JAMAICA
TRADE & INVEST

# ANNUAL REPORT '08/'09

Today's Jamaica Means Business

# Introduction

This publication outlines the achievements of the Jamaica Promotions Corporation for the financial period April 1, 2008 to March 31, 2009 in keeping with provisions of the Public Bodies Management and Accountability Act 2001. Contents of this document may be made publicly available with source reference quoted.

# Contents

# About Us

In 1988, three entities were merged to give birth to the Jamaica Promotions Corporation (JAMPRO), now known as Jamaica Trade and Invest (JTI). These entities were the Jamaica National Investment Promotions, the Jamaica National Export Corporation and the Jamaica Industrial Development Corporation. The Jamaica Trade & Invest (JTI/ JAMPRO) is constituted under the JAMPRO Act of 1990 as an amalgamation of all three entities. Summarily, the organisation's mandate encompasses the following:

- Investment promotion and facilitation
- Trade promotion and trade services
- Regulation of export procedures
- Modernisation of industries

In fulfilling its mandate Jamaica Trade and Invest (JTI/JAMPRO) provides a range of services for local and international businesses seeking to invest in Jamaica, as well as for locally-based companies producing goods and services for export. Some of the services provided by the Organisation include:

## Core Values ("How we do what we do")

## Integrity • Respect • Excellence

# Vision

Sustained economic development through trade and investment, enabling an improved quality of life for all Jamaicans.

# Mission

To enhance trade and investment for the economic benefit of Jamaica by providing facilitation, promotion and advisory services to investors, Exporters and Producers, as well as policy and technical advice to Government.

This will be achieved by being customer, research and technology driven, by fostering creativity and innovation, by forging strategic alliances and by having well-trained, productive and satisfied staff, communicating and working in an open atmosphere.

JAMAICA TRADE & INVEST
JAMAICA PROMOTIONS CORPORATION (JAMPRO)

Raymond Miles Jr.

# Chairman's Message

Notwithstanding the challenges of the global economic crisis, Jamaica Trade and Invest (JAMPRO) turned in a creditable performance for the year under review. National pride was buoyed by the phenomenal performances of our athletic champions at the Beijing Olympics and the Berlin World Championships, providing fresh opportunities for the Agency to leverage Brand Jamaica in its investment and export promotions strategies.

The target set for Capital Expenditures (CAPEX) from investments in FY 2008-09 was surpassed to reach a high of J$32.34 billion, which in turn created 9,089 jobs. This compares favourably with CAPEX of J$22.99 billion generated in the FY2007/08. Inflows into the ICT sector of J$14 billion (relative to the J$3.6 billion achieved in the previous year) created over 3,500 jobs, outpacing for the first time, CAPEX earnings in the Tourism industry.

With renewed focus by the Ministry of Industry, Investment and Commerce to spur growth in the Manufacturing and Export sectors, the Agency re-focused its operations and services as an Export Centre and Business Information Point (ECBIP). JAMPRO/ JTI is a principal source of valued-added and universal services to the export sector.

Focused efforts will continue to refine the Agency's client service delivery with a view to increasing the number of exporters, especially dormant producers. These and other initiatives are being framed under the National Export Strategy, which is ultimately about empowering the Jamaican exporter—existing and emerging, traditional & non-traditional, large & small—to better penetrate international markets and to take full advantage of the global opportunities.

On behalf of the Board of Directors, I offer my commendations to the Management and Staff of the Agency for the important accomplishments during the reporting period, and the unequivocal support to work towards achieving the Vision 2030 National Development Plan of establishing "Jamaica as the place of choice to live, work, raise families and do business".

# JTI's Leadership Team Board of Directors

The Board of Directors is responsible for the overall direction, strategy, performance and management of the organization. The members of the Board are appointed by the Minister of Industry Investment and Commerce (MIIC), and meet on the last Tuesday of every month.

| | |
|---|---|
| Raymond Miles Jnr. | Chairman |
| Rodney Davis | Chairman (Finance and Procurement Committee) |
| Thalia Lyn | Restaurateur |
| Sancia Bennett Templer | President |
| Amb. Stewart Stephenson | Chairman (Audit Committee) |
| Dave Lyn | Chairman (Marketing and Projects Sub-Committee) |
| Paul Lalor | Insurer |
| Audrey Marks | Entrepreneur |
| Patrick Lynch | Entrepreneur |
| Cleve Stewart | Political Consultant |
| Mark Myers | Restaurateur |
| Phillip Gore | Realtor |
| William Tavares-Finson | Realtor |

Sancia Bennett Templer

# President's Message

## Operational Review

### An Overview: Jamaica and the Global Investment Climate

The 2008-2009 operational year of the Agency was implemented against the backdrop of a deepening global financial crisis, which originated in the United States, the nation's main trading partner and traditional source of Foreign Direct Investments (FDI). Amidst tightening credit and the depreciation of real and financial assets, global FDI flows were estimated to have fallen from US$1.7 trillion in 2008 to below US$1.2 trillion in 2009.

Notwithstanding the Latin America and Caribbean (LAC) region still managed to experience an increase in FDI inflow, which rose by 13% in 2008, to US$144 billion.

Yet, whilst growth was uneven among the LAC sub-regions, it increased by 29% in South America (where 49% of the $92 billion worth of inflows were directed at Brazil) – and fell by 6% in Central America and the Caribbean. This divergence has been attributed to the differing impact of the crisis on the economies of the two sub-regions with Central America and the Caribbean being directly affected by the slowdown of the United States economy, whereas South America which relies more on commodity export earnings, was affected later on, when commodity prices dipped.
Insofar as Jamaica is concerned, the full impact of the global financial meltdown is expected in 2009 and 2010; as investment flows continued an upward trend, recording a significant increase of 66% to US$1.4 billion during 2008 from US$866 million the previous year (see Figure 1).

Jamaica's significant investment performance during the review period was largely due to the purchase of approximately 49% shareholding in the Lascelles de Mercado Company by a Trinidad & Tobago spirits company (see Table 1). The agricultural, manufacturing and distribution sectors, as well as the information, communication and technology sectors also performed creditably during the period, reflecting increases of 61% and 56.2% respectively during 2008, relative to 2007.

Table .1

| Direct investments (US$mn) Sectors | 2003 | 2004 | 2005 | 2006 | 2007* | 2008* |
|---|---|---|---|---|---|---|
| Agricultural/manufacturing/ Distribution | 88.2 | 43.5 | 118.9 | 40.8 | 46.70 | 75.19 |
| Information Tech/communication | 105.7 | 17.9 | 55.0 | 58.2 | 164.52 | 257.01 |
| Minerals & Chemicals | 30.9 | 9.8 | 12.8 | 11.6 | 5.17 | 2.26 |
| Insurance | 10.7 | 10.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tourism | 114.3 | 114.6 | 106.7 | 185.7 | 196.91 | 196.02 |
| mining | 149.7 | 57.3 | 111.6 | 335.8 | 217 | 74.2 |
| Other | 63.0 | 170.2 | 75.9 | 118.1 | 59 | 714.3 |
| **Sub-total** | **562.6** | **423.6** | **480.9** | **750.1** | **689.2** | **1,319.0** |
| Retained Earnings | 158.1 | 178.0 | 201.6 | 132.1 | 177.26 | 117.51 |
| **TOTAL** | **720.7** | **601.6** | **682.5** | **882.2** | **866.5** | **1,436.6** |

*Data sources include: an annual survey of enterprises, Jamaica Bauxite Institute, JTI/JAMPRO, foreign exchange records of authorized dealers and the media.*

## Jamaica: World Rankings 2008-2009 in Key Economic/ Business Indicators

- Jamaica is ranked 6th in the Latin America and Caribbean region for near-shore operations attractiveness for the ICT sector – A.T. Kearney
- Jamaica is ranked 60th of 133 countries in Travel and Tourism Competitive ness Index published by the World Economic Forum 2009
- Within the Americas, Jamaica is ranked 10th of 26 countries Travel and Tourism Competitiveness Index published by the World Economic Forum 2009
- Jamaica ranks at number 10 of 26 countries in the Doing Business Report for Latin America and the Caribbean

## JTI/JAMPRO's Performance

With particular focus on the projects facilitated by JTI, the organisation's contribution to the overall national investment achievements for the April 2008-March 2009 period is captured in terms of actual Capital Expenditure (CAPEX) generated, and the number of permanent and temporary jobs created by each project. Achievements are measured against targets set for each variable, which are determined based on consideration of overall (national, regional and global) investment trends, projects to be implemented, and prospects generated.

The period under review witnessed record-breaking investment inflows across the targeted sectors, with unprecedented levels of growth in capital expenditure (CAPEX), surpassing the target set for the year. The CAPEX target for the year was surpassed by 54% to reach a high of J$32.34 billion with 9,089 jobs created. This compares favourably with CAPEX of J$22.99 billion in FY2007/08. Inflows into the ICT sector of J$14 billion (relative to the J$3.6 billion achieved in the previous year) created over 3,500 jobs. (See Figures 2 and 3). Interestingly, for the first time in the Corporation's recorded history, investments in the ICT sector outpaced investments in the tourism sector. This achievement is of particular importance given the Government of Jamaica's (GoJ) renewed emphasis on the ICT sector as a short to medium-term source of employment and a stimulant to the economy. These unprecedented levels of expenditure and job creation in the sector were fuelled primarily by the ongoing work of telecommunications giants CLARO and FLOW communications as well as the expansions of some of the larger contact centre/BPO operators such as E-Services Group International, ACS, and Alliance One/ Teleperformance.

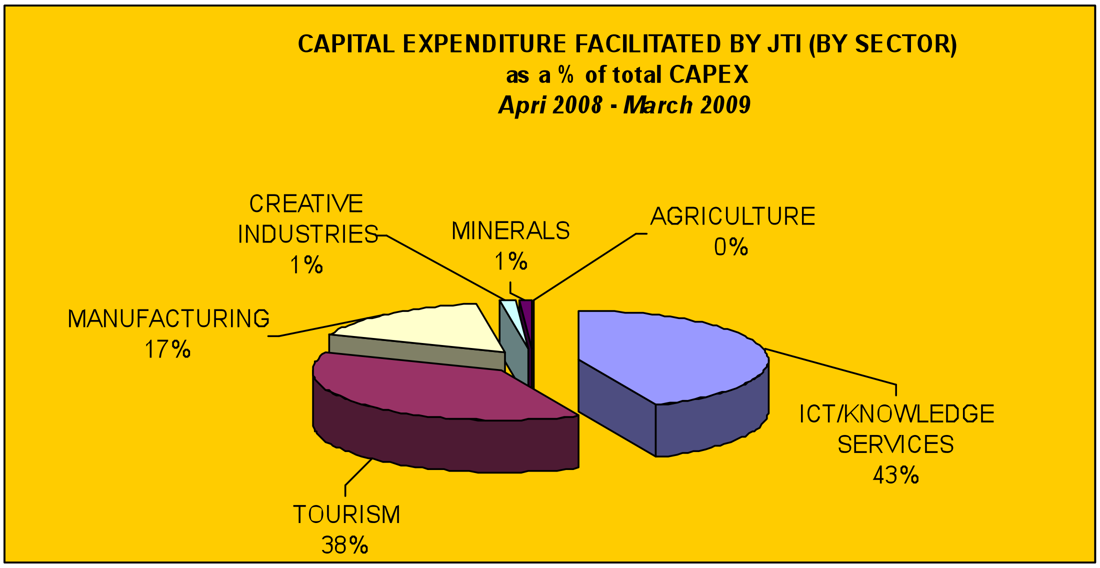



Figure .2

With regard to the contribution to CAPEX made by the other targeted sectors, the tourism/hospitality sector accounted for J$12.1 billion or 37% of total actual capital expenditure and creating over 2,800 jobs. The expenditure related to the tourism/hospitality sector primarily reflected spending related to the ongoing implementation of major development projects such as the Fiesta Hotel, the Iberostar Beach Resort and Spa, the Palmyra Resort and Spa, Secrets Resort and Spa, as well as the eco-tourism project, Rainforest Jamaica Bobsled at Mystic Mountain.

CAPEX generated by the manufacturing sector recorded a 44% improvement in 2008/09 relative to 2007/08 with J$5.4 billion being invested, that is, 16% of total capital expenditure recorded. Much of this expenditure was related to the modernization of the Caribbean Cement factory during the period. Capital expenditures related to Agriculture, Creative Industries and Minerals sectors remained relatively small, with noteworthy performance by the creative industries sector.

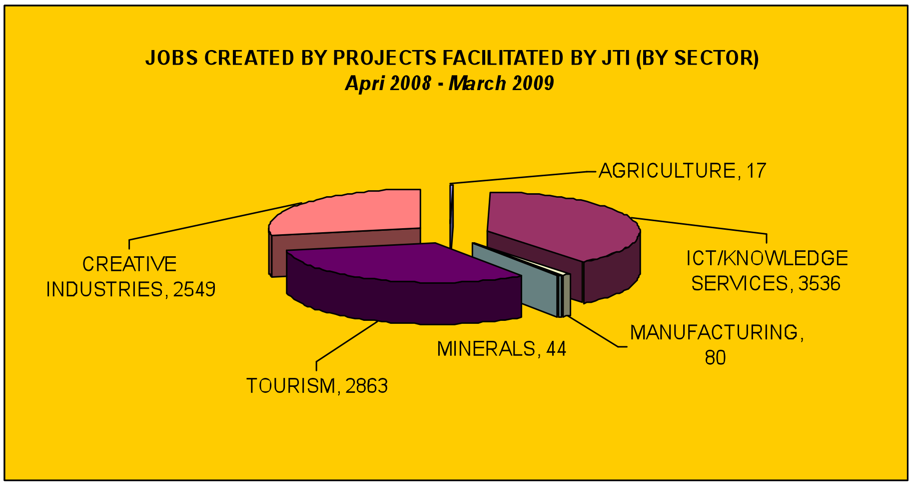



Figure .3

Whilst the majority of the projects facilitated by the organization originated out of our traditional markets (USA, Canada, UK), there was a significant decrease in projects out of Spain. The reporting period witnessed a decrease by 12% in investments facilitated by JTI out of Spain, with a comparative increase of 38% of projects coming out of the USA

| Services for Investors | Services for Exporters |
|---|---|
| Business Research Support and Market Intelligence | Export Registration and Trade Facilitation |
| Business Facilitation Services | Facilitation of access to Funding, Incentives and Technical Assistance |
| Incentives and Permits | Market Intelligence |
| Identification of sources for Technical and Financial Assistance | Market Penetration – Access to International Markets |
| Business Networking Services | Business Development Services |
| Investment Promotion | Library and General Services |
| Investment Policy Advocacy | Trade Policy Advocacy |

There was a noticeable increase of 8% of JTI-facilitated projects out of the United Kingdom. But by far, the most significant change were the strides made by the Agency to facilitate projects of local origin, moving from 2% in FY 2007-08 to 28% for the 2008-09 reporting period.

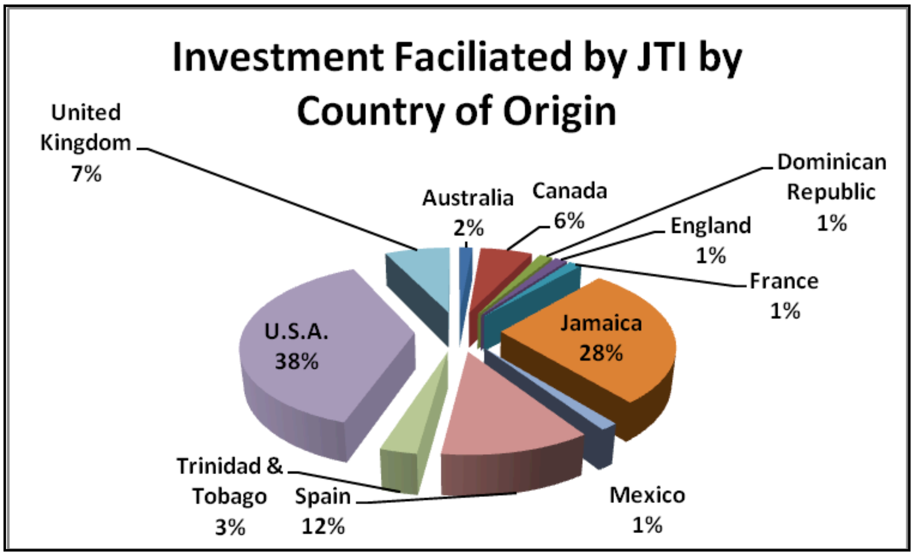



Figure .4

**Sector Status**

**a. Information Communications Technologies (ICT)/Knowledge Services**

"I could not recommend a better place for any foreign investor than Jamaica, given its key location as a crossing point between North America and South America. And we have been welcomed with open arms by the Government and by Jamaica Trade & Invest (JAMPRO) - the island's promotion agency, in helping us establish our mobile phone company,"
-Dennis O'Brien, Founder of Digicel

Jamaica's Value Proposition for ICT investments:

- High-speed wired and wireless telecommunications infrastructure
- World class telecommunications infrastructure with state-of-art mobile telephony, international voice and data services and fibre optic capability
- A strong business environment
- Political Stability
- Nearshore location for US and Canadian markets
- Educated English speaking workforce

There has been a dramatic shift in the product offering of the sector from its initial beginnings as primarily one dominated by companies largely confined to data entry, hardware and soft ware suppliers and vendors, as well as design/ manufacturing or assembly. The sector is evolving rapidly and has moved up the value chain to offer more complex services in the areas of Business Process Outsourcing (BPO), Information Technology Outsourcing (ITO) and various types of Customer Services Outsourcing (CSO).

During the period under review, a total of 4 software companies, 8 Contact centres and 2 Telecoms companies became operational. Jamaica is currently ranked 6th in the Latin America and Caribbean region for near-shore operations attractiveness. Notwithstanding the challenges to the sector's development, for example, high electricity costs and the a dearth of suitable ICT ready office space, the ICT sector continues to record significant growth in Jamaica in recent years, due to the benefits offered to investors. Notwithstanding the challenges, the ICT sector recorded significant growth in Jamaica in recent years. In 2008 alone, the projects facilitated by JTI in this area recorded investments of more than $14 billion in FY2008/09 and creating more than 3,500 jobs.

Outsourcing decisions will be viewed as a new cost cutting measure in light of the financial crisis and the associated challenges experienced by companies.

### b. Tourism services sector

As a tourism destination, Jamaica offers a unique blend of a vibrant culture, natural beauty and wide offering of facilities spanning hotels, attractions and shopping centres.

During the review period, three major tourism projects were facilitated by JTI. These were: Blue waters, Hospiten Jamaica and McMullens Properties. However, the significant contribution of 37% to total CAPEX was primarily due to the ongoing construction of hotel projects such as the Fiesta Hotel, the Iberostar Beach Resort and Spa, the Palmyra Resort and Spa and Secrets Resort and Spa and the Rainforest Jamaica Bobsled at Mystic Mountain.

The tourism sector is therefore a significant contributor to real gross domestic product (GDP) with the rapid expansion in accommodation and attractions over the last decade the result of strategic efforts to expand the country's capacity to host visitors.

In 2008, total stopover arrivals amounted to more than 1.7 million persons, a 3.9% increase when compared to the previous year. The island currently has over 24,000 rooms with and additional 10,000 rooms to be built by 2012.

**Hotel Investment Incentives**

- Hotel Incentive Act providing 10-15 years of tax relief for 250 rooms or more and a minimum of 10 bedrooms. Duty free importation of capital items for construction and furnishing of hotels for 15 years. The legislation of the Resort Cottages Incentives Act (RICA) allows smaller resort cottage or villa operations access to full incentives, with Income Tax relief for seven years.
- Recently, Jamaica implemented an economic stimulus package with specific provisions for the hotel and tourism sector with a reduction in the applicable GCT from 8.25% to 4.125%.
- The Development Bank of Jamaica has established a special J$ 500M loan facility to be provided as working capital assistance for medium and small properties and attractions
- Skilled Hospitality Workforce with 4,000 trained graduates annually.
- Bilateral Investment and Tax Treaties with North America and European nations.

**c. Other Investment Incentives**

- Manufacturing: Exemptions from income tax for up to ten years; import duties on raw materials and machinery; duty free treatment of raw material and capital goods for an indefinite period; Income tax relief for an indefinite period; accelerated depreciation; Relief from GCT on capital items purchased for plant upgrading and modernization, etc.
- Agriculture: Income tax and duty concession for five to ten years (renewable.)
- Mining: Import duty concession on capital items, lubricating oils, grease and other chemicals
- Skilled Workforce

**Overview and Prospects for the Industries**

The Agriculture Industry is a priority area of focus for national development in the next few years. The Agriculture Sector Plan in the Vision 2030 National Development Plan highlights the goals for the sector as:

- To create the efficient, competitive, diversified value added industry’
- To establish strong marketing systems for domestic and export crops;
- To ensure that human resources are competent and adequate;
- To establish an enabling and facilitating framework, infrastructure and supprt services;
- To create an environmentally sustainable industry, and
- To establish an industry that contributes to long-term development.

These priorities are directly aligned to Jamaica’s national food safety strategies, and are a direct response to the rising agricultural commodity prices and the increasing trade deficit. With efforts underway to diversify the country’s product base and expand the sector’s productive capacity, the strategy includes the production of value added processed goods, strategically moving up the value chain. These include spices and herbal products, coffee, canned fruits and vegetables, ready-to-eat and ready-to-cook items, frozen foods and beverages, including juices, beers and rum, aquaculture and livestock rearing, in particular of small ruminants, to meet local industry demand and support the growing hotel and restaurant sectors.

Policies and Programmes: To facilitate the development of agriculture and the related processing industries, the government has also extended numerous incentives to businesses in the industry including: income tax relief; duty concessions on imports related to production; marketing services through national promotion organization; and industry modernization incentive for equipment contributing to technological advancement of the industry. These, in addition to market access opportunities to the US, Canada, Caribbean, and Europe, combine to provide new trade opportunities that will herald the continued growth and development of Jamaica's agribusiness industries.

Manufacturing: In 2008, total goods production in the manufacture sector, as a percentage of total real gross domestic product was 8.5%, a falloff from 9.6% in 2003. This outturn primarily reflected contractions in the two main components of the industry, namely, the Food, Beverages & Tobacco and Other Manufacturing. Despite this falloff however, the manufacturing sector is the second most significant contributor to real GDP after the services sector. In recent years, the manufacturing industry has operated in an increasingly challenging environment, as local producers have had to contend with the adverse effects of the economic downturn, including falling demand, as well as high operating costs. Production in the industry has also been negatively affected by inclement weather, which resulted in downtime for some local manufacturers.

Notwithstanding these challenges however, investments in the manufacturing sector continue to trend upwards, with the highest value investments recorded in the petrochemicals sub-sector, driven by the expansion in the facility for ethanol dehydration,. Further expansion in the cement sub-sector, in particular, the modernization of the Caribbean Cement factory and large expansions in the plastics and agro-processing sub-sectors also occurred in 2008.
The Government's policy framework for the Manufacturing sector focused on the need to foster investment and strengthen the productive capacity. The sector also enjoys several Government of Jamaica incentives that allow for the reduction in the time allotted for depreciating the cost of capital equipment and the removal of the customs user fees payable on capital goods and raw materials. In addition, financing to the sector is made available by the Government through the Development Bank of Jamaica and the EX-IM Bank at relatively lower rates than obtains at the commercial banks.

## d. Creative Industries

This sector includes film, music, fashion, craft, performing arts, publishing and other creative services.

### Value Proposition

- Supportive government policies including income tax relief of up to fifteen years and duty free importation of plant equipment and machines
- Global recognition of the strong cultural Jamaican Brand
- Highly skilled film and music crews
- Wide range of accommodations and film location sites

Overview and Prospects for the Creative Industries
Jamaica Trade and Invest, through its Creative Industries Unit seeks to facilitate the needs of clients in areas of film, fashion, music craft, performing arts, publishing and other creative services. The Agency is home to the Jamaica's Film Commission, which for the past 22 years has been supporting the development of Jamaica's film industry. For the period under review, JTI facilitated ninety-nine (99) film projects. These projects ranged from music videos, to photo shoots, and documentaries. The most notable clients included: A Perfect Getaway, LLC (Feature Film) The Travel Channel (Bridget's Sexiest Beaches), Global Television (Entertainment Tonight Canada), Quadra Productions (Wheel of Fortune) and The BBC (multiple productions). In addition, during the review period, six (6) Motion Picture Recognition Investment projects were secured.

Policies and Programmes: Investors wishing to produce films in Jamaica may benefit from incentives under the Motion Picture Industry Encouragement Act, such as tax duty waivers. JTI makes recommendations to the Ministry of Finance allowing income tax relief for film producers, for a period not exceeding nine years, after the first release of the motion picture. The investor could also benefit from an investment allowance of 70 per cent of the total expenditure on the production facilities and this may be carried forward. In addition, the investor could also be exempt from the payment of import duty on equipment, machinery and materials for the building of studios or for use in motion picture production.

It is anticipated that, with the development of new film industry legislation supported by competitive incentives, the industry will experience unprecedented growth and development. It is also expected that, the benefits of the UK/ Jamaica Co-production Treaty will be expanded under the Economic Partnership Agreement (EPA) the industry to twenty six (26) new markets in Europe, offering immense opportunities for Jamaica's creative sector.

## Investment Promotions Missions

The organization undertook a total of 59 promotional and market penetration activities during the review period. These promotional activities were critical to the generation of investment leads but also served to advance discussions regarding the creation of a Canadian Co-Production Treaty with Jamaica's Consul General in Toronto, provide an entry to the Middle Eastern and Asian markets and raise the profile of Jamaica as a business destination in those markets, facilitate the further penetration of the UK market, provide research opportunities for the agriculture, manufacturing, and music sectors and, position Jamaica internationally as a competitive BPO destination. Some of the specific promotional and market penetration activities undertaken include:

| Mission | Dates | Country | Purpose of Mission in Summary |
|---|---|---|---|
| **The Arabian Hotel Investment Conference** | **May 3-5, 2008** | United Arab Emirates | Exploratory visit to a new market to increase awareness of the investment possibilities in Jamaica. |
| **Gartner Outsourcing Summit** | **May 19-21, 2008** | Washington DC, USA | This is one of the key networking annual events at the CIO level for decision makers from the most noted BPO companies worldwide. JTI sought to network and develop critical leads. |
| Investment Seminar/Business Forum | August 15, 2008 | Beijing, China | As a part of the Beijing Olympics Brand Jamaica Campaign, JTI sought to showcase Brand Jamaican products and investment opportunities in the country. |
| **Toronto International Film Festival (TIFF)** | **September 4-13, 2008** | Canada | TIFF is the 2nd largest film festival in the world (second only to the Cannes Film Festival held in France), that fuses the commercial and creative elements of the industry. This mission was an opportunity to develop strong leads and advance discussions re: the Co Production treaty. |
| **American Composites Manufacturers Association-Composites and Polycons Show** | **January 15-17, 2009** | USA | This event is seen by industry members as the premier forum for buyers and suppliers to the manufacturing industry to meet and be educated on new technologies, and governmental regulations that will impact their industry. Attendance was an opportunity to network with potential investors and technical training. |
| **UK Investment Forum** | **February 4-9, 2009** | UK | The event was attended by 140 individuals from the Finance, Industry, Telecommunications and Creative Industries as well as Diplomats and NGOs and aimed at increasing awareness of investment opportunities in Jamaica. |
| **National Minerals Week** | **February 15-21, 2009** | Jamaica | JTI in collaboration with the EXIM Bank co-sponsored a Power Breakfast during the week of activities to facilitate the showcasing of and discussions on investment opportunities in the sector. |
| **Ministry of Agriculture – Investing in Agriculture for Jamaica's Food Security** | **March, 2009** | Jamaica | This event launched Jamaica's National Food Security Program. JTI participated with a booth and a presentation at the seminar on JTI facilitation services. |

# Jamaica's Exports to the World!

**An Overview**

The World Trade Organization (WTO) reported that for 2008, world exports of merchandise goods grew 15% in nominal terms in 2008 to US$15.78 trillion, while exports of services rose 11% to US$3.73 trillion. In particular, the share of developing country exports in world trade rose to a record 38% percent in 2008. It is anticipated that, with the deepening of the impact of the financial crisis, world trade volumes will contract by as much 10% in 2009.

For Jamaica, for the 2008/09 fiscal year, a decline of US$213.5 million in exports was recorded. This decline in exports resulted primarily from a reduction in alumina exports of US$170.5 million due to the reduced demand for the commodity triggered by the global crisis. For the calendar year 2008 however, a 17% increase in total exports was recorded, the result of increased non-traditional exports. As a per cent of total exports, non-traditional exports increased to 41.5% in 2008, compared to an increase of 29.3% in 2007.
In the area of export promotion, the mandate of the organization is to facilitate sustainable growth of non-traditional and value-added exports to key target markets, by providing services geared towards increasing export sales and international competitiveness of Jamaican products and services. To this end the organization undertook a number of initiatives to achieve its objectives. These included:

- Increased focus on Client Servicing
- Identifying relevant resources to support client development needs
- Developing strategic partnerships and collaborative relationships with relevant local and international organizations
- Driving and strengthening collaboration on internal initiatives that have the potential to impact export promotion goals
- Delivering a well-defined suite of specialised services to address the needs of the export community
- Planning and implementation of market penetration activities
- Supporting initiatives led by external bodies and partner agencies

These activities generated several results including a record J$4.48 billion in non-traditional export sales from JTI clients during FY2008/09 (Table 3). This is a 182% increase relative to the target set for the period. The main contributor to this performance was the processed foods sub-sector, which accounted for more than 85% of the total sales recorded.

| Indicator | Target | Actual |
|---|---|---|
| Export Sales (J$)<br>(JTI Value-added clients) | 2,460,000,000 | **4,479,188,646** |

Table .3

# Export Promotions Missions

In an effort to impact growth in highly differentiated high value exports, the JTI undertook a number of key activities in the Financial Year 2008-2009. These activities contributed to the achievement of all export-related corporate targets.

| Mission | Dates | Country | Purpose of Mission in Summary |
|---|---|---|---|
| JMA/JEA Expo 2008 including Buyer Recruitment & Hosting Programme | April - May, 2008 | Jamaica | An intensive Buyer Recruitment Programme was carried out for JMA/JEA Expo and resulted in 187 buyers attending the Expo. |
| Expo Alimentos | April 5-6, 2008 | Puerto Rico | A Buyer recruitment effort in a new market. |
| Food and Drink Expo | April 2008 | UK | An opportunity for local firms to introduce their products to the market, observe new trends in packaging and labeling and find new distributorships. |
| Jamaican Business Expo | May 29 – 30, 2008 | USA | An initiative organized by Jamaica USA Chamber of Commerce allowing JTI and the JEA to showcase Jamaica products. |
| 2008 Caribbean Trade Exhibition and Investment Seminar | June 4 – 8, 2008 | USA | An opportunity to showcase Jamaican products and discuss business opportunities with a new market in the USA. |
| Expo Zaragoza World Fair | June 14 – September 14, 2008 | Spain | A three-month World Fair that allowed Jamaican companies to showcase their goods and services via a national pavilion. |
| Fancy Food 2008 Trade Show | June 29 – July 1, 2008 | USA | An opportunity for manufacturers to further promote and improve the development of their products and test market acceptability. |
| The 11th Americas Food & Beverage Show and Conference | September 24 – 26, 2008 | USA | This, the largest Americas-focused trade show in the Western Hemisphere, featured over 300 exhibitors from 21 countries, allowing firms to showcase products to a wide distributorship. |
| FCCA 15th Annual Cruise Conference and Trade Show | October 26-31, 2008 | USA | Allowed over 800 delegates from 42 countries to conduct business negotiations with Executives from over 15 different Cruise lines that are members or partners of the FCCA. |
| The International Food & Drink Exhibition (IFE) 2009 | March 15-18, 2009 | UK | The IFE is among the largest dedicated food and drink exhibitions in the UK that provides opportunities to discover new products, companies, ideas, and innovations from around the world. |
| Supplier Mobilisation for Opportunities Jamaica 2009 | March 26, 2009 | Jamaica | A linkages initiative that sought to match over 100 suppliers with purchasers of goods and services. |

# Export Development

The organization also undertook several key developmental activities during the year in an effort to increase the capacity of local firms to grow and sustain their businesses and increase exports. Some of these activities included:

Enterprise Rating and Upgrading (ERU): As an assessment/diagnostic facility, ERU was established with the main purpose to enhance the competitiveness of Jamaican Micro, Small, and Medium Enterprise (MSME). JTI, JBDC and the PSDP collaborated and staged a Symposium highlighting the Enterprise Rating and Upgrading services being offered by the two organizations with funding from the PSDP. The highlight of the event was the certification of 31 persons (staff of JTI, JBDC, PSDP and selected external service providers) who had completed technical training utilizing tools developed by International Trade Centre (ITC). Under the PSDP's ERU component, JTI has a target of 200 MSMEs to be assessed and provided with upgrading over a two-year period. In 2008/09, the number of companies that benefited from programme was 150 compared to the target of 124 companies; while 23 workshops were organized in comparison to a target of 13.

National Export Strategy (NES): In collaboration with key stakeholders, in particular the JEA, JTI advanced the work involved in the NES strategy design with a view to executing the implementation phase of the project during FY2009/10. A draft strategy was developed during the review period and is expected to serve as a road map for local exporters, providing a menu of solutions to facilitate the export trade. The Strategy will also seek to increase current value of non-traditional exports by 50% by 2012; increase the contribution of services exported as a percentage of overall exports, with emphasis on the professional services and creative industries sectors, increasing penetration of existing markets and access to new and emerging ones.

Strategic Plan for the Export of Professional Service Exports: JTI had requested and received support from the Commonwealth Secretariat to prepare a Strategic Plan for the Promotion of Professional Service Exports. Following the project launch and stakeholder consultations, six priority industries of the services sector (health and wellness, education, entertainment, information and communication technology, finance and insurance and accounting and auditing) were selected for inclusion in the Strategic Plan. The Strategic Plan was finalized in June 2008 and circulated to key stakeholders. Following further consultations, a number of the priority sectors have been included in the NES. The Plan is to be implemented through the National Coalition for Services Industries which will be launched in FY2009/10.

Presentation on increasing local and international sales via the internet (October 21, 2008): Over 75 companies attended a forum organized by JTI, to expose companies to this marketing opportunity. The objective of the respective activity was to expose and inform exporters on how to use the internet to maximize their sales and increase their profit margins. The main segments of the presentation included showcasing products and services online, Convenient shopping for customers online, making shopping convenient for customers online and increasing customer awareness via the internet.

# Business Facilitation Highlights

**Background**

In an effort to assist firms to attain higher levels of growth and development, JTI also provides specialized assistance through the organisation's Universal Access services. These services are those which are provided to individuals who are not necessarily clients, but who nevertheless seek to avail themselves of such services. They include the following:

- Exporter Registration: as provided in the JAMPRO Act, the Organisation keeps a register of all new exporters and provides basic information to assist in their first steps;
- Technical Assistance: providing guidance and hand-holding for companies to access grant-based financing for business development through a number of partner resources and donor agents;
- Modernisation of Industry (MOI): facilitating applications for the MOI incentive, which allows eligible exporters to import equipment required to upgrade their facilities free of GCT and duty;

Additional services are provided by the Business Library, which is a reference desk offering numerous periodicals and other published material relevant to the economy as a whole, and to specific sectors and sub-sectors, and the Contact Centre, which allows for a walk-in and call-in facility with trained officers who provide valuable business information and hand-holding.

Overview of Performance

Exporter Registration: During the review period 213 new exporters registered and 633 re-registered. The total number of registered exporters stood at 872. Of this number, 809 are involved in the production of goods and services. Approximately 50% of the newly registered exporters were manufacturers with 38 of these firms operating solely as traders of manufactured goods. The exporters of services were largely from the creative industries and tourism sectors. Of note, the organization generated a total of J$2.22 million and US$1156 from exporter registration activities.


Figure .6

Technical Assistance: During the review period, the organization submitted a total of 32 technical documents to donor agencies (including the CDE Annual Report) on behalf of local businesses. A total of J$70 million in technical assistance funding for the business community was generated. Of this amount, J$22 million was approved during the period by donor agencies for disbursal.
Modernisation of Industry (MOI): For FY2008/09, JTI facilitated, on behalf of local firms, the receipt of GCT waivers amounting to J$300 million for capital equipment valued at J$1820.5 million (see Table 5).

| FISCAL YEAR | CAPITAL INVESTMENT | GCT WAIVED | NO. OF BENEFICIARIES |
|---|---|---|---|
| 2006/2007 | $4,117.93m | $679.46m | 135 |
| 2007/2008 | $4,640.97m | $765.76m | 157 |
| 2008/2009 | $1,820.5m | $300.00m | 114 |

Table .5

Clusters & Business Linkages Highlights

Background
The organization supports the growth of local businesses through the implementation of the Jamaica Business Linkages Programme and a Cluster Development Programme. The underlying premise of the Linkages Programme is to forge sustainable business ties between investors and local suppliers. The success of the Linkages Programme is premised inherently on cluster development. It is expected that the cluster, which has sectoral and

geographical concentrations of enterprises that produce and sell a range of related or complementary products, will cooperate on joint project development, including the collective vying for linkages contracts which would have been beyond their individual reach.

With regard to the Linkages Programme, JTI is responsible for the management and day-to-day running of the Caribbean Business Opportunity Service [CBOS] which has recently been rebranded to the Jamaica Business Opportunity Service [JBOS]. The site is being rebranded to become the primary tool for creating and facilitating linkages between local investors/buyers and suppliers. In addition to this service the organisation also hosts several linkages interventions and is the primary resource for the implementation of JTI's signature event "Opportunities Jamaica". The Cluster Sector Initiative of the Private Sector Development Programme supports the objectives of the Linkages Programme and JTI has the responsibility of supervising five (5) clusters, namely; The Jamaica Fish cluster, Negril and Western Jamaica MSMEs, The Tourism Cluster, The Music Cluster and The Visual and Performing Arts Cluster, under the PSDP.

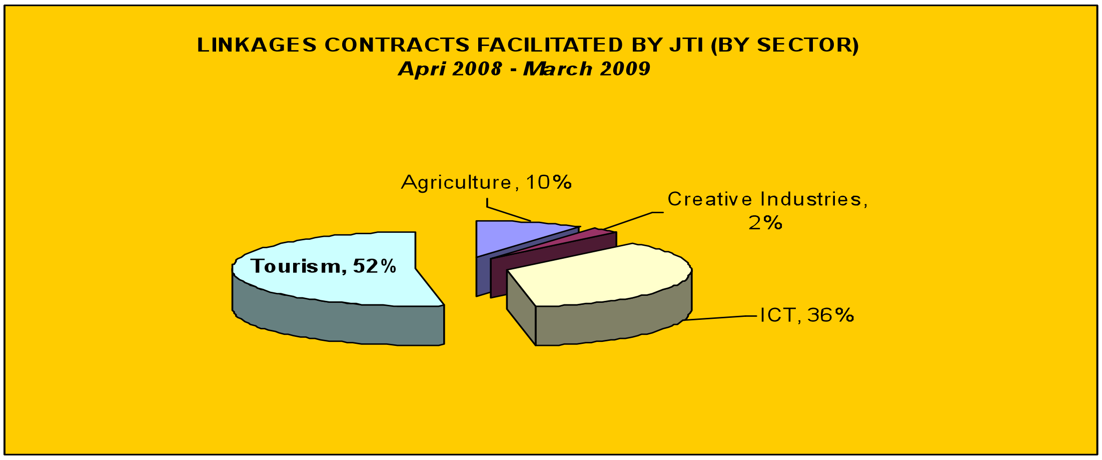
Overview of Performance

The Jamaica Business Linkages Programme: A number of were undertaken for the period with the aim of creating and facilitating linkages opportunities. These activities were targeted in the area of tourism due to the possible number and magnitude of contracts that this sector has the ability to create. The organization also sought to fine-tune its data collection mechanism in an effort to record the value and volume of linkages contracts that were being facilitated through the daily investment and export promotions activities of members of staff. For FY2008/09, the following linkages contracts were facilitated:

| Sectors | Values (J$) | Number of Contracts |
|---|---|---|
| Agriculture | 15,401,563.73 | 4 |
| Creative Industries | 250,000.00 | 1 |
| ICT | 226,684,736.05 | 15 |
| Tourism | 42,205,408.48 | 22 |
| Total | 284,541,707.26 | 42 |
| Targets | 100,000,000.00 | 40 |

Table .4

The targets set for the period for the value and volume of linkages contracts signed were both surpassed by 184% and 5% respectively. With regard to the sectors from which these contracts were garnered, Figure 5 reflects the breakdown.




Some of the linkages activities undertaken by the organization in an effort to generate the foregoing results included:

1. Local buyer recruitment for the JMA/JEA Expo: 90 buyers across several industries including hotels, restaurants chains, supermarkets and other distributors were secured for this event and local suppliers were able to showcase their products.

2. The "Flavour of Jamaica" showcase: Displays were mounted at the Denbigh Agricultural Showground as part of the "Eat Jamaica" campaign. With the assistance of the Chef's Federation, JTI mounted a culinary demonstration/ display using products that were provided by the Fish Cluster, The Egg Cluster and the Small Ruminants Cluster as part of a marketing activity to promote the use of their products.

3. Targeted Linkages Opportunities: Targeted business meetings were facilitated between hoteliers and local suppliers.

4. Opportunities Jamaica: More than 200 pre-scheduled matchmaking meetings were facilitated at this event. In attendance were 116 companies with 249 participants, 60 Exhibitors and representation from the major hotels and private sector associations in Jamaica.

The Cluster Sector Initiative: The Cluster activities for financial year ended March 2009 focused on 2 main objectives:

1. Improving cluster efficiency
2. Improving the capacity of cluster facilitators and Cluster Coordinators.

The results were as follows:
1. Improved cluster efficiency

| OBJECTIVES | PERFORMANCE INDICATOR | TARGET | YTD RESULTS | VARIANCE | PROG. TARGETS |
|---|---|---|---|---|---|
| Improve Cluster Efficiency | # of firms participating in development activities | 400 | 630 | +230 | 100 |
| | # of new products developed | 10 | 14 | +4 | 15 |
| | Consumption Rate of Funds | 75% | 49.45% | -25.55% | 100% |

2. Capacity Building: During the year JTI facilitated a series of training sessions for the cluster facilitators, executives, Private Sector Organisation representatives and coordinators. These included:

- Clustering 101 and PSDP Guidelines
- Legal Structures for Clusters
- Social Capital & Trust in Clusters
- Intellectual Property Rights for clusters
- Cluster Diagnostics
- Project Management
- Work groups and their role in development of successful Clusters
- Motivational Leadership
- Creating Entrepreneurial Clusters

# Private Sector Development Programme

The Private Sector Development Programme (PSDP) is a €28.67 million initiative of the European Commission, in partnership with the Government of Jamaica. The JTTI was appointed as the key execution and coordination agency, working with partners, such as, the Jamaica Business Development Centre (JBDC), to achieve the overall programme objective of enhanced competitiveness for micro-, small- and medium-sized enterprises (MSMEs). The Programme features several activities which correspond to the abovementioned broader enterprise and export promotion and development objectives as follows:

| Objective | | Activity |
|---|---|---|
| 1. | Empowerment of private sector Organisations and support institutions (PSOs); | • PSO Capacity-Building<br>• Competitiveness Committee |
| 2. | Enhanced MSME competitiveness through improved business development | • Cost-sharing Business Development Services (BDS) Scheme<br>• Consortia Business Development Services<br>• Market Penetration<br>• Cluster & Sector Initiatives<br>• Export Centres<br>• Business Info Points<br>• Enterprise Rating & Upgrading<br>• Back Office Services |
| 3. | Increased MSME access to corporate finance | • Corporate Finance Brokerage |

Some key achievements of the PSDP during FY2008/09 are noted on the table below.

## PERFORMANCE AGAINST TARGETS DEC 2008

| Activity | Indicator | PROGRAMME TARGET ACHIEVEMENTS | | |
|---|---|---|---|---|
| | | Overall TARGET | Target Achievement to Dec. 30, 2008 | Percentage Achievement to Dec.31, 2008 (%) |
| Back Office Services[2] | No. of back offices established | 5 | 8 | 160% |
| | No. of MSMEs accessing services | 250 | 34 | 14% |
| Business Info Points | No. of interventions applied to entities by BIPs | 5000 | 5495 | 110% |
| | No. of firms receiving assistance from BIPs | 1575 | 1038 | 66% |
| Cluster & Sector Initiatives | No. of clusters/sector initiatives undertaken | 10 | 10 | 100% |
| | No. of firms participating in initiatives | 100 | 790 | 790% |
| | No. of prod. developments & upgrades | 15 | 21 | 140% |
| Competitiveness Committee | No. of research studies commissioned | 12 | 7 | 58% |
| | No. of policy proposals submitted to GoJ | 6 | 1 | 17% |
| Consortia BDS[3&5] | No. of workshops delivered | 240 | 307 | 128% |
| Corporate Finance Brokerage | No. of firms assisted | 400 | 491 | 123% |
| | No. of workshops delivered | 48 | 54 | 113% |
| | No. of Loans facilitated | 100 | 60 | 60% |
| Cost-sharing BDS[5] | No. of firms participating | 230 | 174 | 76% |
| Enterprise Rating & Upgrading | No. of ERU units set up | 2 | 2 | 100% |
| | No. Of Persons qualified as ERU assessors | 10 | 48 | 480% |
| | No. of firms benefiting | 400 | 137 | 34% |
| | No. of workshops organized | 50 | 19 | 38% |
| Export Centre | No. of interventions applied to entities by Ecs | 2000 | 1307 | 65% |
| | No. of firms receiving assistance from ECs | 630 | 499 | 79% |
| Market Penetration | No. of events executed | 25 | 37 | 148% |
| | No. of firms participating in events | 250 | 421 | 168% |
| Mutual Guarantee Company[4] | Feasibility Study | 1 | 1 | 100% |
| PSO Capacity-Building[5] | No. of PSOs benefiting | 25 | 58 | 232% |

# auditors' report

KPMG

# Independent Auditors' Report

To the Members of
JAMAICA TRADE AND INVEST
Jamaica Promotions Corporation

**Report on the Financial Statements**

We have audited the financial statements of Jamaica Promotions Corporation (the corporation), set out on pages 3 to 23, which comprise the balance sheet as at March 31, 2009, 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. 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 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.

To the Members of
JAMAICA TRADE AND INVEST
Jamaica Promotions Corporation

**Report on the Financial Statements, cont'd**

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the corporation as at March 31, 2009, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

September 29, 2009

# Balance Sheet

March 31, 2009

| | Notes | 2009 | 2008 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 39,946,380 | 28,522,205 |
| Securities purchased under resale agreements | 2(e) | 163,715,325 | 144,250,310 |
| Accounts receivable | 4 | 16,388,596 | 13,907,307 |
| | | 220,050,301 | 186,679,822 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 5 | 107,280,394 | 111,657,613* |
| Grants received in advance | 6 | 17,067,562 | 15,599,192* |
| | | 124,347,956 | 127,256,805 |
| NET CURRENT ASSETS | | 95,702,345 | 59,423,017 |
| NON-CURRENT ASSETS | | | |
| Property, plant & equipment | 7 | 209,923,619 | 213,567,242 |
| Pension asset | 8 | 123,543,000 | 129,294,000 |
| | | $429,168,964 | 402,284,259 |
| Financed by: | | | |
| ACCUMULATED SURPLUS | | 230,240,228 | 203,200,062 |
| CAPITAL RESERVE | 9 | 197,629,686 | 197,629,686 |
| | | 427,869,914 | 400,829,748 |
| NON-CURRENT LIABILITY | | | |
| Deferred income | 10 | 1,299,050 | 1,454,511 |
| | | $429,168,964 | 402,284,259 |

The financial statements on pages 27 to 49 were approved by the Board of Directors on September 29, 2009, and signed on its behalf by:

____________________ Acting Chairman
Raymond Miles

____________________ President
Sancia Bennett-Templer

*Reclassified to accord with 2009 presentation.
The accompanying notes form an integral part of the financial statements.

# Income Statement

Year ended March 31, 2009

| | Notes | 2009 | 2008 |
|---|---|---|---|
| Gross operating revenue | 11 | 473,489,684 | 394,838,390 |
| Operating expenses: | | | |
| Promotional | | 110,220,708 | 106,333,362 |
| Staff-related | | 292,386,305 | 231,219,685 |
| General and administrative | | 72,050,954 | 66,464,382 |
| | | 474,657,967 | 404,017,429 |
| Operating deficit for the year | 12 | ( 1,168,283) | ( 9,179,039) |
| Other income: | | | |
| Interest income | | 23,222,881 | 17,227,667 |
| Gain/(loss) on disposal of property, plant & equipment | | 1,460,050 | ( 8,132) |
| Foreign exchange gain | | 3,525,518 | 668,977 |
| Surplus for the year | | $ 27,040,166 | 8,709,473 |

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

# Statement of Changes in Equity

Year ended March 31, 2009

| | Accumulated surplus | Capital reserve (note 9) | Total |
|---|---|---|---|
| Balance at March 31, 2006 | 113,453,410 | 197,038,686 | 310,492,096 |
| Surplus for the year | 81,628,179 | - | 81,628,179 |
| Transfer | (591,000) | 591,000 | - |
| Balance at March 31, 2007 | 194,490,589 | 197,629,686 | 392,120,275 |
| Surplus for the year | 8,709,473 | - | 8,709,473 |
| Balance at March 31, 2008 | 203,200,062 | 197,629,686 | 400,829,748 |
| Surplus for the year | 27,040,166 | - | 27,040,166 |
| Balance at March 31, 2009 | $230,240,228 | 197,629,686 | 427,869,914 |

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

# Statement of Cash Flows

Year ended March 31, 2009

| | | |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus for the year | 27,040,166 | 8,709,473 |
| Adjustments for: | | |
| Depreciation | 14,725,613 | 14,170,357 |
| Employee benefits | 5,751,000 | 4,713,000 |
| Amortisation of deferred income | ( 155,461) | ( 155,461) |
| Interest income | ( 23,222,881) | (17,227,667) |
| (Gain)/loss on disposals and exchange of property, plant & equipment | ( 1,460,050) | 8,132 |
| Foreign exchange gain | ( 3,525,518) | ( 668,977) |
| | 19,152,869 | 9,548,857 |
| Increase in accounts receivable | ( 2,481,289) | ( 2,578,841) |
| Decrease in accounts payable | ( 2,908,849) | 11,178,979 |
| Net cash provided by operating activities | 13,762,731 | 18,148,995 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant & equipment | ( 11,081,990) | (21,797,832) |
| Interest received | 23,222,881 | 17,227,667 |
| Proceeds from disposal of property, plant & equipment | 1,460,050 | 33,071 |
| Securities purchased under resale agreements | ( 19,465,015) | (35,109,727) |
| Net cash used by investing activities | ( 5,864,074) | (39,646,821) |
| Net increase/(decrease) in cash and cash equivalents | 7,898,657 | (21,497,826) |
| Cash and cash equivalents at beginning of year | 28,522,205 | 49,351,054 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 3,525,518 | 668,977 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 39,946,380 | 28,522,205 |

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

# Notes to the Financial Statements

Year ended March 31, 2009

1. The Corporation

Jamaica Promotions Corporation was established on April 26, 1990 as a statutory corporation under the Jamaica Promotions Corporation Act (the Act) with the objectives of stimulating, facilitating and promoting the development of trade and industry, export trade and investment activities in all sectors of the Jamaican economy.

Under the Act, the assets of the Jamaica Industrial Development Corporation (JIDC) and the Jamaica National Export Corporation (JNEC) were vested in the Corporation subject to liabilities and obligations relating thereto, as of April 26, 1990.

The assets and liabilities of JAMPRO Limited (a limited liability company owned by the Government of Jamaica) were transferred to, and vested in, the Corporation as of April 1, 1991, by the Jamaica Promotions Corporation (Vesting of Assets) Order 1991.

On October 4, 2002, the Corporation transferred its interest in the shares of its subsidiary, Jamaica Export Trading Company Limited, to a consortium of staff of that company.

The number of staff at March 31, 2009 was 92 (2008: 94).

In February 2007 the corporation started trading as Jamaica Trade and Invest.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board IASB.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars and are prepared on the historical cost basis.

New standards adopted during the year:

During the year, the corporation adopted the following standards which became effective:

- IFRIC 14 - IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The adoption of IFRIC 14 – IAS 19 did not have any significant impact on the financial statements.

New standards and interpretations not yet effective

At the date of authorising the financial statements, there were certain new standards and interpretations which have been issued but are not yet effective and have therefore not been applied in preparing these financial statements. Those which are considered relevant to the corporation and their effective dates are as follows:

2. <u>Statement of compliance, basis of preparation and significant accounting policies (cont'd)</u>

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

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts be disclosed on the face of the statement of changes in equity or in the notes.

- Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for the corporation's 2010 financial statements and is not expected to have any impact on the financial statements. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.

- Amendments to *IFRS 7 Financial Instruments: Disclosures* require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice. The amendments will become mandatory for the 2010 financial statements. The corporation is assessing the impact that the revised standard will have on the financial statements.

(c) Estimates and judgements:

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

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

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Estimates and judgements: (cont'd)

( i) Pension and other post retirement benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension.

The expected return on plan assets assumed considers the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yields on long-term government securities that have maturity dates approximating the terms of the corporation's obligation; in the increase of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment 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 receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

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

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances including short term deposits maturing between one and three months from the balance sheet date.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Securities purchased under resale agreements:

Securities purchased under resale agreements are short-term transactions in which the corporation makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Resale agreements are accounted for as short-term collateralised lending.

(f) Accounts receivable:

Trade and other receivables are stated at cost, less impairment losses.

(g) Accounts payable and accrued charges:

Trade and other payables are stated at amortised cost.

(h) Property, plant & equipment:

Property, plant & equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of the day-to-day servicing of property, plant and equipment are recognised in the income statements.

(i) Depreciation:

Property, plant & equipment, with the exception of land, on which no depreciation is charged, 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% |
| Leasehold improvements | over the life of the lease |
| Furniture and equipment | 10% |
| Motor vehicles | 20% |
| Computers | 20% |

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

(j) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement.

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(k) Employee benefits:

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

(i) General benefits:

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and are expensed as the related service is provided. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits are accounted for as described in paragraphs (ii) below. Other long-term benefits, including termination benefits, which arise when either: (1) the employer decides to terminate an employee's employment before the normal retirement date; or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

(ii) Defined benefit pension scheme:

In respect of defined-benefit arrangements, employee benefits, comprising pensions and other post-employment assets, and obligations included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Corporation's post-employment benefit assets 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 Corporation's net obligation in respect of the defined-benefit pension schemes 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 benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of scheme assets are deducted. The discount rate is the yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(k) Employee benefits: (cont'd)

(ii) Defined benefit pension schemes (cont'd):

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 Corporation's obligation in respect of the plan, actuarial gains and losses that arose subsequent to April 1, 2002, 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. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Corporation, 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.

(l) Provisions:

A provision is recognised in the balance sheet when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 obligation.

(m) Related parties:

A party is related to the corporation, if:

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

(a) is controlled by, or is under common control with, the corporation;

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

(c) has joint control over the corporation;

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

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

(iv) the party is a member of the key management personnel of the corporation;

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

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Related parties (cont'd):

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

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

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

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

(n) Impairment:

The carrying amounts of the Corporation'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.

( i) Calculation of recoverable amount:

The recoverable amount of the Corporation's 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.

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

(ii) Reversals of impairment:

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

An impairment loss is reversed only to the extent that the asset's 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(o) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liabilities include accounts payable and grants received in advance.

(p) Deferred income:

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

(q) Revenue recognition:

Government grants are recognised on a cash basis.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

(r) Expenses:

( i) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on surplus funds invested during the course of routine treasury management and foreign exchange gains and losses recognised in the income statement.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(ii) Operating lease payments:

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(s) Determination of profit:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the period in which they are realised.

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(t) Fair value disclosures:

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

3. Cash and cash equivalents

These include:

(a) $151,832 (2008: $151,832) relating to grants received in advance to be disbursed to other persons for projects undertaken by the Corporation (see note 6).

(b) $5,174,838 (2008: $4,586,609) placed on deposit in the name of the Corporation, which relates to amounts received from the Ministry of Industry, Commerce & Technology for aiding in the development of cultural art.

(c) $4,381,306 (2008: $4,381,306) received for specified investment promotion activities.

(d) $8,971,217 (2008: $Nil) received for specified investment promotion activities, for International Financial Services Centre Project.

4. Accounts receivable

| | 2009 | 2008 |
|---|---|---|
| Prepaid expenses | 1,074,889 | 977,939 |
| Other accounts receivable | 15,313,707 | 12,929,368 |
| | $16,388,596 | 13,907,307 |

5. Accounts payable

| | 2009 | 2008 |
|---|---|---|
| International Financial Services Centre (i) | 8,971,217 | - |
| Trade accounts payable | 7,639,730 | 18,591,878 |
| Due to Art Development Fund | 5,174,838 | 4,586,609 |
| Accrued expenses and other liabilities | 85,494,609 | 88,479,126* |
| | $107,280,394 | 111,657,613* |

(i) This represents unspent balances in respect of funds received from the Government of Jamaica and various sponsors to fund the International Financial Service Centre (IFSC) project for the year April 2009 to March 2010.

*Reclassified to accord with 2009 presentation.

6. Grants received in advance

These are unspent balances in respect of funds received from overseas agencies to finance certain activities and projects.

7. Property, plant & equipment

| | Land, buildings & leasehold improvements | Furniture equipment and computers | Motor vehicles | Total |
|---|---|---|---|---|
| At cost or deemed cost: | | | | |
| March 31, 2007 | 198,656,934 | 57,996,813 | 12,134,088 | 268,787,835 |
| Additions | 924,900 | 16,994,283 | 3,878,649 | 21,797,832 |
| Disposals | - | (103,007) | - | (103,007) |
| March 31, 2008 | 199,581,834 | 74,888,089 | 16,012,737 | 290,482,660 |
| Additions | - | 7,671,784 | 3,410,206 | 11,081,990 |
| Disposals | - | - | (2,293,784) | (2,293,784) |
| March 31, 2009 | 199,581,834 | 82,559,873 | 17,129,159 | 299,270,866 |
| Depreciation: | | | | |
| March 31, 2007 | 27,062,596 | 30,629,553 | 5,114,716 | 62,806,865 |
| Charge for the year | 4,843,899 | 7,214,898 | 2,111,560 | 14,170,357 |
| Eliminated on disposals | - | (61,804) | - | (61,804) |
| March 31, 2008 | 31,906,495 | 37,782,647 | 7,226,276 | 76,915,418 |
| Charge for the year | 4,843,899 | 7,264,896 | 2,616,818 | 14,725,613 |
| Eliminated on disposals | - | - | (2,293,784) | (2,293,784) |
| March 31, 2009 | 36,750,394 | 45,047,543 | 7,549,310 | 89,347,247 |
| Net book values: | | | | |
| March 31, 2009 | $162,831,440 | 37,512,330 | 9,579,849 | 209,923,619 |
| March 31, 2008 | $167,675,339 | 37,105,442 | 8,786,461 | 213,567,242 |
| March 31, 2007 | $171,594,338 | 27,367,260 | 7,019,372 | 205,980,970 |

Surpluses arising on revaluations are included in capital reserve (note 9).

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

8. Employee benefit asset

The corporation operates a contributory pension scheme for all permanent employees. The scheme is funded by employee contributions of 5% of pensionable earnings, and employer contributions as recommended by independent actuaries. Annual pension at retirement is based on the average annual rate of pensionable earnings for the last three years prior to retirement.

Amounts recognised in the financial statements in respect of post-retirement employee benefits comprise the following:

| | 2009 | 2008 |
|---|---|---|
| Pension asset: | | |
| Present value of funded obligations | (128,419,000) | (111,575,000) |
| Fair value of plan assets | 533,386,000 | 557,607,000 |
| Net surplus | 404,967,000 | 446,032,000 |
| Unrecognised actuarial gains | 63,901,000 | ( 30,388,000) |
| Asset not recognised due to limitation in economic benefits | (345,325,000) | (286,350,000) |
| Asset recognised in balance sheet | $123,543,000 | 129,294,000 |

Scheme assets consist of the following:

| | 2009 | 2008 |
|---|---|---|
| Equity | 102,336,000 | 110,133,000 |
| Mortgage and real estate | 8,899,000 | 9,577,000 |
| Fixed income | 420,429,000 | 436,094,000 |
| | 531,664,000 | 555,804,000 |
| Ordinary shares | 812,000 | 1,436,000 |
| Late contributions | 910,000 | 367,000 |
| | $533,386,000 | 557,607,000 |

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

| | 2009 | 2008 |
|---|---|---|
| Balance at beginning of year | 129,294,000 | 134,007,000 |
| Contributions paid | 862,000 | 702,000 |
| Change recognised in the income statement | ( 6,613,000) | ( 5,415,000) |
| Balance at end of year | $123,543,000 | 129,294,000 |

8. Employee benefit asset (cont'd)

(ii) Movement in scheme assets:

| | 2009 | 2008 |
|---|---|---|
| Fair value of scheme assets as at April 1 | 557,607,000 | 510,065,000 |
| Contributions paid into the plan | 5,486,000 | 4,424,000 |
| Benefits paid by the plan | ( 9,087,000) | ( 20,534,000) |
| Expected return on plan assets | 75,042,000 | 60,269,000 |
| Actuarial loss on plan assets | ( 95,662,000) | 3,383,000 |
| Fair value of scheme assets as at March 31 | $533,386,000 | 557,607,000 |

(iii) Change recognised in the income statement:

| | 2009 | 2008 |
|---|---|---|
| Current service costs | 9,821,000 | 9,098,000 |
| Interest on obligations | 12,859,000 | 10,515,000 |
| Expected return on plan assets | (75,042,000) | ( 60,269,000) |
| Change in disallowed asset | 58,975,000 | 46,071,000 |
| | $ 6,613,000 | 5,415,000 |
| Actual return on plan assets | 4% | 15% |

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

| | 2009 | 2008 |
|---|---|---|
| Discount rate | 16% | 13% |
| Expected return on plan assets | 14.5% | 13.5% |
| Future salary increases | 12% | 10% |
| Future pension increases | 10% | 7% |

Historical information:

Defined benefit pension plan:

| | 2009 $'000 | 2008 $'000 | 2007 $'000 | 2006 $'000 | 2005 $'000 |
|---|---|---|---|---|---|
| Present value of the defined benefit | 128,419 | 111,575 | 105,592 | 76,961 | 63,181 |
| Fair value of plan assets | (533,386) | (575,607) | (510,065) | (440,621) | (440,623) |
| | (404,967) | (464,032) | (404,473) | (363,660) | (377,442) |
| Experience adjustments arising on plan liabilities | ( 1,373) | 3,182 | 12,746 | 20,736 | 1,439 |
| Experience adjustments arising on plan assets | 95,662 | ( 3,383) | ( 14,533) | 34,853 | ( 29,570) |

This represents amounts received from the Government of Jamaica to fund projects for the year April 2009 to March 2010.

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

9. Capital reserve

| | 2009 | 2008 |
|---|---|---|
| Gain on disposal of land and building | 16,420,395 | 16,420,395 |
| Profit on disposal of real estate | 80,215,145 | 80,215,145 |
| Excess of the value of assets over liabilities vested in the corporation (see note 1) | 1,675,556 | 1,675,556 |
| Realised surplus on disposal of buildings | 86,002,348 | 86,002,348 |
| Realised surplus on disposal of plant & equipment | 591,000 | 591,000 |
| Unrealised surplus on revaluation of furniture & fixtures | 9,656,146 | 9,656,146 |
| Unrealised surplus on revaluation of computers | 3,069,096 | 3,069,096 |
| | $197,629,686 | 197,629,686 |

10. Deferred income

| | 2009 | 2008 |
|---|---|---|
| Balance at beginning of the year | 1,454,511 | 1,609,972 |
| Amortisation during the year | ( 155,461) | ( 155,461) |
| Balance at end of the year | $ 1,299,050 | 1,454,511 |

11. Gross operating revenue

This represents gross income from government grants, certification fees and miscellaneous income.

12. Disclosure of expenses

Operating surplus/(deficit) for the year is stated after charging:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Depreciation | 14,725,613 | 14,170,357 |
| Directors' remuneration: | | |
| Fees | 1,198,600 | 544,500 |
| Management remuneration | 10,774,351 | 9,622,755 |
| Other staff costs | 292,386,305 | 231,219,685 |
| Auditors' remuneration | 1,298,000 | 1,398,000 |
| Key management personnel | | |
| Compensation – short-term benefit (included in other staff costs) | 41,131,963 | 38,852,558 |

13. Related party balances and transactions

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

| | 2009 $ | 2008 $ |
|---|---|---|
| Accounts receivable: | | |
| National Housing Trust | 34,491 | 34,491 |
| Government of Jamaica | 3,935,066 | 2,332,634 |
| Accounts payable: | | |
| Government of Jamaica | 834,529 | 1,128,936 |

14. Financial risk management

The corporation has exposure to credit risk, liquidity risk and market risk from its use of financial instruments: This note presents information about the corporation's exposure to each of the above risks, the corporation's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the corporation's risk management framework. The corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk:

Credit risk is the risk of financial loss to the corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the corporation's other receivables, cash and cash equivalents and securities purchased under agreement to resell.

The corporation does not have any trade receivables.

*Cash and cash equivalents and securities purchased under agreements to resell:*

These are placed with substantial financial institutions for short-term periods and management believes these institutions have minimal risk of default.

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

14. Financial risk management (cont'd)

(i) Credit risk (cont'd):

*Exposure to credit risk:*

The carrying amount of financial assets represents the maximum credit exposure. There is no off balance sheet exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

| | 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents | 39,946,380 | 28,522,205 |
| Securities purchased under resale agreements | 163,715,325 | 144,250,310 |
| Accounts receivable | 15,313,708 | 12,929,368 |
| | $218,975,413 | 185,701,883 |

(ii) Liquidity risk:

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the corporation's reputation.

The corporation manages this risk by maintaining an adequate level of liquid funds and relies on the Government of Jamaica for financial support, if needed.

The following table presents the undiscounted contractual cash flows of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity, compared to carrying amounts.

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Within 3 months | Three to 12 months | Over 12 months | Contractual cash flows | Carrying amount |
| Financial liabilities | | | | | |
| Accounts payable | (107,280,394) | - | - | (107,280,394) | 107,280,394 |
| Grants received in advance | ( 17,067,562) | - | - | ( 17,067,562) | 17,067,562 |
| | $(124,347,956) | - | - | (124,347,956) | 124,347,956 |

(ii) Liquidity risk: (cont'd)

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Within 3 months | Three to 12 months | Over 12 months | Contractual cash flows | Carrying amount |
| Financial liabilities | | | | | |
| Accounts payable | (111,657,613) | - | - | (111,657,613) | 111,657,613 |
| Grants received in advance | ( 15,599,192) | - | - | ( 15,599,192) | 14,599,192 |
| | $(127,256,805) | - | - | (127,256,805) | 127,256,805 |

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates, will affect the corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimising the return on risk.

(a) Foreign currency risk:

The corporation's exposure to foreign currency risk which is in the corporation's primary intervening currency as follows:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | US$ | (£)' | (€) | US$ | (£) | (€) |
| Cash and cash equivalents | 45,150 | 11,617 | 3,708 | 263,201 | 6,682 | - |
| Securities purchased under resale agreements | 158,713 | - | - | 589 | - | - |
| Accounts payable | 48,163 | 53,053 | 4,950 | ( 62,065) | (121,181) | - |
| Net exposure | 252,026 | 64,670 | 8,658 | 201,725 | (114,499) | - |

Exchange rates, in terms of Jamaica dollars, were as follows:

| | US$ | £ | (€) |
|---|---|---|---|
| March 31, 2008: | 71.09 | 141.15 | 112.05 |
| March 31, 2009: | 88.82 | 129.02 | 116.84 |

*Sensitivity analysis*

A 5% strengthening of the United States dollar, pound sterling, and Euro dollar against the Jamaica dollar would have increased profit for the year by $1,587,391 (2008: $1,919,951). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% weakening of the United States dollar Pound Sterling, and Euro dollar against the Jamaica dollar at March 31, 2009, would have decreased profit for the year by $3,174,027 (2008: 5% 1,919,951).

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

14. Financial risk management (cont'd)

(iii) Market risk (cont'd):

(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.

Financial assets which are subject to fixed interest are as follows:

| | 2009 | 2008 |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | 27,659,927 | 24,213,610 |
| Securities purchased under resale agreements | 163,715,325 | 144,250,310 |
| | $191,375,252 | 168,463,920 |

(iv) Fair values:

The fair values of financial assets and liabilities are broadly equivalent to the carrying amount shown in the balance sheet.

15. Contingencies

The Corporation is contingently liable for income taxes amounting to $5,274,150.51, on the salaries of non-resident employees for the period 1997 to October 2000.

The Corporation has applied to the Minister of Finance & Planning for a waiver of the amount, and anticipates a positive response.

# Notes to the Financial Statements (Cont'd) -

Year ended March 31, 2009

| | 2009 | 2008 |
|---|---|---|
| OPERATING INCOME | | |
| Government grants | 434,640,528 | 350,703,944 |
| Certification fees | 2,905,189 | 3,367,947 |
| IFSC project | 13,145,003 | - |
| Other income | 22,798,964 | 40,766,499 |
| | 473,489,684 | 394,838,390 |
| OPERATING EXPENSES | | |
| Promotional | | |
| Advertising and promotion | 54,000,985 | 67,205,302 |
| Books, publications and subscription | 3,472,536 | 3,200,069 |
| Entertainment | 996,959 | 590,942 |
| Foreign and local travel and subsistence | 28,157,531 | 19,547,395 |
| Professional fees | 10,447,694 | 15,789,654 |
| IFSC project | 13,145,003 | - |
| | 110,220,708 | 106,333,362 |
| Staff | | |
| Salaries, statutory payments and gratuities | 232,886,756 | 188,047,925 |
| Staff benefits | 41,929,730 | 30,873,239 |
| Pension benefit, net | 7,071,443 | 6,325,957 |
| Unused vacation leave | 7,369,498 | 4,109,426 |
| Staff training | 3,128,878 | 1,863,138 |
| | 292,386,305 | 231,219,685 |
| General and administrative | | |
| Directors' fees | 1,198,600 | 544,500 |
| Office rental | 1,718,517 | 2,410,575 |
| Utilities | 24,374,495 | 20,620,166 |
| Repairs and maintenance | 10,824,963 | 11,965,180 |
| Office supplies and other operating expenses | 3,477,757 | 3,761,156 |
| Professional fees | 1,952,876 | 321,494 |
| Audit fees | 1,298,000 | 1,398,000 |
| Motor vehicle and travelling | 3,005,620 | 2,556,513 |
| Bank charges | 606,084 | 600,770 |
| Insurance | 3,840,497 | 3,280,776 |
| Stationery | 3,255,288 | 3,324,530 |
| Security | 1,928,105 | 1,664,657 |
| Bad debt | - | 1,169 |
| Depreciation, net of allocation to tenants | 14,725,613 | 14,170,357 |
| Amortisation of deferred income | ( 155,461) | ( 155,461) |
| | 72,050,954 | 66,464,382 |
| Total expenses | 474,657,967 | 404,017,429 |
| Operating deficit | $( 1,168,283) | ( 9,179,039) |

# JAMAICA TRADE AND INVEST
## Jamaica Promotions Corporation

# SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2009

JAMAICA
TRADE & INVEST

ANNUAL REPORT '08/'09

Today's Jamaica Means Business