NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED 2009 ANNUAL REPORT

EXIM BANK JAMAICA

Realising Your Productive Promise

FINANCIAL HIGHLIGHTS
AT A GLANCE AS AT 31 MARCH 2009

FINANCIAL POSITION (J$ MILLIONS)	2009	2008	2007
Total Assets	7,428.05	5,396.55	4,668.79
Cash and Cash Equivalents	1,528.20	512.64	505.57
Notes Discounted	2,032.88	1,043.49	976.83
Investments	407.31	479.94	581.78
Shareholder's Equity	1,637.06	1,697.64	1,692.38

EARNINGS (J$ MILLIONS)	2009	2008	2007
Total Revenue	389.64	453.25	368.54
Operating Profit	170.59	239.24	231.25
Profit/(Loss) Before Tax	(57.61)	30.47	50.80
Profit/(Loss) After Tax	(41.25)	17.53	38.80

FINANCIAL RATIOS %	2009	2008	2007
Return on Assets	-0.56	0.33	0.83
Return on Equity	-2.52	1.03	2.29
Admin. Expense Ratio	58.57	46.06	48.44
Operating Profit Margin	43.78	52.78	62.75

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

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

EXIM Bank administers trade credit facilities made available through Foreign Lines of Credit. EXIM 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.

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

VISION

EXIM 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 Trade Credit Insurance and other related services.

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

CORE VALUES

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

At EXIM Bank we believe in:

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

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

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

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

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

KEEPING JAMAICA GROWING

For over two decades EXIM Bank has embraced its mandate to enhance Jamaica's growth and development through an export-led economy by meeting the needs of the nation's productive sector with a suite of affordable financial products. With committed team members and a dynamic Board of Directors, many of whom are entrepreneurs in their own right, we constantly strive to meet the evolving needs of our clients who value exceptional service, solid advice and competitively priced products.

Being successful in business means never becoming complacent and at EXIM we like to live what we preach, so we constantly challenge ourselves to go further. Last year we set an aggressive target for the Trade Division to increase loan utilisation to $6 billion. Despite the impact of the global financial crisis on the Jamaican business environment, I am pleased to advise that the Bank surpassed this very ambitious loan utilisation target, a feat primarily attributable to the dedication and commitment of our hard-working team of experienced credit analysts. In the end we increased our customer base by 24% and achieved loan utilisation of $6.5 billion which represents a growth of 35% over the previous year. Achieving this growth has not been easy but I am confident that our loan utilisation will remain on a growth trajectory, thanks to last year's successful brand repositioning exercise which has given us increased visibility amongst our target audience.

This past year in particular has brought extremely challenging circumstances for entrepreneurs seeking to grow their businesses as economies worldwide have been plunged into recession. The world economy is projected to decline and while we in Jamaica are taking proactive steps to mitigate against any fallout here, EXIM is mindful that many of our clients will have to utilise creative strategies to thrive, or even survive, in this environment. Indeed, we have deep respect for the manufacturers, exporters, and other earners of foreign exchange who, despite the many challenges associated with entrepreneurship, produce first-class goods and services that keep the flag of *Brand Jamaica* flying high.

During this financial year, EXIM Bank Jamaica was honoured to receive a visit by the Chairman and President of the EXIM Bank of China, Mr Li Ruogu, accompanied by his team. Following upon the partnership forged during that meeting, we have developed the framework of a Cooperation Agreement on Trade Financing between EXIM Bank China and EXIM Bank Jamaica. Once finalised, this agreement will

"... there is no bad time for a good idea and even now, there are countless opportunities to be exploited."

see China offering trade financing valued at US$100 million to the EXIM Bank for onlending to Jamaica's productive sector.

Another arrangement with the Inter-American Development Bank (IDB), has secured a loan of US$43 million for trade financing. With this injection of funding from these two partnerships, as well the new Sovereign Line of Credit which is designed to help Jamaican entities that wish to import raw material, equipment and other productive inputs from the USA, EXIM will be supremely poised to continue impacting positively on Jamaica's development by serving our clients with affordable financing.

Throughout the coming year, EXIM will continue to employ creativity in its approach to assisting companies within the productive sector through these harsh economic times. It's time to find solutions and earning our way out of this financial crisis will demand greater focus on our productive sector, the forging of strategic alliances such as the new partnership formed with EXIM Bank China and deeper exploration of funding opportunities from new sources such as the Inter-American Development Bank (IDB), and the Sovereign Bank, USA.

The Bank has historically embraced businesses in the manufacturing sector but over the years, in response to our analysis of market trends, we are offering greater assistance to emerging subsectors such as the Creative Industries. We will continue to be proactive in reaching out to new clients, taking the time to understand their businesses and offering solutions to meet their needs. We will remain close to our existing clients, keeping flexibility and innovation in mind as we join together to meet the challenges of today's world.

EXIM Bank is here to support the determined and resilient Jamaican entrepreneur who, blessed with creativity and a passion to succeed, is forging ahead even in these uncertain times. If you need trade financing, export financing or trade credit insurance, we want to be the financial institution that you call first. For those entrepreneurs who are currently working to build their businesses and thereby help sustain the Jamaican economy, EXIM promises to support you at every step. To those who are hesitant, I firmly believe that there is no bad time for a good idea and even now, there are countless opportunities to be exploited. With a talented team of experts onboard we remain ready and committed to offer you the right business solutions that will set and keep you on the path to success.

Gary Craig 'Butch' Hendrickson
Chairman

The 2009 financial year was not without its challenges as the global financial crisis impacted the local financial and productive sectors resulting in a tightening of liquidity and reduced availability of credit options. These developments had an adverse impact on the Jamaican economy, as inflation for fiscal year ended 31 March 2009 remained at an elevated level and was reported at 12.4%, the value of the Jamaica dollar declined by approximately 25% against the United States Dollar and the country's Net International Reserves stood at US$1.62 billion, declining by approximately 22% over the fiscal year.

FINANCIAL HIGHLIGHTS

Despite these challenges, the EXIM Bank is exceptionally pleased to report that it achieved loan utilisation of $6.5 billion, surpassing its budget of $6 billion and reflecting an increase of 35% over the $4.8 billion achieved at financial year end March 2008. This performance contributed to increased interest income of $507 million, up from $435.7 million recorded the previous year and resulted in an operating profit of $170.6 million. Due however to foreign exchange losses occasioned by the sharp devaluation of the Jamaica Dollar, the Bank recorded a net loss of $41.2 million compared to a net profit of $17.5 million achieved in 2008. In observing sound risk management principles, the Bank was able to contain its provision for loan losses at 2% at financial year end. Shareholder's Equity was reported at $1.6 billion, approximating its position of $1.7 billion reported at previous year end 2008.

STRATEGIC INITIATIVES 2009

This year saw the continuation and enhancement of many initiatives undertaken the previous year and the commencement of new strategic initiatives aimed at promoting EXIM as a customer focused, secure and viable financial institution. The Bank continued to employ prudent management measures to maintain its viability, responding to opportunities to finance industries with export potential, while engaging in cost containment measures, closer monitoring and more regular interface with clients to avert and minimise loan delinquencies.

Special emphasis was placed on the development and expansion of small and medium sized enterprises which provide vital links to the productive sectors of the economy. During the year, the Bank rebranded and upgraded the SME loan facility, by broadening the eligibility criteria, and increasing the loan limits which resulted in increased demand. Loan disbursement requests had to be curtailed

"EXIM Bank...achieved loan utilisation of $6.5 billion, surpassing its budget of $6 billion and reflecting an increase of 35% over the $4.8 billion achieved at financial year end March 2008."

however, due to limited resources. As a result of the impact of the global financial meltdown, a contraction of credit was also experienced from the Bank's overseas correspondent banks which facilitate short-term Line of Credit transactions.

Several initiatives were therefore pursued to obtain funding at competitive rates of interest to keep the productive wheels of the economy turning. In this regard, the Bank obtained additional loan funds of $1 billion from PetroCaribe to augment the US$12 million previously accessed for onlending to the productive sectors, with a focus on small and medium enterprises. Additionally, having fully disbursed $100 million in loan funds received from the NIF in 2008, the Bank was successful in obtaining a further $38 million in loan funds, $27 million of which has been committed, with the remainder to be loaned in the upcoming financial year. The Bank also successfully negotiated a US$10 million Line of Credit through Sovereign Bank of the United States of America (USA) to facilitate the importation of raw materials and capital goods from the USA. In the last quarter of the financial year, approval was received from the Inter-American Development Bank (IDB) for loan funds of US$43 million to provide working capital support for the productive sectors, US$18 million of which was fully drawn in this financial year.

We are also pleased to report that a Framework Co-Operation Agreement on Trade Financing was executed between the EXIM Bank of China and EXIM Bank Jamaica which aims to foster and promote bilateral trade between both countries. Under this arrangement, Jamaica can access up to US$100 million in Trade Financing from China.

During the 2009 financial year, the Bank also intensified its efforts at greater collaboration with agencies such as the Jamaica Business Development Corporation (JBDC) and the Scientific Research Council (SRC) to establish viable, risk-sharing agreements to encourage the development of entrepreneurship. The JBDC and the Bank signed a 60:40 risk sharing agreement to facilitate financing of JBDC's craft manufacturers contracted to provide products specifically for JBDC's Things Jamaican Shops.

The Bank introduced more efficient use of information technology to streamline business processes and improve credit monitoring capabilities. A new website for the Bank was developed and uploaded onto the 'world wide web' in October 2008. This new site provides current information on products and services not only to the general public, but also boasts a new secure section specifically targeted to the Bank's network of Approved Financial intermediaries (AFIs). Of particular interest, is the fact that this new site allows customers to submit online loan applications.

Ongoing marketing and promotional activities continued to increase awareness of the Bank's loan products and services and contributed to increased demand for its loan products. A mass media marketing programme was supported by highly successful seminars hosted by the Bank on relevant topics such as Intellectual Property and Trade Credit Insurance. Throughout the year, the Bank continued to strengthen its relationships with its Approved Financial Intermediaries (AFIs), which remain important partners in achieving loan growth. In keeping with best practices, in October 2008, EXIM Bank by an Order of the Houses of Parliament, was designated as a financial institution under the Proceeds of Crime Act (POCA) and its Regulations.

TRADE CREDIT INSURANCE

This year, in keeping with the strategic initiative to provide innovative products and services, the Bank introduced Trade Credit Insurance (TCI). This product is essentially an enhancement of its predecessor Export Credit Insurance, as it incorporates a new offering – Domestic Credit Insurance. The new Trade Credit Insurance which became effective 01 August 2008, offers coverage on buyers both overseas and in the local market. A working capital financing product as a corollary to Trade Credit Insurance, collateralised by the assignment of the insurance policy and insured receivables from buyers, is also available to policyholders.

LOOKING TO 2010

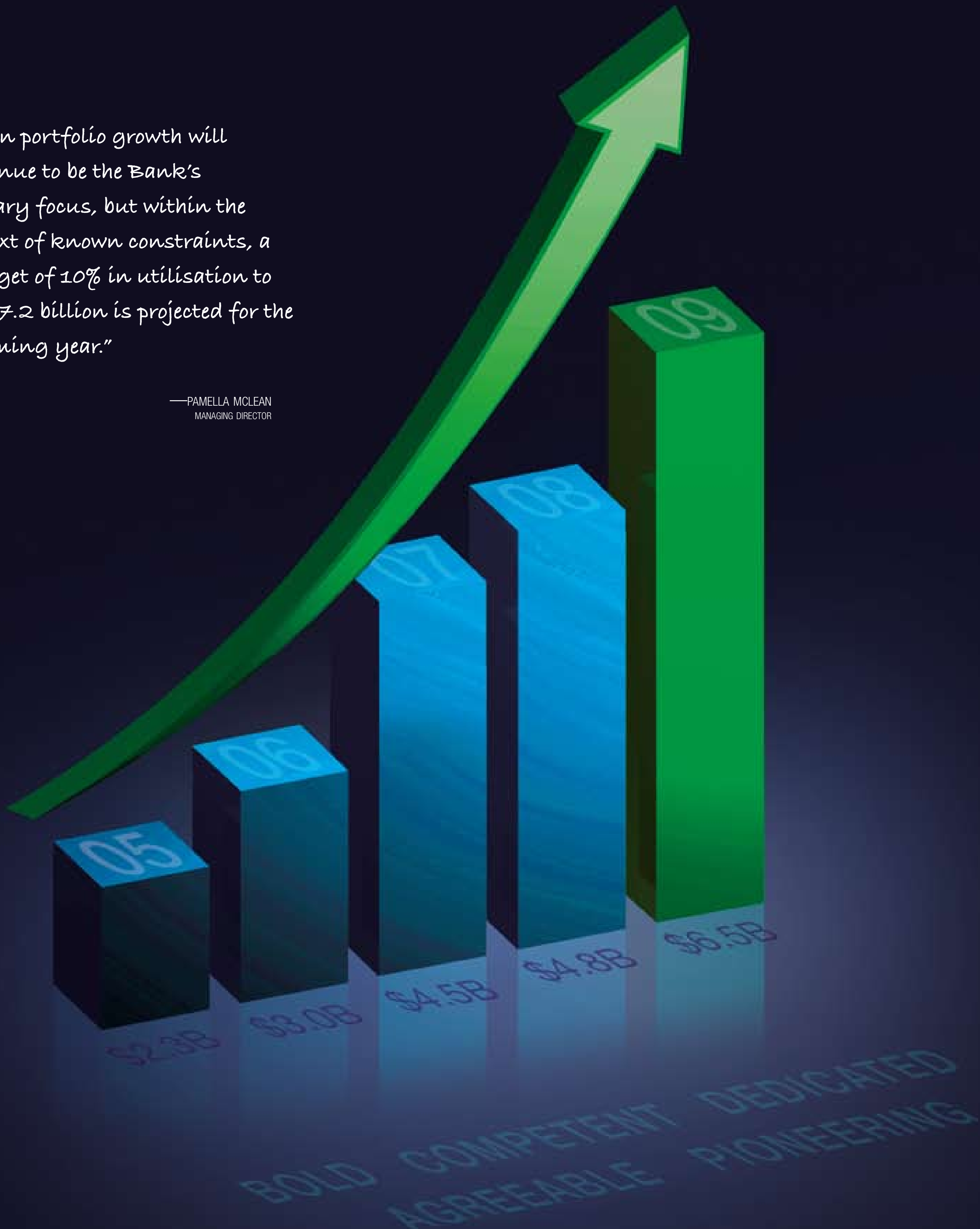
The 2010 financial year will represent the third and final year of the Bank's "Vision 2010" Strategic Plan which has been characterised by innovation and unprecedented achievements. Present indicators suggest that the financial year will continue to be impacted by the global financial crisis and will continue to pose challenges for both lenders and borrowers. Notwithstanding, loan portfolio growth will continue to be the Bank's primary focus, but within the context of known constraints, a modest growth target of 10% in utilisation to US$7.2 billion is projected for the upcoming year. The Bank will continue to support the productive sectors of the economy with emphasis on the Agro Processing Sector which has demonstrated significant potential for export earnings, employment creation and the development of both backward and forward linkages within the agricultural sector. Initiatives to develop innovative products and services will be pursued and to this end the Bank will continue its collaboration with stakeholders in the Creative Industries with a view to leveraging Intellectual Property as a sound basis for providing financial support to aid their growth and development.

As a primary short term lender, the Bank will endeavour to manage its portfolio mix so as to ensure that its mandate as a short term lender can be successfully executed.

LOAN UTILISATION

"...loan portfolio growth will continue to be the Bank's primary focus, but within the context of known constraints, a ... target of 10% in utilisation to US$7.2 billion is projected for the upcoming year."

—PAMELLA MCLEAN
MANAGING DIRECTOR



The sourcing of attractively priced funds on favourable terms and conditions remains a priority for the Bank as it impacts all aspects of the Bank's operations.

Through its marketing and advertising programme, the EXIM Bank proposes to maintain its branding presence and keep the public informed of its products and services geared to assist not only exporters but a gamut of producers and entrepreneurs to realise their productive promise.

INTERNATIONAL ARENA

In recognition of the importance of being *au courant* with trends in the international trade credit and insurance arenas, the Bank has maintained its association with international umbrella organisations through which the exchange of information and industry data with other EXIM Banks are facilitated.

The Bank therefore remains a member of the Berne Union, an Association of International Credit and Investment Insurers as through this membership, the Bank keeps abreast of new methodologies and best practices in the international trade credit insurance market. In 2007 the Bank was elected to serve on the Berne Union Management Committee and will remain an active member of this Committee until October 2009.

The Bank is also one of the nine (9) adherent members of the Latin American Association of Export Credit Insurance Organisation, ALASECE, a non-profit private entity which comprises fourteen (14) active members that offer export credit insurance in Latin America and the Caribbean. Through this association, the Bank exchanges information with other members on developments in trade credit insurance and trade financing.

ACKNOWLEDGEMENTS

The Bank is proud of its many accomplishments to date, in particular, its contribution to foreign exchange earnings through the financial support given to clients, which for the first time in its 23 year history, exceeded the J$6 billion mark. This exceptional performance, achieved in challenging times, is attributable in large measure to the hard work and dedication of the Management and Staff of the Bank, under the sound guidance of the Board of Directors. I salute them all and look forward to continued, successful operations in the coming year.

Pamella McLean, CD
Managing Director

MANUFACTURING

MATRESS FACTORY

The Bank recorded another year of impressive growth performance in its lending operations as loan disbursements topped the J$6.0 billion mark for the first time in the Bank's relatively short history. This performance is particularly gratifying as the Bank faced numerous challenges during the 2009 financial year, most notable of which was the unprecedented financial crisis which affected banks and other financial institutions globally. Jamaica was not spared the impact of the global "financial tsunami" as almost all areas of the local economy recorded significant reversal during the period. In addition to the significant challenges posed by the external environment, the Bank encountered its own set of internal challenges, chief among which was the difficulty in sourcing low-cost Jamaican dollar funds to meet the expanded demands of its customers for local currency loan funds. As a result of its funding limitations, the Bank was forced to curtail its lending activities for the second half of the year. That the Bank was able to increase its loan utilisation by 35% to J$6.5 billion in such an unfavourable operating environment, is a tribute to the skill, tenacity and dedication of its cadre of committed staff and management. Improved performance was recorded in almost all areas, with the most significant growth being reflected in the Bank's foreign currency loan portfolio which increased by US$5.63 million (approx, J$500.0 million), or 20%.

FINANCIAL PERFORMANCE

Revenue

Consistent with the strong growth achieved in its lending activities for the 2009 financial year, the Bank recorded a 16.4% increase in interest income which moved from J$435.7 million in 2008 to J$507 million at year end 2009. Interest expense ended the year at J$207.6 million, an increase of 26.1% over the figure of J$164.7 million reported in 2008. Net Interest Income closed the year at J$299.3 million, an increase of 10.4% over the figure of J$271.1 million achieved the previous financial year.

Other income

The Bank's financial out-turn was negatively impacted by foreign exchange losses of J$140.2 million incurred during the review period. Arising from these losses, the Bank's Operating Profit declined by some 28.7%, moving from J$239.2 million in 2008 to J$170.6 million at year end 2009. The reduced operating income coupled with the 9.3% increase in administration expenses of J$228.2 million (2008: J$208.8 million) resulted in the Bank reporting a loss of J$41.2 million at year end 2009 as against a net profit of J$17.5 million reported for the previous financial year.

Earning Assets

For the financial year ended 31 March 2009, the Bank's total assets were reported at $7.43 billion, which is an increase of 37.6% over the $5.4 billion recorded the previous year. A notable increase was recorded in Notes Discounted which was reported at $2.03 billion, a 95.2% increase moving from $1.04 billion in 2008. The medium term portfolio continued to record increased results reflecting loans of $1.17 billion at year-end 2008, an increase of 14.7% over the figure of J$1.02 billion reported the previous year. A significant increase was reported for Cash and Cash Equivalents due the Bank receiving funding from the Inter-American Development Bank (IDB).

Shareholder's Equity

At year-end 31 March 2009, Shareholder's Equity was J$1.64 billion, reflecting a marginal reduction from the J$1.7 billion which was reported the previous year.

REVIEW AND ANALYSIS OF LENDING OPERATIONS

For the period ended 31 March 2009, the Bank recorded loan disbursement of J$6.5 billion, reflecting an increase of 35% over the results of J$4.8 billion achieved for the 2008 financial year. This performance marked the continuation of a growth trend guided largely by the implementation of the Bank's three year (2008-2010) Strategic Plan "Vision 2010." Loans disbursed under the various foreign and local currency facilities totaled US$33.83 million and J$3.56 billion respectively, and when compared to the previous year's performance, represented an increase of 20% and 28% on foreign and local currency lending respectively.

The laudable performance under the Bank's Foreign Line of Credit facilities continued to be largely attributable to disbursements made to facilitate the importation of raw material, spare parts and capital goods for the productive sector. The Bank's foreign currency lending activities was also bolstered by utilisation under the Cuban Line of Credit, as disbursements of US$6.45 million exceeded projections of US$4.0 million by US$2.45 million or 61%, and surpassed the previous year's performance by 34.4%. The Bank is encouraged by the interest shown in the Cuban Line of Credit by local exporters, evidenced by the expansion in the range of products financed. Agricultural chemicals which are vital to the maintenance of Cuba's large agricultural sector continued to be the main items financed under the line.

AGRO PROCESSING

KETTLE USED IN THE PRODUCTION OF PEPPER SAUCE

EXPORT

PACKING FOR EXPORT

"...[loan] disbursement under the Bankers' Export Credit Facility...which is offered through our Approved Financial Intermediaries (AFIs), increased by 195.4% ...at year end 2009."

On the local currency side, disbursements under our short term and medium term facilities exceeded the prior year's performances by 34.6% and 28.4% respectively. Of notable mention is the fact that disbursement under the Bankers' Export Credit Facility, a short-term facility which is offered through our Approved Financial Intermediaries (AFIs), increased by 195.4% moving from J$175.71 million at year end 2008 to J$519.01 million at year end 2009.

Significant growth levels in disbursement were also reported under the JEA/JMA Loan Programme which provide funding, on an unsecured basis, to small and medium sized companies engaged in productive endeavours which would otherwise experience difficulty in securing loans from the commercial banking sector. Loans disbursed under this facility during the review period were reported at J$24.33 million, reflecting an increase of 77.6% over the 2008 results when disbursements of J$13.7 million were achieved.

National Insurance Fund (NIF) Credit Facility

During the 2009 financial year, the Bank disbursed its full allotment of J$100.0 million under the NIF Credit Facility. The rate of interest offered under the facility to the end user ranged between 8% - 10% per annum. The demand for these funds exceeded the Bank's allotment and resulted in the Bank approaching the NIF Secretariat for a further J$38.0 million tranche. At year end, disbursements under the facility totaled J$105.5 million. A wide cross section of sectors, including IT Services, manufacturing, agro-processing and the apparel sector benefited from these funds to assist with the acquisition of capital goods as well as for working capital.

Trade Credit Insurance

In an effort to revitalise the Bank's Export Credit Insurance (ECI) product and in response to a current need in the marketplace for new and innovative ways of obtaining financing, the Bank expanded its insurance product to incorporate Domestic Credit Insurance (DCI) and the product was renamed Trade Credit Insurance (TCI). In addition to providing insurance protection against commercial risks of non-payment by foreign buyers, TCI now allows for insurance protection against commercial risks of non-payment by local buyers. TCI protects the productive sectors of the economy from the risk of non-payment, and to encourage the expansion of trade by ensuring the viability of businesses which may otherwise incur losses. The policy covers 85% (commercial risk) and 90% (political risk) of the loss amount with the policyholder assuming the remaining 15% and 10%

respectively. The TCI offers coverage at more competitive premium rates and continues to facilitate the discounting of receivables through the Bank's Insurance Policy Discounting Facility (IPDF).

The Insurance Policy Discounting Facility (IPDF) is a post-shipment financing scheme which allows companies that are engaged in the export of non-traditional goods and services and are policyholders in good-standing under the Bank's Trade Credit Insurance scheme to obtain short-term working capital loans. These loans are available for up to 80% of the invoice value for goods sold to approved buyers. Loans disbursed under this facility during the review period were reported at J$43.51 million, reflecting an increase of 31.8% over the J$33.02 million reported for 2008. 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 with the Insurance Policy being used as security.

REINSURANCE QUOTA SHARE TREATY

As a part of its risk mitigation strategy, the EXIM Bank continued to maintain its re-insurance arrangement with overseas insurance carriers which have underwritten EXIM's insurance portfolio under a 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.

HUMAN RESOURCE DEVELOPMENT

As part of a continuing effort to reinforce the cultural transformation which was initiated in 2004, on October 17, 2008, the Bank launched a staff recognition programme, to recognise and award staff members who in their interaction and behaviours, best demonstrate the living of the Bank's core values.

Additionally, being mindful that we are in the era of the knowledge worker, the Bank continued to make significant investment in the training and development of staff. For the period in question, fifty-nine (59) members of staff participated in sixty-three (63) training/development programmes. These programmes were primarily influenced by the need to address certain gaps identified from a competency gap analysis completed in the latter part of financial year 2007. The menu of

MINING

MINING, WORKS YARD

TOURISM

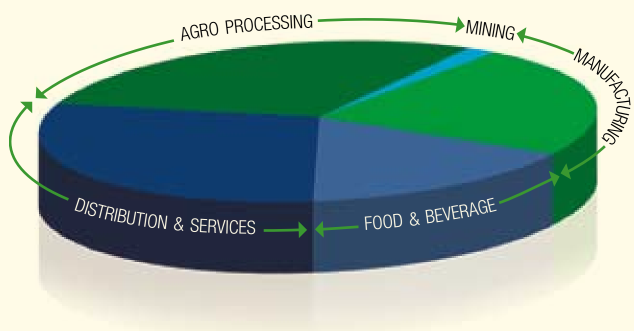
WATERSLIDE AT WATER THEME AMUSEMENT PARK

training/developmental activities inclusive of courses, seminars, workshops and conferences covered a number of areas such as leadership and management, information technology, accounting, auditing, other technical skills, as well as behavioural skills, and should go a far way in equipping the staff with the required skills to enable the Bank in its quest for service excellence.

CORPORATE CITIZENSHIP

The Bank continued its social outreach to the wider community by way of financial contributions to entities such as the Leila Tomlinson Wareika Hill Basic School, Missionaries of the Poor, Women's Centre of Jamaica Foundation, and United Way of Jamaica.

LOANS DISBURSED BY SECTOR



SECTOR	2009	2008	2007
Manufacturing	1537.59	1570.34	1105.92
Food & Beverage	1008.10	755.97	1036.04
Agro Processing	1955.53	1182.41	786.93
Distribution & Services	1921.40	1322.47	1558.05
Mining	118.90	46.77	24.93
TOTAL	**6541.52**	**4877.96**	**4511.87**

Gary Craig 'Butch' Hendrickson
Chairman

Butch Hendrickson is a well known name in industry and a successful entrepreneur. As Chairman and Managing Director of National Continental Baking Co. Ltd. he has led one of the largest and most successful bakery operations in the country for the past 14 years. He is a active member of the PSOJ and the JMA.

Pamella McLean,CD
Managing Director

Pamella McLean began her banking career with the Bank of Jamaica after graduating from UWI where she earned her Bachelor of Arts Degree in Economics . Mrs McLean joined the EXIM Bank at its inception in 1986, and was appointed Managing Director in 1995. She has successfully led the Bank through phenomenal growth over the past 14 years.

Sandra Glasgow
Vice Chairman

Sandra Glasgow is the CEO of the PSOJ. Prior to this appointment, Director Glasgow was Senior VP of Corporate Services at the University of Technology. Mrs Glasgow holds Directorships with NCB and the Grace Kennedy Foundation. Director Glasgow is the longest serving Board member having served since January 2003.

Albert Webb
Director

Albert Webb, a retired career banker, is renowned within the financial sector for having worked in banking for over 30 years. Mr Webb served as Managing Director of CIBC Jamaica Limited and Chairman and Director of CIBC Trust & Merchant Bank, and also held senior positions at First Caribbean Building Society Limited and First Caribbean International Securities Limited.

Omar Azan
Director

Omar Azan is CEO of Boss Furniture Co. Limited, a leading Jamaican furniture manufacturer and exporter. Mr Azan is also the dynamic President of the JMA. He holds directorships at the Jamaica Business Development Centre, Jamaica Bureau of Standards and Sleep Beauty Bedding and Furniture Co. Ltd.

Douglas Archibald
Director

Douglas Archibald, a career banker, has over 17 years experience in corporate lending having worked with the Agricultural Credit Bank Jamaica Ltd., Citibank NA, and the Development Bank of Jamaica. A retired banker, Mr Archibald holds directorships on the Boards of Forest Industries Development Company Limited, FIDCO Builders Mart Limited and Cocoa Industry Board Limited.

Marjory Kennedy
Director

Marjory Kennedy is the immediate past president of the JEA. As an active member of the JEA she leads the development of Jamaica's National Export Strategy. Well known as a successful shipping tycoon, Mrs Kennedy is a Director of Jamaica Fruit and Shipping Co. Ltd., Jamaica Freight and Shipping Co. Ltd., Interseas Ltd. and Shipping Services Stevedoring Ltd.

Darlene Morrison
Director

Darlene Morrison is Deputy Financial Secretary for the Economic Management Division, at the Ministry of Finance and Planning. In her position, Ms Morrison is instrumental in the formulation and monitoring of key government initiatives, including the fiscal programme, debt strategy and external project loans. She also serves as a Board Director at the Planning Institute of Jamaica.

Ian Forbes, JP
Director

Ian Forbes is Managing Director of Sherwin-Williams (WI) Limited, a leading paint manufacturer serving the Caribbean. Under his leadership Sherwin-Williams has earned several national awards for excellence. Mr Forbes is Vice President of the JMA, and holds directorships with Factories Corporation of Jamaica, Independence Park Limited and AMCHAM.

Geoffrey Ziadie
Director

Geoffrey Ziadie, a finance specialist by training, is the founding Managing Director of Chad-AD, a leading distributor of automotive batteries and tyres. Mr Ziadie's entrepreneurial skills are also evident in Newport Forklift Services Ltd., Sharp Cooling Ltd., Zoukie Wrecking Services Ltd. and Caribbean Export & Recycling Co. Ltd. where he not only holds directorships but also manages the daily operations.

Megan Deane
Deputy Managing Director

Dennis Cunningham
Head, Human Resource
& Administration

Valerie Crawford
Manager, Trade Financing
& Risk Management

Camille Reid-Burrell
Manager, Legal & Corporate
Secretarial

Geta Wright-Jarrett
Manager, Finance &
Information Systems

Angela Pennant
Manager, Internal Audit

Paul Carroll
Chief Officer,
Accounts

Audrey Morris
Chief Officer,
Operations

Lorraine Fuller
Chief Officer, Finance

Charles Lewis
Chief Officer, Credit

Hamlin Pagon
Chief Officer,
Information Systems

Shernett Manning
Senior Administrative
Officer, Insurance

**Ann Marie
Walter-Allen**
Chief Officer, Marketing

The Board of the EXIM Bank has approved a Corporate Governance Charter that sets out the key governance principles that guide the governance of the Bank. The Charter contains internationally and nationally recognised standards for good and responsible governance. It aims to provide a system that is clear and transparent. Its purpose is to promote the trust of customers, employees and the general public in the management and supervision of the Bank.

In adhering to the responsibilities and powers as set out in this Charter, Board members are expected to perform their duties with integrity, honesty and in a professional manner in accordance with the Laws of Jamaica, in general and the Public Bodies Management and Accountability Act, in particular. Consistent with the Bank's core values and mission statement, the Board has developed and implemented a series of policies and practices which are consistent with these principles.

RESPONSIBILITIES OF THE BOARD

The Board guides and monitors the business and affairs of the Bank to ensure the interests of its single shareholder, the Government of Jamaica, are protected. In particular, the Board is responsible for:

a) The overall Corporate Governance of the Bank, including overseeing compliance with the applicable laws; ensuring that the Bank observes appropriate ethical standards; and the fulfillment of the Bank's values.
b) Charting the overall strategy and direction of the Bank, including setting, monitoring and reviewing strategic, financial and operational plans; and
c) The appointment of the Managing Director, Deputy Managing Director and Senior Managers, including the delegation of powers to the Managing Director and the Deputy Managing Director, within authorised discretionary levels.

In order to fulfill these responsibilities, the Board reserves to itself the following powers:

a) Reviewing the Bank's strategic plan at least annually;
b) Approving annual budgets;
c) Reviewing financial results;
d) Dealing with all matters which are outside discretions conferred on the Managing Director;
e) Ensuring that areas of significant business risk are identified and effectively managed;
f) The determination of the terms and conditions of appointment of the Managing Director, Deputy Managing Director and Senior Managers, including the right to suspend, remove or dismiss staff from executive office;
g) Setting targets for and assessing the performance of the Managing Director;
h) Reviewing management compensation annually;
i) Implementing and reviewing succession plans;
j) Establishing Board Committees;
k) Acting within the overall policies established by the Board from time to time.

The responsibilities listed above are expressly reserved to the Board. Other powers which are delegated to management include the following:

a) being responsible for day to day management of the Bank within the overall strategies and frameworks approved by the Board;
b) being responsible for the following activities of the Bank:
    - developing rolling 3-year strategic plans for approval by the Board;
    - financial and capital management and reporting;
    - operations;
    - credit and enterprise-wide risk management;
    - information technology;
    - marketing the products and services of the Bank;
    - customer service;
    - developing and maintaining key external relationships;
    - human resources, people development, performance and the creation of a safe and productive workplace; and
c) reporting to the Board on the performance of the Bank and its management;
d) otherwise performing such duties as are from time to time delegated by the Board.

The Board will, from time to time, undertake a review of their responsibilities and those of management to ensure that they remain appropriate for the needs of the Bank.

BOARD COMPOSITION

The Board currently comprises ten (10) members, including the Chairman and Deputy Chairman of the Board and the Bank's Managing Director, who is the only non-retiring member of the Board. Sole power to appoint and revoke appointments to the Board resides in the Minister of Finance under whose portfolio the Bank resides. The Board, through the Chairman, may make recommendations to the Minister as to the knowledge, abilities and expert experience required of appointees to properly discharge their tasks as Directors.

Compensation of the members of the Board of Directors is determined by guidelines issued by the Ministry of Finance.

ROLE OF THE CHAIRMAN OF THE BOARD

The role of the Chairman of the Board is to preside over meetings of the Board of Directors and to ensure the smooth functioning of the Board in the interest of good governance. The Chairman's specific responsibilities include:

a) Providing overall leadership to the Board without limiting the principle of collective responsibility for Board decisions;

b) Developing, in conjunction with the Managing Director and the Company Secretary, the development of an annual work plan for the Board against agreed objectives and goals as well as playing an active part in setting the agenda for Board meetings and annual retreats;

c) Acting as the main link between the Board and management and particularly between the Board and the Managing Director; ensuring that all Directors play a full and constructive role in the affairs of the Bank and taking a lead role in recommending the removal of non-performing or unsuitable directors from the Board.

d) Ensuring that the relevant information is presented to the Board to enable Directors to arrive at informed decisions.

The Chairman of the Board may delegate these responsibilities to the Deputy Chairman.

DIRECTORS AND BOARD MEETINGS

The Bank's Directors meet monthly at least 11 times per year and otherwise as required. Non-directors, including members of management, may be present at Board meetings at the invitation of the Chairman.

Each person serving as a director must devote the time and attention necessary to fulfil the obligations of a director. Key obligations include appropriate attendance at Board and Committee meetings and appropriate review of preparatory materials. Directors are also expected to attend the annual meeting of shareholders.

CONFLICTS OF INTEREST

A Director who has a conflict of interest should notify the Board through the Chairman and the details of the conflict recorded by the Corporate Secretary. Where conflicts of interest occur, Directors are required to excuse themselves from the discussions in respect of those interests and will therefore not vote in respect of such matters.

COMMITTEES

The Board of Directors has established a number of committees to assist in the execution of its responsibilities. These committees serve to increase the efficiency of the work of the Board and the handling of complex issues. Each Committee Chairperson reports regularly to the Board of Directors on the work of the Committee. Each Committee has its own Terms of Reference, viz:

Credit Committee

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

The Committee, which is chaired by Mr Douglas Archibald, met eleven (11) times for the year. Other members include: Mr Gary Craig (Butch) Hendrickson, Mrs Sandra Glasgow, Mrs Marjory Kennedy, Mr Albert Webb and Mr Geoffrey Ziadie.

Audit Committee

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

The Committee is chaired by Mr Albert Webb and met seven (7) times for the year, to consider, among other things, a revised approach to managing the audit function within the Bank. Committee members include: Mr Douglas Archibald and Mrs Sandra Glasgow.

Budget Committee

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

The Committee is chaired by Mr Omar Azan and met once for the year. The other members of the Committee are Mr Douglas Archibald, Mrs Sandra Glasgow and Mr Albert Webb.

Trade Finance and Product Development Committee

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

The Committee is chaired by Mr Gary Craig "Butch" Hendrickson and met once for the year. Other members of the Committee include Mr Omar Azan, Mr Ian Forbes, Mrs Sandra Glasgow, Mrs Marjory Kennedy, Mr Albert Webb and Mr Geoffrey Ziadie.

Industrial Relations/Human Resource Committee

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

The Committee is chaired by Mrs Marjory Kennedy and met five (5) times for the year. The other members of the Committee are Mr Albert Webb and Mr Geoffrey Ziadie.

Corporate Governance Committee

The Committee monitors the Bank's compliance to applicable laws and regulations and ensures the Bank's adherence to principles of good corporate governance. It monitors the Bank's operations and develops and recommends changes to the Board's corporate governance policies and procedures.

The Committee was responsible for coordinating a formal self-evaluation of the performance of the Board at the end of the financial year 2008/09. The Board views this process as an important element of its governance responsibilities, as it gives Directors an opportunity to comment on the effectiveness of the Board as a whole and their individual contributions to Board deliberations. The results of the evaluation, including identified areas for improvement, will be discussed at the annual retreat of the Board scheduled for May 9, 2009.

The Committee is chaired by Mrs Sandra Glasgow. Other members include: Mr Douglas Archibald and Mr Albert Webb.

BOARD OF DIRECTORS

Directors are paid a fee for attendance at each meeting in accordance with Government Regulations, and for the year under consideration, compensation amounting to $1,331,500.00 was paid.

EXECUTIVE MANAGEMENT

(SUMMARY)

1.	Basic Salary Range of Executive Management	$3,211,131.37 – $6,042,404.64
2.	Motor Vehicle Allowance:	
	(a) Managing Director	Fully maintained company car provided
	(b) Deputy Managing Director and Managers	$349,992.00 – $872,620.00
3.	Other Allowances:	
	Deputy Managing Director and Managers	$51,779.35.00 – $649,860.74

Notes

(i) The above figures represent actual amounts paid.

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

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

CORPORATE DATA

OFFICES

National Export-Import Bank of Jamaica Limited

11 Oxford Road, Kingston 5

Jamaica, West Indies

Phone: (876) 960-9690

Facsmile: (876) 960-5956 / 906-9115

Email: info@eximbankja.com

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AUDITORS

PricewaterhouseCoopers

Chartered Accountants

Scotia Bank Centre

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Jamaica, West Indies

PRICEWATERHOUSECOOPERS
SCOTIABANK CENTRE
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BOX 372
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To the Members of the National Export-Import Bank of Jamaica Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of National Export-Import Bank of Jamaica Limited, set out on pages 27 to 75 which comprise the balance sheet as of 31 March 2009 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

PRICEWATERHOUSECOOPERS

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers

Chartered Accountants

29 June 2009
Kingston, Jamaica

	NOTE	2009 $'000	RESTATED 2008 $'000
Interest income:			
Loans		425,211	371,170
Deposits		7,874	3,401
Investments		73,888	61,172
		506,973	435,743
Interest expense:			
Loans		(152,646)	(102,919)
Lines of credit		(54,986)	(61,772)
		(207,632)	(164,691)
Net interest income		299,341	271,052
Credit losses	3	(11,417)	(49,314)
		287,924	221,738
Other income:			
Dividend income		7,111	8,510
Fees and other charges		556	437
Foreign exchange loss		(140,217)	(6,714)
Insurance premium		4,753	7,451
Other		10,460	7,818
		(117,337)	17,502
Operating Profit		170,587	239,240
Administration expenses		(228,196)	(208,771)
(Loss)/Profit before Tax		(57,609)	30,469
Taxation	7	16,362	(12,943)
Net (Loss)/Profit		(41,247)	17,526

EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED

	NOTE	2009 $'000	RESTATED 2008 $'000
ASSETS			
Cash and cash equivalents	8	1,528,196	512,643
Notes and other receivables	9	1,192,311	1,394,711
Notes discounted	10	2,032,876	1,043,486
Medium-term loans receivable	11	1,168,593	1,022,018
Demand and non-accrual loans	12	298,108	81,314
Investments	13	407,309	479,939
Customers' liabilities under letters of credit		348,622	460,322
Long-term loans receivable	14	27,059	22,902
Income tax recoverable		73,466	64,848
Post-employment benefit asset	15	233,974	198,980
Property, plant and equipment	16	117,534	115,382
Total assets		7,428,048	5,396,545
LIABILITIES			
Payables		27,216	44,467
Payable to Bank of Jamaica	17	29,911	56,366
Short-term loans and lines of credit	18	422,439	879,071
Deferred tax liabilities	19	24,588	70,818
Long-term loans	20	4,873,642	2,133,070
Letters of credit		348,622	460,322
Post-employment benefit obligation	15	64,570	54,791
Total liabilities		5,790,988	3,698,905
EQUITY			
Share capital	21	257,738	257,738
Capital reserve	22	349,112	348,341
Reserve fund	23	135,279	135,279
Reserve for trade credit insurance	24	10,754	8,491
Investment revaluation reserve	25	30,314	50,418
Retained earnings		853,863	897,373
Total equity		1,637,060	1,697,640
Total liabilities and equity		7,428,048	5,396,545

Approved for issue by the Board of Directors on 29 June 2009 and signed on its behalf by:

Gary Hendrickson — Chairman

Pamella McLean — Director

EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED

	SHARE CAPITAL	CAPITAL RESERVE	RESERVE FUND	RESERVE FOR TRADE CREDIT INSURANCE	INVESTMENT REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 March 2007, as restated	257,738	336,138	133,535	7,809	53,395	882,273	1,670,888
Net gains recognised directly in equity:							
Fair value loss on securities available-for-sale (net of tax)	-	-	-	-	(2,977)	-	(2,977)
Net profit	-	-	-	-	-	17,526	17,526
Total recognised income for the year	-	-	-	-	(2,977)	17,526	14,549
Transfer to reserve fund	-	-	1,744	-	-	(1,744)	-
Transfer to insurance reserve			-	682	-	(682)	-
Grant received (Note 22)	-	12,203	-	-	-	-	12,203
Balance at 31 March 2008, as restated	257,738	348,341	135,279	8,491	50,418	897,373	1,697,640
Net losses recognised directly in equity:							
Fair value loss on securities available-for-sale (net of tax)	-	-	-	-	(20,104)	-	(20,104)
Net loss	-	-	-	-	-	(41,247)	(41,247)
Total recognised loss for the year	-	-	-	-	(20,104)	(41,247)	(61,351)
Transfer to insurance reserve	-	-	-	2,263	-	(2,263)	-
Grant received (Note 22)	-	771	-	-	-	-	771
Balance at 31 March 2009	257,738	349,112	135,279	10,754	30,314	853,863	1,637,060

EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED

	NOTE	2009 $'000	RESTATED 2008 $'000
Cash Flows from Operating Activities			
Net (loss)/profit		(41,247)	17,526
Adjustments for:			
Depreciation	16	8,680	6,395
(Loss)/profit on disposal of property, plant and equipment		(72)	348
Interest income		(506,973)	(435,743)
Interest expense		207,632	166,977
Income tax expense	7	(16,362)	12,943
Post-employment benefits		(25,215)	17,895
		(373,557)	(249,449)
Changes in operating assets and liabilities -			
Notes and other receivables		194,878	(301,821)
Notes discounted		(981,141)	(63,289)
Medium-term loans receivables		(146,432)	(324,951)
Demand and non-accruals loans		(200,315)	(5,258)
Long-term loans receivable		(4,157)	(7,292)
Payables		(17,251)	(104,995)
		(1,527,975)	(1,057,055)
Income tax paid		(28,434)	(8,231)
Interest received		493,944	435,176
Interest paid		(179,771)	(158,212)
Net cash used in operating activities		(1,242,236)	(788,322)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	16	(10,841)	(108,280)
Proceeds from disposal of property, plant and equipment		81	178
Investments		38,154	127,896
Net cash provided by investing activities		27,394	19,794
Cash Flows from Financing Activities			
Payable to Bank of Jamaica		(20,290)	(24,458)
Short-term loans and lines of credit		(449,922)	(71,987)
Long-term loans payable		2,699,836	859,845
Capital grant received		771	12,203
Net cash provided by financing activities		2,230,395	775,603
Net increase in cash and cash equivalents for year		1,015,553	7,075
Cash and equivalents at beginning of year		512,643	505,568
CASH AND CASH EQUIVALENTS END OF YEAR	8	1,528,196	512,643

1. Identification and Principal Activity

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

The company is engaged in activities which are aimed at the development of the productive sector. Specifically, its activities are geared primarily towards the development of the export sector, but it also assists other productive enterprises in the area of import substitution. The facilities offered include Pre and Post-shipment financing, lines of credit and export credit insurance.

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

Interpretations and amendments to published standards effective in the current year

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

IFRIC* 14 (IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction.) The interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus on a retirement benefit asset that can be recognised as an asset. The interpretation also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation has had no impact on the company's financial statements.

The following interpretations and amendments to published standards are mandatory for the current and future accounting periods but are not relevant to the company's operations.

- IFRIC 12 - Service concession arrangements (effective for annual periods beginning on or after 1 January 2008)
- IAS 39 (Amendment) - Financial instruments: Recognition and Measurement (effective 1 July 2008)
- IFRS 7 (Amendment) - Financial instruments: Disclosure (effective 1 July 2008)

*IFRIC – International Financial Reporting Interpretations Committee

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the company's accounting periods beginning on or after 1 April 2009 or later periods, but were not effective at the balance sheet date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company will apply IAS 1 (Revised) from 1 April 2009.

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

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

The company will apply the IAS 19 (Amendment) from 1 April 2009.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards not yet effective (continued)

The company has concluded that the following standards, interpretations and amendments to existing standards, which are published but not yet effective are relevant to its operations, but will have no material impact on adoption; or are not relevant to its operations and will therefore have no material impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective for annual periods beginning on or after 1 January 2009)
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Amendment), 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009)
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after 1 January 2009)
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective for annual periods beginning on or after 1 January 2009)
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7). (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 (Amendment), Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of financial instruments' – 'Puttable financial instruments and obligations arising on liquidation' (effective for annual periods beginning on or after 1 January 2009)
- IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2009)
- IAS 38 (Amendment), 'Intangible assets' (effective for annual periods beginning on or after 1 January 2009)
- Amendment to IAS 39, 'Eligible hedged items' (effective for annual periods beginning on or after 1 July 2009)
- IAS 41 (Amendment), 'Agriculture' (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 (Amendment), 'Consolidated and separate financial statements' – 'Cost of an investment in a subsidiary, jointly controlled entity or associate' (effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 (Amendment), 'Share-based payment' (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards not yet effective (continued)

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods beginning on or after 1 July 2009)
- IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15, 'Agreements for the construction of real estate' (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for annual periods beginning on or after 1 July 2009)

(b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

(c) Financial assets

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

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

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

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(d) Loans and advances and provisions for credit losses

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

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

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

(e) Customers' liability under letters of credit

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

(f) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

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

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

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

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

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

2. Significant Accounting Policies (Continued)

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

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

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

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

(k) Payables
Payables are recorded at cost.

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

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

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

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

2. Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

(i) Pension obligations (continued)

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

(ii) Other post-employment obligations

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

(iii) Termination benefits

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

(m) Interest income and expense

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

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

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

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

2. Significant Accounting Policies (Continued)

(n) Income taxes

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

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

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

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

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

(o) Provisions

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

(p) Trade credit insurance

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

(q) Financial instruments

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

Financial assets

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

Financial liabilities

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

2. Significant Accounting Policies (Continued)

(r) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Financial Risk Management

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

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

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

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, ensures that a disciplined and constructively controlled environment exists in which all employees understand their roles and obligations.

The company's Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The company's Audit Committee is assisted in these functions by Internal Audit, which undertake both regular and ad hoc reviews of risks, management controls and procedures, the results of which are reported to the Audit Committee.

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

3. Financial Risk Management (Continued)

(a) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

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

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

Credit risk exposures are as follows:

	Maximum exposure	
	2009	**2008**
	$'000	**$'000**
Cash and cash equivalents	1,528,196	512,643
Notes receivables	1,131,368	1,344,103
Notes discounted	2,032,876	1,043,486
Medium-term loans receivable	1,168,593	1,022,018
Demand and non-accruals loans	298,108	81,314
Investments	294,383	330,396
Customers' liabilities under letters of credit	348,622	460,322
Long-term loans receivable	27,059	22,902
Other receivables	60,943	50,608
	6,890,148	4,867,792

The above table represents a worst case scenario of credit risk exposure to the company at 31 March 2009 and 2008, without taking account of any collateral held or other credit enhancements.

3. **Financial Risk Management (Continued)**

(a) **Credit risk (continued)**

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

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

Impaired loans and securities
Impaired loans and securities are loans and securities for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are categorised as:

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

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

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

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

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

The credit quality of loans is summarised as follows:

	2009 $'000	2008 $'000
Neither past due nor impaired	2,805,623	2,877,705
Past due but not impaired loans	950,950	368,782
Impaired		
Delinquent	449,616	117,549
Protracted delinquency	295,530	130,808
Default	250,854	101,242
Gross	4,787,550	3,596,529
Less: Provision for credit losses	(94,566)	(83,149)
Net	4,658,004	3,513,823

Included in the analysis are renegotiated loans of $ 964,101,000 (2008 - $274,516,000).

The fair value of collateral that the company held as security for individually impaired loans was $992,320,000 (2008 - $550,720,000).

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

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

	2009 $'000	2008 $'000
Agro Processing	1,331,097	837,239
Food and Beverage	244,948	303,760
Textiles and Apparel	58,189	47,199
Manufacturing	1,756,771	1,261,371
Distribution	633,828	445,487
Mining	121,922	51,364
Services	413,697	449,554
Tourism	84,495	102,154
Other	25,823	30,636
	4,684,588	3,528,764
Less: Prepayments	(235)	(2,260)
Interest written back	(12,531)	(12,681)
	4,658,004	3,513,823

Movement in the provision for probable loan losses:

	2009 $'000	2008 $'000
At beginning of year	83,149	37,963
Provision made during the year	18,348	54,523
Bad debt recovered	(6,931)	(5,209)
	11,417	49,314
Provision/adjustments written-off	-	(4,128)
At end of year	94,566	83,149

	2009 $'000	2008 $'000
Notes discounted (note 10)	60,347	34,131
Medium-term loans (note 11)	2,252	210
Demand and non-accrual loans (note 12)	31,967	48,808
	94,566	83,149

Settlement risk

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

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Debt securities

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

	2009 $'000	2008 $'000
Government of Jamaica (Note 13)	29,778	44,351
Securities purchased under agreements to resell (Note 13)	264,605	286,045
Short term deposits (Note 8)	1,300,653	413,758
	1,595,036	744,154

(b) Liquidity risk

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

Management of liquidity risk

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

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

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

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

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial liabilities cash flows

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

	31 March 2009					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non Specific Maturity $'000	Total $'000
Owed to Bank of Jamaica	7,428	22,483	-	-	-	29,911
Short-term loans and lines of credit	347,121	118,120	-	-	-	465,241
Long-term loans payable	147,413	859,826	3,009,515	1,560,948	-	5,577,702
Letters of credit	326,263	-	22,359	-	-	348,622
Payables	27,216	-	-	-	-	27,216
Total financial liabilities (contractual maturity dates)	855,441	1,000,429	3,031,874	1,560,948	-	6,448,692

	31 March 2008					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non Specific Maturity $'000	Total $'000
Owed to Bank of Jamaica	7,392	29,400	19,574	-	-	56,366
Short-term loans and lines of credit	134,470	555,790	188,810	-	-	879,070
Long-term loans payable		428,292	759,258	925,624	-	2,113,174
Letters of credit	278,812	150,742	30,768	-	-	460,322
Payables	2,922	41,545	-	-	-	44,467
Total financial liabilities (contractual maturity dates)	423,596	1,205,769	998,410	925,624	-	3,553,399

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

3. Financial Risk Management (Continued)

(c) Market risk

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

(i) Currency risk

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

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

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

	31 March 2009				
	Jamaica$ J$'000	**US$ J$'0000**	**GBP J$'000**	**CAN$ J$'000**	**Total J$'000**
Financial Assets					
Cash and cash equivalents	85,251	1,427,694	1,601	13,650	1,528,196
Notes and other receivables	62,526	511,457	8	618,320	1,192,311
Notes discounted	1,321,108	711,768	-	-	2,032,876
Medium-term loans	904,043	264,550	-	-	1,168,593
Demand and non-accrual loans	138,527	155,406	-	4,175	298,108
Investments	178,344	228,965	-	-	407,309
Customers' liabilities under letters of credit	-	226,807	-	121,815	348,622
Long-term loans receivable	27,059	-	-	-	27,059
Total financial assets	2,716,858	3,526,647	1,609	757,960	7,003,074
Financial Liabilities					
Owed to Bank of Jamaica	29,911	-	-	-	29,911
Short-term loans and lines of credit	-	207,687	-	214,752	422,439
Long-term loans payable	1,638,834	3,234,808	-	-	4,873,642
Letters of credit		226,807	-	121,815	348,622
Payables	27,216	-	-	-	27,216
Total financial liabilities	1,695,961	3,669,302	-	336,567	5,701,830
Net financial position	1,020,897	(142,655)	1,609	421,393	1,301,244

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Currency risk (continued)

	31 March 2008				
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**Total J$'000**
Financial Assets					
Cash and cash equivalents	94,310	386,949	2,419	28,965	512,643
Notes and other receivables	1,044,910	-	10	349,791	1,394,711
Notes discounted	1,001,774	41,712	-	-	1,043,486
Medium-term loans	779,641	242,377	-	-	1,022,018
Demand and non-accrual loans	25,609	55,705	-	-	81,314
Investments	330,396	149,543	-	-	479,939
Customers' liabilities under letters of credit	-	24,864	-	435,458	460,322
Long-term loans receivable	-	22,902	-	-	22,902
Total financial assets	3,276,640	924,052	2,429	814,214	5,017,335
Financial Liabilities					
Owed to Bank of Jamaica	56,366	-	-	-	56,366
Short-term loans and lines of credit	-	595,761	-	283,310	879,071
Long-term loans payable	475,740	1,657,330	-	-	2,133,070
Letters of credit	-	24,864	-	435,458	460,322
Payables	43,496	971	-	-	44,467
Total financial liabilities	575,602	2,278,926	-	718,768	3,573,296
Net financial position	2,701,038	(1,354,874)	2,429	95,446	1,444,039

Foreign currency sensitivity

The following tables indicate the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and the corresponding impact on the income statement and equity resulting from a 15% increase/5% decrease (2008 – 5% increase/decrease) in foreign currency rates. The effects on net profit and equity shown are the totals of the changes to the values for each foreign currency denominated monetary item. Sensitivity analyses were performed on an individual basis for each category.

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Currency risk (continued)

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

	31 March 2008					
	5% increase			5% decrease		
	% Change in Currency Rate	Effect on Net Profit	Effect on Equity	% Change in Currency Rate	Effect on Net Profit	Effect on Equity
		$'000	$'000		$'000	$'000
Currency:						
USD	5	(45,162)	-	(5)	45,162	-
GBP	5	81	-	(5)	(81)	-
CAN	5	3,182	-	(5)	(3,182)	-

(ii) Interest rate risk

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

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

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

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (continued)

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

	31 March 2009						
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	134,214	1,393,982		-	-		1,528,196
Notes and other receivables	527,357	168,629	473,844	-	-	22,481	1,192,311
Notes discounted	282,468	608,413	651,721	490,274	-	-	2,032,876
Medium-term loans	2,554	84,442	45,971	1,035,626	-	-	1,168,593
Demand and non-accrual loans	298,108				-	-	298,108
Investments		251,810	21,656	20,917		112,926	407,309
Customers' liabilities under letters of credit	206,274	119,989	22,359	-	-	-	348,622
Long-term loans receivable	-	-	-	27,059	-	-	27,059
Total financial assets	1,450,975	2,627,265	1,215,551	1,573,876	-	135,407	7,003,074
Owed to Bank of Jamaica	-	7,392	22,519	-	-	-	29,911
Short-term loans and lines of credit	151,491	195,230	75,718	-	-	-	422,439
Long-term loans payable	-	111,334	818,189	1,965,991	1,978,128	-	4,873,642
Letters of credit	206,274	119,989	22,359	-	-	-	348,622
Payables	-	-	-	-	-	27,216	27,216
Total financial liabilities	357,765	433,945	938,785	1,965,991	1,978,128	27,216	5,701,829
Total interest repricing gap	1,093,210	2,193,320	276,766	(392,115)	(1,978,128)	108,191	1,301,244
Cumulative gap	1,093,210	3,286,530	3,563,296	3,171,181	1,193,053	1,301,244	

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (continued)

	31 March 2008						
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	81,618	431,025	-	-	-	-	512,643
Notes and other receivables	200,354	660,039	496,447	-	-	37,871	1,394,711
Notes discounted	192,044	353,776	152,875	344,791	-	-	1,043,486
Medium-term loans	161	408	6,949	1,014,500	-	-	1,022,018
Demand and non-accrual loans	81,314	-	-	-	-	-	81,314
Investments	-	270,489	36,542	172,908	-	-	479,939
Customers' liabilities under letters of credit	278,812	150,742	30,768	-	-	-	460,322
Long-term loans receivable	-	-	-	22,902	-	-	22,902
Total financial assets	835,228	1,866,479	723,581	1,554,176	-	37,871	5,017,335
Owed to Bank of Jamaica	-	-	-	56,366	-	-	56,366
Short-term loans and lines of credit	134,470	555,791	188,810	-	-	-	879,071
Long-term loans payable		448,188		1,684,882	-	-	2,133,070
Letters of credit	278,812	150,742	30,768	-	-	-	460,322
Payables	-	-	-			44,467	44,467
Total financial liabilities	413,282	1,154,721	219,578	1,741,248	-	44,467	3,573,296
Total interest repricing gap	421,946	711,758	504,003	(187,072)	-	(6,596)	1,444,039
Cumulative gap	421,946	1,133,704	1,637,707	1,450,635	1,450,635	1,444,039	

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (continued)

Interest rate sensitivity

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

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

	2009	
	Effect on Net Profit	Effect on Equity
	$'000	$'000
Change in basis points:		
- 500	53,289	-
+ 100	(10,658)	-

	2008	
	Effect on Net Profit	Effect on Equity
	$'000	$'000
Change in basis points:		
- 100	2,855	-
+ 100	(2,855)	-

EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (continued)

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

	31 March 2009			
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	Over 12 Months
	%	%	%	%
Cash and cash equivalents	-	6.75	-	-
Notes and other receivables	-	5.00-12.00	5.00-12.00	-
Notes discounted	-	5.00-12.00	12.00	12.00
Medium-term loans	-	-	12.00-1600	12.00-16.00
Long-term loans receivable	-	-	-	1.00-3.00
Owed to Bank of Jamaica	-	10.00	10.00	-
Short-term loans and lines of credit	-	4.00	4.00	-
Long-term loans payable	-	2.00-7.00	2.00-7.00	6.22

	31 March 2008			
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	Over 12 Months
	%	%	%	%
Cash and cash equivalents	6.96	3.90- 6.96	-	-
Notes and other receivables	-	5.00-12.00	5.00-12.00	-
Notes discounted	-	5.00-12.00	12.00	12.00
Medium-term loans	-	-	12.00	12.00
Long-term loans receivable	-	-	-	1.00-3.00
Owed to Bank of Jamaica	-	10.00	10.00	10.00
Short-term loans and lines of credit	6.50-10.00	6.50-10.00	6.50-10.00	-
Long-term loans payable	-	6.00-08.50	8.50	8.50

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to equity price risk because of equity investments held and classified on the balance sheet as available for sale. The company is not exposed to commodity price risk.

The impact of a 10% change (2008 – 10%) in the quoted prices for these equities would be an increase or decrease in the carrying value of $11,290,000 in equity (2008 - $14,900,000).

(d) Operational risk

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

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

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

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

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

3. Financial Risk Management (Continued)

(e) Capital management

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

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

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

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

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

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Income taxes

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

(ii) Pension and post-employment benefits

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

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

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

5. Expense by Nature

	2009 $'000	2008 $'000
Auditors' remuneration	1,300	1,375
Bad debts, less recoveries	11,417	49,314
Depreciation	8,708	6,928
Directors' emoluments -		
Fees	1,332	1,131
Management (Included in staff costs – Note 6)	10,765	7,075
Other staff costs (Included in staff costs - Note 6)	123,240	99,529
Other operating expenses	82,851	92,733
	239,613	258,085

6. Staff Costs

	2009 $'000	2008 $'000
Salaries and wages	137,274	111,216
Statutory payroll contributions	14,816	7,135
Pension income (Note 15)	(34,135)	(25,520)
Other staff costs	16,050	13,773
	134,005	106,604

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

	2009 $'000	2008 $'000
Trade	14	13
Administration	47	48
	61	61

7. Taxation

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

	2009 $'000	2008 $'000
Current income tax	19,786	8,276
Prior year under provision	30	960
Deferred income tax (Note 19)	(36,178)	3,707
Income tax (credit)/charge	(16,362)	12,943

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

	2009 $'000	2008 $'000
(Loss)/Profit before tax	(57,609)	30,469
Tax calculated at a rate of 33 1/3%	(19,203)	10,156
Adjustment for the effect of:		
Expenses not deductible for tax purposes	2,811	1,827
Prior year under provision	30	960
Income tax (credit)/charge	(16,362)	12,943

8. Cash and Cash Equivalents

	2009 $'000	2008 $'000
Cash	227,543	98,885
Short-term deposits	1,300,653	413,758
	1,528,196	512,643

9. Notes and Other Receivables

	2009 $'000	2008 $'000
Notes receivable	1,131,368	1,344,103
Receivable EXBED	36,152	34,103
Premiums receivable	1,701	1,808
Other receivable	23,090	14,697
	1,192,311	1,394,711

Notes receivable represent amounts due from clients utilising foreign loans and lines of credit. The average period for line of credit transactions is 180 days. Interest rates on notes receivable depend on the particular line of credit utilised and range from 9.5% - 12% (2008 - 9.5% - 12%) per annum.

Receivable EXBED represents amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. This facility bears interest at a rate of 12% (2008 - 12%) These loans are unsecured.

10. Notes Discounted

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

	2009				2008
	Principal	Interest Receivable	Provision for Credit Losses	Carrying Value	Carrying Value
	$'000	$'000	$'000	$'000	$'000
(a) Export Credit Facility (ECF)	241,800	4,183	-	245,983	213,619
(b) Bankers Export Credit Facility (BECF)	38,315	523	-	38,838	39,647
(c) Small Business Discount Facility (SBDF)	540,568	2,606	-	543,174	359,654
(d) Insurance Policy Discount Facility (IPDF)	38,021	1,234	(23,872)	15,383	34,980
(e) Pre-Shipment Facility (PSF)	331,017	2,873	-	333,890	316,509
(f) Apparel Sector Financing Scheme (ASFS)	21,799	4,031	(19,450)	6,380	17,078
(g) Jamaica Exporters' Association (JEA)ExBED	20,111	2,135	(17,025)	5,221	9,615
(h) Jamaican Dollar Short Term Loans	91,281	1,503	-	92,784	-
(i) Co-packers Financing	15,426	462	-	15,888	6,805
(j) US Dollar Short-Term Loans	78,652	196	-	78,848	45,579
(k) Development Bank of Jamaica Limited Loan (DBJ#3)	31,500	516	-	32,016	-
(l) EXIM/IADB Discounting	620,229	4,242	-	624,471	-
	2,068,719	24,504	(60,347)	2,032,876	1,043,486

10. Notes Discounted (Continued)

Maturing as follows:

	2009 $'000	2008 $'000
- Less than 12 months after the balance sheet date	1,542,602	698,696
- Greater than 12 months after the balance sheet date	490,274	344,790
	2,032,876	1,043,486

(a) The ECF bears interest of 10% to 12% (2008 - 10% to 12%) per annum and is for a period of 120 days.

(b) The BECF foreign currency facility bears interest at the rate of 10% (2008 - 10%) per annum and is for a period of 120 days. The BECF local currency facility bears interest at the rate of 12% (2008 - 12%) per annum and is for a period of 120 days.

(c) The SBDF bears interest at 12% (2008 - 12%) per annum, and is for a period of up to forty-eight months.

(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% (2008 - 12%) per annum, and is for a period of 120 days.

(e) The PSF bears interest at 12% (2008 - 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% (2008 - 12%) per annum, is for a period of 90 to 120 days. A total of $99,800,000 is made available by the company under this facility. Of this amount, the Government of Jamaica provided $45,842,000 (2008 - $45,842,000) by way of a non-reimbursable grant (Note 19).

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

(g) The EX-BED project is a joint project with the Jamaica Exporters' Association and is available to small exporters. This facility bears interest at a rate of 12% (2008 - 12%) per annum and is for a period of 90 to 180 days.

(h) The Jamaican Dollar Short-Term Loans are for periods of up to 180 days, and bear interest of 7%.

(i) The Co-packers Financing facility represents amounts loaned to agro-processors. A total of $20,000,000 is made available under this facility. The facility bears interest at the rate of 12% (2008 - 12%) per annum and is for 120 days.

(j) The US Dollar Short-Term Loans are lent at 12%, for 120 days, through the Approved Financial Intermediaries (AFI's).

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

(l) EXIM/IADB Discounting represents US Dollar funds borrowed from the Inter American Development Bank through the Development Bank of Jamaica and is for working capital and trade financing. They bear interest rates of 9.5% to 11% and are for a period of up to thirty six months.

11. Medium-Term Loans Receivable

	2009				2008
	Principal	Interest Receivable	Provision for doubtful debts	Carrying Value	Carrying Value
	$'000	$'000	$'000	$'000	$'000
(a) Modernisation Fund	646,593	1,379	(210)	647,762	591,461
(b) Information and Communication Technology (ICT) Medium Term	429	1	-	430	101
(c) Jamaica Exporters' Association (JEA/EGI)	18,594	3	-	18,596	60,666
(d) EXIM/Export Growth Initiative (EXIM/EGI)	53,518	102	-	53,620	153,042
(e) General Trade Line	151,212	103	-	151,315	180,267
(f) National Insurance Fund SME (Note 20 (d))	87,469	356	(1,117)	86,708	28,670
(g) US Dollar Medium Term Loans	194,987	436	-	195,423	-
(h) Other Medium Term Loans	15,628	35	(925)	14,738	7,811
	1,168,431	2,415	(2,252)	1,168,593	1,022,018

Maturing as follows:

	2009	2008
	$'000	$'000
- Up to 12 months after the balance sheet date	132,967	7,518
- More than 12 months after the balance sheet date	1,035,626	1,013,575
	1,168,593	1,021,093

(a) The Modernisation Fund is a medium-term facility introduced to assist exporters and manufacturers to retool. Amounts are lent at an interest rate of 12% (2008 - 12%) per annum over a three-year period.

(b) The ICT represents Loans for software development, training and telecommunications and bears interest of 12% (2008 - 12%)

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

(d) These amounts represent loans to be used for manufacturing, import substitution and linkage activities and bear interest of 5 - 7% for up to five years. It relates to US$ 3,500,000 received from the JEA/GOJ (Note 20).

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

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

(g) The United States Dollar Medium Term Loans are lent at 9% - 11% and are for periods of up to forty eight months.

(h) Other Medium-Term Loans include loans given to staff members which bear interest at 5% per annum, and other loans which bear interest at 12%. These loans are for a period of up to five years. Included in this amount is an adjustment of $3,089,000 (2008 - $2,120,000) representing the difference between the carrying amount and the net present value, as required under IFRS.

12. Demand and Non-accrual Loans

	2009 $'000	2008 $'000
Demand loans (J$)	106,783	280
Demand loans (US$)	155,407	55,705
Non-accrual demand loans (J$)	63,710	74,137
Cuban Line of Credit (Cdn$)	4,175	-
Provision for credit losses	(31,967)	(48,808)
	298,108	81,314

13. Investments

	Number of shares held			
	2009	2008	2009 $'000	2008 $'000
Available-for-sale securities:				
Quoted equities:				
Bladex:				
Class 'A' common stock	107,065	107,065	88,877	117,695
Class 'B' common stock	28,971	28,971	23,049	31,848
			112,926	149,543
Loans and receivables:				
Securities purchased under resale agreements			264,605	286,045
Government of Jamaica securities			29,778	44,351
			294,383	330,396
			407,309	479,939

	2009 $'000	2008 $'000
Remaining term to maturity:		
Within three months	251,810	270,489
From three months to one year	21,656	36,515
One to five years	20,917	23,392
	294,383	330,396

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

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2009 were $1,318,395,000 (2008 - $533,000,000).

14. Long-term Loans Receivable

Long-term loans receivable represent staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at 31 March 2009 includes $8,814,000 (2008 - $6,370,000) receivable within twelve months of the balance sheet date.

Included in this amount is an adjustment of $15,852,000 (2008 - $12,000,000), representing the difference between the carrying amount and the net present value, as required under IFRS.

15. Post Employment Benefit Asset/Obligations

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

	2009 $'000	2008 $'000
Assets/(liabilities) recognised in the balance sheet –		
Post-employment benefit asset	233,974	198,980
Post-employment benefit obligations	(64,570)	(54,791)
Amounts recognised in the income statement –		
Post-employment benefit asset	(34,135)	(25,520)
Post-employment medical benefit obligation	9,780	8,464

(a) Post- employment benefit asset

The amounts recognised in the balance sheet are as follows:

	2009 $'000	2008 $'000
Present value of funded obligations	(330,818)	(192,388)
Fair value of plan assets	403,784	492,913
	72,966	300,525
Unrecognised past service cost	55	-
Unrecognised actuarial gains/(losses)	160,953	(101,545)
Asset recognised in balance sheet	233,974	198,980

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

(a) Post- employment benefit asset (continued)

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

	2009 $'000	2008 $'000
At beginning of year	192,388	151,812
Interest cost	26,009	19,168
Current service cost	8,977	7,908
Voluntary contributions	1,351	754
Past service cost	111	-
Benefits paid during year	(4,163)	(726)
Actuarial losses on obligations	106,145	13,472
At end of year	330,818	192,388

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

	2009 $'000	2008 $'000
At beginning of year	492,913	443,004
Expected return on plan assets	63,952	44,344
Contributions paid	2,210	1,593
Benefits paid	(4,163)	(726)
Actuarial (losses)/gains on plan assets	(151,128)	4,698
At end of year	403,784	492,913

The movements in the net asset recognised in the balance sheet:

	2009 $'000	2008 $'000
Net asset at beginning of year	198,980	172,621
Contributions paid	859	839
Income recognised in the income statement (Note 6)	34,135	25,520
Net asset at end of year	233,974	198,980

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

	2009		2008	
	$'000	%	$'000	%
Equity securities (Pooled Fund)	269,117	67	370,954	75
Debt securities (Pooled Fund)	114,563	28	103,363	21
Other	20,104	5	18,596	4
	403,784	100	492,913	100

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

(a) Post-employment benefit asset (continued)

The amounts recognised in the income statement were:

	2009 $'000	2008 $'000
Current service cost	8,977	7,908
Interest on obligation	26,009	19,168
Expected return on plan assets	(63,952)	(44,344)
Net actuarial gain recognised during the year	(5,225)	(8,252)
Past service cost non vested	56	-
	(34,135)	(25,520)
Actual return on plan assets	87,176	49,042

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

The principal actuarial assumptions used were as follows:

	2009 %	2008 %
Discount rate	16.00	13.00
Expected return on plan assets	16.00	13.00
Future salary increases	11.50	9.50
Future pension increases	10.00	3.00

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

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Present value of defined benefit obligation	(330,818)	(192,388)	(151,812)	(116,261)	(100,023)
Fair value of plan assets	403,784	492,913	443,004	363,684	430,485
Surplus in plan	72,966	300,525	291,192	247,423	330,462
Experience adjustments arising on plan liabilities	2,405	(28,849)	(4,788)	3,487	6,852
Experience adjustments arising on plan assets	(151,128)	4,698	43,427	(109,910)	42,095

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

(b) Other post-employment benefit obligations

The amounts recognised in the balance sheet are as follows:

	2009 $'000	2008 $'000
Present value of obligations	49,896	48,522
Unrecognised past service cost - non-vested benefits	(399)	-
Unrecognised actuarial losses	15,073	6,269
	64,570	54,791

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

	2009 $'000	2008 $'000
At beginning of year	48,522	44,312
Current service cost	3,067	2,916
Interest cost	6,778	5,661
Actuarial gains on obligations	(8,946)	(4,254)
Past service cost	631	-
Benefits paid	(156)	(113)
At end of year	49,896	48,522

The amounts recognised in the income statement are as follows:

	2009 $'000	2008 $'000
Net actuarial gains recognised	(142)	-
Current service costs	3,067	2,916
Past service costs - non-vested benefits	232	-
Interest cost	6,778	5,661
	9,935	8,577

15. Post-employment Benefit Obligation (Continued)

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

Movements in the net liability recognised in the balance sheet:

	2009 $'000	2008 $'000
Net liability at start of the year	54,791	46,327
Contributions paid	(156)	(113)
Expense recognised in the income statement	9,935	8,577
Net liability at end of year	64,570	54,791

The principal actuarial assumptions used were as follows:

	2009 %	2008 %
Discount rate	16.00	13.00
Medical rates	15.00	12.00
Future salary increases	11.50	9.50

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

	1% Increase $'000	1% Decrease $'000
Increase/(decrease) on the aggregate service and interest cost	2,385	(1,787)
Increase/(decrease) in the defined benefit obligation	9,254	(7,249)

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

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Present value of the defined benefit obligation	49,896	48,522	44,312	46,560	38,276
Experience adjustments arising on plan liabilities	10,257	4,130	15,460	137	(5,603)

16. Property, Plant and Equipment

	Land and Building $'000	Motor Vehicles $'000	Equipment Furniture and Fixtures $'000	Office Improvements $'000	Computers $'000	Total $'000
Cost -						
31 March 2007	-	5,254	8,183	2,367	17,419	33,223
Additions	99,940	-	1,874	432	6,034	108,280
Disposal	-	-	(112)	(2,367)	-	(2,479)
31 March 2008	99,940	5,254	9,945	432	23,453	139,024
Additions	-	2,713	744	-	7,384	10,841
Disposal	-		(30)	-	(2,803)	(2,833)
31 March 2009	99,940	7,967	10,659	432	28,034	147,032
Depreciation -						
31 March 2007	-	4,119	2,958	1,773	10,350	19,200
Charge for the year	999	298	729	82	4,287	6,395
Disposal	-	-	(112)	(1,841)	-	(1,953)
31 March 2008	999	4,417	3,575	14	14,637	23,642
Charge for the year	1,999	336	976	44	5,325	8,680
Disposal	-		(28)	-	(2,796)	(2,824)
31 March 2009	2,998	4,753	4,523	58	17,166	29,498
Net Book Value -						
31 March 2009	96,942	3,214	6,136	374	10,868	117,534
31 March 2008	98,941	837	6,370	418	8,816	115,382

17. Payable to Bank of Jamaica

	2009 $'000	2008 $'000
Principal outstanding	22,379	42,603
Interest payable	7,532	13,699
Advance account	-	64
	29,911	56,366

The short-term loan is evidenced by a promissory note, repayable on demand, and interest is charged at 10% (2008 - 10%) per annum. Principal repayments due within twelve months of the balance sheet date amount to $22,379,000 (2008 - $18,300,000).

18. Short-Term Loans and Lines of Credit

	Rate of interest per annum	2009 $'000	2008 $'000
Banco Latinoamericano de Exportaciones, S.A. (Bladex)	10%	55,452	488,389
Bank of New York	10%	152,234	107,370
Bank of Nova Scotia Jamaica Limited – Cuban loc	8.5%	214,753	283,312
		422,439	879,071

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

19. Deferred Taxation

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

	2009 $'000	Restated 2008 $'000
At beginning of year	70,818	68,599
Deferred tax charged to income statement (Note 7)	(36,178)	3,707
Deferred tax credited to shareholders' equity	(10,052)	(1,488)
At end of year	24,588	70,818

Deferred income tax liability is due to the following items:

	2009 $'000	Restated 2008 $'000
Deferred income tax assets:		
Accrued vacation	2,517	1,767
Insurance provision	810	1,125
Foreign exchange losses	46,739	2,235
	50,066	5,127
Deferred income tax liabilities:		
Accelerated tax depreciation	3,029	1,961
Employee benefits	56,468	48,063
Fair value gain on investment	15,157	25,209
Other	-	712
	74,654	75,945
	(24,588)	(70,818)

19. Deferred Taxation (Continued)

The deferred tax charge in the profit and loss account comprises the following temporary differences:

	2009 $'000	Restated 2008 $'000
Accrued vacation	(750)	(846)
Foreign exchange	(44,504)	(2,526)
Accelerated tax depreciation	1,068	1,092
Employee benefits	8,405	5,965
Other	(397)	22
	(36,178)	3,707

The deferred tax credit in equity relates to temporary differences on available-for-sale securities of $10,052,000 (2008 - $1,488,000).

20. Long-Term Loans

	2009 $'000	2008 $'000
(a) Government of Jamaica	409,512	433,671
(b) Jamaica Exporters' Association/EXIM	626,409	359,354
(c) Banco Latinoamericano de Exportaciones, S.A. (Bladex)	-	431,214
(d) National Insurance Fund/SME	94,290	42,069
(e) Petrocaribe Development Fund	1,005,017	866,762
(f) Petrocaribe Development Fund 6%	1,033,962	-
(g) Development Bank of Jamaica Limited (DBJ) 7% Loan	101,069	-
(h) IADB/DBJ Loan	1,603,383	-
	4,873,642	2,133,070

20. Long-Term Loans Payable (Continued)

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

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

The loan, which bears interest at 6% (2008 - 6%) per annum, is repayable by fifty-eight semi-annual installments, the final installment being due on 30 December 2025.

Principal repayments due within twelve months of the balance sheet date amount to $23,730,000 (2008 - $23,730,000).

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

(c) This represented an unsecured loan of US$8.5 million from Banco Latinoamericano de Exportanciones (Bladex). The interest rate was six months LIBOR plus 2.35% (1st year); 2.85% (2nd year) and 3.75% (3rd year). The final installment of US$6.0 million was repaid on 25 February 2009.

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

The loan facility is disbursed in tranches/advances and each advance will have its own amortisation schedule and evidenced by a promissory note. The interest rate is fixed at 4% on the reducing balance. The term of the loan facility is 11 May 2007 to 30 April 2012. The amount drawn down as at 31 March 2009 was $ 109,100,000 (2008 - $42,900,000).

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

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

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

(h) The company entered into a loan agreement with Inter-American Development Bank (IADB) through the Development Bank of Jamaica (DBJ) to borrow US$43,000,000. At year end US$18,000,000 was drawn down from the facility. The interest rate is based on the six months LIBOR plus 450 basis points. Interest is payable quarterly as of June 2009 and principal payments will commence as of April 2011 with the final payment of principal and interest in January 2012.

21. Share Capital

	2009 $'000	2008 $'000
Authorised:		
300,000 ordinary shares of no par value		
Issued and fully paid:		
257,738 ordinary shares of no par value	257,738	257,738

22. Capital Reserve

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

	GOJ Budgetary Support $'000	Apparel Sector Facility $'000	JECIC Grant $'000	Gain on Sale of Assets $'000	Total $'000
Balance as at 31 March 2007	150,000	45,842	132,254	8,042	336,138
Grant received	-	-	12,203	-	12,203
Balance as at 31 March 2008	150,000	45,842	144,457	8,042	348,341
Grant received	-	-	771	-	177
Balance as at 31 March 2009	150,000	45,842	145,228	8,042	349,112

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

The apparel sector facility represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 12% (2008 - 12%) per annum to the apparel sector under the Apparel Sector Financing Scheme.

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

23. 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.

24. Reserve for Trade Credit Insurance

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

25. Investment Revaluation Reserve

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

26. Related Party Balances and Transactions

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

	2009 $'000	2008 $'000
Notes and other receivables	5,024	11,274
Notes discounted	170,060	-
Demand and non-accrual loans	-	45,596
Investments	29,778	44,351
Short-term loans	(29,911)	(56,366)
Long-term loans	(4,806,600)	(1,325,527)

Transactions with related parties were as follows:

	2009 $'000	2008 $'000
Interest income	749	132,321
Interest expense	(127,232)	(56,040)

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

	2009 $'000	2008 $'000
Short-term benefits	48,296	39,085
Post-employment benefits	(3,854)	(2,633)
Directors' emoluments:		
Fees	1,332	1,131
Other remuneration	10,765	7,075

27. Fair Values of Financial Instruments

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

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

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

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

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

(iv) The fair value of loans payable which were obtained at concessionary rates (Note 20) has not been estimated as these loans are available to the company due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

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

	2009		2008	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	$'000	$'000	$'000	$'000
Investments:				
Securities purchased under resale agreements	264,399	264,605	278,021	286,045
Government securities	22,814	29,778	40,440	44,351
	287,213	294,383	318,461	330,366

28. Commitments

Loan commitments under the Export Credit, Modernisation and the Small Business Facilities total $900,450,000 at the year-end (2008 - $313,640,000).

29. Restatement

The financial statements for the year ended 31 March 2008 were restated to adjust the provision for trade credit insurance in accordance with International Financial Reporting Standards in relation to financial guarantee contracts and for the deferred taxes charged to equity for fair value gains and losses on available-for-sale securities.

As at 31 March 2007, the balances carried for retained earnings and the investment revaluation reserve were decreased by $2,604,000 and $26,697,000, respectively and the deferred tax liabilities were increased by $29,301,000. The balance carried as insurance funds was decreased by $3,327,000 and was reclassified to equity as an appropriation of retained earnings. The balance carried as payables was increased by $3,327,000.

As at 31 March 2008, the balances carried for retained earnings and the investment revaluation reserve were decreased by $3,209,000 and $25,208,000, respectively and the deferred tax liabilities were increased by $28,417,000. The balance carried as insurance funds was decreased by $3,376,000 and was reclassified to equity as an appropriation of retained earnings. The balance carried as payables was increased by $3,376,000.