NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
ANNUAL REPORT 2007

20

AND COUNTING

Celebrating 20 years, the EXIM Bank is guided by the philosophy that Jamaica's economic success is vested in the success of our entrepreneurs. Since 1986 we have focused on being the nation's premier trade financier, creating solutions and strategies for the Productive Sector – the catalyst for National Growth and Development

CONTENTS

COMPANY PROFILE AND FUNCTION

THE NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED (EXIM Bank) was incorporated as a limited liability company on February 26, 1986 and commenced operations on May 1, 1986. It is an independent public sector trade financing institution fully owned by the Government of Jamaica since September 1, 2000. The Bank is headed by a Board of Directors experienced in many disciplines and drawn from both the public and private sectors. Executive Management is directed by a Managing Director supported by a 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 between Jamaica and other countries by offering Export Credit Insurance as a protection for export receivables against both commercial and political risks.

THREE YEAR PERFORMANCE
FINANCIAL HIGHLIGHTS

FINANCIAL POSITION (J$ MILLIONS)	**2006/2007**	**2005/2006**	**2004/2005**
Total Assets	4668.79	3981.42	2935.45
Cash and Short-Term Deposits	505.57	658.94	437.33
Notes Discounted	987.93	877.37	706.90
Investments	581.78	504.92	491.60
Shareholders' Equity	1692.38	1519.52	1448.97
EARNINGS (J$ MILLIONS)			
Total Revenue	368.54	307.04	287.33
Operating Profit	231.25	236.27	222.80
Profit Before Tax	50.80	129.73	113.69
Profit After Tax	38.80	89.37	81.87
FINANCIAL RATIOS (%)			
Return on Assets	0.83	2.24	2.79
Return on Equity	2.29	5.88	5.65
Admin. Expense Ratio	48.44	36.31	36.92
Operating Profit Margin	62.75	76.95	77.54

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 export credit insurance and other related services.

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

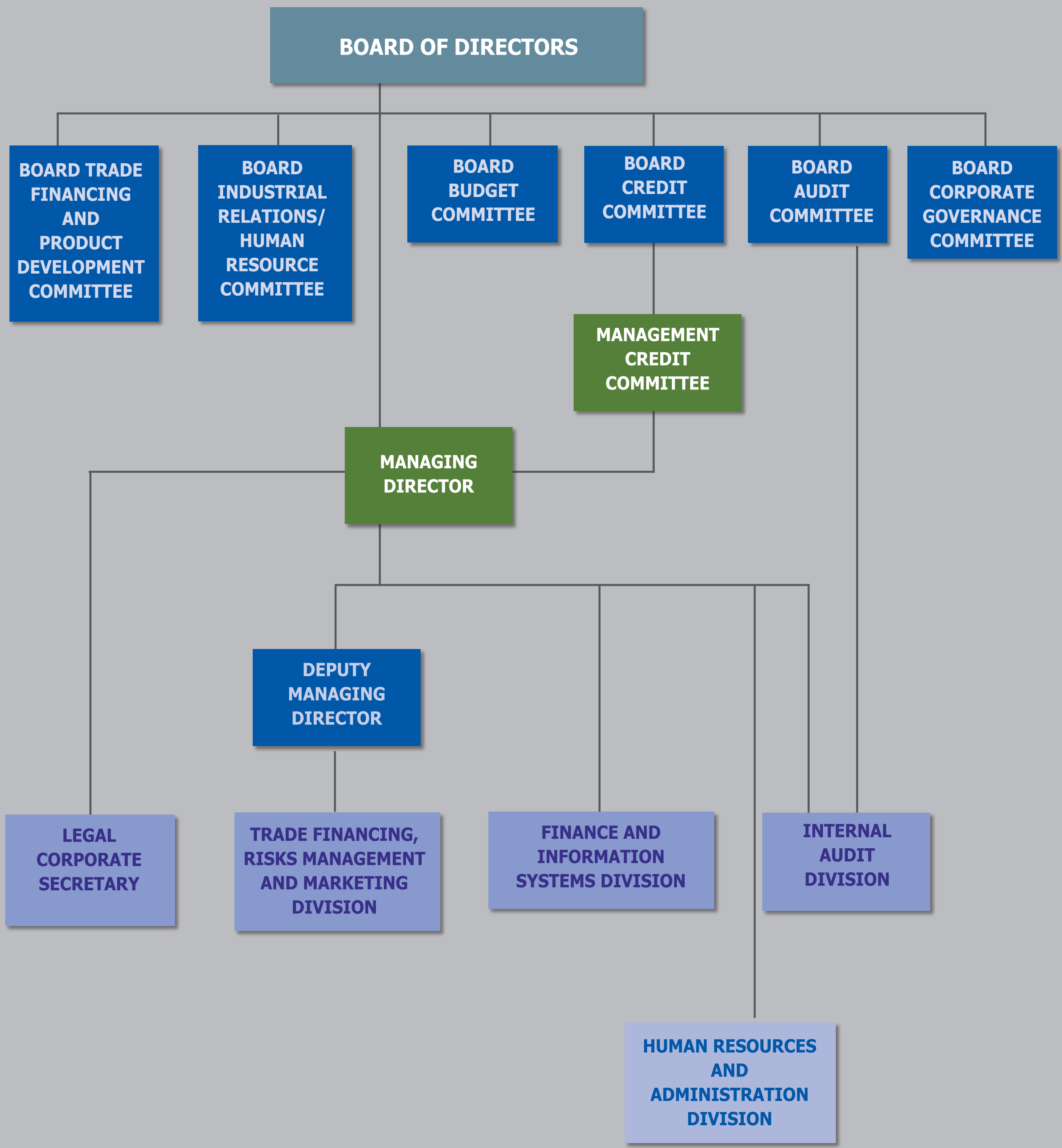
MOTIVATED STAFF We create a caring environment that fosters open and honest communication, teamwork and, above all, highly motivated staff.

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.

ORGANISATIONAL STRUCTURE



Dr The Hon Owen Jefferson OJ, CD
Chairman

20 YEARS AND COUNTING

Chairman's Message

Our Legacy, Our Future

Created in response to the Government's mission to enhance growth and development through an export-led economy, the National Export-Import Bank of Jamaica (EXIM Bank) officially opened its doors in May 1986. It was the first institution of its kind in the English-speaking Caribbean, offering clients a mix of trade financing, export financing and export credit insurance. In 20 years of existence, the EXIM Bank can be justifiably proud of its support to Jamaica's productive sector, which spans businesses involved in non-traditional export sectors, such as tourism, manufacturing, agro-processing ornamental fish farming, Information Communication and Technology, as well as, linkage companies for the export sector.

MAINTAINING RELEVANCE TO TARGET MARKET

Since inception, EXIM Bank's achievements and milestones can be attributed, largely to our willingness to respond and to maintain relevance in Jamaica's dynamic macroeconomic climate. When the liberalisation of the economy in the early 1990's eliminated the Bank's competitive advantage in supplying foreign exchange, we re-strategised and adjusted our focus. An early beneficiary of that refocus was the small business sector where it was recognised that in a free market environment properly supported small businesses can develop into large businesses with the attendant positive multiplier effect on the economy. Introduced originally in 1988 as a rehabilitation fund to assist small businesses to recover from the devastation of Hurricane Gilbert, the Small Business Facility grew during the mid '90s to become one of the main planks of our financing support as increased attention was directed to small entrepreneurs. As a result of our competitively priced interest rates, small business owners continue to find that EXIM Bank's financing is their best option for business development. Many of these small business loans are disbursed through Approved Financial Intermediaries (AFIs), and our relationships with these institutions have strengthened over the years, and enabled the Bank to reach a broader cross-section of businesses across the island due to the AFI's branch networks. I would like to acknowledge their contribution to our success and signal their continued importance in our future.

> We take extreme pride in the fact that EXIM Bank has managed to maintain profitability, consistently recording impressive levels… the management team has worked hard to build and motivate a cadre of professionals who understand the bank's founding tenets of accountability, integrity, fairness, transparency and overall good corporate governance.

Building strategic alliances with private sector representative groups such as the Jamaica Exporters' Association (JEA) and the Jamaica Manufacturers' Association (JMA) were other critical moves in reaching out to both small and medium sized (SME) exporters and manufacturers. One significant outcome was the launch of the JEA/JMA Ex-Bed Facility in 1999. Touted as one of the Bank's great successes, this fund has assisted numerous Jamaican companies by providing working capital facilities on an unsecured basis. Our driving policy has always been to place paramount importance on our customers' needs and work with clients to find creative solutions. In this regard, EXIM adopted the visionary approach of including linkage companies as eligible borrowers in the export sector, thereby recognising that without their input, the achievements of exporting companies would be diminished.

We are also proud that our partnership with the JMA resulted in our providing assistance to the printing and packaging sub-sector, thereby bringing this business capability back to Jamaica's shores. Similarly the Modernisation Fund for Exporters (MFE), designed exclusively for retooling and expansion, helped to bolster the defences of local companies as they faced the challenge of global competition. With the success of the MFE, a similar facility for the tourism sector was developed in collaboration with the Jamaica Hotel and Tourist Association. The end result has been a significant growth over time in the bank's intervention within the tourism sector. Assistance has also been provided to companies in various tourism sub-sectors such as attractions, transportation, and agro-business, as well as, mining and contractors with linkages to the bauxite sector.

We take extreme pride in the fact that EXIM Bank has managed to maintain profitability, consistently recording impressive levels. Over the past two years, our deliberate strategic initiative to re-invest in Jamaica's productive sector has yielded significant growth in the loan portfolio, with loan disbursements reaching the J$3.0 Billion dollar mark in 2006, and surpassing the J$4.5 Billion mark in 2007.

GEARING UP FOR THE FUTURE

Our clients, have expressed their deep appreciation and satisfaction in dealing with the credit team at EXIM Bank. It is clear that our talented and committed employees are at the heart of our success and remain the key to our future. The management team has worked hard to build and motivate a cadre of professionals who understand the bank's founding tenets of accountability, integrity, fairness, transparency and overall good corporate governance. We also wish to express our gratitude to our valued clients who are as committed and passionate about their endeavours as we are about assisting them.

Although commended by stakeholders for our excellent customer service and remarkable flexibility, EXIM Bank has not been resting on its laurels. In 2004 we launched a three-year corporate strategic plan. It was a comprehensive and ambitious task engaging every staff member in our drive to maintain a viable and sustainable organisation. Some notable achievements arising from the implementation of this plan are the streamlining of our business processes which, among other things, resulted in a significant reduction in our processing time increased use of technology to further improve efficiencies for information sharing and the establishment of a marketing unit.

The Bank will continue monitoring trends in the marketplace as we plan to continue the introduction of innovative products and services to maintain relevance to our target market and better serve present and future clients. Some of the plans include continuing the gains in the use of Information Technology; promoting the re-tooling of Jamaican businesses; identifying and accessing lower cost sources of funds in US$ and J$ thereby allowing us to offer competitive interest rates and increase our risk tolerance, for emerging sectors which, while unproven at the present time, possess the potential to be industry leaders. Additionally, our new marketing unit has developed an aggressive plan to increase awareness of our services and products and also actively target business from new industry sectors.

With 20 years of successful operations behind us, we at the EXIM Bank can reflect upon the past with immense pride at a job well done and look toward the future with plans to continue setting goals which are not merely achieved but surpassed. We aim to become the financial institution of choice for Jamaica's small and medium sized businesses seeking support. We remain dedicated to our mission and committed to our goals of being responsive and agile, always introducing innovative financial solutions, for our borrowers as well as our insurance policy holders. As we reflect on our past successes and prepare for future challenges, we pay tribute to the contribution of present and past directors, members of senior management and staff who laid the foundation on which we continue to build.

Dr The Hon Owen Jefferson OJ, CD
Chairman

REPORT FROM THE MANAGING DIRECTOR

The 2006-2007 financial year marks twenty (20) years of solid achievements for the National Export-Import Bank of Jamaica Limited (EXIM Bank). An outgrowth of the Jamaica Export Credit Insurance Corporation Limited (JECIC), the Bank's mandate embodies the development and expansion of the country's external trade with particular emphasis on the non-traditional export sectors. In recognising the challenges posed to the productive sectors through globalisation, liberalisation, and the national economic environment over the years, the Bank has expanded its support role by offering diverse and innovative short and medium term loan programmes to the productive sectors under favourable terms and conditions.

Mrs Pamella McLean, CD
Managing Director

The 2006-2007 financial year marks twenty (20) years of solid achievements for the National Export-Import Bank of Jamaica Limited (EXIM Bank). An outgrowth of the Jamaica Export Credit Insurance Corporation Limited (JECIC), the Bank's mandate embodies the development and expansion of the country's external trade with particular emphasis on the non-traditional export sectors. In recognizing the challenges posed to the productive sectors through globalisation, liberalisation, and the national economic environment over the years, the Bank has expanded its support role by offering diverse and innovative short and medium term loan programmes to the productive sectors under favourable terms and conditions. These financing facilities were established with the primary objective of rehabilitating, modernising and upgrading key sectors of the Jamaican economy identified in the National Industrial Policy as growth areas to compete effectively not only regionally but also internationally.

The EXIM Bank which falls within the ambit of the Public Sector, is mandated to facilitate and support the growth process as the country strives to create a stimulating environment in order to boost productive activity. In this regard the Bank has continued to develop meaningful loan programmes whilst continuing to foster and maintain strong partnerships and alliances with its Approved Financial Intermediaries, various private sector interest groups as well as other stakeholders with the objective of expanding the country's productive base. Simultaneously, the Bank aims to meet one of its key strategic initiatives of loan portfolio growth.

FINANCIAL PERFORMANCE

It is therefore with a sense of pride and accomplishment that in its twentieth year of operations, the Bank reports stellar performance having achieved unprecedented loan portfolio growth of 50% in 2006-2007. For the first time in its twenty year history, a loan utilisation level of $4.5 billion was achieved. This exceeded the budgeted figure of $3.9 billion by 16.4% and the prior year's loan utilisation of $3.0 billion by 50%. Exceptional performance in the foreign currency loan portfolio contributed significantly to loan portfolio growth as the Bank's foreign currency lines of credit were substantially utilised to facilitate the importation of cement in response to local market demand which was heightened because of the fall-out in local market supplies. A comparison of the performance in the foreign currency loan portfolio vis à vis 2005-2006 showed that 2006-2007 disbursement levels doubled that achieved in the previous year. With respect to the local currency portfolio, an increase of 17.4% over the previous year's performance was achieved.

Revenues of $368.5 million, an increase of 20% over the prior year, are attributable primarily to core business and reflected returns from the significant loan portfolio growth, as loan interest income represented 78.5% of total revenue, reflecting the Bank's commitment to its core business of expanding its financial support to the non-traditional productive sectors. Although the Bank maintained its unblemished record of profitable operations reporting profit after tax of $38.8 million, it was nevertheless a significant reduction on the profit level of $89.4 million reported in 2005-2006. The reduced profit level was due largely to overall increases in administrative expenses, mainly to accommodate increases in salaries and other benefits arising from a unionised wage claim retroactive to April 2006.

STRATEGIC INITIATIVES AND SUCCESSES

The year in review also marked the successful completion of the Bank's initial three year Strategic Plan 2004-2007 which was the main driver of change within the organisation. Several of the strategic initiatives identified were implemented and some targets achieved and surpassed. This has resulted in improved service delivery, increased business activity, and revenue growth. The significant achievements worthy of highlighting are:

- Growth in the Bank's loan portfolio.
- Effective streamlining of our business processes.
- Optimising the use of technology.
- Formulation of a Business Continuity Plan.
- Provision of excellent customer service and responsiveness.
- Establishment of a Marketing and Research Unit to enhance the Bank's visibility and grow strong brand equity.
- Maintenance of a viable and sustainable organisation.

Growth areas such as tourism, mining and quarrying, information communication technology, agro processing and linkage companies to the tourism and bauxite sectors, were the focus of the Bank's continued financial assistance this year, with special attention given to financing small and medium sized enterprises to encourage and expand entrepreneurship.

The streamlining of the Bank's business processes resulted in the enhancement of many of its operational procedures. The Bank's computer systems have been fully upgraded to improve the levels of efficiency for service delivery to both internal and external customers. As one of the initiatives to manage 'time to recovery' resulting from localised business disruption, the Bank has developed a comprehensive business continuity plan which is to be fully implemented in the upcoming financial year 2007-2008. With the establishment of a Marketing and Research Unit, the Bank proposes to reposition itself in the marketplace, increase its visibility and the awareness of its product offerings to target markets and grow strong brand equity. Focus on human resource development continues to be of paramount importance with policies and systems formulated to significantly enhance performance across the Bank and provide the requisite performance incentives.

Ever mindful of its core objective "to enable the Bank to build its capacity as a viable and sustainable entity providing financial support mechanisms for Jamaica's export productive sector", the Bank continued to explore avenues for new sources of funding to increase its pool of funds available for lending and at competitive rates of interest. The Bank was successful in obtaining a commitment for J$100 million in funds through the National Insurance Fund and is far advanced in negotiations with the Petrocaribe Development Fund to obtain adequate levels of financing to support funding activities to the productive sector in keeping with its 2010 vision. A further allocation of US$2.0 million under the joint EXIM Bank/JEA/GOJ Export Growth Initiative loan programme was obtained after the initial allocation of US$3.0 million was fully utilised. Additionally, the Bank has received an indicative term sheet from the Caribbean Development Bank

(CDB) in response to a request for a medium term loan of US$20 million. Other sources have been identified and will be assessed for feasibility for access in the 2007-2008 financial year.

In delivering its services, the Bank continued to place emphasis on adherence to guidelines stipulated by the National Environment and Planning Agency (NEPA) for the organisation as well as for its borrowers. In-house training seminars have been held to stimulate awareness with emphasis on the importance of environmental planning and compliance for a sustainable economy.

For the first time in its twenty year history, a loan utilisation level of $4.5 billion was achieved. This exceeded the budgeted figure of $3.9 billion by 16.4% and the prior year's loan utilisation of $3.0 billion by 50%. Exceptional performance in the foreign currency loan portfolio contributed significantly to loan portfolio growth as the Bank's foreign currency lines of credit were substantially utilised to facilitate the importation of cement in response to local market demand which was heightened because of the fall-out in local market supplies.

The foregoing achievements occurred in a relatively stable macroeconomic environment which reflected significant foreign direct investment in tourism. The economy registered a single digit rate of inflation of 5.8%, the lowest attained in 30 years, positive Gross Domestic Product growth of approximately 3% and relative currency stability. Interest rates continued their downward trend and the country's Net International Reserves rose to US$2.3 billion.

Although not a regulated entity, the Bank opted for voluntary compliance to the Bank of Jamaica's Guidance Notes on anti-money laundering and anti-terrorist financing and has implemented policies and procedures to prevent these occurrences. The policies and procedures ensure that the Bank takes active and effective steps to detect and prevent money laundering in the effort to ensure that our loan facilities are not used by persons and corporate entities to launder illicit funds or to finance terrorist activities.

EXPORT CREDIT INSURANCE

Utilising its liaison at international workshops with other members of the International Union of Credit and Investment Insurers (The Berne Union), EXIM Bank has recognised that more and more credit agencies are tailoring products to meet the new demands of the exporter/policy holder. To complement its Export Credit Insurance product, the Bank intends to introduce Domestic Credit Insurance to satisfy the twin objectives of offering coverage on local receivables for the benefit of local suppliers of goods and services to the local market while at the same time providing policy holders with access to a special short term bridge financing working capital facility, based on the strength of the insurance policy.

STRATEGIC DIRECTION – VISION 2010

The Bank's 2007-2010 Strategic Plan called Vision 2010 and developed by the Bank's management and staff, will guide the organisation towards the completion of the first decade of the 21st Century. Focus will be placed on engaging new industry sub-sectors such as the creative industries and health tourism, and expanding financial support to small and medium sized enterprises (SME's). In this regard, the Bank will be upgrading its research capabilities so as to build its knowledge capacities and be better informed about the nuances of these emerging sectors. As the country's premier trade financing institution, the Bank will be emphasizing growth in its short term loan programmes and will continue to focus on the needs of its growing customer base by seeking to secure low cost funding which will redound not only to the benefit of its clients, but ultimately to the country as a whole.

OUR THANKS

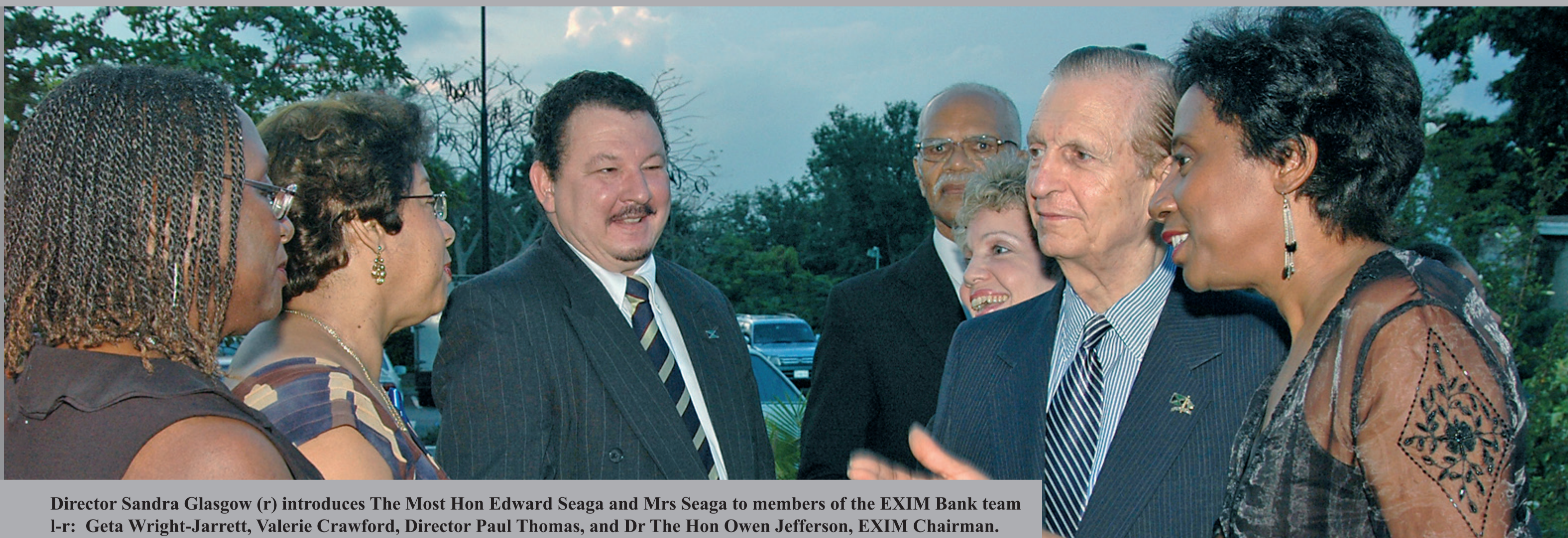
EXIM Bank's successes over the past twenty years are due in no small measure to our stakeholders: our shareholder, the Government of Jamaica, for a strong vote of confidence; our Board of Directors for your unwavering commitment and guidance; our valued customers for your loyalty and confidence in the EXIM Bank's ability to provide excellent service and competitive financing and in ranking us Number 1 in our timely and flexible approach to your loan applications; our professional, dedicated members of staff who continue to display commitment and support in ensuring the continued viability of the Bank.

The EXIM Bank looks to the future with confidence in its capacity to maintain its strong tradition of excellent service and financial support to the productive sectors of the Jamaican economy.

Pamella McLean, CD
Managing Director

20TH ANNIVERSARY

GALA EVENT & AWARDS CEREMONY

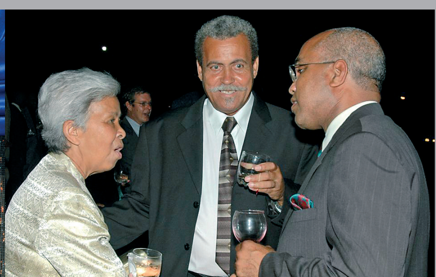


Director Sandra Glasgow (r) introduces The Most Hon Edward Seaga and Mrs Seaga to members of the EXIM Bank team l-r: Geta Wright-Jarrett, Valerie Crawford, Director Paul Thomas, and Dr The Hon Owen Jefferson, EXIM Chairman.

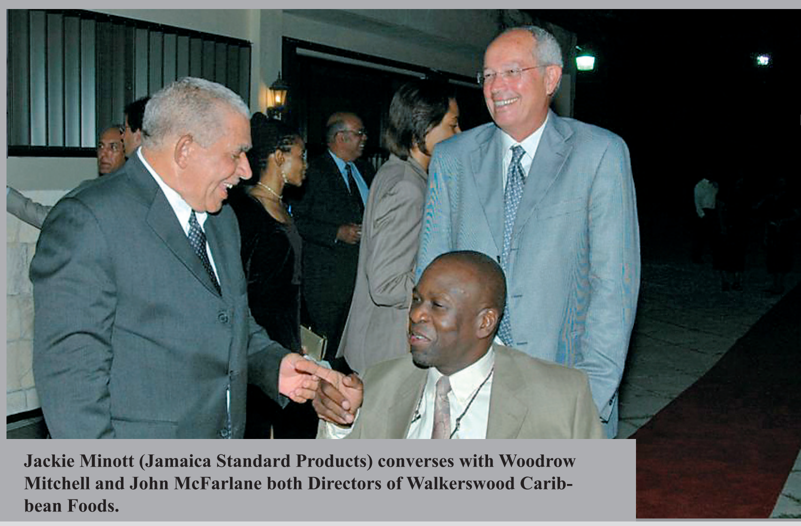
Dr The Hon Owen Jefferson, EXIM Chairman with Minister of Finance, Dr. The Hon Omar Davies

Guests enjoying cocktail hour.

Aswad Morgan, Group Marketing Manager, Morgans Group, accepts the company's award from Pamella McLean.



Director Beverly Lopez greets Michael Verley, BNS Manager. Trevor Bernard, Director of Southern Fruits & Food Processors looks on.



Jackie Minott (Jamaica Standard Products) converses with Woodrow Mitchell and John McFarlane both Directors of Walkerswood Caribbean Foods.

Client Awardees • Walkerswood Caribbean Foods Limited • Wisynco Group Limited • Grace Foods International Limited • Lascelles, deMercado & Co. Limited • Jamaica Broilers Group Limited • Jamaica Standard Products Company Limited • Walkerswood Caribbean Foods Limited • Morgans Group of Companies • Quality Dealers Limited • Heffes Sales Company Limited • P.A. Benjamin Manufacturing Co. Ltd. • Sun Island Jamaica Limited • Jamaica Ginger Export Co. Limited • Shaw's Quarries • Gray's Pepper Products Limited • J. & E. Industries Limited

CELEBRATIONS

GALA EVENT & AWARDS CEREMONY

Hugh Small and Mrs Seaga listen keenly to The Most Hon Edward Seaga.

Pamella McLean, Dr The Hon Omar Davies and Her Excellency Gisela Garcia Rivera, the Cuban Ambassador visit a client display.

Yvonne Lewars (DBJ) accepts the award for the Development Bank of Jamaica from Director Paul Thomas

l-r: Ian Parsard (Jamaica Broilers Group), Peter Moses (Citibank) and Andrew Mahfood (Wisynco Group)

Bernadette Barrow (NCB) receives the award for National Commercial Bank from Dr Jefferson, EXIM Chairman.

LIVE RADIO BROADCAST

Audrey Morris, Chief Officer, responds to the show's host Mr Ronnie Thwaites.

THANKSGIVING SERVICE

Pamella McLean greets Noel Bennett, former Managing Director for the EXIM Bank and Mrs Bennett.

AFI Awardees • The Bank of Nova Scotia Jamaica Ltd • Capital & Credit Merchant Bank Ltd • Citibank NA • Dehring Bunting & Golding Ltd • Development Bank of Jamaica Ltd • First Global Bank Ltd • FirstCaribbean International Bank (Ja) Ltd • Jamaica Money Market Brokers Ltd • JN Fund Managers Ltd • MF&G Trust & Finance Ltd • National Commercial Bank Ltd • National Investment Bank of Jamaica Ltd • Pan Caribbean Merchant Bank Ltd • RBTT Bank Jamaica Ltd • UGI Finance & Investments Ltd

REVIEW OF OPERATIONS

During the review period the EXIM Bank achieved the special milestone of twenty years of unstinting financial support to the productive sectors of the Jamaican economy. The Bank is pleased to report yet another year of profitable operations and the attainment of record levels of loan utilisation. Disbursements of $4.5 billion, an all-time high, surpassed the previous year's results by approximately 50%. The financial year 2006-2007, marked the final year of the Bank's 3 Year Strategic Plan 2004-2007 to which much of its achievements are attributed, based on its strong focus on loan portfolio growth and improved customer service delivery.

FINANCIAL RESULTS

For the financial year ended 31 March 2007, the EXIM Bank achieved good results reflected in increased revenue and a profitable outcome. These results were largely driven by the strong demand for foreign currency loans used mainly for the purchase of cement from overseas to ease the shortage on the local market. Loans disbursed under the various foreign currency facilities totaled US$30.8 million which surpassed budgeted allocations by approximately US$12.0 million, or 63.6%. Loans disbursed under the Bank's local currency portfolio also performed creditably due mainly to increased usage under the Pre- and Post-Shipment facilities. At year-end 31 March 2007, total local currency loans amounted to $2.43 billion, reflecting an increase of 17.4% over the figure reported for the corresponding period last year when loans of $2.1 billion were recorded.

TOTAL REVENUE

The improved utilisation achieved during the year resulted in an overall increase of 20.0% in revenue to a level of $368.5 million from the $307.0 million recorded in 2005-2006. The main contributor to the revenue growth was loan income which increased by $117.8 million, or 68.6%. This resulted from the Bank's venture into new areas to support entrepreneurship and emerging sectors.

NET INTEREST INCOME

Net Interest Income totaled $207.6 million, reflecting an increase of $37.2 million or 21.8% over the figure of $170.4 million reported for the previous year. This was due primarily to the 68.6% increase in interest income from loans.

OTHER INCOME

During the review period revenue generated from other income declined by 64.1% to $23.6 million from $65.8 million in 2005-2006. This situation was due largely to a reduction in foreign exchange gains and dividends yield from shares held in Banco Latinoamericano de Exportaciones, S.A. (BLADEX).

NON-INTEREST EXPENSES

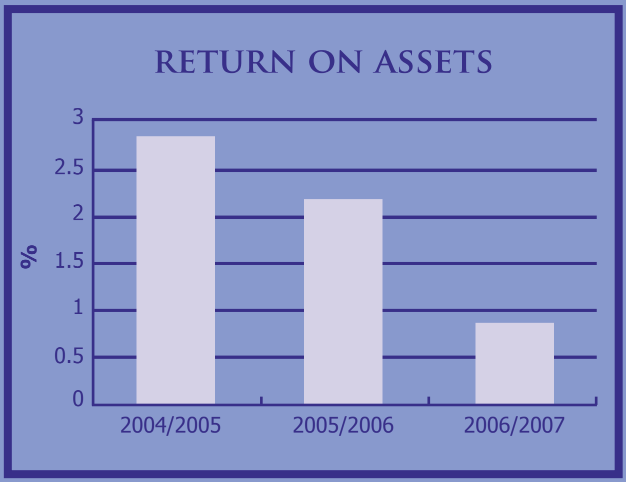
Non-interest expenses for 2006-2007 were reported at $180.4 million, reflecting a significant increase of 69.8%

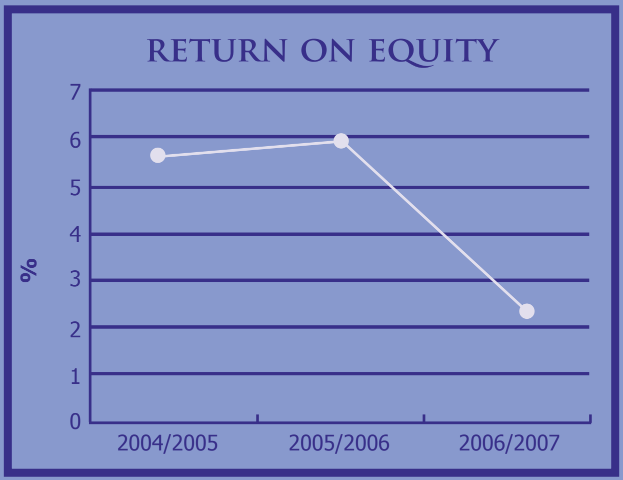
over the 2005-2006 figure of $106.5 million. Salaries and employee benefits continued to be the main item in this category, accounting for $104.8 million, or 61.5% of non-interest expenses. This category also registered the largest increase year-over-year moving from $78.7 million in 2005 to $102.9 million in 2006, an increase of 24.3% and was in keeping with adjustments in salaries and benefits to all categories of staff arising from the new Wage Agreement signed by the Bank for contract period 2006 to 2008. Despite this, the Bank's Productivity Ratio, an index of its cost efficiencies (measured by non-interest expense as a percentage of total revenue), was 48.9% against 34.7% reported the previous year and compares favourably with productivity ratios in the local banking community.

Profit after tax reported for the period was $38.8 million, which represented a reduction on the results of 2005-2006 when a profit of $89.4 million was recorded. This reduction was due to increased Administrative expenses of approximately 60%.

EARNING ASSETS

For the financial year ended 31 March 2007, the Bank's total assets were reported at $4.7 billion, which is an increase of 17.8% over the $3.9 billion recorded the previous year. This increase was due primarily to increased utilisation under the Bank's short term foreign currency loan facilities. Loan receivables increased by $436.6 million or 70.5% over the corresponding period last year moving from $619.4 million in 2005 to $1.1 billion, at year-end 2006-2007. The





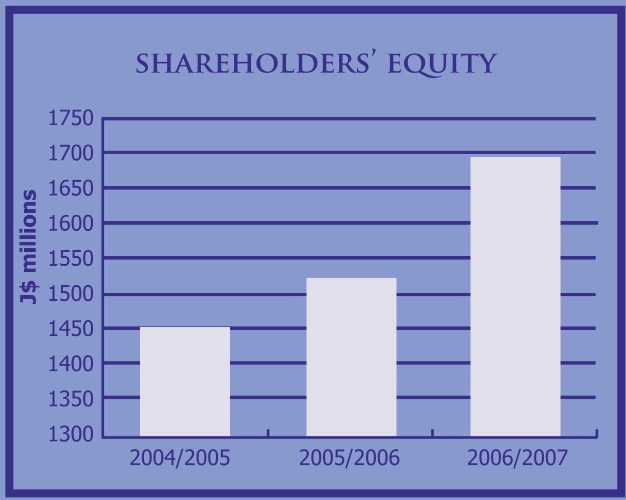
medium term portfolio continued to record increased results reflecting loans of $821.3 million at year-end 2006-2007, an increase of 26.6% over the figure of $648.5 million reported the previous year. Notable increases were also recorded in Notes Discounted and Customers' liabilities under Letters of Credit. Cash and short term deposits however declined by $175.0 million, moving down from $658.9 million in 2005-2006 to $505.6 million at year end 2006-2007, due to the deployment of funds to facilitate increased lending.

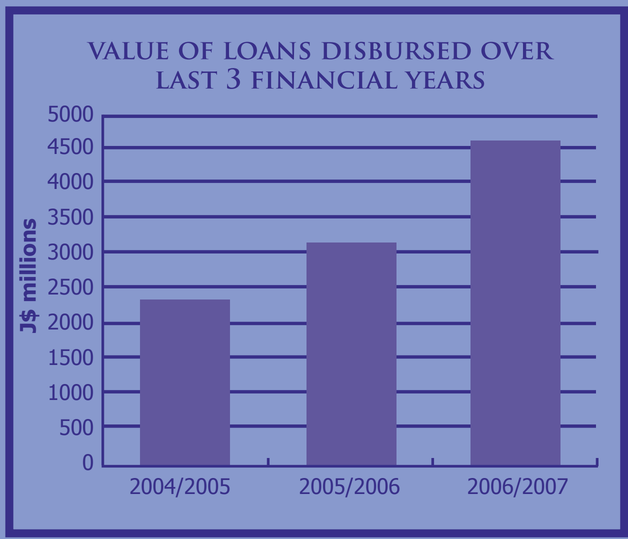
SHAREHOLDERS' EQUITY

At year-end 31 March 2007, Shareholder's Equity was reported at $1.7 billion reflecting a 13.3% increase over the previous year's position of $1.5 billion, consistent with the Bank's policy of profit retention. The growth is tangible evidence of the prudent management of the Bank's financial resources.

REVIEW OF LENDING OPERATIONS

During the 2006-2007 financial year, the Bank achieved the highest level of loan utilisation in its history, with total loans disbursed under its various local and foreign currency facilities totaling $4.5 billion, representing a significant increase over the $3.0 billion results achieved in the corresponding period last year. This performance was fuelled by strong demand for foreign currency loans, as loans disbursed under the Foreign Lines of Credit totaled US$30.8 million, approximately US$12.0 million above budget. On the local currency side, loans of just over $2.43 billion were disbursed through the various local currency facilities, reflecting an increase of 15.7% over the $2.1 billion recorded the previous year. The pre- and post-shipment facilities continue





The improved utilisation achieved during the year resulted in an overall increase of 20.0% in revenue to a level of $368.5 million from the $307.0 million recorded in 2005-2006. The main contributor to the revenue growth was loan income which increased by $117.8 million, or 68.6%. This resulted from the Bank's venture into new areas to support entrepreneurship and emerging sectors.

to be the largest contributor to this category accounting for approximately $1.9 billion of this amount or 78.2% of the total local currency disbursements.

Other local currency facilities offered by the Bank include the JEA/JMA/Ex-Bed facilities which provide funding to small and medium sized companies engaged in productive endeavours. The facilities, which are available on an unsecured basis, continue to provide working capital support to companies which would otherwise experience difficulty in securing loans from the commercial banking sector. Loans disbursed under this facility during the review period amounted to $17.9 million, reflecting a marginal increase over the 2005-2006 results when disbursements of $17.3 million were achieved.

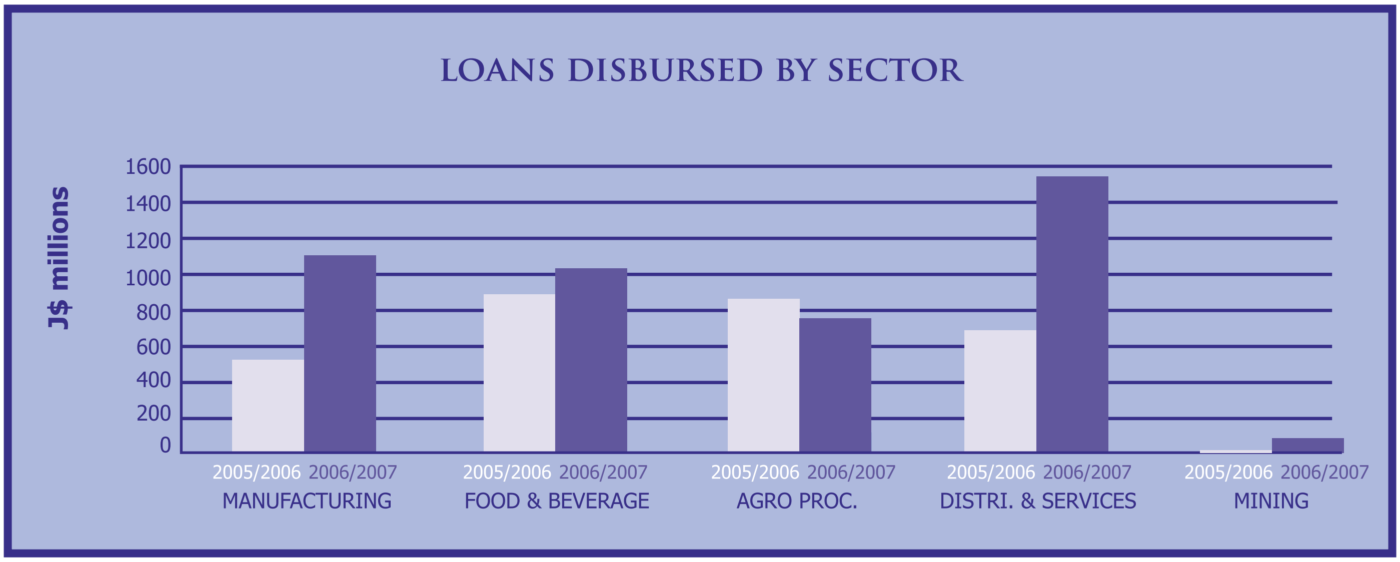
The Bank continued to register strong growth in its medium term loan portfolio viz, the Modernisation Fund for Exporters' programme, which provides financing for the acquisition of capital equipment for the upgrading and retooling of factories and the Small Business Facility which provides loans to small and medium sized businesses for working capital purposes. Utilisation achieved under these two facilities for 2006-2007 is reported at $373.5 million against the $287.7 million reported for the previous year. The Bank continues to receive positive feedback from its customers about the impact which its medium term facilities have had on the efficiency of their operations, thereby enhancing their ability to compete effectively in regional and international markets.

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 Export Credit Insurance scheme, to obtain short term working capital loans. These loans are available for up to 80% of the invoice value for goods shipped to approved buyers. Loans disbursed under this facility during the review period totaled $41.1 million, reflecting a decline of 24.6% against the $54.5 million reported for 2005-2006. Several policyholders have benefitted from this loan programme and the Bank continues to encourage exporters to become policyholders so that they can benefit from both the insurance coverage available under the policy as well as financing with the Insurance Policy being used as security.

The Bank remains generally encouraged by the growth being experienced in its overall lending portfolio. Notwithstanding this overall good performance, the Bank continues to be challenged and disappointed with the performance up to now of both the Ornamental Fish Farming and ICT loan programmes. The performance of these loan schemes has not met with the degree of success envisaged. In the case of the Ornamental fish farming sector, operations have been prone to the vagaries of the weather coupled with weak marketing opportunities. The Bank however remains confident that the sector can be resuscitated and efforts are continuing through collaboration with various sectoral interest groups to assist the farmers and the sector. With respect to the Information Communications Technology facility, the Bank continues to work closely with the various stakeholders in the industry to promote increased utilisation of the facility.

CUBAN LINE OF CREDIT

In 1997, the Bank signed its first loan agreement with the Banco Nacional de Cuba for the provision of a Buyer Credit Facility to finance the export of Jamaican manufactured goods to Cuba. This facility, the first of its kind in the English-speaking Caribbean, has now gathered momentum, albeit after a slow start in the early years, and has shown an encouraging level of utilisation during the year under review. For the 2006-2007 financial year, loans disbursed under this facility are reported at US$3.75 million, which while below the prior year's out turn of US$4.25 million, nevertheless reflects the results of sustained efforts aimed at expanding utilisation of this facility.



EXPORT CREDIT INSURANCE

The EXIM Bank aided by the prior experience of its predecessor organisation, the Jamaica Export Credit Insurance Corporation Limited (J.E.C.I.C), has been providing Export Credit Insurance services to the Jamaican exporting sector for almost 40 years gaining valuable experience and expert knowledge in this highly specialised field. In addition, its long-standing association with the BERNE Union, an international organisation of Export Credit Agencies, the Bank has access to a wealth of information which it has leveraged to the benefit of its policyholders over the years. Export Credit Insurance protects exporters against losses associated with certain commercial and political risks, largely unforeseen. The policy also serves as both a marketing and financing tool as it allows exporters to offer very competitive credit terms to both existing and prospective overseas buyers, and allows for the expansion of export trade into new markets with the assurance that in cases of non payment, the foreign receivables are protected by export credit insurance.

The policy covers 85% (commercial risk) and 90% (political risk) of the loss amount with the exporters assuming the remaining 15% and 10% respectively.

To augment the Export Credit portfolio the Bank has been examining the feasibility of introducing Domestic Credit Insurance as an additional benefit to its policyholders. It is proposed that this new product will initially target businesses linked to the Tourism industry but will be broadened eventually to include other areas of the productive sectors of the economy.

REINSURANCE QUOTA SHARE TREATY

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

HUMAN RESOURCE DEVELOPMENT

Undoubtedly the Bank has achieved tremendous success in its aim to not only grow the operational side of the business but also to provide an effective human resource development environment for its staff. Conscious efforts were made to create a more focused and structured performance culture within the organisation, with an emphasis on training and development. To this end, just over 82% of the staff was exposed to various training courses at an average of seven hours of training per individual.

Complementary to this enhancement of the competencies and skills of our staff through training was the continuing pursuit of initiatives to build staff commitment, motivation and morale. Staff members also continued to invest in their own self-development on their own initiatives.

The Bank continued to register strong growth in its medium term loan portfolio viz, the Modernisation Fund for Exporters' programme, which provides financing for the acquisition of capital equipment for the upgrading and retooling of factories and the Small Business Facility which provides loans to small and medium sized businesses for working capital purposes. Utilisation achieved under these two facilities for 2006-2007 is reported at $373.5 million against the $287.7 million reported for the previous year.

SOCIAL OUTREACH PROGRAMME

Several charities and other worthy causes in the wider society continued to benefit from the combined contributions of the staff and the Bank. As in the past, the major beneficiaries of the Social Outreach Programmes were children.

CORPORATE CITIZENSHIP

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

Board of Directors

SEATED (FROM LEFT TO RIGHT)

Dr The Hon Owen Jefferson, OJ, CD
Chairman

Mrs Sandra Glasgow

Mrs Pamella McLean, CD
Managing Director

Mr Paul Thomas, CD
Deputy Chairman

The Hon Beverley Lopez, OJ, CD

STANDING (FROM LEFT TO RIGHT)

Mrs Maisie O'Reggio-Alexander, CD

Mr Donovan Stanberry
(Appointed October 3, 2006)

Miss Nicole Allen

Mr Winston Carr, CD

Miss Carina Cockburn

Mr Devon Rowe

NOT PICTURED

Dr Richard Harrison
(Retired October 3, 2006)

CORPORATE GOVERNANCE

The Bank's Board of Directors has overall responsibility for and is accountable to its Shareholders in ensuring compliance with the highest standards of Corporate Governance.

The Board considers issues of strategic direction through the establishment of specific objectives and key policies. In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines, all of which the Bank considers to be indispensable elements of good Corporate Governance, whilst retaining its ultimate responsibility, the Board delegates certain functions and responsibilities to a number of Standing Committees of its members.

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

CREDIT COMMITTEE

This is a seven (7) member committee.
The members are:

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

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

AUDIT COMMITTEE

This is a five (5) member committee.
The members are:

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

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

BUDGET COMMITTEE

This committee is comprised of five (5) members. The members are:

- Mr Paul Thomas, Chairman
- Mr Donovan Stanberry
- Mrs Beverley Lopez
- Mrs Pamella McLean
- Mr Devon Rowe

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

TRADE FINANCE AND PRODUCT DEVELOPMENT COMMITTEE

This committee comprises six (6) members namely:

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

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

INDUSTRIAL RELATIONS/HUMAN RESOURCE COMMITTEE

This committee comprises five (5) members.
The members are:

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

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

BOARD CORPORATE GOVERNANCE COMMITTEE

This committee comprises three (3) members.
The members are:

- Mrs Sandra Glasgow, Chairman
- Miss Carina Cockburn
- Mr Devon Rowe

Its mandate is to monitor the Bank's compliance with applicable laws and regulations and to ensure the Bank's adherence to good corporate governance.

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

SENIOR MANAGEMENT GROUP

Valerie Crawford
Trade Financing,
Risks Management and Marketing

In providing affordable financing solutions for Jamaica's Productive Sector, EXIM Bank goes the extra mile in supporting niche and emerging markets. Our focus is on national development, as evidenced in our competitive rates afforded the Productive Sector. Our clients are important to us and this is demonstrated through our flexible and caring approach.

Camille Reid-Burrell
Legal and Corporate Secretarial

EXIM Bank always strives to maintain an affordable pricing structure for its clients. Legal fees attributable to clients for the completion of security documentation are therefore kept at an absolute minimum. In-house counsel affords a faster processing time on documentation, which redounds to the benefit of our valued clients.

Dennis Cunningham
Human Resources & Administration

We see training and development as a life long learning opportunity, empowering staff at all levels with the appropriate skills with which to excel in their chosen career. We've had great success in maintaining harmonious industrial relations climate in the Bank.

Angela Pennant
Internal Audit

As an aspect of the review of our Internal Operations the Business Continuity Plan was developed to provide us with quick response and recovery in the event of a disaster or eventuality, which is confined to the EXIM Bank. Relevant training, systems and facilities have been duly considered and appropriately dealt with to minimise resulting down-time to our clientele.

Megan Deane
Deputy Managing Director

EXIM Bank's 2010 vision and strategic plan are complete and we are already underway in the implementation stage. I along with a strong team of dedicated and focused managers am here to ensure its success. Vision 2010 is augmented with a business continuity plan and a rigorous compliance support structure, which all together strongly position us for whatever the future brings.

Geta Wright-Jarrett
Finance & Information Systems

In an era when the presentation of accounting and financial information is ever changing due to the international reporting standards, IT must be at the core of our accounting system. IT is not only the catalyst that drives information flow through the Bank but also serves as a competitive advantage in the wider arena.

COMPENSATION
BOARD DIRECTORS & EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

Directors are paid a fee for attendance at each meeting in accordance with Government Regulations and for the year under consideration, compensation amounting to $818,625.00 was paid. This included fees paid to the Chairman.

EXECUTIVE MANAGEMENT

Salary Range of Executive Management	$1,737,409	-	$6,043,000 P.A.

Allowances of Executive Management

(i) Motor Vehicle

(a) Managing Director	Fully Maintained Company Car
(b) Deputy Managing Director and Managers	$ 349,992 — $ 888,992.61 P.A. (Plus 45-68 litres of petrol per week for Managers)

(ii) Miscellaneous Allowances

Deputy Managing Director and Managers	$61,000 - $595,752.44

NOTES

1. Apart from the Managing Director and Deputy Managing Director for whom emoluments packages were approved in April 2006 by the Ministry of Finance & Planning, the salaries and most of the allowances for the Executive Management remain unchanged from the year before, as negotiations for increased salaries and benefits were not completed.

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

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

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

CORPORATE DATA

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Web: www.eximbankja.com

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Jamaica, West Indies

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

LEGAL COUNSEL
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10th Floor, The Towers
25 Dominica Drive
Kingston 5
Jamaica, West Indies

20TH ANNIVERSARY

Long Service Awards

10 YEARS

Gillian Amos
Paul Carroll
Rose Daay
David Green
Michelle Small
Jennifer Wright
Geta Wright-Jarrett
Debbie-ann Young

15 YEARS

Donovan Anglin
Megan Barrett
Arleen Ducasse
Junior Gordon
Melrose Mason
Hamlin Pagon
Jannette Spence
Debra Steele
Urcelia Thelmington
Karren Walker
Joseph Williams
Kathleen Williams
Karen Wilson

20 YEARS

Lorraine Fuller
Venitia Hawthorne
Charles Lewis
Fayval Mccallum
Colin Wilson
Shernett Manning
Audrey Morris
Angela Pennant
Sharon Powell
Vernon Rhoden
Gennora Salmon
Pauline Small
Avery Wilson
Donnalee Wright

Outstanding Service Awards

Dr The Hon. Owen Jefferson, OJ, CD
Paul Thomas, CD
Winston Carr, CD
Maisie O'Reggio-Alexander, CD
The Hon Beverly Lopez, OJ, CD
Pamella McLean, CD

OUR PEOPLE

In the fast changing world of finance, how do you remain relevant? The answer is to seize every opportunity to serve customers. With that in mind, our people are always evolving, incorporating new techniques and thinking into our operations. The important thing is for us to lead change, not chase it.

Charles Lewis
Chief Officer, Credit

Audrey Morris
Chief Officer, Operations

We pride ourselves on being professional and responsive, providing tailor-made solutions to our customers. We're flexible and encourage business development at all levels. Our cadre of experienced and qualified professionals bring the best in their line of business, offering advice, mentorship and guidance to assist our customers as they enhance the growth prospects of their businesses.

Shernett Manning
Senior Administrative Officer

Exporters, in particular those venturing into new markets, should not operate without the protection of Export Credit Insurance (ECI). Not only does ECI protect your receivables against non-payment by foreign buyers, the policy can also be used as collateral, enabling the exporter to access short-term working capital. Domestic Credit Insurance, a natural derivative of our ECI, is slated to come on-stream in the upcoming financial year.

Hamlin Pagon
Chief Officer, Information Systems

The value that IT brings to the organisation ranges from the capture of data through to the generation of management and financial reports that facilitate informed business analyses and forward planning. With the implementation of our new network, choices for communications have been significantly enhanced, and the staff has been quick to adapt and utilise the new options to enhance internal and external communications.

LORRAINE FULLER
CHEIF OFFICER, FINANCE

PAUL CARROLL
CHIEF OFFICER, ACCOUNTS

Competent asset and liability management have enabled us to satisfy both our internal and external customers. An important achievement for the last financial year is the efficient manner in which we managed investments and liquid resources. This has enabled us to effectively finance the Bank's loan portfolio, which surpassed budget by over J$500million.

ANN MARIE WALTER-ALLEN
CHIEF OFFICER, MARKETING

Awareness continues to build for the Bank's products and services, as well as our 12% J$ financing. The perception that the EXIM Bank provides financing only to direct exporters has changed – the word is out that whether you are a direct exporter or a linkage company within the export sector, the EXIM Bank should be at the top of your list of financing options.

BIG IDEAS.
SMART FINANCING

We know that great business ideas can be found just about anywhere and in our commitment to fuel meaningful macroeconomic success, EXIM Bank has developed a range of financing solutions that meet the needs of strategic growth sectors. For us, it's not just about interest rates and repayments schedules; we want to understand our clients' businesses from the ground up . That way, we'll help to build national success one enterprise at a time.

Kool Runnings Water Park

Modernisation Fund for Tourism Sector
Client since: May 2004

Why do the words Sweet Potato, Dasheen and Guava Jelly hold special meaning for EXIM Bank? These are three themed restaurants at the new Kool Runnings Water Park in Negril, partially financed by the Bank. Billed as the "Greatest Chill under the Sun", Kool Runnings Water Park features 10 water slides over five acres in one of Jamaica's most popular resort towns. Dr. Garfield Munroe, the attraction's Creative Director, says that since its soft launch in February 2007, the Park has been doing well. "Visitors are happy; it meets their expectations and provides good entertainment value." Of course, good entertainment invariably means good food and, thanks to EXIM Bank financing, guests may indulge at any of the three restaurants, as well as at the Blendz juice bar.

Of the decision to approve financing, Charles Lewis, Chief Credit Officer at EXIM Bank says, "We had a natural interest in this project as we strongly believe that Jamaica needs more attractions to diversify its tourism product."

When Dr. Munroe (who is also the Development Consultant for the project) and his team approached the EXIM Bank, they were armed with a comprehensive business plan and had already made significant headway with the water park project. EXIM considered the team's expertise during their assessment of the project and within four weeks of investigation and verification,

MAY 1986 — The Bank officially commenced operations as the first EXIM Bank in the English speaking Caribbean

1988 — Small Business Facility launched

1995 — Insurance Policy Discounting Facility launched disbursement was approved. The medium-term loan was granted under the Modernisation Fund Programme with a 12% interest rate.

EXIM's strategic focus on being a customer-centric organisation resulted in the timely release of funds. When the developers were faced with project delays, EXIM Bank put an accommodating hand forward, granting an extension to the moratorium period.

With a brand new attraction, happy guests and an affordable loan, Kool Runnings can be classified as a satisfied client. Of their dealings with the EXIM Bank, Garfield Munroe affirms, "We certainly had a smooth experience. They were responsive and came through within a short timeframe. They are better than big organisations. We really appreciated that."

Valley Fruit Company Ltd.

Export Growth Initiative Programme
Client since: December 2005

Ricky Wates, Managing Director of Valley Fruit Company, shares something in common with his financiers—he is willing to take risks.

Wates started growing papaya in 1990 and the produce was of such a high standard that it was easily marketed, quickly gaining entry to mainstream supermarkets in the U.K. such as Tesco's, Waitrose and Sainsburys. Today, the Valley Fruit Company is a 2,000 acre, fully mechanised operation producing over 600 tonnes of the Solo Sunrise variety of papaya, mostly destined for export markets in the U.S., Canada, U.K. and mainland Europe, including

1997 } $5Million Canadian line of credit facility to Cuba, through Banco Nacional de Cuba launched

1997 } Apparel Sector Financing Scheme launched

1998 } Modernisation Fund for Exporters (MFE) launched such far flung destinations as Russia. The company also supplies farm goods including sweet peppers and tomatoes for the local market and hot peppers for Walkerswood Limited, another EXIM Bank success story that has distinguished itself as an exporter of spices and condiments.

Valley Fruit Company is the largest agro-processing venture that EXIM Bank has financed to date, but according to credit analyst Allan Thomas it wasn't a hard sell. "Ricky Wates is energetic and passionate about his exports he has enthusiasm and confidence and is willing to swing for the fences."

In agriculture, losing everything can happen overnight. In 2004, faced with a trail of devastation due to Hurricane Ivan, Wates found himself in dire need of working capital to replant and rebuild his farm to achieve greater success. With prior experience dealing with EXIM Bank through the Jamaica Exporters' Association, he decided to approach EXIM Bank for a loan.

The Bank took note of Wates' entrepreneurial drive, solid business plan, creative marketing programme and farming infrastructure. After six weeks of investigation including credit checks, site visits, technical reports and market research, we

Valley Fruit Company is the largest agro-processing venture that EXIM Bank has financed to date, but according to credit analyst Allan Thomas it wasn't a hard sell. "Ricky Wates is energetic and passionate about his exports he has enthusiasm and confidence and is willing to swing for the fences."

bought into his vision and provided financial assistance under the Export Growth Initiative Programme. Wates was offered a 5% interest rate, U.S. dollar denominated loan with a four-year repayment schedule.

A small setback caused by disease and soil challenges forced Wates to request additional time before commencing repayment and EXIM was quite willing to grant an extension of the moratorium period.

Ricky Wates praises the speed and responsiveness of the EXIM Bank. "Generally, it's a fantastic place to deal with. I found that they are proactive and open-minded for a bank. Agriculture is risky but they are prepared to lend on past experience and a solid business plan. EXIM is the one willing to take risks."

That's the kind of feedback that Charles Lewis, Chief Credit Officer, likes to hear as EXIM's stated objectives include growing and maintaining customer loyalty, providing excellent customer service, responsiveness and flexibility as well as providing innovative products and services.

"We support emerging sectors and will venture into areas to expand entrepreneurship. We want our clients to feel that EXIM cares," he says.

Coral Cuisine Limited

Small Business Facility
Client since: February 2007

Coral Cuisine's ready-to-eat jerked smoked fish fillets have been heaped with praise for flavour and novelty and so it's not surprising that the product is a hit with chefs in many of Jamaica's premiere hotels. In truth, the big challenge for the company was not wooing customers, but finding a financier that would make the product a reality.

From as early as 1981, when she learnt of smoked carp, Opal Slater started

1999 } JEA/JMA Ex-Bed Facility launched. This loan scheme was funded by the EXIM Bank to assist small and medium sized exporters & manufacturers to finance working capital requirements.

1999 } Total Revenue surpassed the J$300M mark

2000 } Launch of programme of financial assistance to the Printing & Packaging Sub-Sector, working in conjunction with the JMA thinking of formulating her own product, but it was not until 18 years later that Slater contacted the Scientific Research Council (SRC) where she brokered a deal to conceptualise the product which the SRC would deliver on a batch-by-batch basis.

With growing sales, Slater wanted to invest in her own factory and she dutifully filed loan applications at every bank and financial institution that she could think of, with no result. "I endured misplaced files, lost documents, lengthy waits and numerous rejections," laughs Slater.

EXIM recognises that this kind of challenge faces most small business operators, which is why the Small Business Facility is accessed by more than 40% of our client base. "Many small business owners lack experience and the ability to access financing so they rely on EXIM Bank," says Charles Lewis. He adds, "We are willing to support non-traditional and emerging sectors.

Slater found her way to EXIM Bank through the head of SRC, Dr. Audia Barnett, who felt that the institution's flexibility and commitment was a good match for Slater's business idea. EXIM works closely with all of the public sector facilitatory agencies including the SRC. "We partner with the SRC to help purchasers of formulas to establish their own business" asserts Lewis.

Audrey Morris was the first member of the credit team who met with Opal Slater. "She is a wonderful woman," says Slater. "In fact they were all wonderful including Pamella McLean and Tara Whyte. What I appreciated most is that they listened and they tried to not only represent the Bank to me but they also represented me to the Bank. That was very important because of my special needs."

Coral Cuisine was granted a loan at 12% with a four-year repayment schedule. This will assist Slater in her bid to lease and refurbish factory space, acquire the necessary equipment to increase production and also implement the necessary groundwork to enter export markets.

The Bank's ability to meet the needs of the small enterprises has been boosted with its designation as a Participating Financial Intermediary (PFI) to administer the National Insurance Fund (NIF) Credit Facility, and small businesses like Coral Cuisine may access loans of up to J$5 million with interest rates not exceeding 10%.

2000} Factoring of Export Receivables introduced

2000} Co-Pack working capital facility for agro-processors launched

2001} Small Business Facility, interest rates reduced from 18% to 12%, bringing it inline with other local currency facilities offered by the bank.

S.N. Kraft Limited

JEA/Ex-Bed Facility
Client since: June 1990

S.N. Kraft Limited is a growing woodcraft manufacturing operation located in Banbury District, Linstead, St. Catherine. "It is doing tremendously well. The owners are committed and persevering," says Charles Lewis. He says he knew the company was set for success from his first visit years ago. "These people knew what they were doing." 'These people' are the husband and wife team of Norris and Sonia Henry along with their daughter Keri-Ann and son Norris Jnr. whose woodcraft items can be purchased in several islands throughout the Caribbean.

S.N. Kraft represents the kind of entrepreneurial success story that makes EXIM Bank sure that our mission to build viable sectors and boost employment is well worth it. Started 17 years ago, S.N. Kraft produces woodcraft souvenirs. The product portfolio features fine craftsmanship and creative, one-of-a-kind designs including wall clocks, refrigerator magnets, wall plaques, fruit baskets and key rings. The company focuses on manufacturing, leaving the distribution strategy to experts who have secured entry into noted craft outlets and airport stores. With special lines for each of its island markets, the company now exports to Antigua, Trinidad, St. Kitts and is set to expand into Barbados and the United States.

While Henry's family woodcraft business is performing well now, this did not happen overnight. Expanding the business required steady capital investment, and, according to Managing Director Norris Henry, the company's early interaction with EXIM Bank came through the Jamaica Exporters Association (JEA) when they accessed the JEA/Ex-Bed Facility, which provides financing at 12% interest to small and medium sized companies in the productive sector.

EXIM Bank's financing has served to help the company streamline its operations and become more efficient. "S.N. Kraft does a lot of graphics and the copies are placed on the wood itself. We used to outsource the copying to unreliable suppliers but with the EXIM facility we were able to purchase our own printing machines. It has made quite a difference in terms of our efficiency, quality and flexibility," explained Norris. The company even offers customised items for its diverse clientele, which includes schools, corporate entities and churches.

2001 } Ornamental Fish Farming Programme launched

2004 } MOU signed with the Technology Innovation Centre at the University of Technology and launched an ICT Loan Programme

2004 } Second $5 million Canadian Line of Credit facility to Cuba, through Banco Nacional de Cuba

EXIM's philosophy, which according to Charles Lewis, is to "lend to any viable project that can demonstrate its ability to service the loan and meet the bank's requirements" has certainly come to life in its association with S.N. Kraft Limited.

Coffee Industries Ltd.

Export Growth Initiative Programme

Client since: March 2006

EXIM Bank recognizes that surviving in a highly competitive coffee industry is not easy. One coffee producer which stands out however is Coffee Industries Limited, whose hard work and perseverance has yielded tremendous success on a global scale – having now successfully entered China.

It is a tale of resilience and vision that Patrick Sibblies, who is at the helm of Coffee Industries Limited, shares quietly as he is not a man for fanfare. With his wife Carol, he decided to enter the coffee business in the seventies when he became convinced that for Jamaica's economic survival, entrepreneurs would have to start focusing on value-added products that could earn more valuable foreign exchange. "We decided that we would roast and package coffee for the international market instead of selling green coffee beans. We wanted to help stop the dilution of Jamaican products, namely our famous Jamaican Blue Mountain Coffee." The focused entrepreneurs self-financed their venture and started with exporting Jamaica's flavourful roasted coffee beans to the United States.

Last year, this family-owned coffee roasting and milling business, experienced the biggest breakthrough of its 30 year history when it started distributing Blue Mountain Coffee through its own café in the lobby of the five-star Tong Mao Hotel in Pudong, Shanghai. There, coffee connoisseurs can purchase a wide array of products including 8oz and 16oz vacuum packed burlap sachets of medium roasted whole beans or ground coffee, and medium roasted ground coffee vacuum packed in easy open cans with convenient re-usable plastic lids. To date business has been brisk and an expansion programme has begun.

Citing a strong belief that the agro-processing sector represents an untapped resource deserving of greater priority as the reason for the Bank's involvement, Allan Thomas, EXIM credit analyst, was unrestrained in his pleasure at the success of Coffee Industries Limited. "When they approached us for a loan we certainly could not have passed up the chance to help in the

2005 } MFE for Tourism Sector launched

2005 } TechTraining Loan Programme launched

2006 } Total loans disbursements surpass the J$3 billion mark

development in an industry that is full of potential," says Thomas. "Within eight weeks, after a thorough assessment, the loan was approved and they started receiving funds."

Coffee Industries Limited accessed a loan under the Export Growth Initiative Loan Programme which is jointly executed by the EXIM Bank and the Jamaica Exporters' Association (JEA). The facility offers the very attractive interest rate of 5% which, according to Sibblies, was the deciding factor. "EXIM had the lowest available rate in the market. We saw it as the only route."

In addition to attractive loan terms Sibblies also affirms that they had a good experience with the Bank. "They believed in what we were doing and, once we met all the requirements they decided to assist us". The loan not only helped the company to take the leap into China last year but it also allowed them to expand their café, The Coffee Mill, at Sangster's International Airport in Montego Bay. Interestingly, The Coffee Mill reflects Sibblies' mission to play a role in Jamaica's development as each of the outlets features fine products from cottage industries and other noted Jamaican manufacturers.

In this mission, Sibblies and EXIM Bank are kindred spirits, something that the patriotic businessman observes, "They are innovative in terms of assisting and believing in Jamaica's development process."

2006 } Company wide Intranet installed

2006 } EXIM Banks celebrates 20th anniversary

2007 } Loan disbursements surpass J$4Billion mark

FINANCIAL STATEMENTS

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

June 25, 2007

INDEPENDENT AUDITORS' REPORT

KPMG

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of National Export-Import Bank of Jamaica Limited (the company), set out on pages 47 to 82, which comprise the balance sheet as at March 31, 2007, the statements of income, changes in equity and cash flows for the year then ended a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

REPORT ON THE FINANCIAL STATEMENTS, Cont'd

assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2007, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Additional Requirements of the Companies Act

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

KPMG

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

National Export-Import Bank of Jamaica Limited
Balance Sheet

March 31, 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Cash and cash equivalents	3	505,568	658,936
Accounts receivable	4	1,056,109	619,446
Income tax recoverable		47,336	36,103
Notes discounted	5	987,933	877,375
Medium-term receivables	6	821,302	648,484
Investments	7	581,777	504,917
Customers' liability under letters of credit		474,440	458,626
Long-term receivables	8	27,682	15,711
Pension asset	9(a)	172,621	151,893
Property, plant and equipment	10	14,023	9,933
		4,688,791	3,981,424
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable		139,999	68,804
Due to Bank of Jamaica – related party	11	80,824	103,904
Short-term loans and lines of credit	12	951,057	369,751
Deferred tax liability	13	39,299	45,170
Long-term liability	14	1,253,329	1,369,664
Letters of credit		474,440	458,626
Post-retirement benefit obligation	9(b)	46,327	35,971
		2,985,275	2,451,890
Insurance funds	15	11,136	10,017
Shareholders' equity			
Share capital	16(a)	257,738	257,738
Capital reserve	16(b)	336,138	203,884
Reserve fund	16(c)	133,535	129,655
Investment revaluation reserve		80,092	78,285
Revenue reserve		884,877	849,955
		1,692,380	1,519,517
		4,688,791	3,981,424

The financial statements, on pages 45 to 82, were approved by the Board of Directors June 25, 2007, and signed on its behalf by:

Director
O. Jefferson

Director
P. McLean

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

National Export-Import Bank of Jamaica Limited
Income Statement — Year ended March 31, 2007

	Notes	2007 $'000	2006 $'000
Interest income:			
Loans		289,362	171,588
Deposits		5,547	2,481
Government securities		50,018	67,140
		344,927	241,209
Interest expense:			
Loans		(87,687)	(45,181)
Lines of credit		(49,609)	(25,586)
		(137,296)	(70,767)
Net interest income		207,631	170,442
Other income:			
Dividend income		7,204	15,815
Service charges		386	522
Foreign exchange gains (net)		903	23,718
Premium income		2,883	2,927
Miscellaneous income		12,239	22,845
		23,615	65,827
Operating profit		231,246	236,269
Administration and other expenses:			
Administration expenses		(178,507)	(111,491)
Bad debts, less recoveries	19(c)	(1,944)	4,951
		(180,451)	(106,540)
Profit before taxation	17	50,795	129,729
Taxation	18	(11,993)	(40,354)
Net profit for the year		38,802	89,375

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

National Export-Import Bank of Jamaica Limited
Statement of Changes in Equity
Year ended March 31, 2007

	Share capital $'000 (note 16a)	Capital reserve $'000 (note 16b)	Reserve fund $'000 (note 16c)	Investment revaluation reserve $'000	Revenue reserve $'000	Total $'000
Balances at March 31, 2005	257,738	195,842	110,196	97,118	788,081	1,448,975
Decrease in fair value of investments	-	-	-	(18,833)	-	(18,833)*
Net profit for the year	-	-	-	-	89,375	89,375*
Transfer to reserve fund	-	-	19,459	-	(19,459)	-
Transfer to capital reserve	-	8,042	-	-	(8,042)	
Balances at March 31, 2006	257,738	203,884	129,655	78,285	849,955	1,519,517
Increase in fair value of investments	-	-	-	1,807	-	1,807*
Net profit for the year	-	-	-	-	38,802	38,802*
Transfer to reserve fund	-	-	3,880	-	(3,880)	-
Grant received	-	132,254	-	-		132,254
Balances at March 31, 2007	257,738	336,138	133,535	80,092	884,877	1,692,380

* Total gains recognised for the year amounted to $40,609,000 (2006: $70,542,000)
The accompanying notes form an integral part of the financial statements.

National Export-Import Bank of Jamaica Limited
Statement of Cash Flows — Year ended March 31, 2007

Cash flows from operating activities		
Net profit for the year	38,802	89,375
Adjustments to reconcile net loss for the year to net cash provided/(used) by operating activities:		
Interest income	(344,927)	(241,209)
Interest expense	137,296	70,767
Write-off of property, plant & equipment	-	(1,438)
Depreciation	4,067	2,919
Provision for doubtful debts	(9,105)	1,565
Increase in insurance fund	1,119	365
Gain on disposal of property, plant & equipment	(130)	(8,042)
Loss on disposal of investment	-	135
Pension asset	(20,728)	(41,731)
Post-retirement medical benefit obligation	10,356	7,888
Deferred tax	(5,871)	16,190
Tax provision	17,864	24,164
	(171,257)	(79,052)
Changes in operating assets and liabilities:		
Accounts receivable	(402,129)	(168,344)
Income tax recoverable	(17,248)	(18,057)
Accounts payable	73,641	45,306
Notes discounted	(110,558)	(170,472)
Medium term receivable	(172,818)	(293,175)
	(800,369)	(683,794)
Interest received	319,498	247,235
Interest paid	(139,742)	(73,311)
Taxation paid	(11,849)	(23,718)
Net cash used by operating activities	(632,462)	(533,588)
Cash flows from investing activities		
Investments (net)	(75,053)	(37,877)
Long-term receivables	(11,971)	(7,304)
Additions to property, plant & equipment	(8,197)	(4,709)
Proceeds from disposal of property, plant & equipment	170	64,224
Proceeds from disposal of investments	-	5,591
Net cash (used)/provided by investing activities	(95,051)	19,925
Cash flows from financing activities		
Due to Bank of Jamaica	(23,080)	(21,043)
Short-term loans and lines of credit	581,306	128,385
Capital grant	132,254	-
Loan repayment	(116,335)	627,922
Net cash provided by financing activities	574,145	735,264
Net (decrease)/increase in cash and cash equivalent at beginning of the year	(153,368)	221,601
Cash and cash equivalents at beginning of the year	658,936	437,335
Cash and cash equivalents at end of the year	505,568	658,936

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

1. <u>The company</u>

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

The company is engaged in activities which are aimed, in general, at the development of the productive sector. Specifically, its activities are geared primarily towards the development of the export sector, but it also assists other productive enterprises in the area of import substitution.

The facilities offered include:

(a) Export Credit Insurance,

(b) Lines of Credit,

(c) Pre and Post-shipment Financing.

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

At the end of the year, the company had in its employment 61 (2006: 54) persons.

2. <u>Basis of preparation, statement of compliance and significant accounting policies</u>

(a) Basis of preparation and statement of compliance:

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

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

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

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

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

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

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

(i) Allowance for losses:

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

(ii) Fair value of financial instruments:

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

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

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

(b) Property, plant and equipment:

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

(c) Depreciation:

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

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

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

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

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

(d) Investments:

(i) Classification and recognition of investments:

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

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

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

(ii) Measurement:

Investments are measured initially at cost, including transaction costs.

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

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

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

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

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

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

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

(d) Investments (cont'd):

(ii) Measurement (cont'd):

[iii] Securities purchased under resale agreements:

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

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

[iv] Equity investments:

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

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

(iii) Fair value measurement principles:

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

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

(e) Accounts payable:

Accounts payable is stated at amortised cost.

(f) Provision:

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

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

(g) Cash and cash equivalents:

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

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

(h) Accounts and other receivables:

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

(i) Foreign currencies:

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

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

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

(j) Taxation:

(i) Income tax:

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

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

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

(j) Taxation (cont'd):

(ii) Deferred taxation:

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

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

(k) Employee benefits:

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

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

(i) Defined benefit plan:

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

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

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

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

(k) Employee benefits (cont'd):

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

Otherwise, the actuarial gain or loss is not recognised.

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

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

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

(l) Allowance for loan losses:

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

(m) Impairment:

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

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

(i) Calculation of recoverable amount:

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

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

(m) Impairment (cont'd):

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

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

(ii) Reversals of impairment:

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

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

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

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

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

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

(o) Unexpired risks:

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

(p) Interest:

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

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

(p) Interest (cont'd):

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

(q) New standards and interpretations not yet adopted:

The following new standards, amendments to standards and interpretations become effective for financial years beginning after March 31, 2007, and have therefore not been applied in preparing these financial statements:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the company's 2008 financial statements, is expected to require additional disclosure in respect of the company's financial statements.

- *IFRS 8 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IFRIC 8 Scope of IFRS 2 Shared-based Payments* addresses the accounting for share based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the company's 2008 financial statements, is not expected to have any impact on the financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is not considered relevant to the company and is not expected to have any impact on the financial statements.

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

(q) New standards and interpretations not yet adopted (cont'd):

- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation, is not considered relevant to the company and is not expected to have any impact on the financial statement.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IAS 23, Revised – Borrowing Costs* allows the removal of the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity should capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

  As at March 31, 2007, *IAS 23, Revised – Borrowing Costs* is not considered relevant to the company and therefore is not expected to have any impact on the financial statements having regard to the company's usual financing arrangements.

3. Cash and cash equivalents

	2007		2006	
	Foreign currency $'000	JMD $'000	Foreign currency $'000	JMD $'000
Cash	-	269,624	-	125,445
Short-term deposits:				
US$	3,073	209,081	7,968	524,122
£	8	1,049	18	1,999
Can$	444	25,814	131	7,370
		235,944		533,491
		505,568		658,936

Cash and cash equivalents includes $62,473 million (2006: $77,519 million) held with Bank of Jamaica which bears interest at a rate of 6.41% (2006: 6.95%).

Cash and cash equivalents bear interest at rates ranging from 3.90% to 6.41%, and mature within three months of the year-end.

4. Accounts receivable

	2007 $'000	2006 $'000
Notes receivable [note 4(a)]	977,651	547,190
Interest receivable	45,547	26,647
Other accounts receivable [note 4(b)]	(242)	15,233
Receivable EXBED [note 4(c)]	32,752	29,442
Insurance premiums receivable	401	934
	1,056,109	619,446

(a) Notes receivable represents amounts due from clients utilising foreign loans and lines of credit and are stated after a provision for doubtful accounts of $Nil (2006: $Nil). The average period for line of credit transactions is 180 days. Interest rates on notes receivable depend on the particular line of credit utilised and range from 9.5% - 12% (2006: 9.5% - 12%) per annum.

(b) Other accounts receivable are stated net of a provision for doubtful accounts of $Nil (2006: $Nil).

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

5. Notes discounted

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

	2007				2006
	Principal $'000	Interest receivable $'000	Provisions for doubtful debts $'000	Carrying value $'000	Carrying value $'000
Export Credit Facility (ECF) [note 5(a)]	198,673	2,907	-	201,580	223,115
Bankers Export Credit Facility (BECF) [note 5(b)]	106,600	2,286		108,886	177,246
Small Business Discount Facility (SBDF) [note 5(c)]	290,076	2,513	(5,678)	286,911	198,887
Insurance Policy Discount Facility (IPDF) [note 5(d)]	32,021	1,253	-	33,274	35,992
Pre-Shipment Facility (PSF) [note 5(e)]	312,153	1,578	-	313,731	193,116
Apparel Sector Financing Scheme (ASFS) [note 5(f)]	27,196	1,692	(20,766)	8,122	14,018
JEA/Ex-Im (S-BED) [note 5(g)]	19,884	1,156	(10,594)	10,446	11,718
Special Discounting Window DBS (SDW) [note 5(h)]	9,913	2,257	-	12,170	12,274
Co-packers Financing [note 5(i)]	12,627	186	-	12,813	11,009
	1,009,143	15,828	(37,038)	987,933	877,375

5. Notes discounted (cont'd)

Maturing as follows:

	2007 $'000	2006 $'000
- Up to 12 months after the balance sheet date	705,629	693,908
- More than 12 months after the balance sheet date	282,304	183,467
	987,933	877,375

(a) The ECF bears interest at 10 - 12% (2006: 10% - 12%) per annum and is for a period of 120 days.

(b) The BECF foreign currency facility bears interest at the rate of 10% (2006: 10%) per annum and is for a period of 120 days. The BECF local currency facility bears interest at the rate of 12% (2006: 12%) per annum and is for a period of 120 days.

(c) The SBDF bears interest at 12% (2006: 12%) per annum, and is for a period of up to forty-eight months. The balance at March 31, 2007, includes $12.72 million (2006: $29.23 million) receivable within 12 months of the balance sheet date.

(d) The IPDF is available for small to medium size exporters who are the holders of an export credit insurance policy from the company. This facility bears interest at the rate of 12% (2006: 12%) per annum, is for a period of 120 days.

(e) The PSF bears interest at 12% (2006: 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% (2006: 12%) per annum, is for a period of 90 to 120 days. A total of $99.8 million is made available by the company under this facility. Of this amount, the Government of Jamaica provided $45.84 million (2006: $45.84 million) by way of a non-reimbursable grant [note 16a].

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

(g) The S-Bed project is a joint project with the Jamaica Exporters Association and is available to small exporters. This facility bears interest at a rate of 12% (2006: 12%) per annum and is for a period of 90 to 180 days.

(h) The SDW bears interest at 9.5% (2006: 9.5%) per annum and is for a period of 120 days. Funding for this facility was made available through a loan from the Development Bank of Jamaica [Note 15(b)].

(i) The Co- packers financing facility represents amounts loaned to agro-processors. A total of $20 million is made available under this facility. The facility bears interest at the rate of 12% (2006: 12%) per annum and is for 120 days.

6. Medium-term receivables

	2007				2006
	Principal $'000	Interest receivable $'000	Provisions for doubtful debts $'000 (Note 19)	Carrying value $'000	Carrying value $'000
Modernisation fund [note 6(a)]	519,572	10,135	-	529,707	469,146
HACCP Assist [note 6(b)]	-	-	-		5,225
Oriental fish [note 6(c)]	10,742	627	(925)	10,444	16,936
Other medium term loans [note 6(d)]	6,764	-	-	6,764	5,717
Export growth incentive fund [note 6(e)]	238	2	-	240	818
ICT M/Term	2,124	54	-	2,178	3,249
JEA/EG	91,614	304	-	91,918	43,515
Ex-Im/EG	178,715	1,336	-	180,051	103,878
	809,769	12,458	(925)	821,302	648,484

Maturing as follows:

	2007 $'000	2006 $'000
- Up to 12 months after the balance sheet date	14,830	7,417
- More than 12 months after the balance sheet date	806,472	641,067
	821,302	648,484

(a) The Modernisation Fund is a medium-term facility introduced to assist exporters and manufacturers to retool and is lent at an interest rate of 12% (2006: 12%) per annum over a three-year period.

(b) The HACCP Assist is a medium term programme geared at assisting agro-processors with the upgrading and rehabilitation of their processing plant in order to attain HACCP compliance. Loans are made at an interest rate of 12% (2006:12%) per annum over a five year period.

(c) The Ornamental fish farming loans are available for upgrading, expansion of farms, construction of ponds and purchase of capital equipment. The loans which bear interest at a rate of 12% (2006:12%) per annum are for periods of up to five years.

(d) Other medium-term receivables represent staff loans which bear interest at 5% (2006: 5%) per annum, and are for periods of up to five years. Included in this amount is $1.41 million (2006: $1.23 million) representing the difference between the carrying amount and the net present value, as required under IFRS.

The amounts outstanding at March 31, 2007 include $2.38 million (2006: $4.64 million) receivable within twelve months of the balance sheet date.

(e) The Export Growth Incentive Fund is a special performance related incentive loan scheme developed for exporters. Its main purpose is to help those exporters with an export track record to reduce or control their debt servicing costs. The loans which bear interest at a rate of 12% per annum (2006: 12% per annum) are for periods of up to five years.

7. Investments

	Number of shares held	2007 $'000	2006 $'000
Available-for-sale securities:			
Quoted and unquoted equities:			
Bladex:			
Class A common stock (2006: 107,065)	107,065	121,218	119,787
Class B common stock (2006: 28,971)	28,971	32,800	32,413
		154,018	152,200
Loans and receivables:			
Securities purchased under resale agreements		382,881	249,620
Government securities		44,878	103,097
		581,777	504,917

	2007 $'000	2006 $'000
Remaining term to maturity:		
Within three months	323,688	195,638
From three months to one year	67,896	112,624
One to five years	36,175	-
Over five years	154,018	196,655
	581,777	504,917

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

At March 31, 2007, securities obtained and held by the bank under resale agreements had a fair value of $ 358 million (2006: $249 million).

8. Long-term receivables

Long-term receivables represent staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at March 31, 2007, includes $4.97 million (2006: $2.16 million) receivable within twelve months of the balance sheet date.

Included in this amount is $6.975 million (2006: $6.884 million) representing the difference between the carrying amount and the net present value, as required under IFRS.

9. Employee benefits

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

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

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

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

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

	2007 $'000	2006 $'000
Pension asset	172,621	151,893
Post-retirement medical benefit obligation	46,327	35,971

(a) Pension asset:

	2007 $'000	2006 $'000
Present value of funded obligations	(151,812)	(116,261)
Fair value of plan assets	443,004	363,684
Net asset	291,192	247,423
Unrecognised actuarial gains	(118,571)	(95,530)
Asset recognised in balance sheet	172,621	151,893

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

	2007 $'000	2006 $'000
Net asset at April 1,	151,893	110,162
Contributions paid	558	468
Income recognised in the income statement	20,170	41,263
Net asset at March 31,	172,621	151,893

9. Employee benefits (cont'd)

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

(a) Pension asset (cont'd):

(ii) Movements in plan assets:

	2007 $'000	2006 $'000
Fair value of plan asset at April 1,	363,684	430,485
Expected return on plan assets	36,346	43,051
Contributions paid	620	475
Benefits paid	(1,073)	(417)
Actuarial gain/(loss) on plan assets	43,427	(109,910)
Net asset at March 31,	443,004	363,684

Plan assets consist of the following:

	2007 $'000	2006 $'000
Equity securities	317,632	252,769
Government bonds	118,260	102,146
Other	7,112	8,769
	443,004	363,684

(iii) Credit recognised in the income statement:

	2007 $'000	2006 $'000
Current service costs	8,284	7,037
Interest on obligation	14,466	12,477
Expected return on plan assets	(36,346)	(43,052)
Net actuarial gain recognised during the year	(6,574)	(17,725)
	(20,170)	(41,263)
Actual return on plan assets	79,773	(66,859)

The credit is recognised in the administrative expenses line in the income statement.

9. Employee benefits (cont'd)

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

(a) Pension asset (cont'd):

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

	2007 %	2006 %
Discount rate	12.0	12.5
Expected return on plan assets	10.0	10.0
Future salary increases	8.5	8.5
Future pension increases	3.0	3.0

(b) Post-retirement medical benefit obligations:

(i) Liability recognized in the balance sheet:

	2007 $'000	2006 $'000
Present value of obligations	44,312	48,000
Unrecognised actuarial losses	2,015	(12,029)
	46,327	35,971

(ii) Expense recognised in the income statement:

	2007 $'000	2006 $'000
Current service costs	3,968	2,694
Interest on obligation	5,812	4,771
Net actuarial loss recognised in year	654	637
	10,434	8,102

(iii) Movements in the net liability recognised in the balance sheet:

	2007 $'000	2006 $'000
Net liability at start of the year	35,971	28,083
Contributions paid	(78)	(214)
Expense recognised in the income statement	10,434	8,102
	46,327	35,971

9. Employee benefits (cont'd)

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

(b) Post-retirement medical benefit obligations (cont'd):

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

	2007	2006
	%	%
Discount rate	12.0	12.5
Medical claims	11.0	11.0

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

	One percentage point increase	One percentage point decrease
	$'000	$'000
Effect on the aggregate service and interest cost	2,599	(1,915)
Effect on the defined benefit obligation	10,095	(7,677)

(d) Historical information

Defined benefit pension plan

	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
Present value of the defined benefit obligation	(151,812)	(116,261)	(100,023)	(89,858)	(74,698)
Fair value of plan assets	443,004	363,684	430,485	351,938	186,180
Surplus/(deficit) in plan	291,292	247,423	330,462	262,080	111,482
Experience adjustments arising on plan liabilities	(4,788)	3,487	6,852	3,643	8,152
Experience adjustments arising on plan assets	43,427	(109,910)	42,095	144,950	35,661

9. Employee benefits (cont'd)

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

(d) Historical information (cont'd):

Post-employment medical benefits

	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Present value of the defined benefit obligation	44,312	46,560	38,276	27,446	20,661
Experience adjustments arising on plan liabilities	15,460	137	(5,603)	(2,066)	(2,038)

10. Property, plant and equipment

	Land and building	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Leasehold improvements $'000	Computers $'000	Total $'000
At cost:						
March 31, 2005	55,281	4,547	6,368	3,167	7,954	77,317
Additions	-	-	650	100	3,959	4,709
Disposal	(55,281)	-	-	-	-	(55,281)
Write-offs	-	-	-	(900)	-	(900)
March 31, 2006	-	4,547	7,018	2,367	11,913	25,845
Additions	-	1,315	1,335	-	5,547	8,197
Disposal	-	(608)	(170)	-	(41)	(819)
March 31, 2007	-	5,254	8,183	2,367	17,419	33,223
Depreciation:						
March 31, 2005	-	3,917	1,895	2,418	6,201	14,431
Charge for the year	-	735	617	196	1,371	2,919
Adjustments	-	(591)	-	23	30	(538)
Write-offs	-	-	-	(900)	-	(900)
March 31, 2006	-	4,061	2,512	1,737	7,602	15,912
Charge for the year	-	666	576	36	2,789	4,067
Disposals	-	(608)	(130)	-	(41)	(779)
March 31, 2007	-	4,119	2,958	1,773	10,350	19,200
Net book value:						
March 31, 2007	-	1,135	5,225	594	7,069	14,023
March 31, 2006	-	486	4,506	630	4,311	9,933
March 31, 2005	55,281	630	4,473	749	1,753	62,886

11. Due to Bank of Jamaica – related party

	2007 $'000	2006 $'000
Short-term loan (see below)	60,875	77,447
Interest payable on short-term loan	19,885	26,020
Advance account	64	437
	80,824	103,904

The short-term loan is evidenced by a promissory note, repayable on demand, and interest is charged at 10% (2006: 10%) per annum. Principal repayments due within twelve months of the balance sheet date amount to $18.3 million (2006: $16.75 million).

12. Short-term loans and lines of credit

	Rate of interest per annum	2007 $'000	2006 $'000
Banco Latino Americano de Exportaciones, S.A. (Bladex)	10%	661,446	232,502
Bank of New York	10%	109,113	1,392
International Bank of Miami	10%	2,599	58,960
Bank of Nova Scotia Jamaica Limited	8.5%	177,899	76,897
		951,057	369,751

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

13. Deferred tax liability

Deferred tax liability is attributable to the following:

	Balance at April 1, 2006 $'000	Recognised in income $'000	Balance at March 31, 2007 $'000
Insurance fund	-	(3,712)	(3,712)
Accounts receivable	5,265	(4,591)	674
Property, plant and equipment	(1,693)	2,562	869
Accounts payable	(458)	(463)	(921)
Employee benefits	38,641	3,457	42,098
Unrealised foreign exchange gains	3,415	(3,124)	291
	45,170	(5,871)	39,299

14. Long-term liability

	2007	2006
	$'000	$'000
Government of Jamaica [note 14(a)]	450,872	474,802
Development Bank of Jamaica [note 14(b)]	20,000	40,000
Jamaica Exporters Association/Ex-Im [note 14(c)]	204,119	197,322
BLADEX loan [note 14(d)]	578,338	657,540
	1,253,329	1,369,664

(a) This represents an unsecured Government of Jamaica drawn-down balance of US$11.87 million (2006: US$11.87 million) under Loan 1715 JM from International Bank for Reconstruction and Development (IBRD), on-lent to Export Development Fund Jamaica Limited, assumed by the company.

In agreement with the Ministry of Finance, the terms of the IBRD loan 1715 JM were restructured with effect from September 13, 1996. Principal due but unpaid as at December 31, 1995, amounting to US$3.0 million, was converted to equity and the remaining loan balance converted to Jamaican dollars with provisions for capitalisation of any shortfalls in interest payments.

The loan, which bears interest at 6% (2006: 6%) per annum, is repayable by fifty-eight equal semi-annual instalments, the final instalment being due on December 30, 2025.

Principal repayments due within twelve months of the balance sheet date amount to $23.73 million (2006: $23.73 million).

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

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

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

The last payment is due in September 2007.

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

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

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

14. Long-term liability (cont'd)

(d) This represents an unsecured loan of US$8.5 million (2006: US$10 million) from Banco Latinoamericano de Exportanciones (Bladex) to be repaid over three years with US$2.5 million due within one year. The interest rate is six months LIBOR plus 2.35% (1st year); 2.85% (2nd year) and 3.75% (3rd year). Principal payments outstanding are as set out below:-

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

15. Insurance funds

This comprises the reserve for unexpired risk and is equivalent to 16% (2006: 16%) of net premium income.

16. Shareholders' equity

(a) Share capital:

	2007 $'000	2006 $'000
Authorised:		
300,000 (2006: 300,000) ordinary shares of no par		
Stated, issued and fully paid:		
257,738 (2006: 257,738) ordinary shares	257,738	257,738

In accordance with Section 37(1) of the Companies Act 2004 (the Act), the company elected on July 28, 2005 to retain its existing shares and to continue the issue of shares with a nominal or par value of $1,000 each. Under the Act, eighteen months after this election, on January 28, 2007, the shares in issue were deemed to be shares without a nominal or par value.

(b) Capital reserve:

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

	2007 $'000	2006 $'000
(i) Budgetary support [note (i)]	150,000	150,000
(ii) Apparel sector facility [note (ii)]	45,842	45,842
(iii) Gain on sale of assets	8,042	8,042
(iv) JECIC Grant [note (iii)]	132,254	-
	336,138	203,884

16. Shareholders' equity (cont'd)

(b) Capital reserve (cont'd):

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

(ii) This represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 12% (2006: 12%) per annum to the apparel sector under the Apparel Sector Financing Scheme [see note 5(f)].

(iii) This 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 Ex-Im Bank effective 1st April 2006.

(c) Reserve fund:

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

17. Profit before taxation

(a) Profit before taxation is stated after charging:

	2007 $'000	2006 $'000
Depreciation	4,067	2,919
Directors' emoluments:		
Fees	819	830
Remuneration	6,288	3,824
Auditors' remuneration	1,250	990
Staff costs [note 21(b)]	88,857	79,347

(b) Compensation for key management (including executive director) as follows:

	2007 $'000	2006 $'000
Short-term benefits	27,563	17,083
Post-term benefits	(1,768)	(5,001)
	25,795	12,082

18. Taxation

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

	2007 $'000	2006 $'000
(i) Current tax expense:		
Income tax at 33⅓%	17,864	24,164
(ii) Deferred taxation:		
Origination and reversal of temporary differences	(5,871)	16,190
	11,993	40,354

(b) Reconciliation of effective tax rate:

	2007 $'000	2006 $'000
Profit before tax	50,795	129,729
Computed "expected" tax expense at 33⅓%	16,932	43,243
Difference between profit for financial statements and tax reporting purposes on:-		
Depreciation and capital allowances	3,542	(2,708)
Disallowed expenses	(8,481)	(181)
Actual tax charge	11,993	40,354

19. Loans, less provision for losses

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

	Total		Number of loans	
	2007 $	2006 $	2007 $	2006 $
Repayable after 12 months	Nil	Nil	Nil	Nil

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

(b) (i) Concentration of loans:

The loan portfolio before provision is concentrated as follows:

	2007 $'000	2006 $'000
Agro Processing	662,932	459,422
Food and Beverage	300,865	370,214
Textiles and Apparel	73,534	80,258
Manufacturing	953,909	461,447
Distribution	487,624	469,239
Mining	49,263	37,135
Services	346,254	259,552
Tourism	83,877	-
Other	29,665	12,584
	2,987,923	2,149,851
Less: Prepayments	(120,363)	-
Interest written back in the general ledger	(7,388)	(14,980)
	2,860,172	2,134,871

Loans on which interest is suspended amounted to $71.96 million (2006: $76 million). These loans are included in the financial statements at their estimated net realisable value of $24million (2006: $27 million).

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

	2007 $'000	2006 $'000
Notes receivable (note 4)	1,012,974	559,898
Notes discounted (note 5)	1,024,971	923,516
Medium-term receivables (note 6)	822,227	651,457
	2,860,172	2,134,871

(c) Provision for probable loan losses:

	2007 $'000	2006 $'000
At beginning of the year	49,116	55,536
Provision/adjustments written-off	(13,097)	(1,469)
	36,019	54,067
Provision made during the year	6,360	1,938
Bad debt recovered	(4,416)	(6,889)
Net increase/(decrease) in provision	1,944	(4,951)
At end of the year	37,963	49,116

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

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

The provision has been allocated as follows:

	2007 $'000	2006 $'000
Notes discounted (note 5)	37,038	46,142
Medium-term receivables (note 6)	925	2,974
	37,963	49,116

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

	2007 $'000	2006 $'000
Specific provisions	37,963	49,116

20. Financial instruments

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

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

(a) Fair value:

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

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

20. Financial instruments (cont'd)

(a) Fair value (cont'd):

The fair value of concessionary rate loans totaling approximately $1,253 million (2006: $1,370 million) (note 14) have not been estimated as the loans are available to the company due to its special circumstances. Adequate information is not available to determine the fair value of such loans.

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

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

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

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

	2007		2006	
	Fair value $'000	Cost $'000	Fair value $'000	Cost $'000
Investments				
Securities purchased under resale agreements	385,530	382,881	249,123	249,620
Government securities	46,204	44,878	103,864	103,097
	431,734	427,759	352,987	352,717

(b) Interest rate risk:

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

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

20. Financial instruments (cont'd)

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

	2007					
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate* sensitive $'000	Total $'000
Cash and cash equivalents	291,954	213,614	-	-	-	505,568
Accounts receivable	41,989	8,292	967,927	-	37,901	1,056,109
Income tax recoverable	-	-	-	-	47,336	47,336
Notes discounted	-	4,162	958,602	25,169	-	987,933
Medium-term receivables	222,898	718	73,608	524,078	-	821,302
Investments	131,689	-	450,088	-	-	581,777
Customers' liability under letters of credit	-	139,415	-	335,025	-	474,440
Long-term receivables	-	-	-	27,682	-	27,682
Property, plant and equipment	-	-	-	-	14,023	14,023
Pension asset	-	-	-	-	172,621	172,621
Total assets	688,530	366,201	2,450,225	911,954	271,881	4,688,791
Due to Bank of Jamaica	80,824	-	-	-	-	80,824
Accounts payable	-	-	-	-	139,999	139,999
Income tax payable	-	-	-	-	-	-
Short-term loans and lines of credit	255,696	366,018	329,343	-	-	951,057
Deferred tax liability	-	-	-	-	39,299	39,299
Long-term liability	-	578,338	20,000	450,872	204,119	1,253,329
Letters of credit	-	230,093	-	244,347	-	474,440
Post-retirement benefit obligation					46,327	46,327
Insurance funds	-	-	-	-	11,136	11,136
Shareholders' equity	-	-	-	-	1,692,380	1,692,380
Total liabilities and equity	336,520	1,174,449	349,343	695,219	2,133,260	4,688,791
Total interest rate sensitivity gap	352,010	(808,248)	2,100,882	216,735	(1,861,379)	-
Cumulative gap 2007	352,010	(456,238)	1,644,644	1,861,379	-	-

	2006					
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate* sensitive $'000	Total $'000
Cash and cash equivalents	125,456	533,480	-	-	-	658,936
Accounts receivable	-	51,886	567,560	-	-	619,446
Income tax recoverable	-	-	-	-	36,103	36,103
Notes discounted	-	58,065	773,680	45,630	-	877,375
Medium-term receivables	-	-	132,135	516,349	-	648,484
Investments	-	239,259	-	265,658	-	504,917
Customers' liability under letters of credit	-	41,566	132,135	284,925	-	458,626
Long-term receivables	-	-	-	15,711	-	15,711
Property, plant and equipment	-	-	-	-	9,933	9,933
Pension asset	-	-	-	-	151,893	151,893
Total assets	125,456	924,256	1,605,510	1,128,273	197,929	3,981,424

20. Financial instruments (cont'd)

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

	2006					
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate* sensitive $'000	Total $'000
Due to Bank of Jamaica	103,904	-	-	-	-	103,904
Accounts payable	-	-	-	-	68,804	68,804
Income tax payable	-	-	-	-	-	-
Short-term loans and lines of credit	-	76,897	292,854	-	-	369,751
Deferred tax liability	-	-	-	-	45,170	45,170
Long-term liability	-	657,741	40,000	474,601	197,322	1,369,664
Letters of credit	-	41,566	132,135	284,925	-	458,626
Post-retirement benefit obligation	-	-	-	-	35,971	35,971
Insurance funds	-	-	-	-	10,017	10,017
Shareholders' equity	-	-	-	-	1,519,517	1,519,517
Total liabilities and equity	103,904	776,204	464,989	759,526	1,876,801	3,981,424
Total interest rate sensitivity gap	21,552	148,052	1,140,521	368,747	(1,678,872)	-
Cumulative gap 2006	21,552	169,604	1,310,125	1,678,872	-	-

These are (or include) non- financial instruments.

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

	2007			
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	Over 12 months %
Cash and cash equivalents	6.73	0 - 6.93	-	-
Accounts receivable	-	5 - 12.00	5 - 12.00	-
Notes discounted	-	5 - 12.00	12.00	12.00
Medium-term notes receivables	-	-	12.00	12.00
Long-term receivables	-	-	-	1 - 3
Due to Bank of Jamaica	-	10.00	10.00	10.00
Short-term loans and lines of credit	6.5 - 10	6.5 - 10	6.5 - 10	-
Long-term liability	-	6.0 - 8.5	0 - 8.5	0 - 8.5

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

20. Financial instruments (cont'd)

(c) Credit risk:

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

The company has a credit policy in place and exposure to risk is monitored on a regular basis. Credit evaluation and analysis are performed on all credit applications. Collateral is generally requested from counterparties based on management's assessment of the credit risk involved. Note 19(b) discloses the company's concentration of credit risks in respect of loans.

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

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

(d) Foreign currency risk:

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

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

		2007	2006
		$'000	$'000
United States dollars	US$	1,846	20,078
Canadian dollars	Cdn$	1,598	3,141
Pounds sterling	£	8	18

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

	Buying		Selling	
	2007	2006	2007	2006
	J$	J$	J$	J$
Company	67.5398	65.2741	68.5398	66.2741
Bank of Jamaica	67.5398	65.2741	67.7599	65.4879

21. Other disclosures - employees

	2007	2006
(a) Average number of persons employed by the company during the year:		
Trade	13	15
Administration	48	39
	61	54

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

	$'000	$'000
Salaries and wages	91,247	68,696
Staff welfare and benefit	10,884	9,418
Statutory contributions	6,077	4,619
Pension income	(20,170)	(41,263)
Other	819	604
	88,857	42,074

22. Related party balances and transactions

Related parties:

A party is related to the company, if:

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

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

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

(c) has joint control over the company;

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

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

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

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

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

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

Related parties (cont'd):

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

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

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

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

	2007 $'000	2006 $'000
Other related companies:		
Notes discounted	78,194	81,381
Medium Term	47,157	
Customer liability under LOC	15,037	5,169
Short-term loans (note 11)	(80,824)	(103,904)
Long-term liability (note 14)	(470,872)	(514,802)

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

	2007 $'000	2006 $'000
Other related parties:		
Interest income	58,138	64,709
Interest expense	38,149	41,577

23. Commitments

Loan commitments under the Export Credit, Modernisation and the Small Business Facilities total J$454.21 million at the year-end (2006: J$468.4 million).