to Bank of Jamaica

	2010 $'000	2009 $'000
Principal outstanding	-	22,379
Interest payable	-	7,532
	-	29,911

The short-term loan was evidenced by a promissory note and was repayable on demand. Interest was charged at 10% per annum. The loan was repaid during the year.

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

19. Short-Term Loans and Lines of Credit

	Rate of interest per annum	2010 $'000	2009 $'000
Banco Latinoamericano de Exportaciones, S.A. (BLADEX)	10%	273,561	55,452
Bank of New York	10%	135,871	152,234
Bank of Nova Scotia Jamaica Limited – Cuban loc	8.5%	140,482	214,753
		549,914	422,439

These unsecured amounts represent the drawn-down balances on lines of credit extended to the company for 180 days.

20. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓%. The movement in the deferred income tax balance is as follows:

	2010 $'000	2009 $'000
At beginning of year	24,588	70,818
Deferred tax credited/(charged) to statement of comprehensive income (Note 8)	76,366	(36,178)
Deferred tax credited/(charged) relating to components of other comprehensive income	20,546	(10,052)
At end of year	121,500	24,588

Deferred income tax liabilities are due to the following items:

	2010 $'000	2009 $'000
Deferred income tax assets:		
Accrued vacation	1,891	2,517
Insurance provision	1,012	810
Foreign exchange losses	-	46,739
	2,903	50,066
Deferred income tax liabilities:		
Foreign exchange gain	39,300	-
Accelerated tax depreciation	1,335	3,029
Employee benefits	48,065	56,468
Fair value gains on investments	35,703	15,157
	124,403	74,654
	(121,500)	(24,588)

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

20. Deferred Taxation (Continued)

The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:

	2010 $'000	2009 $'000
Accrued vacation	625	(750)
Foreign exchange	86,039	(44,504)
Accelerated tax depreciation	(891)	1,068
Employee benefits	(8,403)	8,405
Other	(201)	(397)
	77,169	(36,178)

The deferred tax credit in equity relates to temporary differences on available-for-sale securities of $20,546,000 (2009 - $10,052,000).

21. Long-Term Loans

	2010 $'000	2009 $'000
(a) Government of Jamaica	385,423	409,512
(b) Jamaica Exporters' Association/EXIM	632,200	626,409
(c) National Insurance Fund/SME	80,725	94,290
(d) Petrocaribe Development Fund	937,363	1,005,017
(e) Petrocaribe Development Fund 6%	979,800	1,033,962
(f) Development Bank of Jamaica Limited (DBJ) 7% Loan	151,750	101,069
(g) IADB/DBJ Loan	2,063,164	1,603,383
	5,230,425	4,873,642

31 March 2010
(expressed in Jamaican dollars unless otherwise indicated)

21. Long-Term Loans Payable (Continued)

(a) This represents the balance on the unsecured Government of Jamaica loan (Loan 1715 JM) from International Bank for Reconstruction and Development (IBRD), on-lent to Export Development Fund Jamaica Limited, assumed by the company. In agreement with the Ministry of Finance, the terms of IBRD Loan 1715 JM were restructured with effect from 13 September 1996.

Principal due but unpaid as at 31 December 1995, amounting to US$3.0 million, was converted to equity and the remaining loan balance of US$11.87 million was converted to Jamaica dollars with provisions for capitalisation of any shortfalls in interest payments.

The loan, which bears interest at 6% (2009 - 6%) per annum, is repayable by fifty-eight semi-annual installments, the final installment being due on 30 December 2025.

Principal repayments due within twelve months of the statement of financial position date amount to $23,730,000 (2009 - $23,730,000).

(b) This represents a loan of US$3.5 million from the Jamaica Exporters' Association under its Export Growth Initiative Programme (EGI). This amount is to be on-lent to productive enterprises in United States dollars at the discretion of the company. The maximum loan to each customer should not exceed US$0.3 million. The loan is to be repaid within six years of the first disbursement.

(c) The facility is represented by an amount not exceeding $138,297,000 for the sole purpose of making loans to 'Small and Medium Enterprises' in accordance with NIF/SME Credit Facility Guidelines.

The loan facility is disbursed in tranches/advances and each advance will have its own amortisation schedule and evidenced by a promissory note. The interest rate is fixed at 4% on the reducing balance. The term of the loan facility is 11 May 2007 to 30 April 2012. The amount drawn down as at 31 March 2010 was $136,382,000 (2009 - $109,100,000).

(d) The company entered into a loan agreement with the Petrocaribe Development Fund to borrow US$12 million. It drew down the amount in three tranches between 8 August 2007 to 30 January 2008. The loan is unsecured, bears interest at the rate of 5% and has a tenure of fifteen years, with a moratorium of one year on principal repayment.

(e) The company entered into a loan agreement with the Petrocaribe Development Fund to borrow $1,000,000,000. The loan has a rate of 6% and tenure of fifteen years, with a moratorium of one year on principal repayment.

(f) The company entered into a loan agreement with the Development Bank of Jamaica (DBJ) to borrow $100,000,000. The loan has a rate of 7% and has a tenure of five years, with a moratorium of one year on principal repayment.

(g) At year end US$23,000,000 was drawn down from the facility. The interest rate is based on the six months LIBOR plus 450 basis points. Quarterly interest payment commenced June 2009 and principal payments will commence as of April 2011 with the final payment of principal and interest in January 2012.

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(expressed in Jamaican dollars unless otherwise indicated)

22. Share Capital

	2010 $'000	2009 $'000
Authorised:		
300,000 ordinary shares of no par value		
Issued and fully paid:		
257,738 ordinary shares of no par value	257,738	257,738

23. Capital Reserve

Capital reserve represents amounts arising from non-reimbursable capital grants as follows:

	GOJ Budgetary Support $'000	Apparel Sector Facility $'000	JECIC Grant $'000	Gain on Sale of Assets $'000	Total $'000
Balance as at 31 March 2008	150,000	45,842	144,457	8,042	348,341
Grant received	-	-	771	-	771
Balance as at 31 March 2009	150,000	45,842	145,228	8,042	349,112
Grant received	-	-	3,346	-	3,346
Balance as at 31 March 2010	150,000	45,842	148,574	8,042	352,458

The GOJ budgetary support represents a non-reimbursable grant from the Government of Jamaica provided as budgetary support for the company.

The apparel sector facility represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 12% (2009 - 12%) per annum to the apparel sector under the Apparel Sector Financing Scheme.

The Jamaica Export Credit Insurance Corporation (JECIC) Grant represents the balance of investments being managed by National Export-Import Bank of Jamaica Limited for JECIC (in liquidation). The Bank of Jamaica approved the net investments balance as a grant to EXIM effective 1 April 2006.

24. Reserve Fund

15% of the profit after taxation each year is transferred to a reserve fund until the fund equals 50% of paid-up capital and, thereafter, 10% of the profit after taxation will be transferred until the amount in the fund is equal to the paid-up capital of the company.

25. Reserve for Trade Credit Insurance

This reserve represents amounts transferred from the statement of comprehensive income to meet any future claims which may be incurred as a result of trade credit insurance contracts. The amounts transferred are calculated based on the difference between the movement in provision for trade credit insurance and 16% of premium income.

26. Investment Revaluation Reserve

This reserve comprises the fair value gains or losses on available-for-sale financial assets, net of deferred taxes.

27. Related Party Balances and Transactions

The statement of financial position includes balances, arising in the normal course of business, with related parties as follows:

	2010 $'000	2009 $'000
Notes and other receivables	8,404	5,024
Notes discounted	599,981	170,060
Investments	29,926	29,778
Short-term loans	-	(29,911)
Long-term loans	(5,230,424)	(4,806,600)

Transactions with related parties were as follows:

	2010 $'000	2009 $'000
Interest income	27,028	749
Interest expense	(242,270)	(127,232)

Transactions with directors and key management personnel (including executive director) were as follows:

	2010 $'000	2009 $'000
Short-term benefits	43,603	48,296
Post-employment benefits	3,126	(3,854)
Directors' emoluments:		
Fees	1,919	1,332
Other remuneration	9,611	10,765

31 March 2010
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28. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices.

(ii) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(iv) The fair value of loans payable which were obtained at concessionary rates (Note 21) has not been estimated as these loans are available to the company due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

The fair values of the following financial instruments differ from their carrying values as shown:

	2010		2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	$'000	$'000	$'000	$'000
Investments:				
Securities purchased under resale agreements	278,392	275,134	264,399	264,605
Fixed deposit	88,957	88,957	87,955	87,955
Government securities	26,802	29,926	22,814	29,778
	394,151	394,017	375,168	382,338

29. Commitments

Loan commitments under the Export Credit, Modernisation and the Small Business Facilities totalled $946,900,000 at 31 March 2010 (2009 - $900,450,000).

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30. Restatement

The statement of financial position for the years ended 31 March 2008 and 31 March 2009 was restated to reflect adjustments as follows:

Cash and Cash Equivalents and Investments
Fixed deposit amounting to $87,955,000 was reclassified from cash and cash equivalents to investments for the year ended 31 March 2009, as the balance was not sufficiently liquid to be classified as cash and cash equivalents.

Letters of Credit
Balances included in letters of credit assets and liabilities were overstated due to the fact that the obligation under these letters of credit had already been reflected in the statement of financial position in other loans receivable categories. The letters of credit receivable and payable balances were therefore reduced at 31 March 2009 by $162,024,000 (2008 - $294,978,000).

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