EX IM BANK

2005 2006

ANNUAL REPORT

NATIONAL EXPORT–IMPORT BANK OF JAMAICA LIMITED

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Three Year Performance Financial Highlights

	2005/2006	2004/2005	2003/2004
FINANCIAL POSITION (J$ MILLIONS)			
TOTAL ASSETS	3,981.42	2,935.45	2,824.99
CASH AND SHORT-TERM DEPOSITS	658.94	437.33	294.66
NOTES DISCOUNTED	877.37	706.90	770.68
INVESTMENTS	504.92	491.60	499.48
SHAREHOLDERS' EQUITY	1,519.52	1,448.97	1,367.84
EARNINGS (J$MILLIONS)			
TOTAL REVENUE	307.04	287.33	43.26
OPERATING PROFIT	236.27	222.80	275.92
PROFIT BEFORE TAX	129.73	113.69	120.56
PROFIT AFTER TAX	89.37	81.87	96.94
FINANCIAL RATIOS (%)			
RETURN ON ASSETS	2.24	2.79	3.43
RETURN ON EQUITY	5.88	5.65	7.09
ADMIN. EXPENSE RATIO	36.31	36.92	45.96
OPERATING PROFIT MARGIN	76.95	77.54	80.51

Company Profile & Function

THE NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED (Ex-Im 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 fully 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 supported by a team of Divisional Managers.

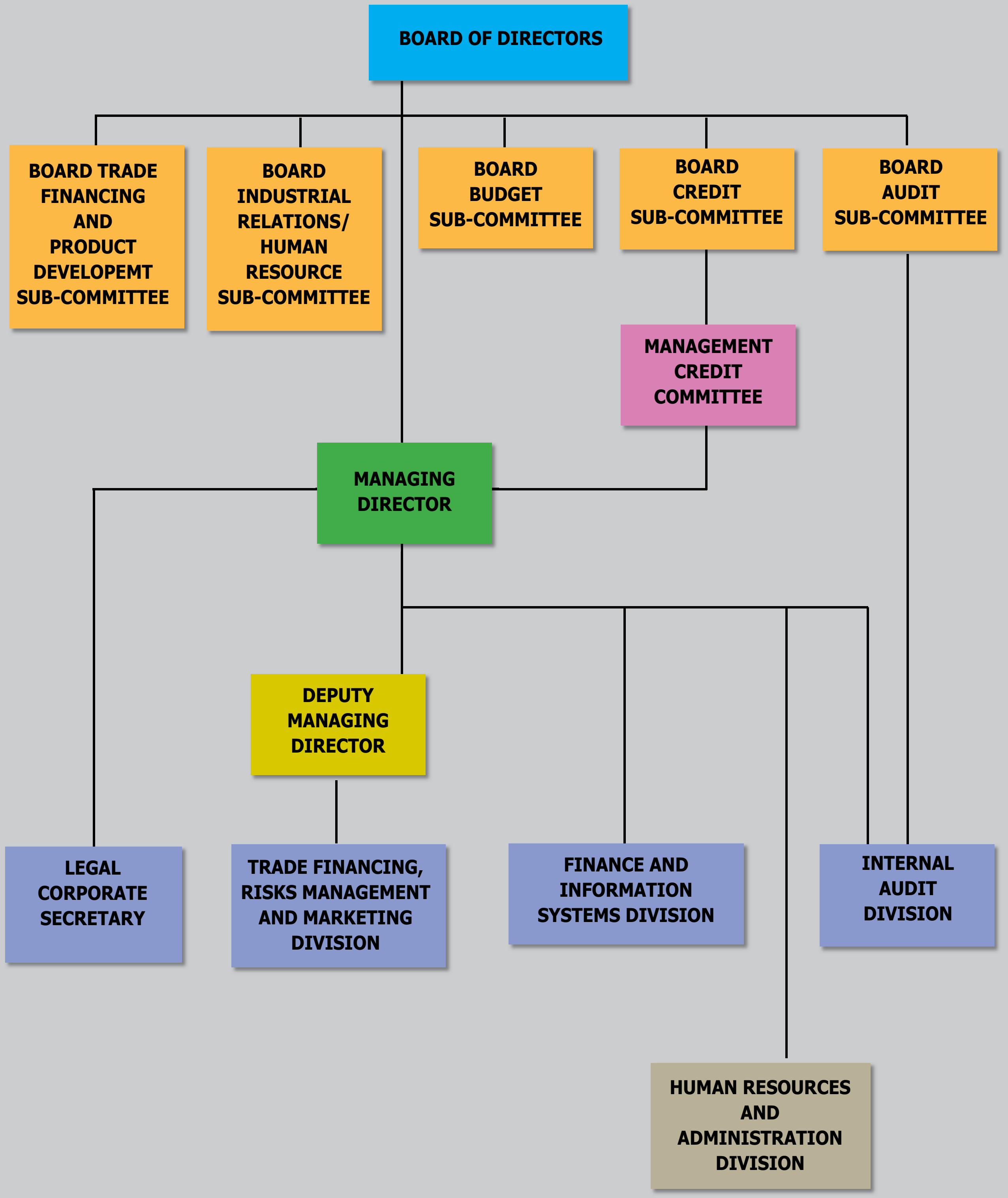
Ex-Im Bank provides short-term financing to the non-traditional export sector to cover pre-shipment costs and post-shipment receivables.

Ex-Im Bank administers trade credit facilities made available through Foreign Lines of Credit.

Ex-Im Bank offers medium term financing through specific loan programmes for the acquisition of capital equipment for re-tooling, refurbishing, upgrading and efficiency improvement to enhance export competitiveness.

Ex-Im Bank encourages the development of trade between Jamaica and other countries by offering Export Credit Insurance as a protection for export receivables against both commercial and political risks.

Organizational Structure



Corporate Statements

Vision

Ex-Im Bank's vision is 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 export 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 organization.

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 EX-IM 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.

Chairman & Managing Director

Dr The Hon Owen Jefferson, OJ, CD, Chairman
Mrs Pamella McLean, Managing Director

Report from the Chairman and the Managing Director

The National Export-Import Bank of Jamaica, the country's premier trade financing institution, is pleased to report significant strides in loan portfolio growth in the financial year ended 31 March 2006. The loan portfolio recorded a 25% growth over the last financial year, with disbursements for the first time exceeding $3 billion. The Bank also continued on its profitable path having achieved a net profit of $89.4 million, 9.1% over the figure of $81.9 million reported at the previous financial year end.

The Bank's performance centered around specific initiatives embodied in its Three Year Strategic Plan (2004/2007) which were identified for implementation in this, its second year 2005/2006. Among these were Growth in the Bank's Portfolio, the Introduction of New Loan Products, the Establishment of a Market Research Unit, the Provision of Relevant Training and Development Opportunities for Staff and the Upgrade of the Bank's Information, Communication and Technology Systems to enhance operational efficiency and customer service delivery.

In keeping with the above initiatives, the Bank ventured into new areas of lending by providing financing support to linkage companies in the fields of mining, haulage and quarrying which provide support to the traditional Bauxite sector. In addition, Tourism, recognized as a major sector from which significant export growth is projected, was targeted for enhanced financing and in this regard, the Bank deepened its association with the sector, by providing financing to linkage service providers such as Tour Operators, Restauranteurs and other allied services. Coupled with the support to these two dominant foreign exchange earning sectors, the Bank developed an innovative product—The General Trade Line, aimed at providing financing to companies which are not exporters or manufacturers, but are engaged in supplying goods and services to vital sectors of the economy such as Health, Education and Transportation.

The establishment of these new and enhanced loan products offered at competitive rates of interest, supported by sustained marketing activities aimed at heightening awareness of the Bank's products and services, proved successful as increased demand for the Bank's loan facilities was realized. To respond to this growing demand, the Bank successfully negotiated a US$10 million, medium term loan from Banco Latinoamericano de Exportaciones (BLADEX), in which the Ex-Im Bank has shareholdings.

The Export Growth Initiative Loan Programme directed at enhancing the development of productive economic activity for the purposes of export manufacturing, import substitution and linkage activities, also provided a significant boost for the Bank's pool of loanable funds. This joint Ex-Im Bank/JEA/GOJ loan programme executed by the Ex-Im Bank and the Jamaica Exporters' Association (JEA), provided the Bank with US$3 million for export oriented projects, which was fully committed by year end. The Bank is in further dialogue with the JEA with a view to obtaining additional funds under this programme of assistance.

These activities took place within the context of an economy faced with challenges due to global economic developments. During the review period, economic conditions were generally favourable with a relatively stable exchange rate, strong Net International Reserves (NIR) of just under US$2.1 billion, and fiscal stability. However, the effects of a drought followed by three hurricanes as well as increased international oil prices, impacted on the general economic outturn at year end. The cumulative effect resulted in a 6.4% depreciation in the exchange rate and an increase in inflation which by financial year end, was reported at 11.4%. Notwithstanding the setbacks, Gross Domestic Product (GDP) is estimated to have grown by 1.6% at calendar year end 2005, relative to growth of 0.9% at year end December 2004. Of particular importance to the Bank is the growth in non traditional exports, which is reported to have increased by 20.6%, due largely to a 35% increase in beverage exports coupled with increased exports of mineral, fuels and related products.

The establishment of a Marketing Research Unit during the financial year achieved its goal of improving the Bank's image and raising awareness of the Bank's products and services to its target audience and resulted in an expanded loan portfolio. The marketing strategy will concentrate on repositioning the Bank as a financial institution, providing affordable financing to the productive and services sectors of the economy.

The Bank also continued the underwriting of Export Credit Insurance to the local exporting sector. With the reported up-turn in non-traditional exports, it is projected that new interest in Export Credit Insurance will be generated through sustained marketing and promotional efforts. Cognizant of new trends in the Export Credit Insurance (ECI) marketplace, the Bank is reviewing the feasibility of offering Domestic Credit Insurance to complement its existing insurance products. The feasibility of entering into regional alliances with countries which by virtue of size are unable to sustain their own Export Credit Insurance scheme is also being explored, with a view to the Ex-Im Bank playing a lead role in regional Export Credit Insurance underwriting. This has come at an opportune time as the Caricom Single Market (CSM) which facilitates greater intra regional trade flows, is now a reality.

As in previous years, the Bank continued to participate in forums hosted by the International Union of Credit and Investment Insurers (Berne Union) and the Asociacion de Latinamericana de Organismos de Seguro de Credito a la Exportacion (ALASECE). Through these international associations, the Bank maintains its awareness of best practices and procedures in the Export Credit Insurance market.

In recognition of the global context in which our exporters and producers of goods and services operate, the Bank identified the need for increased, efficient and effective use of technology as a tool to enhance customer service delivery. To this end, plans for the retooling and modernizing of the Bank's Information, Communication and Technology capabilities are at a very advanced stage of development for full implementation in 2006/2007.

In the ensuing year 2006/2007, the final year of the Three Year Strategic Plan 2004/2007, the Bank will focus on cementing the initiatives introduced in the first and second years of the Plan whilst also implementing those initiatives identified for execution in the third year. The Bank will also continue to review its loan programmes to ensure their relevance and accessibility to achieve a more diversified client base. The implementation of these initiatives will assist the Bank in remaining true to its core values of professionalism, transparency, creativity and responsiveness to customer needs.

We take this opportunity to express our appreciation to our Board of Directors, Management and Staff for their vision, commitment and dedication, which have been invaluable to the continued viability of the institution.

On behalf of the Board of Directors we say special thanks to Dr. Rosalea Hamilton, who retired and Mr. Patrick Smith who resigned, during the year, for their contribution and support during their tenure.

As the Bank celebrates 20 years of operations on May 1, 2006, it is with a sense of accomplishment and pride that we pay tribute to our customers, partners and other stakeholders which have supported us over the years. We look forward to many more productive and successful years as the Bank continues to support the Government's primary objective of national economic growth and development.

Dr The Hon Owen Jefferson OJ,CD, Chairman

Mrs Pamella McLean, Managing Director

Review of Operations

FINANCIAL PERFORMANCE

The 2005/2006 financial year was another successful one for the Ex-Im Bank as it achieved improved results both in terms of loans disbursed to the productive sector as well as the increase in its revenue and profit for the year.

Loan disbursements of just over $3 billion or 90% of its budgeted utilization figure of $3.4 billion for the period, was achieved. This represented a significant improvement over the $2.3 billion reported for the corresponding period last year, reflecting loan growth of over 25% or $700 million. The strong growth recorded in the Bank's lending activities is particularly noteworthy, as for the greater part of the year the Bank experienced funding constraints which limited its lending operations. The Bank reported revenues of $307 million which was 7% over the $287.3 million recorded for 2005. For the same period, the Bank reported profit after tax of $89.4 million, which represented a marginal increase of 9.2% over the $81.9 million recorded for the corresponding period in 2005. Of particular note is the fact that interest income from loans grew by 21%, moving from $141.6 million in 2005 to $171.6 million, at year-end 2006. Net interest income was recorded at $170.4 million and represented an increase of 15.3% over the figure recorded for the corresponding period in 2005.

ASSET GROWTH

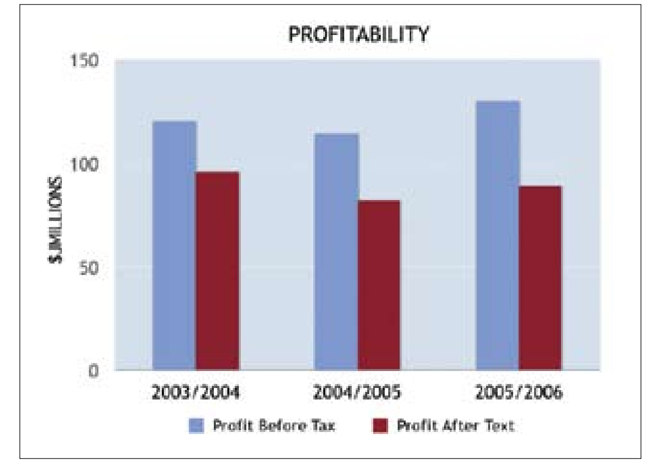
For the financial year ended 31 March 2006, the Bank's total assets were reported at $3.9 billion, an increase of 36 % over the $2.9 billion recorded in 2005. The significant increase in the Bank's assets was reflected in strong growth in its medium term portfolio which went from $355.3 million in 2005 to $648.5 million at year-end 31 March 2006, an increase of 83%. Cash and short term deposits also increased, moving from $437.3 million in 2005 to $658.9 million, at year end. Notable increases were also recorded in Notes Discounted and Customers' liability under Letters of Credit which increased by 24% and 61% respectively, during the period.

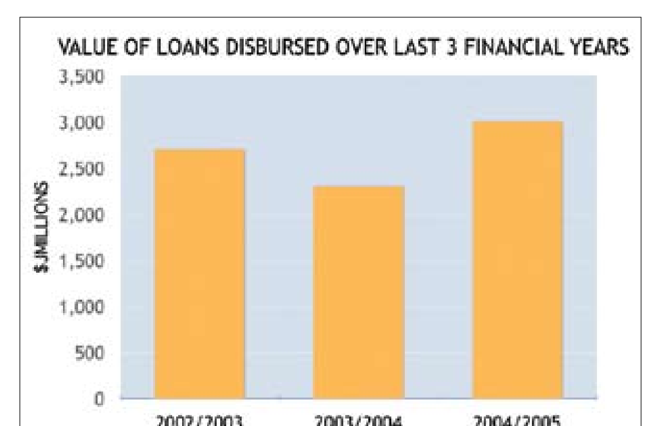
SHAREHOLDERS' EQUITY

At year-end 31 March 2006, Shareholders' Equity was reported at $1.5 billion, reflecting a 5% increase over the previous year's position of $1.4 billion, consistent with the Bank's policy of profit retention. The growth is tangible evidence of the prudent management of the Bank's financial resources.

COMMERCIAL LENDING OPERATIONS

The Bank achieved utilization levels of over $3 billion, due in part to the successful implementation of key strategic initiatives during the year. These include:-





- the development of loan products for the Tourism and Bauxite sectors,
- the launching of a concerted marketing and promotions programme,
- the modification and enhancement of existing products and services, and
- the successful negotiation of additional funding to expand lending operations.

Through these initiatives, the Bank was able to expand its programme of assistance to customers in its targetted sectors particularly those engaged in the export of non-traditional goods and services. In keeping with the foregoing, the Bank introduced a financing package geared towards the Bauxite and Tourism sectors which was supported by a series of meetings and discussions with the interest groups in these sectors to promote and sensitize them to the availability of the loan facility as well as its terms and conditions. Both these initiatives have resulted in an expansion and diversification of the Bank's client base and have yielded positive results as some $72.5 million was loaned to these sectors during the financial year.

In addition, the Bank introduced a General Trade Line for the financing of goods and services which would not normally qualify for financing under any of its existing product offerings. The introduction of this facility

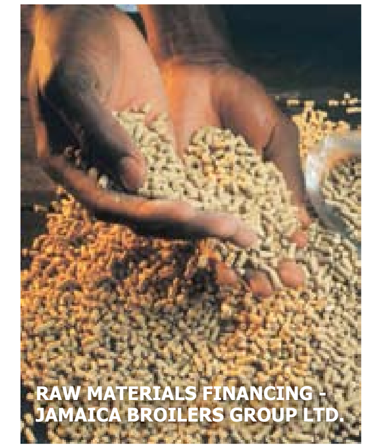
CAPITAL EQUIPMENT FINANCING FOR BAUXITE LINKAGE COMPANY - C&R WEBSTER MAINTENANCE COMPANY LTD.

FOREIGN CURRENCY FINANCING FOR THE TOURISM SECTOR - MORGAN'S HARBOUR HOTEL

will allow the Bank to participate in a wider area of the business and economic activities currently taking place in the country, many of which fall outside of the traditional confines of the goods producing sectors and largely involve support services for critical sectors of the economy such as health, education and transportation. This facility is aimed at increasing demand for financing under the short term foreign currency windows which have been falling short of budgetted targets due primarily, to the shift in economic activity from manufacturing to services which now accounts for a significant share of the country's Gross Domestic Product (GDP). Loans under this new facility are available in both local and foreign currency at interest rates of 16% and 12% respectively.

To provide funding support for its increased lending activities, the Bank, in February 2006, successfully negotiated a loan of US$10 million from Banco Latinoamericano de Exportaciones (BLADEX), a Panamian-based bank established in the 1980's to provide financing to countries in the Latin American and Caribbean region to facilitate the development and expansion of trade. Already strong demand has been received for these funds and the Bank expects that the funds will be fully disbursed by the end of the first quarter of the financial year 2006/2007. In addition, the Bank benefited from incremental flows of funds to the tune of $150 million as a result of negotiated settlement for the handing over of an investment portfolio which it managed. These funds are expected to be available for lending by the first quarter of the new financial year and will augment the Bank's pool of loanable funds.

FINANCING FOR CAPITAL EQUIPMENT ACQUISITION FOR BAUXHITE LINKAGE COMPANY - TREVOR DUNKLEY AND COMPANY LTD.



RAW MATERIALS FINANCING - JAMAICA BROILERS GROUP LTD.

FINANCING FOR THE MODERNIZATION AND UPGRADE OF BOTTLING PLANT - WRAY & NEPHEW LTD.

LOCAL CURRENCY LENDING

During the 2005/2006 financial year, the Bank disbursed a total of $2.1 billion through its local currency facilities, reflecting a significant increase of 24% over the $1.7 billion recorded the previous year. The short term pre and post shipment facilities continue to garner the bulk of these disbursements, accounting for approximately $1.6 billion of this amount or 76% of the total local currency disbursements. However, while the disbursement performance under the pre and post shipment facilities continue to be commendable, it is recognized that there is need to expand, even further, utilization of these facilities in keeping with its main "raison d' etre" as a short term trade financing institution. Based on encouraging growth reported in the non-traditional export sector during 2005, the Bank expects that there will be greater levels of activity under these facilities in the ensuing year.

Strong demand continues to be registered in the Bank's medium term loan portfolio viz, the Modernization Fund for Exporters' programme, which provides financing for the acquisition of capital equipment for the upgrading and retooling of factories and the Small Business Facility which provides loans to small and medium sized businesses for working capital purposes. Utilization achieved under these medium term facilities for 2006 were $288 million against the $210 million reported for 2005, an increase of 37%. The Bank continues to receive feedback from its customers about the positive impact which its medium term facilities have had on raising the efficiency levels of their operations. The Bank's performance was also boosted by a disbursement of $150 million under the General Trade Line to a local distribution company which acquired the local operations of a leading international brand.

Other medium term lending programmes on offer which are directed to special interest groups like the Ornamental Fish Farming facility and the Information Communication Technology (ICT) facility, have not met with the degree of success envisaged. In the case of the Ornamental fish farming sector, operations were affected by the prolonged and erratic periods of heavy rains and drought which caused severe damage to the farms resulting in serious set backs to the farmers, who are now in the recovery mode. The Bank is however, working with the Competitiveness Company, a wholly owned subsidiary of the Jamaica Exporters' Association (JEA) in its efforts to develop the Ornamental Fish

POST SHIPMENT FINANCING - JAMAICA STANDARD PRODUCTS COMPANY LTD.

FINANCING THE EXPANSION OF PRODUCTION FACILITIES - WALKERSWOOD CARIBBEAN FOODS LTD.

Farming cluster. With respect to the Information Communication Technology facility, the Bank, in an effort to promote a culture of entrepreneurship, broadened its scope of support to include financing for individuals who wish to acquire professional certification in ICT and continues to promote the loan programme to achieve increased utilization.

Additional local currency facilities offered by the Bank include the JEA/JMA/Ex-Bed facilities which provide funding to small and medium sized companies engaged in productive endeavours. The facilities which are available on an unsecured basis continue to provide working capital support to companies which would otherwise experience difficulty in securing loans from the commercial banking sector.

The Insurance Policy Discounting Facility (IPDF), which allows exporting companies that are Export Credit Insurance policyholders to obtain short term discounting financing, recorded disbursements of $54.5 million, marginally above the $53.8 million reported for 2004/2005. Several policyholders have benefitted from this loan programme and the Bank continues to encourage exporters to become policyholders so that they benefit from both the insurance coverage available under the policy as well as financing.

FOREIGN CURRENCY LENDING

The Bank makes available to companies in the public and private sectors, foreign currency financing mainly through its overseas correspondent banks to pay for goods and services purchased overseas. These trade credit facilities are accessed for the most part, via Documentary Letters of Credit (LC's). However the Bank is also able to facilitate direct payments to overseas suppliers on the request of its clients.

For the period under review, total loans disbursed under the foreign currency lines of credit (excluding the Cuban Line) were US$12.7 million, reflecting an increase of 34% over the results achieved last year when US$9.5 million was reported. The private sector accounted for the major portion of the funds used, with the funds being utilized primarily for the purchase of raw materials and capital goods. Demand for financing from public sector enterprises was primarily for support services to the public transport sector.

FACILITATING EXPORTS TO CUBA UNDER THE CUBAN LINE OF CREDIT - SUN ISLAND JAMAICA LTD.

CUBAN LINE OF CREDIT

Under this Line of Credit, the Ex-Im Bank has made available $10 million Canadian dollars through Banco Nacional de Cuba, to facilitate the importation of Jamaican goods into Cuba. Overcoming some set-backs experienced in the early part of the year, the way has been cleared for the resumption of shipments of animal feeds to Cuba. Supply Contracts were signed with two major local manufacturers of feeds and several shipments have so far been made with the expectation that the trading relationship with Cuba will strengthen in the coming months. For the 2005/2006 financial year, utilization of the facility recorded a marked increase over the previous year as commitments totalling US$4.3 million were issued, with disbursements made amounting to US$2.2 million.

EXPORT CREDIT INSURANCE

The Ex-Im Bank continues to be the only institution which offers Export Credit Insurance to the Jamaican exporting sector. This product protects exporters against losses associated with certain commercial and political risks thereby allowing the opportunity for competitiveness and growth. The policy also serves as both a marketing and financing tool as it allows exporters to offer very competitive credit terms to existing and prospective overseas buyers, and allows for the expansion of export trade into new markets with the assurance that in cases of non payment, the foreign receivables are protected by export credit insurance. The policy covers 85% (commercial risk) and 90% (political risk) of the loss amount with the exporters assuming the remaining 15% and 10% respectively.

While the Bank has underwritten some new policies in the financial year, their contribution to premium income has not been substantial. As a value-added initiative, the Bank has therefore been examining the feasibility of introducing Domestic Credit Insurance to complement the Export Credit Insurance product. It is proposed that this new product will initially target businesses linked to the Tourism and other productive areas of the economy.

REINSURANCE QUOTA SHARE TREATY

The Bank's insurance portfolio continues to be underwritten under an overseas Quota Share Agreement whereby the Bank cedes 60% of its premium income for 60% of its insurable risk, both of a commercial and political nature.

MARKETING

The Bank established a Market Research Unit in July 2005 to develop a programme to achieve the goals of improving its image, raising awareness of its products and services and ultimately generate increased business.

The communication strategy concentrated on positioning the Bank as a financing body providing affordable financing to businesses within the productive sector. Specific marketing activities for the most part concentrated on programmes directed at specific sectors—namely Tourism, Mining, Information Communication Technology and Small Business.

To support the on-the-ground marketing initiatives, new promotional material was developed. The Bank maintained a presence in the marketplace through major trade shows, participation in seminars with interest groups and umbrella organizations, general press advertisements, radio commercials and the sponsoring of time signals on leading business radio programmes. These strategies proved successful as new relationships have been fostered in the targeted sectors which contributed to loan portfolio growth in the financial year under review.

HUMAN RESOURCE & ADMINISTRATION

The recently completed three year Strategic Plan of the Bank required several changes to take place within the Organisation. To achieve this transformation certain strategic initiatives have been embarked on and in the year under review two very significant initiatives were implemented.

Firstly, there was the development and implementation of a competency framework that defines the skills sets required for the transformation of the organisation, as well as to guide the behaviours of staff in relation to the agreed core values. A competency gap analysis of the management staff was completed and individual action plans to address identified gaps have been developed. A similar exercise will be undertaken in financial year 2006/2007 in respect of the non-managerial staff.

Secondly, design work has been completed on a new Performance Management System which will provide incentive rewards to staff based on a 3-tier evaluation performance, namely, organizational performance, divisional performance and individual performance as measured by an evaluation of a matrix of specific targets and required competencies. All of this is in an effort to shift the culture to one that is more performance oriented. Implementation of this new system is expected to begin in financial year 2006/2007.

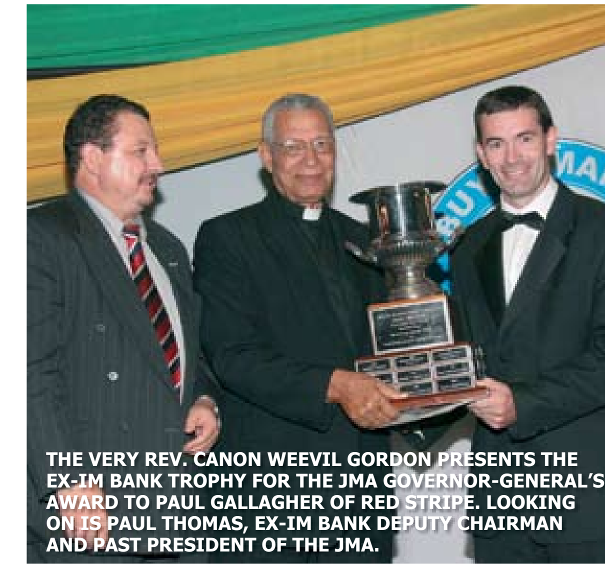
In recognition of the importance of training and development for staff, the Bank applied for and was awarded grant funding under the Private Sector Development Programme (PSDP), funded jointly by the European Union (EU) and the Government of Jamaica, for training seminars to improve the credit risk assessment capabilities and general capacity building of its staff.

During the year the Ex-Im Bank Sports & Social Club was launched in fulfilment of a Strategic initiative under the Bank's three year Strategic Plan. At the launch, staff members were energised by the motivation which came from the guest speaker, Ms Grace Jackson, former Olympian. This initiative sought to foster more social interaction amongst staff and to build morale and team spirit. Its launch was greeted enthusiastically by the staff, and since then, the level of participation has been very encouraging. This augers well for the future and the positive impact which the club's activities will have on staff and the Bank as a whole.

SOCIAL OUTREACH

The Bank and the staff in reaching out socially, maintained their emphasis on the young in the society by the continuing relationship with the Leila Tomlinson Wareika Hill Basic School and the St. Andrew's Scots Kirk United Church.

THE MODEL COMMUNITY POLICING AND SERVICES FACILITY LOCATED IN GRANTS PEN, KINGSTON - AN EX-IM BANK BRONZE SPONSORED PROJECT



THE VERY REV. CANON WEEVIL GORDON PRESENTS THE EX-IM BANK TROPHY FOR THE JMA GOVERNOR-GENERAL'S AWARD TO PAUL GALLAGHER OF RED STRIPE. LOOKING ON IS PAUL THOMAS, EX-IM BANK DEPUTY CHAIRMAN AND PAST PRESIDENT OF THE JMA.

The Model Community Policing and Services Facility and the new Edna Manley Health Centre in Grants Pen were also beneficiaries of the Bank's social outreach.

CORPORATE CITIZENSHIP

The Bank continued to demonstrate its wider support for the development of manufacturing and exports, and continued its sponsorship of the cash award along with the Ex-Im Bank's Trophy to the winner of the Governor General's Award for Manufacturing and Good Corporate Citizenship at the Jamaica Manufacturers' Association Annual Awards Banquet

Board of Directors

COUNTER CLOCKWISE FROM THE LEFT

Mr Devon Rowe
Permanent Secretary, Ministry of Local Government
Community Development and Sport

Mrs Maisie O'Reggio-Alexander, CD
Retired Public Officer

Mrs Sandra Glasgow
Senior Vice President, Corporate Services
University of Technology, Jamaica

Miss Nicole Allen
Associate Attorney-at-Law
Chancellor & Co

Mrs Pamella McLean
Managing Director

Dr The Hon Owen Jefferson, OJ, CD
Chairman
Former Senior Deputy Governor Bank of Jamaica

Mrs Beverley Lopez, CD
Managing Director
Kingston Hub Distributors Limited

Miss Carina Cockburn
Local Fund Coordinator
Canadian Co-Operation Fund

Mr Winston Carr, CD
Chief Executive Officer,
Jamaica Deposit Insurance Corporation

Dr Richard Harrison
Permanent Secretary
Ministry of Agriculture

PHOTO INSET

Mr Paul Thomas, CD
Deputy Chairman

Dr Rosalea Hamilton
(RETIRED: NOV 1, 2005)
Chief Executive Officer
Institute of Law and Economics

Mr Patrick Smith
(RESIGNED: JUL 1, 2005)
Head, Corporate & Regulatory Affairs
Carreras Group of Companies

Corporate Governance

The Bank's Board of Directors has overall responsibility for and is accountable to its Shareholders in ensuring compliance with the highest standards of Corporate Governance. The Board considers issues of strategic direction through the establishment of specific objectives and key policies. In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines, all of which the Bank considers to be indispensable elements of good Corporate Governance, whilst retaining its ultimate responsibility, the Board delegates certain functions and responsibilities to a number of Standing Sub-Committees of its members. There are presently five such Committees which operate within defined terms of reference laid down by the Board as detailed below.

CREDIT SUB-COMMITTEE

This is a seven (7) member sub-committee.

The members are:

Mr. Paul Thomas, Chairman
Miss Nicole Allen
Mrs. Sandra Glasgow
Mrs. Beverley Lopez
Mrs. Pamella McLean
Mrs. Maisie O'Reggio-Alexander
Mr. Devon Rowe

Its 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.

AUDIT SUB-COMMITTEE

This is a five (5) member sub-committee.

The members are:

Mr. Paul Thomas, Chairman
Mr. Winston Carr
Miss Carina Cockburn
Mrs. Maisie O'Reggio-Alexander
Mr. Devon Rowe

Its terms of reference are (i) to review the annual audited financial statements before presentation to the Board of Directors for approval (ii) to review the scope and timing of the audit (iii) to evaluate the results of the interim examination by the external auditors, and in particular, the strengths and weaknesses of the internal controls (iv) to receive and review the reports from the Bank's Internal Audit Department and (v) review recommendations for provision for loan losses and bad debt write-offs.

BUDGET SUB-COMMITTEE

This sub-committee is comprised of five (5) members.

The members are:

Mr. Paul Thomas, Chairman
Dr. Richard Harrison
Mrs. Beverley Lopez
Mrs. Pamella McLean
Mr. Devon Rowe

Its mandate is to examine and make recommendations to the Board of Directors in respect of the Bank's annual budget.

TRADE FINANCE AND PRODUCT DEVELOPMENT SUB-COMMITTEE

This sub-committee comprises six (6) members namely:

Mrs. Beverley Lopez, Chairman
Mr. Winston Carr
Miss Carina Cockburn
Mrs. Pamella McLean
Mr. Paul Thomas
Mr Devon Rowe

The main elements of its 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 distil recommendations from Executive Management on the development of new products, sectors for economic support and the Bank's strategies for advertising and promotion.

INDUSTRIAL RELATIONS/HUMAN RESOURCE SUB-COMMITTEE

This sub-committee comprises five (5) members.

The members are:

Mrs Pamella McLean, Chairman
Mr Winston Carr
Mrs Sandra Glasgow
Mr Devon Rowe
Mr Paul Thomas

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 bi-annual review of Wage Claim Agreements in respect of the unionised staff, issues relating to internal reclassification of job positions or re-organisation, and Human Relations issues affecting the staff generally which are outside the scope of existing staff regulations.

All of these Committees are functional and meet in accordance with their standing mandate. They act as the "sounding-board" for the full Board, and serve as a necessary and vital link between Executive Management and the Bank's Board of Directors.

Principal Officers

SENIOR MANAGEMENT GROUP

LEFT TO RIGHT

Mrs Geta Wright-Jarrett, Manager
Finance & Information Systems Division

Mrs Valerie Crawford, Manager
Trade Financing, Risks Management and
Marketing Division

Mrs Camille Reid-Burrell
Corporate Secretary/Legal Officer

Mr Dennis Cunningham, Head
Human Resource & Administration Division

Mrs Angela Pennant, Manager
Internal Audit Division

Mrs Pamella McLean
Managing Director

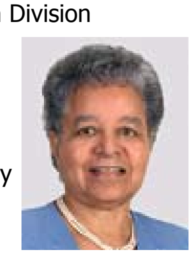


PHOTO INSET
Mrs Jean Mills, Corporate Secretary
(Retired, MAR 31,2006)

CHIEF OFFICERS
TRADE FINANCING,RISKS MANAGEMENT
AND MARKETING DIVISION

LEFT TO RIGHT

Mr Charles Lewis
Chief Credit Officer

Miss Audrey Morris
Chief Operations Officer

Mrs Ann Marie Walter-Allen
Chief Marketing Officer

CHIEF OFFICERS
FINANCE AND INFORMATION SYSTEMS DIVISION

LEFT TO RIGHT

Mr Paul Carroll
Chief Accounts Officer

Mr Hamlin Pagon
Chief Information Systems Officer

Mrs Lorraine Fuller
Chief Finance Officer

Compensation
Board Directors & Executive Management

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 $604,750 was paid. This included fees paid to the Chairman.

EXECUTIVE MANAGEMENT

Salary Range of Executive Management	$1,737,409 — $3,591,602

Allowances of Executive Management

(i)	Motor Vehicle	
(a)	Managing Director	Fully Maintained Company Car
(b)	Managers	$ 349,992 — $ 582,000 Plus 45-68 litres of petrol per week
(ii)	Miscellaneous Allowances	
(a)	Managing Director	$48,208
(b)	Managers	$ 61,000 — $ 204,857

NOTES

1. Because of the MOU, the salaries and most of the allowances for the Executive Management remain unchanged from the year before.

2. Executive Management includes Managing Director and four (4) Managers.

3. Miscellaneous Allowances for the Managers consist of clothing, laundry and assisted passage. The laundry and assisted passage allowances for the Managing Director have been rolled into salary.

4. All members of the Executive Management except for one Manager who is a Contract Officer, are eligible to participate in a non-contributory pension plan and staff loan schemes. All members of Executive Management are eligible for health and life insurance benefits. The Contract Officer receives a gratuity of 25% of basic salary in lieu of pension.

Corporate Data

OFFICES

National Export-Import Bank of Jamaica Limited
PO Box 3
48 Duke Street
Kingston
Jamaica, West Indies
Phone: 876 922 9690
Facsmile: 876 922 9184
Email: info@eximbankja.com
Web: www.eximbankja.com

BANKERS

Bank of Jamaica
Nethersole Place
PO Box 621
Kingston
Jamaica, West Indies

AUDITORS

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, West Indies

LEGAL COUNSEL

L Howard Facey & Co
10th Floor, The Towers
25 Dominica Drive
Kingston 5
Jamaica, West Indies

KPMG

Auditors' Report

We have audited the financial statements, as of and for the year ended March 31, 2006, set out on pages 27 to 60, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the directors and management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by the directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company as at March 31, 2006 and of its results of operations, changes in equity and cash flows for the year then ended, and comply with the provisions of the Companies Act applicable to banking companies.

KPMG

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston, Jamaica West Indies

	Notes	2006 $'000	2005 $'000
ASSETS			
Cash and cash equivalents	3	658,936	437,335
Accounts receivable	4	619,446	458,693
Income tax recoverable		36,103	18,492
Notes discounted	5	877,375	706,903
Medium-term receivables	6	648,484	355,309
Investments	7	504,917	491,599
Customers' liability under letters of credit		458,626	285,660
Long-term receivables	8	15,711	8,407
Pension asset	9(a)	151,893	110,162
Property, plant and equipment	10	9,933	62,887
		3,981,424	2,935,447
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable		68,804	26,042
Due to Bank of Jamaica – related party	11	103,904	124,947
Short-term loans and lines of credit	12	369,751	241,366
Deferred tax liability	13	45,170	28,980
Long-term liability	14	1,369,664	741,742
Letters of credit		458,626	285,660
Post-retirement benefit obligation	9(b)	35,971	28,083
		2,451,890	1,476,820
Insurance funds		10,017	9,652
Shareholders' equity			
Share capital	16(a)	257,738	257,738
Capital reserve	16(b)	203,884	195,842
Reserve fund	16(c)	129,655	110,196
Investment revaluation reserve		78,285	97,118
Revenue reserve		849,955	788,081
		1,519,517	1,448,975
		3,981,424	2,935,447

The financial statements, on pages 27 to 60, were approved by the Board of Directors June 26, 2006, and signed on its behalf by:

______________________ Director
O. Jefferson

______________________ Director
P. McLean

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

National Export-Import Bank of Jamaica Limited
Income Statement — Year ended March 31, 2006

	Notes	2006 $'000	2005 $'000
Interest income:			
Loans		171,588	141,663
Deposits		2,481	3,024
Government securities		67,140	67,703
		241,209	212,390
Interest expense:			
Loans		(45,181)	(42,048)
Lines of credit		(25,586)	(22,486)
		(70,767)	(64,534)
Net interest income		170,442	147,856
Other income:			
Dividend income		15,815	31,442
Service charges		522	754
Foreign exchange gains (net)		23,718	8,829
Premium income		2,927	3,222
Miscellaneous income		22,845	30,695
		65,827	74,942
Operating profit		236,269	222,798
Administration and other expenses:			
Administration expenses		(111,491)	(106,448)
Bad debts, less recoveries	19 (c)	4,951	(2,662)
		(106,540)	(109,110)
Profit before taxation	17	129,729	113,688
Taxation	18	(40,354)	(31,820)
Net profit for the year		89,375	81,868

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

National Export-Import Bank of Jamaica Limited
Statement of Changes in Equity — Year ended March 31, 2006

	Share capital $'000 (note 16)	Capital reserve $'000 (note 16)	Reserve fund $'000 (note 16)	Investment revaluation reserve $'000	Revenue reserve $'000	Total $'000
Balances at March 31, 2004	257,738	195,842	93,143	77,851	743,266	1,367,840
Increase in fair value of investments	-	-	-	19,267	-	19,267*
Net profit for the year	-	-	-	-	81,868	81,868*
Transfer to reserve fund	-	-	17,053	-	(17,053)	-
Dividends paid (note 20)	-	-	-	-	(20,000)	(20,000)
Balances at March 31, 2005	257,738	195,842	110,196	97,118	788,081	1,448,975
Decrease in fair value of investments	-	-	-	(18,833)	-	(18,833)*
Net profit for the year	-	-	-	-	89,375	89,375*
Transfer to reserve fund	-	-	19,459	-	(19,459)	-
Transfer to capital reserve	-	8,042	-	-	(8,042)	-
Balances at March 31, 2006	257,738	203,884	129,655	78,285	849,955	1,519,517

* Total gains recognised for the year amounted to $70,542,000 (2005: $101,135,000)

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

	2006 $'000	2005 $'000
Cash flows from operating activities		
Net profit for the year	89,375	81,868
Adjustments to reconcile net loss for the year to net cash provided/(used) by operating activities:		
Interest income	(241,209)	(212,390)
Interest expense	70,767	64,534
Write-off of property, plant & equipment	(1,438)	133
Depreciation	2,919	2,505
Provision for doubtful debts	1,565	2,662
Increase in insurance fund	365	1,379
Gain on disposal of property, plant & equipment	(8,042)	7
Loss/(gain) on disposal of investment	135	(239)
Pension asset	(41,731)	(34,564)
Post-retirement benefit obligation	7,888	5,432
Deferred tax	16,190	3,073
Tax provision	24,164	28,747
	(79,052)	(56,853)
Cash flows from operating assets & liabilities:		
Accounts receivable	(168,344)	152,320
Income tax recoverable	(18,057)	(18,036)
Accounts payable	45,306	12,424
Notes discounted	(170,472)	61,369
Medium term receivable	(293,175)	(91,853)
	(604,742)	116,224
Interest received	247,235	211,525
Interest paid	(73,311)	(68,149)
Income tax paid	(23,718)	(36,665)
Net cash (used)/provided by operating activities	(533,588)	166,082
Cash flows from investing activities		
Investments (net)	(37,877)	27,135
Long-term receivables	(7,304)	(1,996)
Additions to property, plant & equipment	(4,709)	(6,452)
Proceeds from disposal of property, plant & equipment	64,224	-
Proceeds from disposal of investments	5,591	257
Net cash provided by investing activities	19,925	18,944
Cash flows from financing activities		
Due to Bank of Jamaica	(21,043)	(19,343)
Short-term loans and lines of credit	128,385	(122,684)
Loan repayment	627,922	119,680
Dividends paid	-	(20,000)
Net cash provided/(used) by financing activities	735,264	(42,347)
Net increase in cash resources	221,601	142,679
Cash resources at beginning of the year	437,335	294,656
Cash resources at end of the year	658,936	437,335

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

1. The company

The company, which is incorporated in Jamaica, is wholly owned by the Government of Jamaica (GOJ). Its registered office is located at 48 Duke Street, Kingston.

The company is engaged in activities which are aimed, in general, 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.

The facilities offered include:

(a) Export Credit Insurance,

(b) Lines of Credit,

(c) Pre and Post-shipment Financing.

The company also administers the Jamaica Export Credit Insurance Corporation Limited, which is currently being liquidated and which activities are complementary to those of the company.

At the end of the year, the company had in its employment 54 (2005: 54) persons.

2. Basis of preparation, statement of compliance and significant accounting policies

(a) Basis of preparation and statement of compliance:

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

During the year under review, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed that IAS 24 (Revised) Related Party Disclosures, was the only standard so relevant, and appropriate additional disclosures together with comparatives, are incorporated in these financial statements.

The financial statements are presented in Jamaica dollars and are prepared on the historical cost basis, except for available-for-sale investments which are stated at fair value.

The preparation of the financial statements in accordance with IFRS requires the directors and management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(a) Basis of preparation and statement of compliance (cont'd):

(i) Allowance for losses:

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from notes receivable and other financial assets, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired financial assets as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant financial assets and the portfolio with similar characteristics, such as credit risks.

(ii) Fair value of financial instruments:

In the absence of quoted market prices, the fair value of a significant proportion of the financial instruments was determined using a generally accepted alternative method. Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, [see note (m)].

(c) Depreciation:

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

Buildings	2½%
Motor vehicles	20%
Furniture, fixtures and equipment	10%
Leasehold improvements	10%
Computers	33⅓%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation methods, useful lives and residual values are reassessed annually.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(d) Investments:

(i) Classification and recognition of investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were purchased. Investments are classified as loans and receivables and available-for-sale securities.

Loans and receivables are created by the company by providing money directly to a debtor or acquired by the company and which are not quoted in an active market. Loans and receivables are recognised on the day they are transferred to the company.

Available-for-sale instruments are those that are not held for trading purposes, or classified as loans and receivable. Available-for-sale assets are recognised on the date the asset is transferred to the company.

(ii) Measurement:

Investments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably determined is stated at cost, including transaction costs, less impairment losses [note (m)].

Gains and losses arising from changes in fair value of the assets are taken to investment revaluation reserve. When the financial assets are sold, collected or impaired, the cumulative gain or loss recognised in equity is transferred to the income statement.

All non-trading financial liabilities and loans and receivables are subsequently measured at amortised cost, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised, based on the effective interest rate of the instrument.

Based on the above guidelines, the company's investments are measured as follows:

[i] Loans are classified as loans and receivables and are stated at amortised cost, less provision for impairment losses.

[ii] Government of Jamaica securities with fixed and determinable payments and which are not quoted in an active market are stated at amortised cost.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(d) Investments (cont'd):

(ii) Measurement (cont'd):

[iii] Securities purchased under resale agreements:

Securities purchased under resale agreement ("Reverse repo") is a short-term transaction whereby securities are bought with simultaneous agreements for reselling the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending, and are stated at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

[iv] Equity investments:

Equity investments are stated at fair value, except for unquoted shares for which fair value cannot be reliably determined, in which case, they are carried at cost.

Unquoted shares held in an overseas company is assumed to approximate its fair value.

(iii) Fair value measurement principles:

The fair value of financial instruments is based on their quoted market bid price at the balance sheet date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(e) Accounts payable:

Accounts payable is stated at amortised cost.

(f) Provision:

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(g) Cash and cash equivalents:

Cash and cash equivalents, including short-term deposits, with maturities ranging between one and three months from balance sheet date, are shown at cost.

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(h) Accounts and other receivables:

Accounts and other receivables are stated at amortised cost, less impairment losses [note (m)].

(i) Foreign currencies:

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates that the values were determined.

United States dollar (US$) assets and liabilities balances at balance sheet date are translated at the midpoint of the company's own buying and selling rates of exchange prevailing at that date [note 21 d(ii)]. Other foreign currency assets and liabilities at balance sheet date are translated at rates published by BOJ.

(j) Taxation:

(i) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(j) Taxation (cont'd):

(ii) Deferred taxation:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Employee benefits:

The pension and other post-employment assets and obligations included in the financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinions. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The company contributes to two pension schemes (note 9), the assets of which are held separately from those of the company.

(i) Defined benefit plan:

The company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on government securities that have maturity dates approximating the terms of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the income statement.

In calculating the company's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(k) Employee benefits (cont'd):

(i) Defined benefit plan (cont'd):

Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(ii) Post-retirement health and life insurance benefits:

The company provides health and life insurance benefits to employees who have met certain minimum service requirements. The obligation in respect of this benefit is computed in the same manner as the defined benefit plan.

(l) Allowance for loan losses:

An allowance for loan losses is maintained at a level which management considers adequate to provide for probable loan losses. The level of the provision is based on the management's evaluation of the composition of the loan portfolio, past experience, the anticipated net realisable value of security held and the prevailing and anticipated economic conditions. The provision is increased by amounts charged to income and reduced by net charge-offs.

(m) Impairment:

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

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

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(m) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

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

(ii) Reversals of impairment:

An impairment loss in respect of receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Customer's liability under letter of credit:

The company's potential liability under letters of credit is reported as a liability in the balance sheet. The company's recourse against its customers in the event of a call on these commitments is reported as an offsetting asset.

(o) Unexpired risks:

These are the estimated amounts required to meet future claims and expenses on business in force at year-end. Unexpired risks are calculated on the basis of 16% of premium income.

(p) Interest:

Interest income is recorded on the accrual basis, except where collection of interest income is considered doubtful or payment is outstanding for more than ninety days. In those cases, interest income is recorded on the cash basis and accrued interest on loans, which are in arrears for ninety days and over, is excluded from income.

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(p) Interest (cont'd):

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

3. Cash and cash equivalents

	2006		2005	
	Foreign currency $'000	JMD $'000	Foreign currency $'000	JMD $'000
Cash	-	125,445	-	110,761
Short-term deposits:				
US$	7,968	524,122	4,345	268,065
£	18	1,999	34	3,921
Can$	131	7,370	1,086	54,588
		533,491		326,574
		658,936		437,335

Cash and cash equivalents includes $77.519 million (2005: $61.772 million) held with Bank of Jamaica which bears interest at a rate of 6.95% (2005: 7.75%).

Cash and cash equivalents bears interest at rates ranging from 3.05% to 6.93%, and mature within three months of the year-end.

4. Accounts receivable

	2006 $'000	2005 $'000
Notes receivable [note 4(a)]	509,309	347,301
Interest receivable	27,182	21,164
Other accounts receivable [note 4(b)]	52,579	46,711
Receivable EXBED [note 4(c)]	29,442	42,985
Insurance premiums receivable	933	532
	619,446	458,693

(a) Notes receivable represents amounts due from clients utilising foreign loans and lines of credit and are stated after a provision for doubtful accounts of $Nil (2005: $Nil). 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 9.5% - 12% (2005: 8.5% - 12%) per annum.

4. Accounts receivable (cont'd)

(b) Other accounts receivable are stated net of a provision for doubtful accounts of $Nil (2005:$Nil).

(c) Receivable EXBED represents amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. The loans are unsecured.

5. Notes discounted

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

	2006				2005
	Principal	Interest receivable	Provisions for doubtful debts	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000
Export Credit Facility (ECF) [note 5(a)]	220,022	3,093	-	223,115	211,395
Bankers Export Credit Facility (BECF) [note 5(b)]	175,096	2,150	-	177,246	86,331
Small Business Discount Facility (SBDF) [note 5(c)]	212,173	528	(13,814)	198,887	141,878
Insurance Policy Discount Facility (IPDF) [note 5(d)]	34,859	1,133	-	35,992	16,116
Pre-Shipment Facility (PSF) [note 5(e)]	191,316	1,800	-	193,116	156,008
Apparel Sector Financing Scheme (ASFS) [note 5(f)]	33,170	1,921	(21,073)	14,018	8,426
JEA/Ex-Im (S-BED) [note 5(g)]	21,132	1,843	(11,255)	11,718	12,717
Special Discounting Window DBS (SDW) [note 5(h)]	10,003	2,271	-	12,274	68,285
Co-packers Financing [note 5(i)]	10,690	319	-	11,009	5,747
	908,461	15,058	(46,142)	877,375	706,903

Maturing as follows:

	2006	2005
	$'000	$'000
- Up to 12 months after the balance sheet date	693,908	578,546
- More than 12 months after the balance sheet date	183,467	128,357
	877,375	706,903

(a) The ECF bears interest at 10% - 12% (2005: 10% - 12%) per annum and is for a period of 120 days.

(b) The BECF foreign currency facility bears interest at the rate of 10% (2005:10%) per annum and is for a period of 120 days. The BECF local currency facility bears interest at the rate of 12% (2005: 12%) per annum and is for a period of 120 days.

5. Notes discounted (cont'd)

(c) The SBDF bears interest at 12% (2005: 12%) per annum, and is for a period of up to forty-eight months. The balance at March 31, 2006, includes $29.23 million (2005: $13.52 million) receivable within 12 months of the balance sheet date.

(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% (2005: 12% -15%) per annum, is for a period of 120 days.

(e) The PSF bears interest at 12% (2005: 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% (2005: 12%) per annum, is for a period of 90 to 120 days. A total of $99.8 million is made available by the company under this facility. Of this amount, the Government of Jamaica provided $45.84 million (2005: $45.84 million) by way of a non-reimbursable grant [note 16 b(i)].

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.

(g) The S-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% (2005: 12%) per annum and is for a period of 90 to 180 days.

(h) The SDW bears interest at 9.5% (2005:9.5%) per annum and is for a period of 120 days. Funding for this facility was made available through a loan from the Development Bank of Jamaica [Note 15 (b)].

(i) The Co- packers financing facility represents amounts loaned to agro-processors. A total of $20 million is made available under this facility. The facility bears interest at the rate of 12% (2005: 12%) per annum and is for 120 days.

6. Medium-term receivables

	2006				2005
	Principal	Interest receivable	Provisions for doubtful debts	Carrying value	Carrying value
	$'000	$'000	$'000 (Note 19)	$'000	$'000
Modernisation fund [note 6(a)]	468,243	2,672	(1,769)	469,146	306,243
HACCP Assist [note 6(b)]	5,036	189	-	5,225	5,730
Oriental fish [note 6(c)]	17,790	351	(1,205)	16,936	14,891
Other medium term loans [note 6(d)]	5,717	-	-	5,717	27,049
Export growth incentive fund [note 6(e)]	810	8	-	818	-
ICT M/Term	3,216	33	-	3,249	1,396
JEA/EG	43,497	18	-	43,515	-
Ex-Im/EG	103,462	416	-	103,878	-
	647,771	3,687	(2,974)	648,484	355,309

6. Medium-term receivables (cont'd)

Maturing as follows:

	2006 $'000	2005 $'000
- Up to 12 months after the balance sheet date	7,417	34,549
- More than 12 months after the balance sheet date	641,067	320,760
	648,484	355,309

(a) The Modernisation Fund is a medium-term facility introduced to assist exporters and manufacturers to retool and is lent at an interest rate of 12% (2005: 12%) per annum over a three-year period.

(b) The HACCP Assist is a medium term programme geared at assisting agro-processors with the upgrading and rehabilitation of their processing plant in order to attain HACCP compliance. Loans are made at an interest rate of 12% (2005:12%) per annum over a five year period.

(c) The Ornamental fish farming loans are available for upgrading, expansion of farms, construction of ponds and purchase of capital equipment. The loans which bear interest at a rate of 12% (2005:12%) per annum are for periods of up to five years.

(d) Other medium-term receivables represent staff loans which bear interest at 5% (2005: 5%) per annum, and are for periods of up to five years. Included in this amount are amounts representing the difference between the carrying amount and the net present value, as required under IFRS of $1.23 million (2005: $1.19 million)

The amounts outstanding at March 31, 2006 include $4.64 million (2005: $24.49 million) receivable within twelve months of the balance sheet date.

(e) The Export Growth Incentive Fund is a special performance related incentive loan scheme developed for exporters. Its main purpose is to help those exporters with an export track record to reduce or control their debt servicing costs. The loans which bear interest at a rate of 12% per annum (2005: 12% per annum) are for periods of up to five years.

7. Investments

	Number of shares held	2006 $'000	2005 $'000
Available-for-sale securities:			
Quoted and unquoted equities:			
Bladex:			
Class A common stock (2005: 107,065)	107,065	119,787	135,036
Class B common stock (2005: 28,971)	28,971	32,413	36,540
Preference shares (2005: 864)	-	-	5,726
		152,200	177,302
Loans and receivables:			
Securities purchased under resale agreements		249,620	187,664
Government securities		103,097	126,633
		504,917	491,599

National Export-Import Bank of Jamaica Limited
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7. Investments (cont'd)

Remaining term to maturity:

	2006	2005
Within three months	195,638	156,248
From three months to one year	112,624	71,607
Over five years	196,655	263,744
	504,917	491,599

Government securities represent local registered stocks, US$ indexed bonds, and treasury bills.

At March 31, 2006, securities obtained and held by the bank under resale agreements had a fair value of $249 million (2005: $189 million).

8. Long-term receivables

Long-term receivables 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 March 31, 2006, includes $2.16 million (2005: $3.34 million) receivable within twelve months of the balance sheet date.

Included in this amount, are amounts representing the difference between the carrying amount and the net present value, as required under IFRS of $6.884 million.

9. Employee benefits

The company operates a non-contributory defined benefit scheme for permanent employees who are employed directly by the company. The benefits are computed on a percentage basis by reference to final salary.

The company also contributes to a pension scheme for one employee who is on assignment from Bank of Jamaica and has satisfied certain minimum service requirements. The scheme is non-contributory, operated by Bank of Jamaica and is subject to triennial actuarial valuations. The benefits are computed on a 'fiftieths' basis by reference to final salary.

The scheme is subject to triennial actuarial valuations. The most recent valuation was done on the projected unit credit method, by the appointed actuaries, Duggan Consulting Limited of Kingston, Jamaica as at December 31, 2004. This showed the scheme to be in a surplus. The next actuarial review is due as at December 31, 2007.

The company also provides post-retirement medical benefits to employees who satisfy certain minimum service requirements.

Amounts recognised in the balance sheet in respect of these employee benefits (post-retirement) are as follows:

	2006 $'000	2005 $'000
Pension asset	151,893	110,162
Post-retirement medical benefit obligation	35,971	28,083

9. Employee benefits (cont'd)

(a) Pension asset:

	2006 $'000	2005 $'000
Present value of funded obligations	(117,172)	(100,023)
Fair value of plan assets	363,684	430,485
Net asset	246,512	330,462
Unrecognised actuarial gains	(94,619)	(220,300)
Asset recognised in balance sheet	151,893	110,162

(i) Movements in the net asset recognised in the balance sheet:

	2006 $'000	2005 $'000
Net asset at beginning of year	110,162	75,598
Contributions paid	468	2,152
Income recognised in the income statement	41,263	32,412
Net asset at end of year	151,893	110,162

(ii) Credit recognised in the income statement:

	2006 $'000	2005 $'000
Current service costs	7,037	6,798
Interest on obligation	12,477	11,173
Expected return on plan assets	(43,052)	(35,254)
Net actuarial gain recognised during the year	(17,725)	(15,129)
	(41,263)	(32,412)
Actual return on plan assets	66,859	77,349

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2006 %	2005 %
Discount rate	12.5	12.5
Expected return on plan assets	10.0	10.0
Future salary increases	8.5	8.5
Future pension increases	3.0	3.0

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9. Employee benefits (cont'd)

(b) Post-retirement medical benefit obligations:

(i) Liability recognised in the balance sheet:

	2006 $'000	2005 $'000
Present value of obligations	48,000	38,276
Unrecognised actuarial losses	(12,029)	(10,193)
	35,971	28,083

(ii) Expense recognised in the income statement:

	2006 $'000	2005 $'000
Current service costs	2,694	1,970
Interest on obligation	4,771	3,420
Net actuarial loss recognised in year	637	205
	8,102	5,595

	2006 $'000	2005 $'000
(iii) Movements in the net liability recognised in the balance sheet:		
Net liability at start of the year	28,083	22,651
Contributions paid	(214)	(163)
Expense recognised in the income statement	8,102	5,595
	35,971	28,083

(iv) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2006 %	2005 %
Discount rate	12.5	12.5
Medical claims	11.0	11.0

10. Property, plant and equipment

	Land and building $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Leasehold improvements $'000	Computers $'000	Total $'000
At cost:						
March 31, 2005	55,281	4,547	6,368	3,167	7,954	77,317
Additions	-	-	650	100	3,959	4,709
Disposal	(55,281)	-	-	-	-	(55,281)
Write-offs	-	-	-	(900)	-	(900)
March 31, 2006	-	4,547	7,018	2,367	11,913	25,845
Depreciation:						
March 31, 2005	-	3,917	1,895	2,418	6,201	14,431
Charge for the year	-	735	617	196	1,371	2,919
Adjustments	-	(591)	-	23	30	(538)
Write-offs	-	-	-	(900)	-	(900)
March 31, 2006	-	4,061	2,512	1,737	7,602	15,912
Net book value:						
March 31, 2006	-	486	4,506	630	4,311	9,933
March 31, 2005	55,281	630	4,474	749	1,753	62,887

11. Due to Bank of Jamaica – related party

	2006 $'000	2005 $'000
Short-term loan (see below)	77,447	92,448
Interest payable on short-term loan	26,020	32,143
Advance account	437	356
	103,904	124,947

The short-term loan is evidenced by a promissory note, repayable on demand, and interest is charged at 10% (2005: 10%) per annum. Principal repayments due within twelve months of the balance sheet date amount to $16.75 million (2005: $15.13 million).

12. Short-term loans and lines of credit

	Rate of interest per annum	2006 $'000	2005 $'000
Banco Latino Americano de Exportaciones, S.A. (Bladex)	11.5%- 12.5%	232,502	121,061
Bank of New York	6.5%	1,392	48,765
International Bank of Miami	11.5% - 12.5%	58,960	56,383
Bank of Nova Scotia Jamaica Limited	5.77%	76,897	15,157
		369,751	241,366

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

13. Deferred tax liability

Deferred tax liability is attributable to the following:

	Balance at April 1, 2005 $'000	Recognised in income $'000	Balance at March 31, 2006 $'000
Accounts receivable	-	5,265	5,265
Property, plant and equipment	904	(2,597)	(1,693)
Accounts payable	(134)	(324)	(458)
Employee benefits	27,360	11,281	38,641
Unrealised foreign exchange gains	850	2,565	3,415
	28,980	16,190	45,170

14. Long-term liability

	2006 $'000	2005 $'000
Government of Jamaica [note 14(a]	474,802	498,332
Development Bank of Jamaica [note 14(b)]	40,000	120,000
Jamaica Exporters Association/Ex-Im [note 14(c)]	197,322	123,410
BLADEX loan [note 14(d)]	657,540	-
	1,369,664	741,742

(a) This represents an unsecured Government of Jamaica drawn-down balance of US$11.87 million (2005: US$11.87 million) under 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 the IBRD loan 1715 JM were restructured with effect from September 13, 1996. Principal due but unpaid as at December 31, 1995, amounting to US$3.0 million, was converted to equity and the remaining loan balance converted to Jamaican dollars with provisions for capitalisation of any shortfalls in interest payments.

The loan, which bears interest at 6% (2005: 6%) per annum, is repayable by fifty-eight equal semi-annual instalments, the final instalment being due on December 30, 2025.

Principal repayments due within twelve months of the balance sheet date amount to $28.12 million (2005: $23.73 million).

14. Long-term liability (cont'd)

(b) The Development Bank of Jamaica loans are represented as follows:

(i) Loan of $150 million received in two tranches. Each tranche is evidenced by a promissory note repayable as noted below:

- The first tranche of J$100 million is to be repaid in five (5) equal annual payments of J$20 million commencing on September 6, 2003.
- The second tranche of J$50 million is repayable in five (5) equal annual payments of J$10 million commencing February 12, 2002.

Principal payments due within twelve months of the balance sheet date amount to J$ Nil (2005: J$30 million).

(ii) Loan of $100 million received in tranches of J$25 million (upon written request of the Ex-Im Bank).

- Each tranche is repayable the day immediately following the expiration of one hundred and eighty (180) days from the date of disbursement.

Principal payments due within twelve months of the balance sheet date amount to J$20 million (2005: J$50 million).

Interest is payable on both tranches at the rate of 5.5% each, the tranches of J$25 million at 10% per annum.

(c) The Jamaica Exporters' Association has lent Ex-Im Bank the sum of US$3 million under its Export Growth Initiative programme (EGI). This amount (US$3 million) is to be lent at the discretion of the Ex-Im Bank to productive enterprises in US$. The maximum loan to each customer should not exceed US$0.3 million.

The loan is to be repaid in US$ by the Ex-Im Bank in 6 years time and has been on lent at 0% interest rate.

(d) This represents an unsecured loan of US$10 million (2005: $Nil) from Banco Latinoamericano de Exportanciones (Bladex) to be repaid over three years with US$1.5 million due within one year. The interest rate is six months LIBOR plus 2.35% (1st year); 2.85% (2nd year) and 3.75% (3rd year). Principal payments are as set out below:-

- US$1.5 million on February 26, 2007
- US$2.5 million on February 25, 2008
- US$6.0 million on February 25, 2009

15. Insurance funds

This comprises the reserve for unexpired risk and is equivalent to 16% (2005: 16%) of net premium income.

16. Shareholders' equity

(a) Share capital:

	2006	2005
	$'000	$'000
Authorised:		
300,000 ordinary shares of $1,000 each	300,000	300,000
Issued and fully paid:		
257,738 ordinary shares	257,738	257,738

Under the Companies Act 2004 (the "Act"), which became effective February 1, 2005, all shares in issue are deemed to be without a par (or nominal) value, unless the company, by ordinary resolution, elected to retain its shares with a par value by July 28, 2005.

By ordinary resolution dated June 27, 2005, the company elected to retain its shares at par value.

(b) Capital reserve:

		2006	2005
		$'000	$'000
(i)	Budgetary support [note b(i)]	150,000	150,000
(ii)	Apparel sector facility [note b(ii)]	45,842	45,842
(iii)	Gain on sale of assets	8,042	-
		203,884	195,842

(i) This represents a non-reimbursable grant from the Government of Jamaica, provided as budgetary support for the company.

(ii) This represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 12% (2005: 12%) per annum to the apparel sector under the Apparel Sector Financing Scheme [see note 5 (f)].

(c) 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.

17. Profit before taxation

Profit before taxation is stated after charging:

	2006 $'000	2005 $'000
Depreciation	2,919	2,505
Directors' emoluments:		
Fees	604	577
Remuneration	3,382	3,575
Compensation for key management		
Short-term benefits	3,534	3,410
Post-term benefits	299	200
Auditors' remuneration	990	890
Staff costs [note 22 (b)]	79,347	77,816

18. Taxation

(a) Taxation, based on the profit before taxation as adjusted for tax purposes, is made up as follows:

	2006 $'000	2005 $'000
(i) Current tax expense:		
Income tax at $33^1/_3$%	24,164	28,747
(ii) Deferred taxation:		
Origination and reversal of temporary differences	16,190	3,073
	40,354	31,820

(b) Reconciliation of effective tax rate:

	2006 $'000	2005 $'000
Profit before tax	129,729	113,688
Computed "expected" tax expense at $33^1/_3$%	43,243	37,895
Difference between profit for financial statements and tax reporting purposes on:-		
Depreciation and capital allowances	(2,708)	466
Disallowed expenses	(181)	(2,089)
Accounts receivable	-	(4,452)
Actual tax charge	40,354	31,820

19. Loans, less provision for losses

(a) Loans which exceeded 10% of the total loans owing to the company:

	Total		Number of loans	
	2006 $	2005 $	2006 $	2005 $
Repayable after 12 months	Nil	Nil	Nil	Nil

19. Loans, less provision for losses (cont'd)

(b) (i) Concentration of loans:

The loan portfolio before provision is concentrated as follows:

	2006 $'000	2005 $'000
Agro Processing	459,422	351,484
Food and Beverage	370,214	331,098
Textiles and Apparel	80,258	43,913
Manufacturing	461,447	268,280
Distribution	469,239	466,600
Mining	37,135	8,160
Services	259,552	-
Other	12,584	16,537
	2,149,851	1,486,072
Less: Interest written back in the general ledger	(14,980)	(13,963)
	2,134,871	1,472,109

Loans on which interest is suspended amounted to $76 million (2005: $64 million). These loans are included in the financial statements at their estimated net realisable value of $27 million (2005: $26.62 million).

(b) (ii) The loan portfolio before provision is reflected as follows:

	2006 $'000	2005 $'000
Notes receivable (note 4)	559,898	354,363
Notes discounted (note 5)	923,516	759,463
Medium-term receivables (note 6)	651,457	358,283
	2,134,871	1,472,109

(c) Provision for probable loan losses:

	2006 $'000	2005 $'000
At beginning of the year	55,536	52,874
Provision/adjustments written-off	(1,469)	-
	54,067	52,874
Provision made during the year	1,938	7,765
Bad debt recovered	(6,889)	(5,103)
Net (decrease)/increase in provision	(4,951)	2,662
At end of the year	49,116	55,536

19. Loans, less provision for losses (cont'd)

(c) Provision for probable loan losses (cont'd):

The provision has been allocated as follows:

	2006	2005
	$'000	$'000
Notes discounted (note 5)	46,142	52,562
Medium-term receivables (note 6)	2,974	2,974
	49,116	55,536

Provision made in accordance with Bank of Jamaica provisioning requirements is as follows:

	2006	2005
	$'000	$'000
Specific provisions	49,116	55,536

20. Dividends

A final dividend of $77.59 per share was paid on July 15, 2005, and was ratified at the annual general meeting held on October 5, 2005, by the shareholders. This was a one-off payment and management does not expect any further dividend payment in the foreseeable future.

21. Financial instruments

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

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, notes receivable, other receivables, resale agreements and investments. Financial liabilities comprise accounts payable, repurchase agreements, notes payable and loan payable. Information relating to fair values and financial instrument risks is summarized below.

(a) Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some of the company's financial instruments lack an available open trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. The following methods and assumptions have been used:

The carrying values of cash and cash equivalents, accounts receivable, notes discounted customers' liability under letters of credit, long-term receivables, due to Bank to Jamaica, accounts payable, short-term loans and lines of credit and letters of credit are assumed to approximate their fair values, due to their short-term nature.

21. Financial instruments (cont'd)

(a) Fair value (cont'd):

The fair value of concessionary rate loans totaling approximately $1,370 million (2005: $742 million) (note 14) have not been estimated as the loans are available to the company due to its special circumstances. Adequate information is not available to determine the fair value of such loans.

The carrying amounts of medium term receivables approximate their fair values as the interest charged at year-end is equivalent to the rates charged on similar instruments at year-end.

The fair value of long-term receivables was not calculated due to the unavailability of adequate market information.

The fair value of government securities and securities purchased under resale agreements were determined by discounting the future cash flows of these securities at various rates of interest for similar instruments existing in the market at the balance sheet date. The carrying value of unquoted shares held in an overseas company is assumed to approximate their fair value.

The fair value of the following financial instruments differs from its carrying value:

	2006		2005	
	Fair value	Cost	Fair value	Cost
	$'000	$'000	$'000	$'000
Investments				
Securities purchased under resale agreements	249,123	249,620	188,750	187,664
Government securities	103,864	103,097	127,480	126,632
	352,987	352,717	316,230	314,296

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company manages this risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities.

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

21. Financial instruments (cont'd)

(b) Interest rate risk (cont'd):

	2006					
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate* sensitive $'000	Total $'000
Cash and cash equivalents	125,456	533,480	-	-	-	658,936
Accounts receivable	-	51,886	567,560	-	-	619,446
Income tax recoverable	-	-	-	-	36,103	36,103
Notes discounted	-	58,065	773,680	45,630	-	877,375
Medium-term receivables	-	-	132,135	516,349	-	648,484
Investments	-	239,259	-	265,658	-	504,917
Customers' liability under letters of credit	-	41,566	132,135	284,925	-	458,626
Long-term receivables	-	-	-	15,711	-	15,711
Property, plant and equipment	-	-	-	-	9,933	9,933
Pension asset	-	-	-	-	151,893	151,893
Total assets	125,456	924,256	1,605,510	1,128,273	197,929	3,981,424
Due to Bank of Jamaica	103,904	-	-	-	-	103,904
Accounts payable	-	-	-	-	68,804	68,804
Income tax payable	-	-	-	-	-	-
Short-term loans and lines of credit	-	76,897	292,854	-	-	369,751
Deferred tax liability	-	-	-	-	45,170	45,170
Long-term liability	-	657,741	40,000	474,601	197,322	1,369,664
Letters of credit	-	41,566	132,135	284,925	-	458,626
Post-retirement benefit obligation	-	-	-	-	35,971	35,971
Insurance funds	-	-	-	-	10,017	10,017
Shareholders' equity	-	-	-	-	1,519,517	1,519,517
Total liabilities and equity	103,904	776,204	464,989	759,526	1,876,801	3,981,424
Total interest rate sensitivity gap	21,552	148,052	1,140,521	368,747	(1,678,872)	-
Cumulative gap 2006	21,552	169,604	1,310,125	1,678,872	-	-

21. Financial instruments (cont'd)

(b) Interest rate risk (cont'd):

	2005					
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate* sensitive $'000	Total $'000
Cash and cash equivalents	61,791	375,544	-	-	-	437,335
Accounts receivable	-	68,407	390,286	-	-	458,693
Income tax recoverable	-	-	-	-	18,492	18,492
Notes discounted	-	177,151	401,399	128,353	-	706,903
Medium-term receivables	-	-	43,336	311,973	-	355,309
Investments	-	33,076	132,459	148,762	177,302	491,599
Customers' liability under letters of credit	-	140,855	9,839	134,966	-	285,660
Long-term receivables	-	-	-	8,407	-	8,407
Property, plant & equipment	-	-	-	-	62,887	62,887
Pension asset	-	-	-	-	110,162	110,162
Total assets	61,791	795,033	977,319	732,461	368,843	2,935,447
Due to Bank of Jamaica	124,947	-	-	-	-	124,947
Accounts payable	-	-	-	-	26,042	26,042
Income tax payable	-	-	-	-	-	-
Short-term loans and lines of credit	-	61,613	179,753	-	-	241,366
Deferred tax liability	-	-	-	-	28,980	28,980
Long-term liabilities	-	65,477	53,255	499,600	123,410	741,742
Letters of credit	-	150,693	134,967	-	-	285,660
Post-retirement benefit obligation	-	-	-	-	28,083	28,083
Insurance funds	-	-	-	-	9,652	9,652
Shareholders' equity	-	-	-	-	1,448,975	1,448,975
Total liabilities and equity	124,947	277,783	367,975	499,600	1,665,142	2,935,447
As at March 31, 2005 Total interest rate Sensitivity gap	(63,156)	517,250	609,344	232,861	(1,296,299)	-
Cumulative gap	(63,156)	454,094	1,063,438	1,296,299	-	-

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

21. Financial instruments (cont'd)

(b) Interest rate risk: (cont'd)

	2006			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	%	%	%	%
Cash and cash equivalents	6.93	0 - 6.93	-	-
Accounts receivable	-	5 - 12.00	5 - 12.00	-
Notes discounted	-	12.00	12.00	12.00
Medium-term notes receivables	-	-	12.00	12.00
Long-term receivables	-	-	-	1 - 3
Due to Bank of Jamaica	-	10.00	10.00	10.00
Short-term loans and lines of credit	6.5 - 10	6.5 - 10	6.5 - 10	-
Long-term liability	-	5.5 - 7.5	0 - 7.5	0 - 7.5

	2005			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	%	%	%	%
Cash and cash equivalents	7.75	2.5 – 29.25	-	-
Accounts receivable	12.00 – 15.00	12.00 – 15.00	12.00 – 15.00	12.00– 15.00
Notes discounted	12.00	12.00	12.00	12.00
Medium term notes receivable	Nil	Nil	Nil	12.00
Long-term receivables	Nil	Nil	Nil	4.00 -6.00
Due to Bank of Jamaica	Nil	10.00	10.00	10.00
Short-term loans and lines of credit	2.87 – 6.25	2.87 – 6.25	2.87 – 6.25	Nil
Long-term liability	Nil	5.50 – 6.00	Nil	Nil

21. Financial instruments (cont'd)

(c) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company has a credit policy in place and exposure to risk is monitored on a regular basis. Credit evaluation and analysis are performed on all credit applications. Collateral is generally requested from counterparties based on management's assessment of the credit risk involved. Note 20(b) discloses the company's concentration of credit risks in respect of loans.

Funds are primarily invested in Government of Jamaica securities through the primary and secondary market and only with counterparties that management believes do not offer any significant risk. Based on their assessment, management does not expect any counterparty to fail to meet its obligations.

At balance sheet date, financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, investments and loans granted under various facilities. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(d) Foreign currency risk:

(i) The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currency giving rise to this risk is the US Dollar. The Bank ensures that the net exposure is kept to an acceptable level by monitoring its value at risk exposure (daily) against approved limits.

At the balance sheet date, the net foreign currency assets were as follows:

	2006	2005
	$'000	$'000
United States dollars	US$20,078	8,027
Canadian dollars	Cdn$ 3,141	1,363
Pounds sterling	£ 18	34

(ii) The exchange rates for US$1.00 as at the balance sheet date are as follows:

	Buying		Selling	
	2006	2005	2006	2005
	J$	J$	J$	J$
Company	65.2741	61.7050	66.2741	61.2050
Bank of Jamaica	65.2741	61.2050	65.4879	61.5310

22. Other disclosures - employees

		2006	2005
(a)	Average number of persons employed by the company during the year:		
	Trade	15	14
	Administration	39	40
		54	54

(b) Staff costs incurred during the year in respect of these employees were:

	$'000	$'000
Salaries and wages	68,696	60,334
Staff welfare and benefit	9,418	10,680
Statutory contributions	4,619	4,247
Pension income	(41,263)	(32,412)
Other	604	403
	42,074	43,252

23. Related party balances and transactions

Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:

(a) is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);

(b) has an interest in the company that gives it significant influence over the entity; or

(c) has joint control over the company;

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

Related parties (cont'd):

A party is related to the company, if (cont'd):

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

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

The balance sheet includes balances, arising in the normal course of business, with related parties as follows:

	2006 $'000	2005 $'000
Related companies:		
Notes discounted	81,381	-
Customer liability under LOC	5,169	5,972
Short-term loans (note 11)	(103,904)	(124,947)
Long-term liability (note 14)	(514,802)	(618,332)

The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	2006 $'000	2005 $'000
Related parties:		
Interest income	64,709	65,814
Interest expense	41,577	47,639

24. Commitments

Loan commitments under the Export Credit, Modernisation and the Small Business Facilities total J$468.4 million at the year-end (2005: J$395.7 million).

25. Adoption of new and revised IFRS and interpretations

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The standards and interpretations and their effective dates are as follows:

IFRS 7	Financial Instruments: Disclosure	1. January 1, 2007
IFRIC 4	Determining whether an Arrangement Contains a Lease	2. January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	3. January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	4. December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	5. March 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	6. January 1, 2006
IAS 39 Amendments	The Fair Value Option	7. January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	8. January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	9. January 1, 2006
IFRIC 8	Scope of IFRS 2	10. January 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	11. June 1, 2006

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

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