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Letter of Transmittal

July 1, 2021

Honourable Pearnel Charles Jr, MP
Minister of Housing, Urban Renewal, Environment and Climate Change
Ministry of Housing, Urban Renewal, Environment and Climate Change
c/o The Towers – 7th Floor
25 Dominica Drive
Kingston 5

Dear Sir:

In accordance with Section 15 (1) of the Jamaica Mortgage Bank Act, No. 16 of 1973, I have the honour of transmitting herewith the Bank's Report for the year ended March 31, 2021 and a copy of the Statement of the Bank's Accounts as at March 31, 2021, duly certified by the Auditors.

Also, the Bank presents the Audited Statements of the Mortgage Insurance and Reserve Funds, as at March 31, 2021, duly certified by the Auditors.

Yours respectfully,

Mr. Michael Shaw
Chairman
Board of Directors

Facilitating Home Ownership

VISION

To finance safe and affordable housing so that all Jamaicans will have access to home ownership.

MISSION STATEMENT

To be a profitable organization mobilizing financial resources for on-lending to public and private sector developers and financial institutions, developing an active secondary mortgage market and providing mortgage indemnity insurance in support of the national settlement goal.

CORE VALUES

RESPECT

We give due regard to the rights of all our stakeholders

ACCOUNTABILITY

We hold ourselves responsible for all decisions and actions taken within the organization

INTEGRITY

We believe in honesty and are guided by strong moral principles

SERVICE-ORIENTED

We strive to provide satisfaction and are always available to our stakeholders

EXCELLENCE

We are committed to being the best in our Industry

JMB
Facilitating Home Ownership

Corporate Information

REGISTERED OFFICE

33 Tobago Avenue
PO Box 950, Kingston 5, Jamaica

AUDITORS

Ernst & Young
8 Olivier Road, Kingston 8

BANKERS

Sagicor Bank Jamaica Limited
17 Dominica Drive, Kingston 5

National Commercial Bank
1 Knutsford Boulevard, Kingston 5

ATTORNEYS-AT-LAW

Myers Fletcher & Gordon
21 East Street, Kingston

Hart Muirhead Fatta
53 Knutsford Boulevard, Kingston 5

Samuda & Johnson
2-6 Grenada Crescent , Kingston 5

Livingston Alexander & Levy
72 Harbour Street, Kingston

Social Media

@jamaicamortgagebank
@jamaicamortgagebank
@jamaica_bank
jamaicamortgagebank

Summary of JMB's Business Operations

The Jamaica Mortgage Bank (JMB) was established in 1971 as a limited liability company and was converted to a Statutory Corporation by an Act of Parliament in 1973.

The main objective of the Bank is to foster the development of housing islandwide through:

a) The mobilization of loan funds for on-lending to developers and other lending institutions.
b) The operation of a secondary mortgage market facility.
c) The provision of mortgage insurance services as set out in the Mortgage Insurance Law of 1960.

Based on the Jamaica Mortgage Bank Act, and in order to increase its scope of activities, the Jamaica Mortgage Bank may carry out the following activities:

- Guarantee loans made from private investment sources for building developers;
- Sell investments of whatever kind when appropriate;
- Lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;
- Lend money on mortgages and carry out any other transaction involving mortgages;
- Furnish financial advice and provide or assist in obtaining managerial, technical and administrative services for persons engage in building development in Jamaica.

The Bank's current operations fall into the following categories:

Primary Market
The granting of short-term financing for construction and infrastructure development.

Secondary Market
The buying of mortgages and securitizing into Mortgage Backed Securities (MBS) for sale on the capital markets.

Mortgage Insurance
The insuring of residential and commercial mortgage loans.

Diaspora Home Building Service
The provision of Project Management services to persons from the diaspora desirous of building a home in Jamaica.

Technical Support Service
The provision of project management assistance for Financial Institutions lending to developers for housing or commercial construction.

Highlight of Strategic Achievements

PSOJ/MOFPS Public Bodies' Corporate Governance Awards 2020

1st Runner Up in the Category: ***Compliance and Disclosure of Information***

Commitments

$3.347B

Disbursements

$1.39B

2021 Strategic Highlights

Loan Portfolio increased by 47.9%

Mortgage Indemnity Insurance

252 new UTIs valuing $409.63M.

41% ⬆ in UTIs

55% ⬆ in value

Human Resources At A Glance

24 Staff Members

1 Person Recruited

18 Members on the Pension Fund

Retention 100%

Individualized – 38%
JSE & CPR – 100%

Employees Having Higher Education 74%

Employee movements: 8.33%

Social Media Summary 2020/2021

Facebook

131 New Page Likes

33 New Posts

Reaching 1418 Persons

Twitter

114 New Followers

29 Tweets

11507 Impressions

14 Mentions

Instagram

156 New Followers

33 New Posts

Website

Website updated twice for the year

Board of Directors' Report

The Jamaica Mortgage Bank (JMB or the Bank) continues to operate in an extremely competitive and challenging construction financing market. Despite the pandemic brought on by COVID -19, the construction sector remained robust for the majority of the fiscal year 2020/2021 and is thought by many analysts to be the sector that held up the economy during the resulting economic downturn.

Given the increased activity in the sector, the low barriers to entry and the fairly handsome ROI, the Bank has seen several financial institutions, as well as private capital entering the market.

Nonetheless, the Bank using its strong capital base combined with its 49 years of experience in contributing to nation building and job creation through housing development, showed resilience and its competitiveness as a leader in the space. As a result, the Bank had a relatively successful year and continued to effectively execute its mandate of facilitating affordable housing solutions for Jamaicans.

The Board of Directors is therefore pleased to present the Bank's Annual Report for the financial year ended March 31, 2021.

Economic Overview

The global economy was in "pandemic mitigation/ recovery" mode for the fiscal year 2020/2021. The IMF through its World Economic Outlook (October, 2020) estimated that the global economy contracted by 3.3 per cent in 2020. This contraction it said, though unprecedented, could have been worse and was kept in check largely because of extraordinary policy support from individual economies.

The World Economic Outlook as at April 2021 predicts that global economic growth will be 6 per cent and 4.4 per cent for 2021 and 2022 respectively. Emerging economies and low-income developing countries were however harder hit and thus, would suffer more significant losses economically in the medium term.

The IMF cautioned however that the achievement of these economic results depends on the efficacy of vaccines against new virus strains, the effectiveness of policy decisions aimed at mitigating against economic fallout, financial conditions and commodity prices.

For Jamaica, the 2020/21 financial year saw a number of businesses shuttered or downsized and the rate of unemployment climbing, despite the government's efforts at mitigating the economic fallout from the pandemic.

During the sectoral presentations of April 2021, the Bank noted the Hon. Minister Pearnel Charles' recognition of JMB's years of contribution to economic development and the housing sector, especially during the pandemic. Although business, social and general economic activities have been severely curtailed based on the effects of the pandemic, the JMB continues to support the Government's growth target. The Bank recognises that consistent and strong economic performance is critical to improving the lives of the majority of the Jamaican people, particularly through initiatives that foster and facilitate home ownership. The other key macro-economic indicators are discussed below.

Growth: Despite a full year's impact of the pandemic in the 2020/2021 fiscal year, Jamaica's macro-economic environment remained stable. The Planning Institute of Jamaica's (PIOJ) "Review of Economic Performance" (February, 2021) reported a 10.2 per cent decline in the economy for the year 2020, when compared to the 0.1 per cent decline experienced for the 2019 year. However, the PIOJ has estimated a 6 to 8 per cent growth in GDP for the fiscal year 2021/2022.

The construction sector however continued to be a linchpin to the economy. The PIOJ reported a 0.8 per cent decline in the construction sector for 2020. This represented the lowest decline of all sectors measured in 2020. The sector grew by 6.2 per cent during the quarter October to December 2020, again the highest growing sector, supporting the robust activity observed especially in the housing segment.

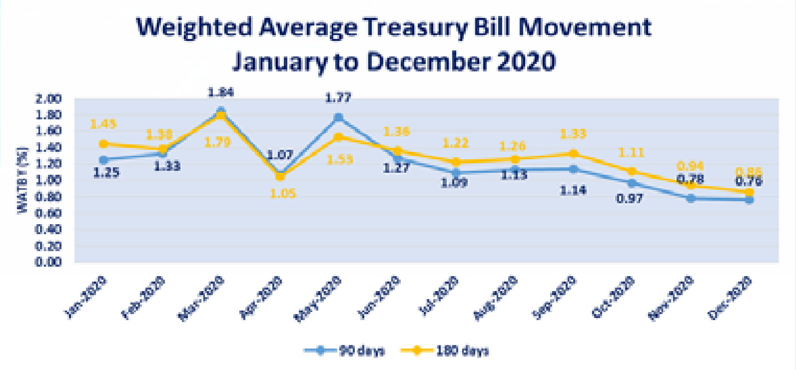
The PIOJ also reported in its Quarterly Economic Outlook for January to March 2021 that despite a 5.7 per cent economic contraction, the construction sector continued to be buoyant. It outlined that out of all sectors, the real value added for the construction sector increased by 12.6 per cent. It was followed by increases in real value added of 6.2 per cent and 3 per cent for the Mining & Quarrying and Goods Producing industries respectively, while Manufacturing and Agriculture, Forestry & Fisheries declined in real value added by 1.4 per cent and 2 per cent respectively.

Employment: The Statistical Institute of Jamaica (STATIN), in its Labour Force Survey January 2021, outlined that as at January 2021, 5.9 per cent fewer persons were employed when compared to January 2020. As such, the unemployment rate was 8.9 per cent which is 1.5 percentage points higher than the rate in January 2020. It further stated that the largest decline in employment by occupation was among 'Service Workers and Shop and Market Sales Workers', while the industry with the largest decline in employment was 'Accommodation and Food Service Activities'.

Exchange Rate (FX): During the year, the Jamaican dollar continued to fluctuate relative to its US counterpart. The Monthly Average FX rate for the quarter ended March 2021 saw the Jamaican dollar depreciating by $3.45 or 2.39 per cent (ending at J$147.86 to US$1) when compared to the last quarter ended December 2020. Year over year, the JMD depreciated by approximately $11.81 or 8.68 per cent relative to the reported value of $136.05 as at March 2020.

Net International Reserves (NIR): The NIR increased between March 2020 and 2021 from US$3.24M to US$3.32M.

Inflation: STATIN reported that the CPI as of March 2021 recorded an increase of 1.1 per cent. This brings the calendar year to date (Jan - Mar 2021) inflation to 1.0 per cent while for the fiscal year (April 2020 – March 2021) the inflation rate was 4.4 per cent and the point-to-point (March 2020 – March 2021) inflation was 5.2 per cent. All within the 4 to 6 per cent inflation targeting of the BOJ.



Interest Rate: Interest Rate on the benchmark six-month Treasury Bill (T-Bill) decreased from 1.45 per cent in January 2020 to 0.86 per cent at the end of December 2020. Similarly, there were year over year declines in the 90-day T-Bill interest rates, by approximately 39.2 per cent. As at March 31, 2021, both the six-month and 90-day T-Bill rate improved to 1.52 and 1.23 per cent, relative to the December 2020 positions.

COVID-19 Statement: Similar to the rest of the local and global businesses, the Bank operated for the entire 2020/2021 fiscal year under the COVID-19 restrictions set out by the Government. The Bank was able to utilize its virtual operating platforms to conduct most of its business. Where the staff had to physically interact with external parties, strict protocols were employed to ensure staff safety.

As anticipated, the impact on the local construction sector in the 2nd and 3rd quarters affected interest income, however, the Bank managed its cost and administrative expenses to ensure budgeted profits were attained. Going forward, the Bank assumes 'normalcy' will include a new normal in operating and is therefore making the necessary investment in technology to ensure a safe environment, as well as, seamless execution of its strategy for growth.

Construction Sector and Housing Sub-Sector

The provision of housing solutions is a key priority for the Government, in keeping with the Vision 2030 plan, which states that every Jamaican should have access to safe, sustainable and affordable housing. During the Governor-General's 2020/2021 Throne Speech to Parliament, it was disclosed that for the 2020/21 fiscal year, more than 10,000 housing starts were scheduled as the Government continued its efforts to accelerate the delivery of housing solutions to Jamaicans. These projects were to be undertaken primarily by the National Housing Trust (NHT) and the Housing Agency of Jamaica (HAJ) and were aimed at the lower to middle income market. The efforts of the government agencies were complemented by private developers who generally provide additional housing solutions through operations primarily in the middle and upper income markets. The continued efforts of both public and private bodies ensured that the construction industry remained very active across the island.

The Government continued its drive to improve access to loans and thus, support its provision for home ownership, through activities at the NHT, the main driver of this effort. The NHT implemented several strategies including widening the income bands, introducing intergenerational mortgages, and reducing the interest rate on mortgages by one per cent across the board. In addition, the following relief measures were implemented for NHT mortgagers:

- Reduction of interest rates on all new loans by 1 per cent, effective April 1, 2020
- All existing NHT loans will be reduced by 0.5 per cent, benefitting around 100,000 households
- Interest rate discounts offered to special groups, such as those mortgagors aged 55 and above, the disabled, as well as public sector workers
- Provision of greater benefits to contributors over 65 years.

Housing Starts – NHT

The NHT has reported plans to invest $57.7 billion to facilitate commencement of 8,513 housing solutions and completion of 7,043 units by March 31, 2022. The information is contained in the Jamaica Public Bodies Estimates of Revenue and Expenditure for the year ending March 2022. The NHT's plans include, the commencement of construction on units in Albion, St. Thomas and Point, Hanover under the Guaranteed Purchase Programme, as well as solutions at Mount Nelson, Manchester; Fontabelle, Westmoreland; and Rasta City, Kingston. Additional solutions scheduled for completion include, Colbeck Castle Phase one and two, St. Catherine; Friendship Phase one, St. Elizabeth; and Ruthven Road Phase one, Kingston.

The NHT's planned level of capital expenditure includes the disbursement of 12,083 mortgage loans under different programmes, including build on own land, open market, construction, joint mortgage finance and house lot loans.

Impact of Private Developers

Private developers in conjunction with the JMB have been instrumental in providing housing solutions to the middle to upper income purchasers who are not currently being served from the NHT's housing stock. Significant investments have been made by these private developers and over the last three years they have transformed the Kingston and St. Andrew area with multi storey buildings to cater to young professionals and empty nesters who are trying to downsize their homes.

Data from the Commission of Strata Corporations (CSC), which represents developments by private investors, indicates that over the last five (financial) years, a total of 218 strata developments have been registered. Of this number, 172 or 79 per cent have been in Kingston and St. Andrew, with only 46 (21%) in the remaining parishes broken done as follows:

Financial Year	# of Strata Registered	Kingston & St. Andrew	Other Parishes
2015-2016	44	36	8
2016-2017	40	28	12
2017-2018	41	30	11
2018-2019	43	36	7
2019-2020	50	42	8
Total	218	172	46

Bank of Jamaica's Assessment of the Housing Market

The Bank of Jamaica's Financial Stability Report for 2020 indicates that based on its assessment of the housing market, there was no evidence of a bubble in the housing market prices at the time. The confirmation came amid concerns raised by some players in the market that a bubble might be on the horizon given the growing number of real estate projects over the years and the escalating inability of potential buyers to purchase at prices they are unable to afford. According to Case and Shiller (2004) a bubble exists when excessive public expectations of future price increases cause prices to be temporarily elevated. That is, when housing prices grow faster than fundamentals can explain, it might signal the emergence of a bubble.

The BOJ reports that their assessment has confirmed that there was no evidence of a bubble in housing market prices at the time of reporting and concluded that, given the deterioration in macroeconomic conditions, prices in the housing market are expected to soften in the near term.

The BOJ contends that this is consistent with statistical evidence of a fall-off in prices within Kingston and St Andrew (KSA) in light of the COVID-19 pandemic. Scenario assessment carried out by the BOJ revealed that the real estate market might be facing increased exposure to credit risk and have cautioned Banks and Building Societies to closely monitor the potential risks that might emerge from exposure to real estate price changes.

Impact of Price Increases in the Construction Industry

The COVID -19 pandemic has influenced the increase in housing prices in the Jamaican space. Globally, mandatory shutdowns heavily lessened the production and supply, and by extension, increased the cost of construction materials. This was evidenced locally by a 300 per cent increase in lumber, and most recently, a 50 per cent increase in steel. Moreover, the pandemic's effect on the economy and exchange rate resulted in a general increase of imported materials by approximately 10 per cent.

Labour costs have also increased above the typical annual 5 per cent set by the Incorporated Masterbuilders Association of Jamaica (IMAJ). Increased demand for labour due to the high level of construction activity, coupled with the increased cost of living, has caused workers to demand higher compensation.
The inflation of these two major inputs has caused construction costs to increase significantly and has by extension, affected the price of housing.

The table below illustrates the movement in construction cost per sq. ft. over the last eight (8) years

Year	# of units	Average Size (sq. ft.)	Construction Cost	
			Per sq. ft.	Unit ($)
2012	6	800	8,358.33	6,686,666.67
2013	100	1,010	7,701.38	7,778,396.36
2014	51	1,446	6,934.83	10,024,907.53
2015	63	1,334	8,396.96	11,201,487.09
2016	48	1,205	11,455.42	13,800,604.15
2017	77	1,075	12,551.85	13,499,231.03
2018	212	1,083	12,979.23	14,050,905.95
2019	79	1,090	14,881.59	16,227,338.52
2020	244	923	15,290.62	14,109,750.14

and reflects the corresponding movement in the average price of the units. The information was derived from projects financed by the Jamaica Mortgage Bank (JMB).

Mortgage Rates

Access to home ownership was made easier with lower mortgage rates driven mainly by competition among mortgage providers. In September 2020, the average interest rate for mortgage loans offered by Commercial Banks in the country was 7.38 per cent, down from 7.82 per cent a year earlier and the lowest level in nine years, according to the Bank of Jamaica. For Building Societies, the average mortgage loan rate stood at 7.5 per cent in September 2020, down from 7.93 per cent in September 2019 and the lowest rate ever recorded.

COVID-19 Impact on Housing Construction and the JMB

During the 2nd and 3rd quarters of 2020, the COVID-19 pandemic presented several challenges for the construction sector, including a slowing down or halting of works, delays in direct imports by developers and general uncertainty regarding how the sector would emerge after the threat has passed.

The Bank consulted with the major players within the industry and observed that there was no indication of a shortage of material and that imports from the main markets such as Brazil and Spain were unaffected as those raw material sources remained operational. More recently, imports from China were reported to be back to normal and supplies of aggregate, steel and cement were readily available. Subsequently, however, the sector has experienced an exponential increase in construction material costs, especially lumber, derived from increased global demand attributed to individuals being shuttered in due to the pandemic.

In spite of the pandemic and shutdown, the Bank took the decision to retain all of its staff during the period of impact. The Bank, in addition to complying with the Government's quarantine protocols, implemented several internal strategies to balance safety and business continuity. The Bank used technology to establish virtual work protocols, as well as, took advantage of the limited exemptions afforded to the financial sector under the Disaster Risk Management Act, to ensure our operations were not severely impacted.

Strategy and Performance

The Bank continued in 2020/2021 on the strategic path specifically outlined in the 2020 Annual Report with more emphasis on operational readiness as at day one of Privatization. The Jamaica Mortgage Bank is mindful of the competitive challenges presented with the increasing competition in the space, evidenced by the number of new construction entities registered with the Companies Office of Jamaica during 2020/2021.

As a result, in addition to maintaining its 4-year strategic plan implemented in 2018/2019, the Bank took steps to position itself to enter into new construction and mortgage related spaces as a means of diversifying its portfolio and minimizing its concentration risk. This will ensure that the Bank is ready to meet all the challenges, by using all its strengths to maximize the opportunities and achieve exponential growth, sustainable profitability and provides affordable shelter. This broad mandate is measured by the extent to which the Bank achieves the following:

1. Dominance in a niche market by becoming the lender of choice for the small and medium sized developers' segment;
2. Diversifying its income stream by introducing new

and innovative products and services to the construction and mortgage sectors;

3. As a consequence of 1) and 2) above, doubling the earnings portfolio (est. $4B to $5B) by 2022, to hedge against expected declines in the loans and investments yields attributable to reduced interest rates;
4. Employing its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers;
5. Maintaining laser-like focus on the management of the loan portfolio to reduce the occurrence of bad loans;
6. Raising equity capital through the GOJ divestment program using the modality of Initial Public Offer (IPO), effectively transitioning from a Statutory Corporation to a private enterprise;
7. Continuing the JMB's culture of strategic thinking that innovates big creative ideas that redound to the prosperity of the Bank and the Jamaican community.

Overall Performance

For the 2020/2021 financial year, the Jamaica Mortgage Bank experienced year over year growth in net interest income and operating profits before one-time adjustments. It also showed improvements in some key areas of its operations, notably, an increase in the value of credit written and by extension its net loan portfolio.

Total value of projects written was 57.1 per cent higher, compared to the previous year, and disbursements increased by approximately 17.0 per cent, as the Bank continued to fund affordable housing solutions. New loan commitments totaling $3.3B were approved during the review period, of which most were un-disbursed at year-end for varying reasons. This means that the pipeline projects will provide a good jump off point for an even more robust portfolio growth from very early in the next financial year.

For the financial year 2020/2021, the Bank projected to commit J$2.2B to finance 250 housing solutions through its Primary Market programme. Given the high level of residential activity in the space, the Bank continued its mandate of nation building through housing development and indirect job creation by approving the funding of housing starts in the amount of $3.3B for 297 solutions, primarily to its targeted small and medium-sized developers. The average loan size was $468M to construct an average of 44 housing solutions.

At the end of the 2020/2021 year, JMB had a total of 20 projects at various stages of completion, with cumulative commitments amounting to $8.4B to construct an aggregate 684 housing solutions, or an average of $433M to construct an average of 33 solutions altogether. The Bank also disbursed approximately $1.4B to fund new commitments as well as finance the completion of approximately 60 solutions carried over from previous periods. No disbursements were funded by syndication arrangements for the reporting period.

For the review period, the Bank's interest income from its core lending operation grew by 33.4 per cent, when compared to the same period last year. Total income from operations before any one-time adjustments grew by 17.4 per cent.

The Bank's profit before tax (PBT) was lower than the previous period by 63.7 per cent; however, when the results were normalized for the effects of the Expected Credit Loss write back and one time collections due to bad debt recovery from the previous year, the Bank's PBT from operations increased by 35.6

per cent, when compared to previous period last year. Management was able to lower administrative expenses of the Bank by 12.7 per cent compared to 2019/2020.

This performance marks the seventh consecutive year of pre-tax profits that has now changed the trajectory and upward valuation of the Bank.

For the 2020/2021 year, the Bank borrowed $1.07B from the private capital market primarily through a revolving facility with the National Commercial Bank. The Bank also paid out approximately $410M of debt obligations.

As JMB continued its 4-year growth strategy to 2022, it also collected and recovered cash of over $71M ($395M, 2020) of its bad debts during the financial year. The impact of the International Financial Reporting Standard (IFRS) 9, which replaced the (International Accounting Standard) IAS 39, was a write-back of over $9.6M ($139M, 2020) for "Expected Credit Loss" (ECL). This contributed to the Bank's profitability and reversed some of the $272.6M charged against retained earnings at the end of the 2019 financial year, as an initial recognition of the standard of IFRS 9.

Mortgage Indemnity Insurance (MII)

Over the review period, the Bank continued to experience an uptick in the usage of the Mortgage Indemnity Insurance (MII) product, resulting largely from the marketing of the benefits derived from the amendment of the Mortgage Insurance Act (MIA) 2014. This amendment allows for an increase from 90 per cent to 97 per cent in the amount of financing available through insured mortgage loans. As a result, the MII achieved a 41 per cent year over year increase in Undertakings to Insure (UTI), and 55 per cent increase in the value of UTIs.

During the 2018/2019 year, the Bank proactively removed the limit on the appraised value of residential properties covered and also began to provide coverage for commercial properties with an appraised value of up to $100M. The Bank also changed the acceptable risk profile of potential home buyers by increasing the required Total Debt Service Ratio (TDSR) from 40 per cent to 45 per cent. The changes accommodate home purchasers with slightly higher risk profiles and expand access to mortgage financing to a wider cross section of the market. This move also contributed to the increased number of Approved Financial Institutions using the plan and thereby driving increased usage.

Risk Management

There are two major threats to the JMB's business. It operates in a relatively high-risk construction lending space with increasing infrastructure and construction cost and secondly its primary market business of construction lending generates over 90 per cent of its revenues, thereby presenting a major concentration risk.

It is therefore extremely critical for the Bank to carefully manage these and other risk factors independently and collectively to minimize financial losses while allowing the Bank to capitalize on available opportunities. With that recognition, the Bank developed its Enterprise Risk Management Framework (ERMF) in February 2017. This framework was approved by JMB's Board in 2018, and in February 2019 a detailed Register of Risks, covering all departments of the Bank, was also approved by the Board. The Board and Management monitor these two major risk factors closely using sector information and maintaining market and environmental data.

The ERMF was developed using the principles and procedures from the combined Australian and New

Zealand Risk Management Standards and COSO Enterprise Risk Management. It involves identification of the risk elements, analyzing and assessing the risks, treating (mitigating and/or managing) and reporting on the risks. Shifting the entity to engaging a risk-smart workforce is central to the success of this tool, and is achieved via training by Senior Management, and the active participation of all employees with the overall process being led by the Board of Directors.

Three of the many objectives of the ERMF are to: -

1. Provide a structured approach to addressing risks from beginning to end;
2. Ensure risk management is adopted throughout the organization as a prudent management practice; and
3. Ensure that the organization has a consistent basis for identifying, measuring, controlling, monitoring, and reporting risks across the Bank at all levels.

The direct responsibility for managing risks resides with the Management of the organization, but every employee and associate of the Bank is required to take a responsible approach towards risk. The Board of Directors provides ultimate oversight to the ERMF and places great importance on managing the risks to which the Bank is exposed. On a quarterly basis the Finance and Risk Management Committee, a sub-committee of the Board, reviews the risk management processes of the Bank. Senior Managers, led by the General Manager, have responsibility for managing the functional risks and tabling important updates to the committee for review, feedback and /or approval. Similarly, economic drivers, especially factors that could potentially result in shocks to the real estate sector, are monitored and reported to the sub-committee and Board on a quarterly basis.

JMB's Risk Management is a dynamic process which includes the ongoing review of the organization's risk experiences, appetite and tolerance levels by the Board of Directors. Through a process of risk identification, risk factors external and internal to the entity are examined for potential threat. The risks are analysed, assessed and measured to understand their root causes, estimate the likelihood of occurrence and their potential financial impact on the Bank. The evaluation which follows compares the level of risk against predetermined criteria for acceptance or treatment. The risks are then classified according to key risk indicators and the magnitude of the exposure presented to the organisation. Priority is given to risks that will have great impact if not addressed immediately, and accordingly, such risks are given higher ratings than those which may be addressed over a longer period of time, due to materiality and impending impact.

Outlook

Given the protracted fallout resulting from the COVID-19 pandemic and the associated impact, the Bank has taken some steps to mitigate against risks inherent in the primary market sector, while still participating in what appears to be an ongoing robust housing sector. The Bank has also noted the Government's target to provide 70,000 affordable housing solutions in five (5) years.

Further, the Bank fully anticipates transitioning to a private entity during 2021/2022, its 50th anniversary year. The Bank anticipates the privatization process to be completed, via an IPO on the Jamaica Stock Exchange within the 3rd to 4th quarter.

Given the above, the Bank will continue to support the Government's 70,000 housing solutions mandate, as well as, continuing its legacy of nation building and job creation of the past 49 plus years, by targeting small and medium sized housing developers, grow the loan portfolio and finance quality home construction projects while minimizing new non-performing loans. The Bank will continue its relationships with its financial partners to raise funding to meet clients' demands, seek to offload lands held for sale, and employ robust risk management and technology to drive efficiency. The objective of the Bank is to facilitate home ownership for as many Jamaicans as possible, while achieving sustainable profitability, and positioning itself for privatization.

Further, in addition to being ready on day one of privatization, in respect to governance and internal systems, the Bank will also take the opportunity in 2021/2022 of preparing to launch new services within the construction sector, as well as, introducing innovative services in the mortgage space. The Bank believes that these new services, will not only diversify its offerings, but will contribute exponentially to its top line revenue growth, without adding any significant cost. The new mortgage service is expected to make the mortgage process, for Jamaicans, more efficient.

As part of its financing initiatives, JMB will work through its financial partners in 2021/2022 to raise approximately $1.4B in short and long-term capital using mechanisms such as syndication and other appropriate deal structures to finance viable projects in the low to middle-income niche of the housing sub-sector.

Likewise, the Bank will continue to take initiatives to stimulate the use of the MII (Mortgage Indemnity Insurance) product on behalf of the Government of Jamaica, with the primary objective of facilitating earlier home ownership for the younger population.

Appreciation

The Board of Directors recognizes the Honourable Pearnel Charles Jr., MP, Minister of Housing, Urban Renewal, Environment and Climate Change (MHURECC); out-going Permanent Secretary, Mrs. Audrey Sewell, CD, JP, in-coming Permanent Secretary, Dr. Alwyn Hales and the staff of MHURECC, and thanks them for their contribution to its operations during the year and the confidence reposed in the Board to continue the Bank's rich legacy of the past 49 years.

To our business partners, especially Sagicor Bank, the National Commercial Bank, and the Developers; we thank you for the confidence that you continue to place in the Jamaica Mortgage Bank as we strive to positively impact economic growth, employment and the overall quality of life in Jamaica by bringing the reality of home ownership closer to more of our people. We also express thanks to our support service providers - our external counsels, actuary, internal and external auditors.

Finally, we would like to thank the Management and staff of the Bank for their steadfast and consistent commitment to the continued success of the organization. The current Directors are excited about the Bank's future and look forward to celebrating the Bank's 50th anniversary year with all stakeholders. We also endeavour to continue contributing to another 50 years of Jamaica's development by providing affordable housing solutions for all Jamaicans.

For and on behalf of the Board of Directors

Mr. Michael Shaw
Chairman

Board of Directors

Michael Shaw holds a professional MBA in Management and is a business man. He has a vast experience in the Finance and Banking sector and has served in the positions of Vice President of the Bank of Nova Scotia Jamaica, and Managing Director of Bank of Nova Scotia, Belize. Michael chairs the Projects & Loans Committee and is a member of the HR Committee. He was appointed to the Board of Directors on September 18, 2019.

Courtney A.B. Hamilton is an attorney-at-law with an established practice in Montego Bay. He is a member of the Projects and Loans Committee and was appointed to the Board of Directors on April 18, 2016.

Doreen Prendergast is trained in the areas of Geography, Urban and Regional Planning, Environmental Planning and Management, Project Management and Public Sector Senior Management and Leadership. She is a member of the Projects and Loans Committee and the Human Resource Committee. Doreen was appointed to the Board on April 18, 2016

Tiva Forbes holds an M.Sc. in Finance. She chairs both the Corporate Governance Committee and the Human Resource Committee and is a member of the Audit Committee and the Finance and Risk Management Committee. Tiva was appointed to the Board of Directors on April 18, 2016.

Ryan Parkes is the Chief – Business Banking at JN Bank. He holds an LLB (Hons.) and BBA Finance (Hons.). Ryan is a member of the Audit Committee and the Finance & Risk Management Committee and was appointed to the Board of Directors on April 18, 2016.

David Lee holds a BBA from Baruch College (CUNY), majoring in Entrepreneurship and Finance. He has over fifteen years of business experience spanning various sectors including auditing, investment advisory, international business development and private equity investing. He chairs the Audit Committee and the Finance & Risk Management Committee and was appointed to the Board of Directors on December 7, 2020.

Kari J. Douglas holds a B.Sc. in Land Economy and Valuation Services. She is a Land Economist, Valuation Surveyor and Real Estate Dealer with over 10 years' experience in her field. She is a member of the Corporate Governance and Projects and Loans Committees. Kari was appointed to the Board of Directors on December 7, 2020.

Corporate Governance Report

The Board of Directors and Management of the Jamaica Mortgage Bank (JMB or the Bank) firmly believe corporate governance is fundamental to the Bank's growth and its corporate success. The Bank embodies the key elements of Corporate Governance principles, including trust and integrity, openness, transparency, accountability, mutual respect and commitment.

This is evidenced by the JMB's strict compliance with the Government of Jamaica's Corporate Governance Framework and the Bank's own corporate governance policies. These corporate governance principles and guidelines are undergirded by adherence to the provisions of the Jamaica Mortgage Bank Act and the Public Bodies Management and Accountability Act. The Bank is committed to maintaining and upholding good corporate governance, in order to protect the interest of its customers, employees, shareholder and other stakeholders.

The Board of Directors (the Board), who are appointed by the Minister through the approval of Cabinet is at the core of the Bank's Corporate governance framework. The Chairman is responsible for providing a high-level guidance and effective oversight of the management of the Bank. The Board has overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews and corporate governance principles.

The General Manager reports to the Board and is responsible for the management and administrative functions and the day to day operations of the Bank.

Corporate Governance Framework Policies

Jamaica Mortgage Bank's corporate governance framework is supported by many internal policies, procedures and practices which helps the organisation to remain focussed. These include:

1. Terms of Reference for Board and each Board Committee
2. Board Charter and Corporate Governance Policy
3. Code of Conduct
4. Board Dispute Resolution Policy
5. Corporate Social Responsibility Policy
6. Enterprise Risk Management Policy

These policies and procedures are regularly reviewed and amendments made where necessary.

The JMB, for the fourth year, entered the PSOJ/MOFPS Public Bodies' Corporate Governance

Awards competition and again performed exceptionally well. The Bank was awarded 1st Runner up in the category: Compliance and Disclosure of Information.

Board Meetings

Board meetings were held for a total of twelve (12) times for the financial year 2020/ 2021 to consider and discuss the business and strategic direction of the organisation. During the course of those meetings the Board reviewed reports from the General Manager and the Financial, Project and Legal reports, along with reports from the various Board Committee meetings. During the year, a total of seven (7) new projects were approved for a value of $3.3 billion for the construction of 297 housing units.

The Bank held its annual Board and Management Retreat in November 2020 to discuss and approve the Organisation's Corporate Strategic Goals and Objectives for the period 2021/2022 to 2024/2025. The Budget and the Operational Plan for the upcoming financial year 2021/2022 were also discussed and approved which set out the strategic direction for the Bank.

The Honourable Pearnel Charles Jnr, Minister of Housing, Urban Renewal, Environment and Climate Change (MHURECC), who has responsibility for the Bank, was also in attendance and provided some guidance for the Bank's strategic direction.

Board of Directors Composition & Attendance at Board Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Michael Shaw	12	12 of 12	0
*Hugh Faulkner	12	4 of 12	0
Tiva Forbes	12	12 of 12	0
*Louis Campbell	12	3 of 12	0
Courtney Hamilton	12	12 of 12	0
Ryan Parkes	12	4 of 12	6
Doreen Prendergast	12	12 of 12	0
*David Lee	12	4 of 12	0
*Kari Douglas	12	3 of 12	1

- Mr. Hugh Faulkner resigned from the Board as at August 2020.
- Mr. Louis Campbell demitted Board Membership as at December 2020
- David Lee became a member of the Board as at December, 2020.
- Kari Douglas became member of the Board as at December 2020.

Statutory Obligations

The Board acknowledges its responsibility to ensure that the organisation meets its prescribed deadlines for the preparation and submission of statutory and regulatory reports. During the course of the year, the following reports were submitted within the required timeframe:

- Four Year Corporate Plan, One-Year Operating Plan and Operating and Capital Budgets for the FY 2021/2022
- Monthly Financial Reports as required under the PBMA
- Quarterly Performance Reports to the Ministry of Economic Growth and Job Creation and subsequently, Ministry of Housing, Urban Renewal, Environment and Climate Change
- Quarterly Procurement Report to the Integrity Commission.
- Annual Report along with the audited Financial Statements for FY 2019/2020

Board Diversity

Effective December 7, 2020, a new Board of Directors was named and the Board now consists of seven (7) members, five (5) from the previous Board and two (2) new members. The Board comprises members with diverse backgrounds. The core competencies of the members provide an appropriate balance of skills, experience, gender and knowledge of the company's business which is required to govern the JMB. The members possess core competencies in accounting and finance, project management, legal, corporate governance, real estate and construction industry knowledge and strategic planning experience.

Corporate Governance Compliance

The Board aims to be in compliance with the key corporate governance principles and practices as outlined in the Government of Jamaica's Corporate Governance Framework. The Table below illustrates the compliance status of the Bank during the year:

KEY PRINCIPLE / PRACTICE	APPLICATION BY JMB
Clear division of positions of Chairman and General Manager.	• Positions of Chairman and General Manager held by 2 different individuals who have distinct and separate roles.
Independence of Directors	• No Director is employed to the JMB. • Declarations are made of any conflicts of interest at the beginning of each Board Meeting.
Orientation Programme for New Directors	• The 2 new Directors who joined the Board received the required induction & training after their appointment, which was aimed at ensuring their proper understanding of the Bank's operations & business and full awareness of their responsibilities as Directors.

Continued Training of Directors	• During the course of the year the Directors were exposed to training on the Data Protection Act in a two (2) hour session conducted by Ms. Wahkeen Murray, Chief Technical Director in the Ministry of Science, Energy and Technology.
Regular Meetings	• The Board held all scheduled Board Meetings for the year and at each case the Directors received at least 7 days written notice of the meeting in advance.

Board Committees

The establishment of Board Committees as a subset of the Board is a feature of the Bank's Corporate Governance Framework. These Committees perform specific functions that assist the Board in discharging its advisory and oversight responsibilities.

Ms. Wahkeen Murray, Chief Technical Director in the Ministry of Science, Energy and Technology making a presentation on data Protection at the Board and Management Retreat. She later received a token from the Bank's Loans Officer, Ms. Latoya Cole.

The Committees deal more efficiently with complex or specialised issues dealt with by the Bank and make recommendations to the full Board, which retains responsibility for the final decision making. Five Board Committees have been established and each of them has its specific duties and set out its own terms of reference.

Corporate Governance Committee

Members: Mrs. Tiva Forbes (Chairperson), *Mr. David Lee and Ms. Kari Douglas (joined January 2021) Mrs Donna Samuels Stone; *Mr Hugh Faulkner (Chairman) (resigned August 2020)

Major Responsibilities:
- To make recommendations to the Board on policies and procedures designed to provide for effective and efficient governance in line with Government of Jamaica's Governance Framework and International best practices.
- Overseeing the Board's self - evaluation exercise annually

Work Performed:
- Conducted the Board's self-evaluation exercise and provided the analysis to the Board and made recommendations on how weaknesses identified in the evaluation could be addressed

Corporate Governance Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Tiva Forbes	1	1	
*Hugh Faulkner	1	1	
*David Lee	1	0	
*Kari Douglas	1	0	

Audit Committee

Members: *Mr. David Lee (Chairman – joined January 2021); Mrs. Tiva Forbes, Mr. Ryan Parkes; *Mr. Louis Campbell (demitted as at December 2020)

Major Responsibilities:

- To deal with matters concerning the internal controls of the Bank's operations.
- Overseeing of the internal audit function.
- Review and advise the board on the annual auditor's report.

Work Performed:

- Facilitated and discussed issues and concerns from the Internal Audit review in the areas of Human Resources & Payroll and Fixed Assets.
- Reviewed and recommended for approval the Audited Financial Statement for the year 2019/2020 for the Jamaica Mortgage Bank, JMB Developments Ltd. and Mortgage Insurance Fund

Audit Committee Meetings

Name of Director	Meeting Held	Meetings Attended	Apologies Received
Tiva Forbes	2	2	
*Louis Campbell	2	1	
Ryan Parkes	2	1	0
*David Lee	2	1	

Finance and Risk Management Committee Meetings

Members: *Mr. David Lee (Chairman – joined January 2021); Mrs. Tiva Forbes; Mr. Ryan Parkes; *Mr. Louis Campbell (demitted as at December 2020)

Major Responsibilities:
- Reviewing the financial position of the Bank by assessing the quarterly financial statements and advising the Board on issues concerning the financial status of the Bank and matters relating to the annual Budget.
- Review of the Bank's quarterly Investment activities
- Overseeing the enterprise risk framework within the Bank and the monitoring of those risks to ensure that they remain robust appropriate and effective.

Work Performed:
- Review the Bank's investment activities for the 4 quarters April 2020 to March 2021
- Reviewed and recommended for approval:
  - o Quarterly Investment reports
  - o Amendments to JMB's Expected Credit Loss Policy
  - o Amendments to Finance & Accounts Policy
  - o Amendments to Limits of Authority
  - o Amendments to Authorities Schedule
  - o Amendments to Enterprise Risk Management Framework

Finance & Risk Management Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Tiva Forbes	2	2	
*Louis Campbell	2	1	
Ryan Parkes	2	1	0
*David Lee	2	1	

Human Resource Committee

Members: Mrs. Tiva Forbes (Chairperson); *Mrs. Doreen Prendergast (joined January 2021); Mr. Michael Shaw; Mrs. Donna Samuels Stone, Mrs. Denise Bryson Hinds, *Mr. Hugh Faulkner (resigned August 2020)

Major Responsibilities:
- To provide guidance in the strategic development of the Human Resource of the Bank
- To oversee and approve human resource policies

Work Performed:

- Reviewed and recommended for approval:
  - o Amendments to the HR & Administration Policy Manual
  - o Amendments to the Payroll Policy
  - o Amendments to Performance Evaluation Process
  - o Incentive Payments
  - o Performance Evaluations
- Conducted Performance Appraisal for General Manager and Company Secretary

Human Resource Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Tiva Forbes	2	2	
*Doreen Prendergast	2	1	
Michael Shaw	2	1	1
*Hugh Faulkner	2	1	

Projects & Loan Committee

Members: Mr. Michael Shaw (Chairman); Mr. Courtney Hamilton; Mrs. Doreen Prendergast; *Mr. Louis Campbell (demitted December 2020) and *Ms. Kari Douglas (joined January 2021)

Major Responsibilities:

- Review of submissions of projects to be financed by JMB as recommended by the internal management and thereafter present to the full board for final decision.
- Review of the monthly reports on projects financed by the Bank and updates on the bad debt portfolio.
- Ensures that policies and procedures outlined in the Construction Financing Policies and Procedures Manual are being adhered to.
- Ensures that where variations from policy form part of projects presented for financing, such variations are justified.
- Conducts periodic review of the Policies and Procedures relating to the Construction Financing functions to adopt best practice standards and making recommendations to the Board for approval.

Work Performed: The Committee held nine (9) meetings for the year and reviewed and recommended for approval several requests for interim financing of construction projects resulting in the approval of seven (7) new projects valued at $3.3 B.

Projects approved: Jewels of Sinclair, St. Andrew; Nitram of Waterloo, St. Andrew; Comfort Apartment, Kingston; Mona Section One, St. Andrew; Mayfair Close, St. Andrew; Hellshire Green, St. Catherine; Dulwich Apartment, St. Andrew

- Additional loan sums were approved to complete construction on four (4) active projects amounting to $327.1M
- Oversaw the settlement and repayment of bad loans amounting to $71.3M for the year.
- Provided monitoring oversight on all the active projects in the loan portfolio

Projects & Loans Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Michael Shaw	9	9	
Doreen Prendergast	9	9	
Courtney Hamilton	9	4	2
*Louis Campbell	9	0	0
*Kari Douglas	9	3	

Corporate Social Responsibility

During the 2020/21 financial year, one of the Bank's major acts of corporate social responsibility, its annual Labour Day project had to be side-lined due to curfew restrictions associated with the COVID-19 pandemic. The JMB, however, continued its commitment to the community with other acts of philanthropy (Corporate Social Responsibility), by providing sponsorship for three (3) major events, namely:

- UWI WJC Caribbean Sustainable Cities Conference - November 4-6, 2020
- The JMB / JDA Real Estate Development Webinar - January 28, 2021
- The IMAJ Seminar - February 23-24, 2021

Additionally, the bank donated to several charities and worthy causes during the 2020/21 financial year. The Bank was also able to donate items of clothing to a charity from its Care Barrel, an initiative started by the staff in 2018, where staff donate items of clothing in good condition, to those in need.

The JMB/JDA Real Estate Development Webinar

UWI WJC Caribbean Sustainable Cities Conference

IMAJ Seminar

General Manager’s Report

The Bank continued to show resilience by exceeding its primary mandate for the 2020/2021 year even as more institutions and individuals enter the construction market. This was exacerbated by the local and global impact on the supply chain and slow down of the sector, caused by the COVID-19 pandemic.

As such, for the 2020/2021 reporting year, the Bank approved seven (7) new housing projects to build out 297 solutions across the island. The Bank also registered a year over year increase of 35.6 per cent in profit before tax, Expected Credit Loss and bad debt recovery adjustments. Interest income from loans increased by 33 per cent and the total loan portfolio increased by 47.9 per cent when compared to the previous year.

Through one of its financing partners, the Bank has a revolving facility that it utilised to fund its working capital needs. The Bank borrowed over a billion from various sources during the year.

The International Financial Reporting Standard (IFRS) 9 that addresses Expected Credit Loss (ECL) provisioning, negatively impacted the loan portfolio during the 2018/2019 year. However, during the 2020/2021 financial year, the Bank benefitted from a $9.6M (2020, $139M) write back of the ECL provision, in part due to the efficient management of its loan portfolio and in particular, its bad debt recoveries.

The recalibration of the Mortgage Indemnity Insurance (MII) product in the 2018/2019 year continued to bear rewards in the reporting year. In addition to bringing on one new financial institution, the Undertakings to Insure (UTI) and policies written during the period increased significantly compared to 2019/2020. The JMB has seen a shift in the mortgage market to a Loan to Value (LTV) ratio to end users of between 97 per cent and 100 per cent. Simultaneously, mortgage rates are at the lowest level that they have been in recent years, with an average annual percentage rate of 7.45 per cent.

The Strategy

The 2020/2021 period represented a continuation of the Bank’s four year plan to grow the construction loan portfolio to $4.0B, and facilitate an increased housing output in the low-middle to middle income space. The management is guided by the road map established by the Board three years ago which include the following six key objectives for JMB:

1) To dominate the niche market of small to

medium-size developers in the Primary Market space whose focus is providing housing solutions to low-middle and middle income families. During the reporting year, the Bank signed seven (7) projects with average pre-sales price of approximately $26.9M. The Bank also completed three (3) projects with an average house price of $13.5M.

2) To diversify its income stream by introducing new and innovative products and services to the construction and mortgage sectors. The Bank is currently designing a new and innovative product for the mortgage space, to be launched shortly after privatization. Additionally, the Bank will be using its expertise to enter into the more lucrative construction space.

3) To employ its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers. During the 2018/2019 year, the Bank implemented its Enterprise Risk Management Framework (ERMF) that manages the Bank's value chain and processes. This has contributed to a vast improvement in the Bank's operations, partly resulting in the Bank receiving several awards over a three year period from the Public Bodies Corporate Governance Award annual competition.

4) To maintain laser-like focus on the management of the loan portfolio to prevent creation of any new bad loans. For the reporting year, the Bank collected cash on bad loans valuing $71.3M. Unfortunately, one project was placed in the bad debt category which the Bank is working to fully recover by the first quarter of the new financial year.

5) To effectively transition from a Statutory Government entity to a private enterprise. The Bank is working closely with the Development Bank of Jamaica (DBJ) and Enterprise Team (ET) to implement this initiative.

6) To continue the JMB's culture of strategic thinking that innovates big, creative ideas that redounds to the prosperity of the Bank and the Jamaican community. The JMB prides itself with having some of the most brilliant minds in the area of construction and financing. We continue to train individuals in their respective discipline, but most importantly empower the staff innovate using trending tools and information. See schedule completed for the 2020/2021 year under "Staff training".

Management Discussion and Analysis

General Overview

The JMB Group maintained profitability during a year plagued with global and local economic fallout from the effects of the COVID-19 pandemic. Year over year, profits before ECL and one-off items increased by 35.6 per cent which was driven by a 17.4 per cent increase in operational revenues which fully offset the 9.3 per cent percent increase in operational costs.

In fact, for the five-year period from 2017, the Bank's operational profitability consistently increased. In the first two of the last five years, the Bank recorded losses on its operations. Strategic refocusing and re-orientation resulted in the transformation of the Bank from a loss making institution to one of growth and sustained profitability.

The graph below shows the growth in profitability before taxes and one-off items such as debt recovery, in other words, solely based on operational efficiency and strength. It further demonstrates the fact that this growth is underpinned by increasing operating revenues and a general decrease in operational

expenses over the five years. This was achieved through deliberate strides to grow the Bank's loan book. In 2021, its construction loan portfolio increased by a notable 47.9% per cent which in turn translated into total asset growth of 30 per cent. Commensurate with this, its debt increased which led to overall liabilities moving upwards by 99 per cent. The Bank's performance however remains solid especially given the impact that the COVID-19 pandemic has had on economic activity.

ANALYSIS OF CHANGES IN INCOME & EXPENDITURE 2020/21 vs. 2019/20

	2021 ($'000)	2020 ($'000)	Var. ($'000)	Var. %
Revenues				
Interest from Loans	218,717	163,989	54,728	**33.4%**
Interest from Deposits	2,086	2,088	(2)	-0.1%
Total Interest income	220,803	166,077	54,726	**33.0%**
Other income	82,065	91,882	(9,817)	-10.7%
Total Income from Operations	**302,868**	**257,959**	**44,909**	**17.4%**
Expenses				
Staff Cost	(118,165)	(103,789)	(14,376)	13.9%
Other Administrative Cost	(41,811)	(47,885)	6,074	-12.7%
Finance Cost	(35,111)	(26,822)	(8,289)	30.9%
Total Expenses before ECL Allowances	**(195,087)**	**(178,496)**	**(16,591)**	**9.3%**
Profits before ECL Allowances and Bad Debt Collections	**107,781**	**79,463**	**28,318**	**35.6%**
Income from Bad Debt Collections	3,410	113,643	(110,233)	-97.0%
ECL (Allowance)/ Net Write Back	9,572	139,805	(130,233)	-93.2%
Profit Before Tax	**120,763**	**332,911**	**(212,148)**	**-63.7%**
Tax	(12,158)	(27,479)	15,321	-55.8%
Net Profit	**108,605**	**305,432**	**(196,827)**	**-64.4%**
Other Comprehensive Income/(Deficit)				
Remeasurement gains/(losses)-defined benefit plan	16,514	(19,550)	36,064	-184.5%
Deferred tax-defined benefit plan	(4,129)	4,888	(9,017)	-184.5%
	12,385	(14,662)	27,047	-184.5%
TOTAL COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	**120,990**	**290,770**	**(169,780)**	-58.4%

FINANCIAL HIGHLIGHTS (Expressed in thousands of dollars)	Mar-21	Mar-20	Change	
	$	$	$	%
Financial position				
Construction Loans	3,148,990	2,140,078	1,008,912	47%
Total Assets	3,680,270	2,832,751	847,519	30%
Total Liabilities	1,462,585	736,056	(726,529)	-99%
Total Equity	2,217,685	2,096,695	(120,990)	-6%

The expectation is that there will be continued improvements on its returns on equity and assets in future periods as it rides out the effects of the pandemic on the economy.

GROUP FINANCIAL PERFORMANCE ANALYSIS

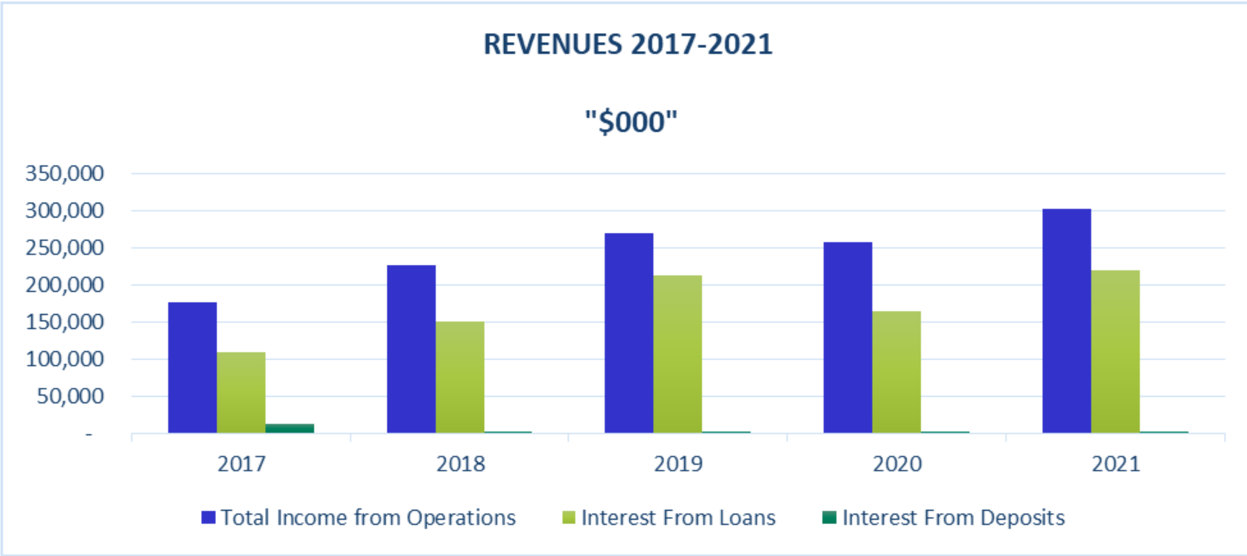
FIVE-YEAR SUMMARY	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Change 2021 vs 2020		FIVE-YEAR
(Expressed in thousands of dollars)	$	$	$	$	$	$	%	Compounded Annual Growth Rate (CACR)
Interest Income	220,803	166,077	213,983	152,859	122,613	54,726	33.0%	12.5%
Non-interest Income	82,065	91,882	54,885	54,051	49,904	(9,817)	-10.7%	10.5%
Total Income from Operations	**302,868**	**257,959**	**268,868**	**206,910**	**172,516**	44,909	17.4%	11.9%
Expenses								
Staff Costs	(118,165)	(103,789)	(99,210)	(97,641)	(86,226)	(14,376)	13.9%	6.5%
Other Administrative Costs	(41,811)	(47,885)	(41,414)	(44,449)	(45,968)	6,074	-12.7%	-1.9%
Finance Costs	(35,111)	(26,822)	(66,570)	(69,878)	(71,491)	(8,289)	30.9%	-13.3%
Total Expenses before ECL	**(195,087)**	**(178,496)**	**(207,194)**	**(211,969)**	**(203,685)**	(16,591)	9.3%	-0.9%
Profits/(loss) before ECL and Recoveries	**107,781**	**79,463**	**61,674**	**(5,058)**	**(31,169)**	28,318	35.6%	-228.2%
Income from Recoveries	3,410	113,643	175,000	271,709	83,941	(110,233)	-97.0%	-47.3%
ECL (allowance)/write back	9,572	139,805	18,230	(61,320)	63,088	(130,233)	-93.2%	-31.4%
Profit before taxation	**120,763**	**332,911**	**254,904**	**205,331**	**115,860**	(212,148)	-63.7%	0.8%
Taxation	(12,158)	(27,479)	(40,597)	(39,563)	(20,207)	(15,321)	55.8%	-9.7%
Profit for the year	**108,605**	**305,432**	**214,307**	**165,768**	**95,653**	(196,827)	-64.4%	2.6%
Other Comprehensive Income/(Loss)								
Remeasurement gains/(losses) on the defined benefit plan	16,514	(19,550)	(7,757)	28,521	(6,046)	36,064	-184.5%	-222.3%
Deferred tax relating to the remeasurement gains/(losses) on the defined benefit plan	(4,129)	4,888	(14,015)	(15,969)	1,511	(9,017)	-184.5%	-222.3%
	12,385	**(14,662)**	**(21,772)**	**12,552**	**(4,535)**	27,047	-184.5%	-222.3%
Total Comprehensive Income for the year, net of tax	**120,990**	**290,770**	**192,535**	**178,320**	**91,118**	(169,780)	-58.4%	5.8%

Income

Operational revenues increased YoY by 17 per cent with a 12 per cent compounded annual growth rate over the last five years. The 17 per cent growth was mainly driven by interest income which increased by 33 per cent YoY, continuing its upward trajectory to reach its highest level in the five-year period from 2017 to 2021. Interest income on loans was $54.7M or 33 percent above that of the prior year which can be attributed to the growth in the loan potfolio.

FIVE-YEAR INCOME SUMMARY	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Change 2021 vs 2020		FIVE-YEAR
(Expressed in thousands of dollars)	$	$	$	$	$	$	%	Compounded Annual Growth Rate (CACR)
Income								
Interest Income	220,803	166,077	213,983	152,859	122,613	54,726	33%	12%
Non-interest income excluding recoveries	82,065	91,882	54,885	54,051	49,904	(9,817)	-11%	10%
Total Income before recoveries and one-off	**302,868**	**257,959**	**268,868**	**206,910**	**172,516**	44,909	17%	12%
Recoveries & One-off items	3,410	113,643	175,000	271,709	83,941	(110,233)	-97%	-47%
Total Income	**306,278**	**371,602**	**443,868**	**478,619**	**256,457**	(65,324)	-18%	4%

The construction loan portfolio increased by over 47.9% per cent which was as a result of the Bank's deliberate strategy at growing this portfolio. It grew from $2.1B to $3.1B. The Bank continued to lend at competitive rates which resulted in it maintaining its position as the preferred interim construction financing entity.



Interest from investments was basically flat YoY as emphasis was placed on funding housing projects given the GOJ's target of 70,000 housing starts over five years.

Other income excluding recoveries and one-off items had a compounded annual growth rate of 10 per cent. However, YoY there was a slight decline of 11 per cent which can be attributed to the delays in project mobilization due to the impact of the mitigating measures in the ongoing fight to stem the spread of the Coronavirus.

The recoveries and one-off items category is primarily comprised of recoveries on bad debt. This income stream will normally fluctuate year by year, however the four years 2017 to 2020 were among its most significant as regards its contribution to total income. During these four years, the Bank was able to recover on its non-performing loans by the methodical and targeted exercise of its rights for non-repayment under its contractual agreements. This was part of the strategic objectives of the Bank which placed an aggressive focus on limiting the instance of non-performing loans and recovering amounts outstanding.

YoY however there was an 18 per cent decline in total income which was mainly due to the decline in the recoveries and one-off items category that reduced by 47 per cent over prior year.

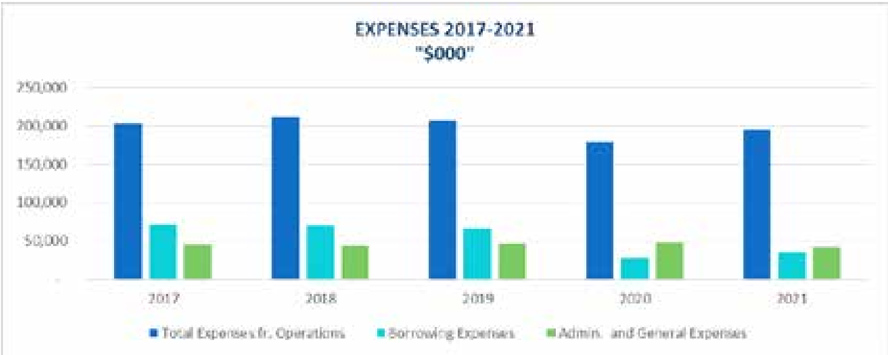
Staff costs was $118.2m during the year reflecting a 13.9 per cent increase over prior year. This increase was primarily attributable to a 5 per cent increase in salary in line with the GOJ directive under the public sector wage agreement, increases in pension costs as well as new hires.

Administrative and General Expenses decreased by $6.1M or 12.7 per cent YoY. Though there were reductions on a number of line items there were also areas of increase which offset the effect of these reductions. The main areas of decrease include: legal costs and repairs and maintenance. These areas registered reductions of 50 per cent and 36 per cent respectively. In the prior year a legal matter was settled; the current year's expense was for routine legal matters. As regards repairs and maintenance costs, there was a significant building maintenance expense in the prior year that did not recur in the current year.

Expenditure

FIVE-YEAR EXPENSE SUMMARY	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Change 2021 vs 2020		FIVE-YEAR
(Expressed in thousands of dollars)	$	$	$	$	$	$	%	Compounded Annual Growth Rate (CACR)
Costs								
Interest Cost	35,111	26,822	66,570	69,878	71,491	(8,289)	-30.9%	-13.3%
Operating Cost (w/o ECL)	159,976	151,674	140,624	142,091	132,194	(8,302)	-5.5%	3.9%
Total cost	**195,087**	**178,496**	**207,194**	**211,969**	**203,685**	**(16,591)**	-9.3%	-0.9%

Total costs increased YoY by $16.6m or 9 per cent as both interest and operating costs increased.



Interest Costs

The increased interest costs of 31 per cent YoY aligns directly to the growth in the loan portfolio as project funding increased. The Bank however worked with its financiers to obtain the best rates on borrowing so that its rates to developers remained competitive.

Operating Costs

Operating costs increased by only 5 per cent YoY. This was due to a combination of increases and savings on various costs categories as the Group maintained its cost containment focus despite the COVID-19 pandemic operating protocols.

The major area of increase was for auditor remuneration. The main reason for this is the reduction in the internal audit costs as the existing contract had expired mid-year and the procurement process for a new internal auditor also commenced at that time.

Loan Loss Provision

Over the years, the Bank has aggressively targeted its bad loans portfolio to reduce the number of non-performing loans. It has also strengthened its KYC construct to ensure the viability of its projects. As such, there has been a noted decline in the provisioning, resulting in write-backs for four of the last five years.

Group Financial Position

The JMB Group's balance sheet remained healthy for the period under review. Total assets increased by 30 per cent YoY. The major driver of this increase is the growth in the Bank's loan portfolio given the increase in disbursements over the prior year.

respectively. In the former case, the Bank utilized its resources to fund its projects and in the latter case withholding tax credits were utilized to offset the Bank's current income tax obligation.

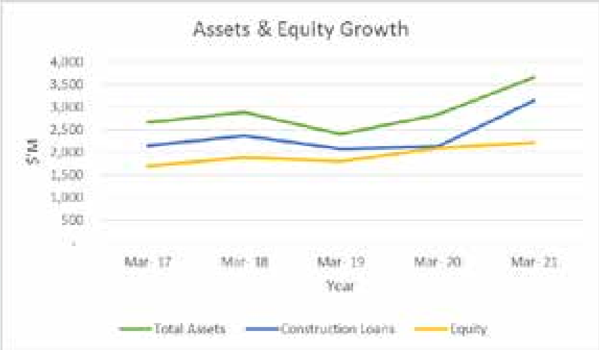
There was also a 96 per cent reduction over the prior year's cash balance. In the prior year, given the impact that COVID-19 pandemic had on the operating hours of financial institutions the Bank held higher cash balances to ensure that it would be able to fund its projects in a timely manner. This year, the processes within the financial institutions were more streamlined, thus a similar strategy was unnecessary.

The overall growth in the assets was however balanced by a significant increase in the borrowing. During the year, short-term and long term loan balances increased by over 100 per cent as the Bank obtained financing in order to fund its projects during the year.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Change 2021 vs 2020		FIVE-YEAR
(Expressed in thousands of dollars)	$	$	$	$	$	$	%	Compounded Annual Growth Rate (CACR)
Statement of Financial Position								
Construction Loans	3,148,990	2,140,078	2,072,428	2,367,456	2,144,688	1,008,912	47.1%	8.0%
Total Assets	3,680,270	2,832,751	2,414,631	2,894,934	2,658,079	847,519	29.9%	6.7%
Total Liabilities	1,462,585	736,056	608,706	1,008,984	950,449	(726,529)	-98.7%	9.0%
Total Equity	2,217,685	2,096,695	1,805,925	1,885,950	1,707,630	(120,990)	-5.8%	5.4%

The construction loan portfolio grew from $2.1B in the prior year to $3.1B in the current year. Total disbursements for the current year was $1.39B compared to $1.19B in the prior year.

Additionally, there was also an increase in the pension assets given the actuarial valuation provided for the financial year. Another significant feature of the balance sheet was the reduction in balances on investment securities and tax receivable. Both balances reduced by 51 per cent and 36 per cent



2021/22 BUDGET OF INCOME & EXPENDITURE

Budget-2020/2021 $'000	Actual-2020/2021 $'000	Variance $'000	Variance %	ITEMS	Budget-2021/2022 $'000
				Interest Income	
297,261	218,717	(78,544)	-26.4%	Interest from Loans	407,118
1,440	2,086	646	44.9%	Interest from Deposits	380
86	0	(86)	100.0%	Interest from other Investments	86
298,787	**220,803**	(77,984)	-26.1%	**Total Interest Income**	407,584
				Interest Expenses	
102,735	35,111	67,624	65.8%	Interest on Debt Payable	133,445
196,052	**185,692**	(10,360)	-5.3%	**Net Interest Income/(Loss)**	274,139
72,605	85,475	12,870	17.7%	**Non Interest Income**	83,064
268,657	**271,167**	2,510	0.9%	**Gross Margin before Provision and Expenses**	357,203
(163,719)	(159,976)	**3,743**	-2.3%	Less Operating Expenses	(184,586)
104,938	111,191	6,253	6.0%	**Operating Profit/(Loss) for the year before ECL Provision**	172,617
0	9,572	9,572	100.0%	**ECL Provisions**	0
104,938	120,763	15,825	15.1%	**Profit for the year before taxes**	172,617
(7,561)	(12,158)	(4,597)	-60.8%	Taxes	(44,880)
97,377	108,605	11,228	11.5%	**Profit for the year**	127,737

Key Ratios	**Mar-21**	**Mar-20**	**Mar-19**
Return on Average Equity	5%	16%	12%
Return on Average Total Assets	3%	12%	8%

The increase in total liabilities of 99 per cent accompanied by a smaller increase in the asset base of 30 per cent resulted in a decline in the return on shareholders' equity YoY (5% vs 16%). Return on shareholders' equity though not as significant as in the prior year stood at 5 per cent.

Other Key Operational Performance Indicators

Primary Market

The novel Coronavirus had a significant impact on Jamaica's economic performance; however the construction industry remained very resilient and experienced marginal growth according to the Planning Institute of Jamaica (quarterly economic update January – March 2021). This favourable achievement resulted from the Government's strategy of boosting economic growth and job creation through infrastructural development. As such, the construction industry continued along its upward growth trajectory signifying strong investor confidence.

In addition, the industry benefitted from COVID-19 restriction concessions and was included in the essential workers category. This exempted construction workers from the curfew restrictions which were in place and therefore the building out of both residential and non-residential properties continued in earnest.

Budget-2020/21 $'000	Actual-2020/21 $'000	Variance $'000	Variance %	Metric	Budget-2021/2022 $'000
2,200,000	3,277,100	1,077,100	49.0%	**Commitments ***	1,400,000
3,200,000	1,392,000	-1,808,000	-56.5%	**Disbursements ***	3,500,000
2,400,000	608,600	-1,791,400	-74.6%	**Total Collections**	2,200,000
360,000	71,300	-288,700	-80.2%	**Bad Debt Recovery and Collection**	360,000
250	297	47	18.8%	**Units Funded**	162

* Excludes Syndication amounts

The JMB in its role as the premier interim construction financier provided funding to both new entrants to the market as well as established developers, some of whom were repeat clients that have done multiple projects which were financed by JMB. Included in this group were female developers who have demonstrated that they are very effective and efficient in successfully undertaking projects within a male dominated space.

Over the past five years, the JMB has approved loans totaling $10.615B to facilitate the construction of 854 new housing solutions across the island. The last three years have been especially buoyant with the construction of 80 per cent or 689 of the 854 new housing solutions at a value of $8.96B. For the 2020/21 fiscal year, interim construction financing of $3.3B was approved for the construction of 297 new housing solutions.

The bustling construction sector continued to impact and improve national development by directly contributing to an increase in the labour force with the provision of much needed employment to professionals, as well as skilled and unskilled workers. As at March 31, 2021, the JMB had eleven active projects under management which provided employment to approximately 500 persons, including architects, attorneys, civil and structural engineers, land surveyors, land valuators, project managers, masons, electricians, plumbers, cabinet makers, painters, labourers among other professionals.

Due to uncertainties created by the of the COVID-19 pandemic, the JMB adjusted its strategic focus regarding disbursements, as a consequence, no new projects were mobilized for the first two quarters of the 2020/2021 fiscal year. This resulted in total disbursements of $1.39B for the fiscal year and undisbursed loans of approximately $4.2B on active projects. Additionally, the Bank has pipeline projects valuing $3.6B.

The Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS) both serve as additional income streams for the Bank. Over the last three years there has been no take up of the products so a detailed marketing plan is being developed to relaunch the products by the second quarter of the next fiscal year.

The Diaspora Home Building Services (DHBS) is a customized product to assist Jamaicans living overseas in building their home locally. JMB stands as a trusted partner to provide project management services by leveraging the in-house expertise it has developed over time to plan and execute the works. The services provided, range from initial technical assessments of projects through to monitoring implementation and close-out activities, and has served as an additional income stream for the Bank.

On the other hand, the TSS product is geared towards interim financiers and other entities which lack the technical expertise demanded by complex construction projects, and seeks to increase the success rate associated with such projects by assessing and monitoring the technical elements including approvals, budget/costing and implementation.

Secondary Market

There was no activity within the Secondary Mortgage Market as interest rates remained unfavourable. The Jamaica Mortgage Bank will however continue to monitor the economic conditions with a view to participate in the sector as soon as the conditions improve.

Mortgage Indemnity Insurance (MII)

The MII portfolio continued to perform exceptionally well and achieved another record performance with the approval of 252 new Undertakings to Insure (UTI) at a value of $409.63M. This represented an increase of 41 per cent in new UTIs and 55 per cent in value over the previous period which recorded 179 UTIs valued at $264.23M.

There was also a 21.4 per cent increase in the number of policies written and 22.6 per cent increase in the value of the policies. A total of 153 policies were written valued at $230.9M compared to 126 polices at a value of $188.38M for the previous period. The table below depicts the growth within the portfolio over the last five years. In 2017 50 UTIs were approved at a value of $72.89M compared to 2020 when 252 UTI's were approved valued at $264.23M. This represented a 404 per cent increase in the number of UTIs approved and 246 per cent increase in value over the period. Growth has been constant and this is expected to continue as access to home ownership has become easier.

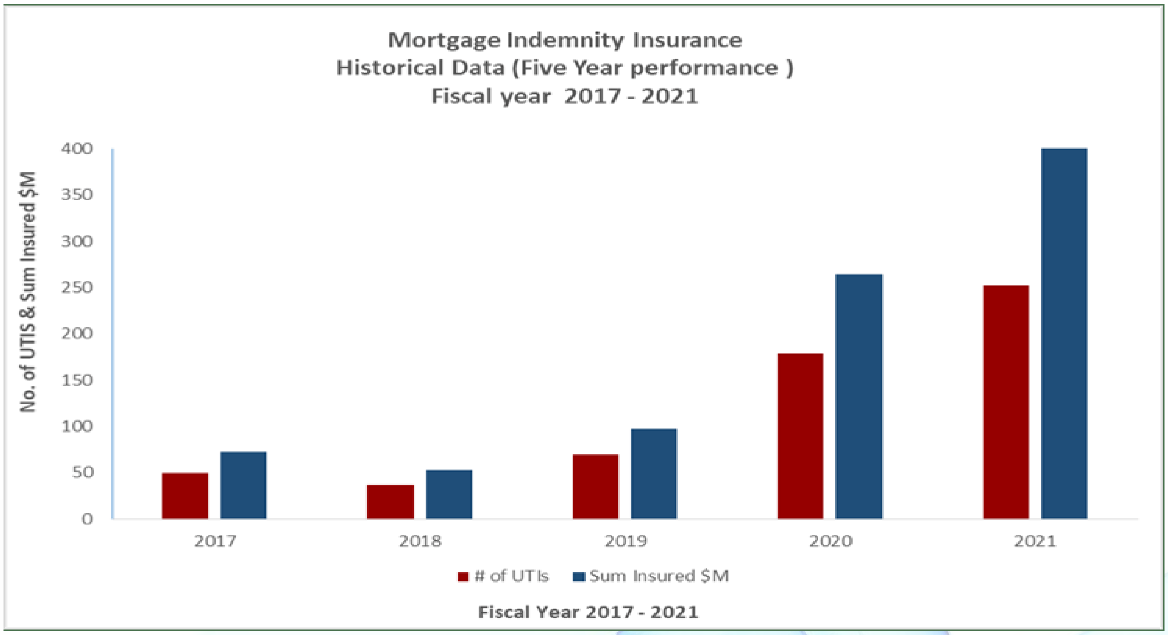
Bad Debt

The reduction of the bad debt portfolio continued to be one of the main priorities of the Bank during the financial year 2020/2021. Over the past ten (10) years, the Bank has worked assiduously to reduce the value of the bad debts portfolio and simultaneously reduce the percentage of the bad debts as part of the Banks total loan portfolio.

There has been a significant reduction of the value of the bad debt portfolio from 65 per cent of total portfolio as at March 31, 2011, to 17 per cent of the total loan portfolio as at March 31, 2021.

The Bank expects the bad debt rate to reduce to 8 per cent by the 2nd quarter 2021/2022 and to industry standard soon thereafter.

MII Performance March 2020 – April 2021



The Bank continues to use the effective recovery initiatives such as selling under the Power of Sale contained in the Mortgages, initiating Court proceedings, the appointment of Receivers, where necessary, and initiating foreclosure proceedings to collect on its bad debts. During the course of the year, it was successful in Court proceedings for recovery against one bad debtor. The sale of four (4) properties held as security under the Bank's power of sale commenced at the end of the financial year to be completed early in the new year 2021/2022. This would see the recovery on one of the largest debts in the portfolio and the close out on another.

The recovery and collection on the outstanding debts was unfortunately impacted by the slow-down in economic activities as a result of the COVID- 19 pandemic. The Bank only received a total $71.3M cash at the end of the year versus a budgeted sum of $360M. However, only one bad loan was added to the bad debt portfolio for the period. This was as a result of the high quality of the loans being written and the Bank's continued strong and effective assessment and approval process. The Bank also continued, its strategy of implementing tight monitoring controls of the approved loans which has helped the Bank to mitigate the risks which would create further bad loans. There is a strong delinquency management programme, where early warning signs of deviation are immediately addressed thereby reducing the possibility of a bad loan being created.

The Bank will continue its efforts to recover and reduce the Non-Performing Loan portfolio to meet its medium term Corporate objective of the bad debt portfolio not exceeding the mortgage industry standard for bad debts by the financial year 2024/2025. For the new financial year 2021/2022, the Bank is projecting to collect an additional $250M from the outstanding loan sums due which will lead to a significant reduction in the Bank's bad debt portfolio to approximately 8 per cent of the total loan portfolio, moving it closer to its goal. The Bank will continue to move aggressively to recover from the remaining 5 loans in the portfolio and aim to remove at least an additional 3 loans from the portfolio by the end of the second quarter of the next financial year.

Other

During the 2020/2021 financial year, the Bank continued its working relationship with the Ministry of Housing Urban Renewal Environment and Climate Change (MHURECC), with its participation in various housing related webinars. The Bank also kicked off its 50th Anniversary celebrations in January 2021 by partnering with the Jamaica Developers Association on a well-received Webinar titled “Developing Jamaica-Recovering Together 2021 and Beyond”. Similarly, the Bank participated in the MHURECC led webinars targeting young people.

Due to the continued effects of the pandemic, the Bank was not able to donate its time on voluntary activities or community projects. However, as a way of continuing its corporate social responsibility, the Bank assisted with financial donations to various charitable and voluntary organizations.

The Bank continued its relationships and membership with various interest groups, such as the Jamaica Developers Association (JDA), the Jamaica Chamber of Commerce (JCC), the Incorporated Mastersbuilders Association & others.

Macro Real Estate Legal Environment

During the financial year 2020/2021, there was seemingly an up-turn in the Real Estate Market, both with an increase in the number of developments being constructed and the sale of the units in these developments and in the open market generally.

This was despite the challenges faced by both developers and prospective purchasers as a result of the COVID-19 pandemic. It may be concluded, that the lower sum now payable for Stamp Duty on both the Sale Agreements and the Mortgages, continues to facilitate homeownership, as it makes the closing costs on sale transactions much more affordable for purchasers. There had also been a steady decrease in the interest rates charged by the financial institutions for the mortgage loans.

The increase in property purchases and the number of mortgages been issued, was evidenced by the continuous growth of the JMB administered Mortgage Indemnity Insurance product, which grew tremendously over the last three to four years , attested to by the number of policies written year over year. For the period ending March 31, 2021 a total of 252 policies were issued valued at $409.3M compared to a total of 179 policies valued at $264.23M issued for the same period the previous year.

On the wider macro-legal real estate market, the issues of the breach of Restrictive Covenants and Building Approvals have become a major talking point within the industry. This is primarily related to the construction of high-rise apartment buildings and multi-family homes on lots and in areas or communities which once had only single family homes, without the appropriate approvals or building contrary to the approvals obtained.

There has been some resistance coming from residents in some of these areas and these issues have been the subject of a number of recent lawsuits, which have seen the courts chiding a number of developers and even the regulatory authorities about not following proper procedures in granting the approvals and in the construction of the units. The Bank has been monitoring these issues carefully with great interest and have in its assessment and monitoring processes, ensured that the developers and projects that are funded by the Bank all obtain the appropriate approvals and that the units are constructed in accordance with the approvals granted. The mandate of the Bank continues to be facilitating safe and affordable housing for all Jamaicans, and therefore aims to ensure that all our developments conform to the laws of Jamaica.

Staff Training

The Bank ensures that at the time of engagement, each individual being considered for employment, is fully qualified for the position to which they are hired, notwithstanding its commitment to future and further development of its team members.

The current qualification structure includes 30.4 per cent of staff holding Master's degrees; 26.1 per cent holding Bachelor's degrees and 17.4 per cent currently pursuing studies for Bachelor's degrees. This accounts for approximately 74 per cent of the overall team. Within the remaining 26 per cent, individuals hold qualifications in keeping with their functions, some of which include certificates and/or diplomas.

In accordance with the strategic objective of developing a learning organization ('lifelong learning' mindset and knowledge sharing culture), and despite the limitations caused by the COVID-19 Pandemic, team members were encouraged to continue pursuing professional and personal development through available training opportunities, some of which were financed by the Bank, in confirmation of its continued commitment to the stated objective.

The table below depicts the areas and the number of persons who benefitted from training opportunities arranged/financed by the Bank during the 2020/2021 fiscal year:

Area of Training	Persons Trained
Land Registration and Conveyancing	2
Supervisory Management	1
HR Management	1
CPR/First Aid (in depth)	3
IFRS	3
GCT	1
Understanding Jamaican Labour Laws	1
CPR Presentation Heart Foundation of Jamaica	All
How to buy and sell shares Jamaica Stock Exchange	All

Conclusion and the Way Forward

For the financial year 2020/2021, despite the challenges, the Bank continued to be highly competitive within the Primary Market space. This was evident from the volume of credit written during the full pandemic year.

The Bank now has active and pipeline projects valuing approximately $8.5B and could conservatively add another $5B. As a result, the Bank's performance was mostly positive and further positions the JMB as an attractive company in terms of value.

Similarly, the Bank has seen an exponential increase in the use of the Mortgage Indemnity Insurance product it manages on behalf of the Government, as it now attaining the milestone of $1B policy portfolio. We expect to achieve even more significant growth of the MII product as the robust housing continues in the next fiscal year.

The Bank fully expects a change in its ownership structure as it list on the Jamaica Stock Exchange sometime during the 2021/2022 year. The Bank has started that transition, in respect to its processes and key personnel and looks forward to an exciting future as we create wealth for our investors.

The Bank is committed to continue its 50 year legacy of nation building for another 50 years as it provides safe and affordable housing for all Jamaicans.

Courtney Wynter
General Manager

BUDGET-2022
BALANCE SHEET POSITION

ASSETS	2021 Actual $'000	2020 Actual $'000	% Change	Budget-2021/22 $'000
Non-Current Assets				
Property Plant and Equipment	46,825	49,933	-6.2%	47,959
Land Held for Development and Sale	501,589	503,389	-0.4%	437,388
Post Retirement Benefits	48,037	36,385	32.0%	36,385
Loans Receivable	999,890	811,882	23.2%	1,285,385
	1,596,341	1,401,589	13.9%	1,807,117
Current Assets				
Loans Receivable	1,907,179	1,081,699	76.3%	3,460,610
Receivables and Prepayments	35,015	27,025	29.6%	226,344
Income tax Recoverable	101,003	158,790	-36.4%	112,099
Certificates of Deposit	11,981	36,722	-67.4%	32,367
Resale Agreements	24,961	38,959	-35.9%	-
Cash and Cash Equivalents	3,790	87,967	-95.7%	10,414
	2,083,929	1,431,162	45.6%	3,841,834
TOTAL ASSETS	3,680,270	2,832,751	29.9%	5,648,951
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDER EQUITY				
Share Capital	500,000	500,000	0.0%	500,000
Reserve Fund	500,000	500,000	0.0%	500,000
Special Reserve Fund	340,083	340,083	0.0%	340,083
Retained Earnings	877,602	756,612	16.0%	1,096,439
	2,217,685	2,096,695	5.8%	2,436,522
LIABILITIES				
Non-Current Liabilities				
Bonds and Loans Payable	808,894	298,652	169.2%	299,167
Deferred Tax Liability	44,642	33,548	33.1%	35,245
	848,536	332,200	155.4%	334,412
Current Laibilities				
Payables and Accruals	41,222	32,591	26.5%	37,235
Short Term Loan	572,827	318,125	80.1%	2,802,678
Income Tax Payable	-	53,140	-100.0%	38,104
	614,049	403,856	52.0%	2,878,017
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,680,270	2,832,751	29.9%	5,648,951
	-	-	-	-

COURTNEY WYNTER, JP

B.Sc (Hons, C.U.N.Y.), MBA (Hons, St. Johns University), AMP (Wharton, PA), MPM (PMGI, JA) has held the position of General Manager at the Jamaica Mortgage Bank since January 6, 2014. Prior to joining JMB, Mr. Wynter held various domestic and international executive financial management positions in the areas of Telecom, Finance and Banking.

PATRICIA BURKE

BBA (UTech JA.), MBA (FIU) Patricia Burke joined the Jamaica Mortgage Bank on November 12, 2018 as Director, Business Operations. Mrs. Burke has 20 years' experience in the field of Credit having worked at Jamaica Police Coop Credit Union, First Global Bank and EDUCOM Coop Credit Union.

DONNA SAMUELS STONE

B.A (UWI, Mona), LLB (London), LLM (UWI, Mona) CLE (NMLS) joined the JMB in November 2005 as the Corporate Secretary/Legal Officer. Her responsibilities include Corporate Governance and Board of Directors issues, Conveyancing, Security Documentation, Project Financing and General Legal services.

DENISE BRYSON HINDS

MBA (UCC) has been the Manager, Human Resource & Administration since November 1, 2016 and is responsible for the development of the Bank's Human Resource Policies and programs as well as the department's operational and strategic plans.

SHERRY-ANN JOHNSON-HYLTON

B.Sc. (Hons.), M.Sc., LLB (UTech, JA) Sherry-Ann joined the Bank on February 3, 2020 as Manager, Finance and has over fifteen years' experience in accounting and finance. She is a Fellow of both the Institute of Chartered Accountants in Jamaica (ICAJ) and the Association of Chartered and Certified Accountants (ACCA).

Profile on Human Resources

BUSINESS OPERATIONS DEPARTMENT	
COLE, Latoya	Latoya is the bank's Loans Officer and is currently pursuing studies to complete her ACCA designation and an A.Sc. Degree in Draughting and Building Technology.
JOHNSON, Raymond	Raymond is a Technical Officer with 18 years' experience in construction and project management and over a decade in quantity surveying. He holds two B.Sc. Degrees: one in Construction Engineering and Management and the other in Quantity Surveying. He also possesses a PGDip. In Construction Management.
LAWRENCE, Marlene	Marlene has been the bank's MII Administrator for the past 13 years. She holds a Diploma in Business Administration and is currently completing her final year in order to obtain the degree.
WHITE, Christopher	Chris has been a Technical Officer at the Bank for the past six (6) years. He possess a B.Sc. degree in Quantity Surveying and is currently pursuing post-graduate studies.
FINANCE & ACCOUNTS DEPARTMENT	
BLAKE, Suliann	Suliann has a BBA and has ten years' experience in accounting. She is currently the bank's Payables Assistant.
CRANSTON, Garth	Garth completed an MBA (Chartered Banker) in 2019 and possess over 25 years' experience in accounting and finance. He is currently the Treasury & Budget Officer.
JOHNSON, Kentawya	Kentawya has been in the field of accounting for the past 7 years and possess a B.Sc. Banking & Finance degree and a Post Grad Cert in Financial Securities Management.
MOWEN, Doreen	Doreen has been an accounting professional for over 30 years and possesses a BBA in Accounting and is ACCA certified.
GENERAL MANAGER'S OFFICE	
BAILEY, Nicholas	Nicholas has been an I.T. professional for the past 10 years. He holds an A.Sc. Degree in Management Information Systems and is pursuing an A.Sc. ICT.
POWELL, Shedina	Shedina has fourteen years' experience in the field of administration and HR. She holds a B.Sc. Management Studies and an M.Sc. Curriculum & Instruction.

Profile on Human Resources

HUMAN RESOURCE & ADMINISTRATION DEPARTMENT	
BLACKBURN, Danovan	Danovan holds a Certificate in Industrial Security and has spent 27 years of his professional career with the JMB. Currently, he is the evening Security Officer.
EWAN, Monica	Monica is the bank's Office Attendant and Cook. Her cumulative service spans 24 years.
HALL, Dwight	Dwight is the bank's day time Security Officer.
LINDO, Nikki-Ann	Nikki-Ann is the Bank's Customer Service Representative. She possesses passes at the C.X.C CSEC level.
MORRISON, Marcia	Marcia has been part-time cleaner for the bank for the past 25 years.
SAULAS, Kerryan	Kerryan has a BBA in General Management and currently serves as Human Resource Assistant. She previously held the position of Office Administrator for 8 years.
SCOTT, Daniel	Daniel is currently the bank's General Worker.
TRACEY, Rashard	Rashard possesses a Certificate in Data Operations and is currently concluding studies to obtain a Diploma in Draughting, Building & Technology. He is the bank's Office Administrator (acting).
LEGAL DEPARTMENT	
SHAW, Doreen	Doreen has over 30 years' combined experience in administration and accounting but two (2) years ago, shifted her career focus to the legal profession and completed a Diploma in Paralegal Studies last year. She now functions as the Legal Assistant.

Departments

Facilitating Home Ownership

Finance & Accounts

- Financial & Management Accounting
- Treasury and Cash Management
- Budgeting and Control

Business Operations

- Primary Market Financing
  Project Financing
  Project Appraisal and Monitoring
  Project Risk Analysis
  Technical Support Services
  Diaspora Project Management Services

- Secondary Mortgage Market
  Mortgage-backed Securities

- Mortgage Insurance
  Evaluation of proposals for insurance for housing schemes
  Claims processing
  Issuing of Undertakings-to-insure
  Preparation of Mortgage Insurance policies
  Promotion of Mortgage Insurance facilities

Corporate Secretarial / Legal

- Corporate Secretarial activities, including Corporate Governance and Board of Directors' Issues
- Legal Conveyancing, and title registration
- General Legal Services

Human Resource and Administration

- Human Resource Management
- Policy Development and Administration
- Office Administration

General Manager's Office

- Strategy Development, Implementation and Execution
- Information & Communication Technology
- Public Relations and Marketing

Highlights of JMB's Activities

Mr. Courtney Wynter, General Manager, hands over a cash prize to Miss Nikki-Ann Lindo, Customer Service Representative, for winning the Bank's 50th Anniversary Theme Competition. The winning theme is "Building a new Foundation."

Mrs. Donna Samuels Stone, Corporate Secretary/Legal Officer, is presented with her long service award for 15 years of service to the JMB, by Mr. Courtney Wynter, General Manager, at the Bank's virtual Christmas Luncheon held on December 16, 2020.

The Jamaica Mortgage Bank was the title sponsor for the JMB/JDA Real Estate Development Webinar held on January 28, 2021 via Zoom. Pictured are Mr. Courtney Wynter, General Manager of the JMB and Miss Petal James, Chief of Branches, JN Bank Limited.

Mr. Burnett from the Heart Foundation of Jamaica conducted a presentation on CPR via Zoom on November 20, 2020 to the JMB staff.

The Edbury

This development is located in the Meadowbrook area of St. Andrew, and on completion will feature a nine (9) unit gated apartment complex. The development will be of particular interest to first home owners or young professionals and persons desirous of investing in a property for real estate rental.

Developer: The Edbury Development Limited

Genesis 28

This gated development located in the very central area of Waterloo Avenue, consists of Twenty Four (24) One bedroom apartment units. The units will be of particular interest to young professionals and persons desirous of purchasing for real estate rental.

Developer: ALFRAN Development Limited

Forest Gates

This development, located in the Red Hills area of St. Andrew, consists of Two (2) and Three (3) Bedroom Apartments and a single Town House. The apartments are ideal for families, young professionals or for persons seeking to acquire a property for a long term real estate investment.

Developer: Deals Worth Development Construction Limited

Located in Red Hills, St. Andrew, this development features one, two and threebedroom apartments and is suited for families, returning residents who wish to enjoy the cool hills or persons desirous of investing in a property for real estate rental.

Developer: Janan Developers Limited

Harmony Court Apartments

Jewels of Sinclair

This gated apartment complex located on Sunset Drive in St. Andrew, features twelve one-bedroom apartments which will be of particular interest to young professionals and persons interested in holding properties for the purpose of real estate investment.

Developer: Happy Grove Palm Developers

This development which is located on Old Stony Hill Road in St. Andrew, is a contemporary multi-family development property exclusive to 25 residences including: 14 apartments; seven (7) penthouses and four (4) townhouses. The units are ideal for families, young professionals and persons interested in holding properties for the purpose of real estate investment.

Developer: DCL Castles and Cottages Development Limited

Palais De La Richesse

El Marathon Complex

This development, will feature a two (2) phase apartment complex, with each unit consisting of two (2) bedrooms, two (2) bathrooms, living and dining room areas and other amenities. It will be ideal for young professionals, young families and for persons interested in seeking to acquire properties for real estate investment.

Developer: RDH Development Company Limited

This development which is located in Patrick City, St. Andrew, features eight (8) one-bedroom apartments which will be of particular interest to young professionals and persons interested in holding properties for the purpose of real estate investment.

Developer: NAHRAJ Construction Company Limited

Portview Manor

Kensington Gate Apartments

Kensington Gates, located at Kensington Crescent in the fast-paced area of St. Andrew, consists of forty (40) Studio Apartments. The apartments are ideal for families or for persons seeking to acquire a property for a long term real estate investment.

Developer: Williams Innovative Homes & Designs Limited

Directors’ & Senior Executives’ Compensation

Directors’ Compensation - April 1, 2020 to March 31, 2021

Position / Title	Fees	Motor Vehicle / Travelling	Honoraria	All Other Compensation	Total
Michael Shaw - Board Chairman / Sub-Committee Chairman	358,400	-	-	-	358,400
Courtney Hamilton - Director / Deputy Chairman	170,000	-	-	-	170,000
Ryan Parkes – Director / Sub-Committee Chairman	48,000	-	-	-	48,000
Hugh Faulkner – Director / Sub-Committee Chairman (Tenure ended August 2020)	69,400	-	-	-	69,400
Doreen Prendergast – Director	209,000	-	-	-	209,000
Tiva Forbes – Director	180,700	-	-	-	180,700
Louis Campbell – Director (Tenure ended December 2020)	36,000	-	-	-	36,000
David Lee – Director (Joined the Board, December 2020)	69,400	-	-	-	69,400
Kari J Douglas (Joined the Board, December 2020)	55,500				55,500
TOTAL	**1,196,400**				**1,196,400**

Senior Executives’ Compensation - April 1, 2020 to March 31, 2021

Position / Title	Salary	Gratuity	Travel Allowance	Seniority Allowance	Redundancy	Pension	Inventive	Vacation	Other	Total
Courtney Wynter General Manager	9,453,570	2,337,421	1,343,576	-	-	-	1,080,408	-	-	14,214,975
Patricia Burke Director, Business Operations	5,024,150	2,358,692	1,697,148	-	-	-	468,000	-	-	9,547,990
Donna Samuels Stone Corporate Secretary / Legal Officer	6,033,257	-	1,697,148	799,040	-	156,865	861,894	-	-	9,548,204
Sherry-Ann Johnson-Hylton Manager, Finance	5,277,385	-	1,697,148	-	-	-		-	-	6,974,533
Denise Bryson Hinds Manager, Human Resource & Administration	4,519,605	-	894,924	-	-	117,215	482,512	-	-	6,014,256
TOTAL	**30,307,967**	**4,696,113**	**7,329,944**	**799,040**	**-**	**274,080**	**2,892,814**	**-**	**-**	**46,299,958**

Financial Statements for the Jamaica Mortgage Bank and Its Subsidiaries

for the year ended 31st March 2021

EY
Building a better working world

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Jamaica W.I.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Jamaica Mortgage Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Mortgage Bank and its subsidiary (the "Group") and the financial statements of Jamaica Mortgage Bank (the "Bank"), which comprise the Group's and the Bank's statements of financial position as at 31 March 2021, and the Group's and the Bank's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 March 2021, and of the Group's and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional requirements of the Mortgage Bank Act

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

Ernst & Young

Chartered Accountants
Kingston, Jamaica

1 July 2021

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property and equipment	4	46,825	49,933
Land held for development and sale	5(c)	501,589	503,389
Post- retirement benefits	7(b)	48,037	36,385
Loans receivable	8	999,890	811,882
Total non-current assets		1,596,341	1,401,589
Current assets			
Loans receivable	8	1,907,179	1,081,699
Tax recoverable	9	101,003	158,790
Receivables and prepayments	10	35,015	27,025
Certificates of deposit	11	11,981	36,722
Resale agreements	12	24,961	38,959
Cash and cash equivalents	13	3,790	87,967
Total current assets		2,083,929	1,431,162
Total assets		3,680,270	2,832,751
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		877,602	756,612
Total shareholders' equity		2,217,685	2,096,695
Non-current liabilities			
Bonds and loans payable	17	803,894	298,652
Deferred tax liability	25	44,642	33,548
Total non-current liabilities		848,536	332,200
Current liabilities			
Payables and accruals	18	41,222	32,591
Short term loan	19	572,827	318,125
Income tax payable		-	53,140
Total current liabilities		614,049	403,856
Total shareholders' equity and liabilities		3,680,270	2,832,751

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

The financial statements were approved for issue by the Board of Directors on 1 July 2021 and are signed on its behalf by:

_________________________ Chairman
Mr. Michael Shaw

_________________________ Director
Mr. David Lee

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Revenue			
Interest from loans	20	218,717	163,989
Interest from deposits	20	2,086	2,088
		220,803	166,077
Expected credit losses			
Net recoveries/write back of expected credit losses on loans	8	9,572	139,805
Net interest income after expected credit losses		230,375	305,882
Non-interest income			
Other income	21	85,475	205,525
		315,850	511,407
Administrative expenses			
Staff costs	22	(118,165)	(103,789)
Administrative and general expenses	23	(41,811)	(47,885)
		(159,976)	(151,674)
Finance costs			
Interest on borrowings		(35,111)	(26,822)
Profit before taxation	24	120,763	332,911
Taxation	25	(12,158)	(27,479)
Profit for the year		108,605	305,432
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on the defined benefit plan	7	16,514	(19,550)
Deferred tax relating to the remeasurement gains/(losses) on the defined benefit plan	25(b)	(4,129)	4,888
		12,385	(14,662)
Total comprehensive income for the year, net of tax		120,990	290,770

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

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital $'000	Reserve Fund $'000	Special Reserve Fund $'000	Retained Earnings $'000	Total $'000
Balance as at 1 April 2019	500,000	500,000	340,083	465,842	1,805,925
Profit for the year	-	-	-	305,432	305,432
Other comprehensive loss	-	-	-	(14,662)	(14,662)
Total comprehensive income	-	-	-	290,770	290,770
Balance as at 31 March 2020	500,000	500,000	340,083	756,612	2,096,695
Profit for the year	-	-	-	108,605	108,605
Other comprehensive income	-	-	-	12,385	12,385
Total comprehensive income	-	-	-	120,990	120,990
Balance as at 31 March 2021	500,000	500,000	340,083	877,602	2,217,685

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

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Operating activities			
Profit before taxation		120,763	332,911
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	5,308	5,005
Net recoveries/write back of expected credit loss recognized on loans receivables	8	(9,572)	(139,805)
Gain on land held for development and sale		(274)	(22,938)
Loss on disposal of property and equipment		170	-
Net foreign exchange gain		-	(589)
Pension expense	7(b)	6,068	1,214
Amortization of debt issuance costs		2,468	2,584
Interest income	20	(220,803)	(166,077)
Interest expense		35,111	26,822
		(60,761)	39,127
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(7,990)	(5,020)
Tax recoverable		67,879	1,548
Loans receivable		(962,232)	(276,913)
Payables and accruals		8,632	(14,508)
Contributions paid post retirement employee benefits	7(b)	(1,206)	(1,088)
Cash used in operations		(955,678)	(256,854)
Interest received		179,180	281,283
Income tax paid		(68,426)	(15,119)
Net cash flows (used in)/generated from operating activities		(844,924)	9,310
Investing activities:			
Resale agreement		13,964	(31,489)
Certificate of deposit		24,714	(17,128)
Proceeds on disposal of land held for development and sale		2,074	2,407
Additions to property and equipment	4	(2,370)	(4,788)
Net cash flows generated from (used in)/investing activities		38,382	(50,998)
Financing activities:			
Interest paid		(28,898)	(23,032)
Long term loan repaid		-	(50,000)
Long term loan issued		496,263	-
Short term loan issued		570,000	2,089,266
Short term loan repaid		(315,000)	(1,916,000)
Net cash flows provided by financing activities		722,365	100,234
Net (decrease)/increase in cash and cash equivalents		(84,177)	58,546
Cash and cash equivalents at beginning of the year		87,967	29,421
Cash and cash equivalents at end of the year	13	3,790	87,967

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

JAMAICA MORTGAGE BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property and equipment	4	46,825	49,933
Land held for development and sale	5(b)	501,588	503,388
Interest in subsidiary	6	125,674	125,210
Post- retirement benefits	7(b)	48,037	36,385
Loans receivable	8	999,890	811,882
Total non-current assets		1,722,014	1,526,798
Current assets			
Loans receivable	8	1,907,179	1,081,699
Tax recoverable	9	101,003	158,790
Receivables and prepayments	10	35,015	27,025
Certificates of deposit	11	11,981	36,722
Resale agreements	12	24,961	38,959
Cash and cash equivalents	13	3,790	87,967
Total current assets		2,083,929	1,431,162
Total assets		3,805,943	2,957,960
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		1,003,275	881,970
Total shareholders' equity		2,343,358	2,222,053
LIABILITIES			
Non-current liabilities			
Bonds and loans payable	17	803,894	298,652
Deferred tax liability	25	44,642	33,548
Total non-current liabilities		848,536	332,200
Current liabilities			
Payables and accruals	18	41,222	32,441
Short term loan	19	572,827	318,125
Income tax payable		-	53,141
Total current liabilities		614,049	403,707
Total shareholders' equity and liabilities		3,805,943	2,957,960

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

The financial statements were approved for issue by the Board of Directors on 1 July 2021 and are signed on its behalf by:

______________________ Chairman
Mr. Michael Shaw

______________________ Director
Mr. David Lee

JAMAICA MORTGAGE BANK

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Revenue			
Interest from loans	20	218,717	163,989
Interest from deposits	20	2,086	2,088
		220,803	166,077
Expected credit losses			
Net recoveries/write back of expected credit losses on loans	8	9,572	139,805
Net interest income after expected credit losses		230,375	305,882
Non-interest income			
Other income	21	85,475	193,525
		315,850	499,407
Administrative expenses			
Staff costs	22	(118,165)	(103,789)
Administrative and general expenses	23	(41,496)	(47,663)
		(159,661)	(151,452)
Finance costs			
Interest on borrowings		(35,111)	(26,822)
Profit before taxation	24	121,078	321,133
Taxation	25	(12,158)	(27,479)
Profit for the year		108,920	293,654
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on the defined benefit plan	7	16,514	(19,550)
Deferred tax relating to the remeasurement gains/(losses) on the defined benefit plan	25(b)	(4,129)	4,888
		12,385	(14,662)
Total comprehensive income for the year, net of tax		121,305	278,992

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

JAMAICA MORTGAGE BANK

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital $'000	Reserve Fund $'000	Special Reserve Fund $'000	Retained Earnings $'000	Total $'000
Balance as at 1 April 2019	500,000	500,000	340,083	602,978	1,943,061
Profit for the year	-	-	-	293,654	293,654
Other comprehensive loss	-	-	-	(14,662)	(14,662)
Total comprehensive income	-	-	-	278,992	278,992
Balance as at 31 March 2020	500,000	500,000	340,083	881,970	2,222,053
Profit for the year	-	-	-	108,920	108,920
Other comprehensive income	-	-	-	12,385	12,385
Total comprehensive income	-	-	-	121,305	121,305
Balance as at 31 March 2021	500,000	500,000	340,083	1,003,275	2,343,358

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

JAMAICA MORTGAGE BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Operating activities			
Profit before taxation		121,078	321,133
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	5,308	5,005
Net recoveries/write back of expected credit loss recognized on loans receivables	8	(9,572)	(139,805)
Gain on disposal of land held for development and sale		(274)	(22,938)
Loss on disposal of property and equipment		170	-
Net foreign exchange gain		-	(589)
Pension expense	7(b)	6,068	1,214
Amortization of debt issuance costs		2,468	2,584
Interest income	20	(220,803)	(166,077)
Interest expense		35,111	26,822
		(60,446)	27,349
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(7,990)	(5,020)
Tax recoverable		67,879	1,548
Loans receivable		(962,232)	(276,913)
Payables and accruals		8,781	(2,508)
Contributions paid post retirement employee benefits	7(b)	(1,206)	(1,088)
Cash used in operations		(955,214)	(256,632)
Interest received		179,180	281,283
Income tax paid		(68,426)	(15,119)
Net cash (used in)/generated from operating activities		(844,460)	9,532
Investing activities:			
Resale agreement		13,964	(31,489)
Certificate of deposit		24,714	(17,128)
Proceeds on disposal of land held for development and sale		2,074	2,407
Additions to property and equipment	4	(2,370)	(4,788)
Interest in subsidiary		(464)	(222)
Net cash generated from/(used in) investing activities		37,918	(51,220)
Financing activities:			
Interest paid		(28,898)	(23,032)
Long term loan repaid		-	(50,000)
Long term loan issued		496,263	-
Short term loan issued		570,000	2,089,266
Short term loan repaid		(315,000)	(1,916,000)
Net cash provided by financing activities		722,365	100,234
Net (decrease) increase in cash and cash equivalents		(84,177)	58,546
Cash and cash equivalents at beginning of the year		87,967	29,421
Cash and cash equivalents at end of the year	13	3,790	87,967

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

1. Identification

The Jamaica Mortgage Bank was established in 1971 as a private limited company under the Companies Act of 1965, with an authorized share capital of J$5,000,000. On June 5, 1973, the Bank was converted to a statutory corporation by the enactment of the Jamaica Mortgage Bank Act. The Jamaica Mortgage Bank (the "Bank") is subject to the provisions of Section 28 of the Interpretation Act 1968 and is wholly owned by the Government of Jamaica. The Bank is domiciled and incorporated in Jamaica and its registered office is located at 33 Tobago Avenue, Kingston 5, Jamaica, which is its principal place of business.

The Bank has a wholly owned subsidiary, JMB Developments Limited, whose stated principal activity is carrying on the business of residential, commercial and industrial real estate development. However, this company is currently inactive. This entity is domiciled and incorporated in Jamaica.

By virtue of the Jamaica Mortgage Bank Act 1973, the Bank may:

(a) lend money on mortgage and carry out any other transactions involving mortgages;
(b) lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;
(c) guarantee loans from private investment sources for building development;
(d) furnish financial advice and provide or assist in obtaining managerial, technical and administrative services for persons engaged in building and development in Jamaica; and
(e) sell investments of whatever kind belonging to the Bank, as and when appropriate.

The present activities of the Bank are the:

(a) mobilization and disbursement, on a wholesale basis, of loan funds to finance housing development in Jamaica
(b) administration of, including investment management for the Government of Jamaica (GOJ) mortgage insurance fund; and
(c) operation of a secondary mortgage market facility

2. Adoption of Standards, Interpretations and Amendments

2.1 Standards, interpretations and amendments to existing standards effective during the year

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are Standards, Amendments and Interpretations in respect of published standards which are in effect:

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective 1 January 2020)
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted.

The requirements of the standard had no impact on the financial statements of the Group and the Bank.

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective 1 January 2020)
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

The amendments had no impact on the financial statements of the Group and the Bank.

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020)
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments had no impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

The Conceptual Framework for Financial Reporting (Effective 1 January 2020)
The revised Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The amendments had no impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted

The standards and interpretations that are issued, but not yet effective at 31 March 2021 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (Effective 1 June 2020)
In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (Effective 1 April 2021)
In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

Interest Rate Benchmark Reform – Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective 1 January 2021)
On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The Group and the Bank are assessing the potential impact of this amendment on the financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group and the Bank are assessing the potential impact of this amendment on its financial statements.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1 (Effective 1 January 2023)
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The Group and the Bank are assessing the potential impact of this amendment on its financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)

The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Group and the Bank are assessing the potential impact of this amendment on its financial statements.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

This standard is not expected to have any impact on the financial statements of the Group and the Bank.

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The Group and the Bank are assessing the potential impact of this amendment on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Annual improvements to IFRS 2018 - 2020 Cycle – Amendments to IFRS 9 and IAS 41 (Effective 1 January 2022)
The amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. The amendment to IAS 41 removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. The amendment relating to IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The Group and the Bank are assessing the potential impact of these improvements on its financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

The Group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the Jamaica Mortgage Bank Act,1973.

These financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Jamaican dollars, which is the functional currency of the Group, and rounded to the nearest thousand, unless otherwise stated.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entity controlled by the Bank (its subsidiary, JMB Developments Limited). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(b) Basis of Consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Total comprehensive income of the subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These judgements, estimates and assumptions affect the reported amounts of, and disclosures relating to, assets, liabilities, income, expenses, contingent assets and contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies

i. Classification of Financial Asset
The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest on the principal payment amount outstanding requires management to make certain judgments on its business operations.

ii. Impairment of Financial Assets
Establishing the criteria of determining whether credit risk of the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Risk of estimation uncertainty

1. Measurement of Expected Credit allowance/provision under IFRS 9
The measurement of expected credit allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. That is the likelihood of borrowers defaulting and the resulting loss).

   A number of significant judgements are also required in applying the accounting requirements for measuring expected credit losses, as follows:

   - Determining criteria for significant increase in credit risk;
   - Selecting appropriate models and assumptions for the measurement of expected credit losses;
   - Establishing the number and relative weightings of forward-looking scenarios for each type pf product or market and associated expected credit loss;
   - Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

2. Key Sources of Estimation Uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (continued)

<u>Risk of estimation uncertainty</u> (continued)

2. Key Sources of Estimation Uncertainty (continued)

- Pension and Other Post-Employment Benefits:

  The amounts recognized in the statements of financial position for pension and other post-employment benefits of an asset of $48.04 million (2019: $36.38 million) (Note 7) are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations and to determine the return on plan assets.

  The Bank’s defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds or, in their absence, certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds. There are also demographic assumptions that impact the result of the valuation. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations. Note 7(e) details sensitivity analyses in respect of some of these assumptions.

- Loans to borrowers and provision for expected credit losses

  Loans are recognized when cash is advanced to borrowers.

  The Group, under the IFRS 9 Expected Credit Loss (ECL) impairment framework, recognises ECLs on loans, taking into account past events, current conditions and forecast information. In this regard, the Group determines the economic variables that are likely to influence the borrowers’ ability to meet their loan obligations in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

  Additionally, the entity is required to update the amount of ECLs recognized for each loan to borrowers that is held solely for the collection of principal and interest in accordance with the contractual arrangement between the Group and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

  The Group assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorized in the recognized credit score bands.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (continued)

Risk of Estimation uncertainty (continued)

2. Key Sources of Estimation Uncertainty (continued)

- Loans to borrowers and provision for expected losses (continued)

  Loan Staging
  By way of disclosure, the entity estimates and reports the ECL on a stage by stage basis.

  Stage 1
  Loans are placed in Stage 1 at origination and remain in this stage provided that such loans have not experienced a significant increase in credit risk. The Group recognizes an allowance based on twelve (12) months ECLs. These loans are not in arrears for more than ninety days (90) days and have an internal credit risk rating of 1-15.

  Stage 2
  Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk. The Group records an allowance for lifetime expected credit losses. This stage also includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 3 and they have arrears for over ninety (90) days but less than two hundred and seventy (270) days). Stage 2 loans have an internal credit risk rating of 16-45.

  Stage 3
  Loans that are considered credit impaired and an allowance for lifetime is expected as credit losses. These loans are in default over two hundred and seventy (270) days and have an internal credit risk rating of forty-six (46) and above.

  In measuring ECL in accordance with IFRS 9 forward-looking information is considered.

  The Bank establishes provisions for credit losses that are expected to arise over the life of the assets.

- Taxes

  Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.

  Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 25).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (Continued)

Risk of Estimation uncertainty (Continued)

2. Key Sources of Estimation Uncertainty (continued)

- Taxes (continued)

  Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the carrying value approximates the fair value.

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Group and Bank's statement of financial position when the Group or Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 28. Listed below are the Group's financial assets and liabilities and the specific accounting policies relating to each.

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)
In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

- *Fair value through other comprehensive income:* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at FVOCI.

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

The SPPI test
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes loans receivables, certificates of deposits, resale agreements and cash and bank balances.

Derecognition
The Group derecognizes a financial asset in accordance with IFRS 9, when its contractual rights to the cash flows from the assets expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition (continued)
On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

Impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on the future cash flows of the asset that can be estimated reliably.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments that are not measured at Fair Value Through Profit & Loss (FVTPL). Loss allowances are measured at an amount equal to lifetime ECL except for the following which are measured as a 12-month ECL:

- debt investment securities that are low in risk
- other financial instruments (other than lease receivables) on which credit risk is not increased significantly.

Twelve-month ECLs are the portion of ECL that result from default events of a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized is referred to as Stage 1 financial instrument.

Lifetime ECLs are the ECL that result from all possible default events over the expected life of the financial instrument. Financial Instruments for which lifetime ECL is recognized and is not credit-impaired is referred to Stage 2 financial instruments.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)
At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired (referred to as Stage 3 financial assets). At each reporting date, the Group is required to update the amount of ECLs recognized to reflect changes in credit risk of the loan portfolio. At least once annually, the Group re-assesses the risk rating bands and carries out the necessary adjustments in order to ensure that the rating bands are consistent with prevailing trends and conditions.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs
The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Incorporation of forward- looking information
The assessment of significant increase in credit risk and the calculation of the ECL incorporates forward looking information along with key economic indicators impacting credit risk and expected credit risk for each portfolio.

The impact of these economic variables on the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) is determined by performing trend analysis and comparing historical information with forecast macroeconomic data to decide the impact on default rates and on LGD and EAD.

The Group performs scenarios considering the expected impact of interest rates unemployment rates, gross domestic products on a yearly basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible that comes in the form of real estate or debentures. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Collateral repossessed
The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

Write-offs
Financial assets are written off, either partially or in their entirety, only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bonds and short-term loans payable.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

ii. Financial liabilities (continued)

Initial recognition and measurement (continued)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of comprehensive income.

(e) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined using valuation techniques. The Group generally uses net present value techniques or the discounted cash flow method.

The Group has no financial instruments which are measured at fair value. The fair values of financial instruments measured at amortized cost are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(e) Fair value measurement (continued)

All assets for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities
Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(f) Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized in order to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Furniture, Fixtures and Equipment	10 years
Computer Equipment	4 years
Machinery	10 years

Repairs and maintenance costs are recognized in profit or loss.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(g) Impairment of tangible and intangible assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

(h) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, National Insurance Scheme (NIS) contributions, annual vacation and sick leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

i. Employee benefits that are earned as a result of past or current service are recognized in the following manner: Short-term employee benefits are recognized as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

ii. The Bank operates a defined benefit pension plan for qualifying employees. The plan is exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 7(d) details the plan's exposure in respect of various financial assets. The effect on the financial statements of the undertaking to provide post-employment benefits, comprising pensions, are actuarially determined by a qualified external 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 Group and Bank's post-employment benefit asset and obligation as computed by the actuary.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(h) Employee benefits (continued)

ii. (continued)

In carrying out their audit, the auditors rely on the actuary's report.

The Bank operates a defined-benefit pension plan which is required to be funded (Note 7). The Bank and Group's net obligation in respect of the plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at each reporting date on long-term government bonds of maturities approximating the terms of the Bank and Group's obligation. The calculation of the Bank and Group's post-employment benefits obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur. Re-measurements are not classified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank and Group recognizes service costs (current service cost, past service cost, gains and losses on curtailments) and net interest expense/income in the staff costs in the statement of comprehensive income. Where the calculation results in a pension surplus to the Bank and Group, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, less any unrecognized actuarial losses and past service costs.

The trustees ensure benefits are funded, benefits are paid, and assets are invested to maximize return subject to acceptable investment risks while considering the liability profile. The board of trustees (including sponsor, employee and pensioner representatives) have contracted a pension services provider to administer the plan's activities. The plan is not registered with the Financial Services Commission.

(i) Investment in subsidiary

The Bank's investment in its subsidiary is stated at cost.

(j) Land held for development and sale

Land held for development and sale is shown at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(k) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(l) Non-current assets held-for-sale

The Group classifies non-current assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amounts and fair value less cost to sell. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition.

(m) Resale agreements

Securities purchased under agreements to resell them on a specified future date and at a specified price (resale agreements) are accounted for as short-term collateralized lending, classified as amortized cost (see Note 3(d)), and the underlying asset is not recognized in the Group's consolidated financial statements. The difference between the purchase price and the amount receivable on resale is recognized as interest income over the term of the agreement using the effective interest method. It is the policy of the Group to obtain possession of collateral, with a market value equal to, or in excess of, the principal amount loaned and interest to be earned.

(n) Certificates of deposit

Certificates of deposit are short-term deposits held with financial institutions, classified as amortized cost (see Note 3(d)).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(o) Cash and cash equivalents

Cash comprises cash on hand and in banks. Short-term deposits are highly liquid investments with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(q) Revenue

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of the service to the customer, in the amount of the consideration to which the Group expects to be entitled. Revenue may therefore be recognized at a point in time upon completion of the service or over time as the services are provided. When revenue is recognized over time, the Group is generally required to provide the services each period and therefore measures its progress towards completion of the service based upon the time elapsed.

i. Interest income

Interest income is recognized in profit or loss for all interest earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset at initial recognition. Interest income includes coupons earned on fixed income investments, accretion of discount on instruments purchased at a discount, and amortization of premium on instruments purchased at a premium.

When interest-earning financial assets are impaired, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

ii. Other income

Other income includes commitment fees and management fees in relation to the management of the Mortgage Insurance Fund. Commitment fees are recognized in profit or loss at the point in time when the borrower accepts the terms of the credit in writing.

Management fees are primarily based on the respective value of assets under administration (AUA) and are recognized over the period that the related services are provided. Other amounts included in other income are generally recognized on the accrual basis.

(r) Interest expense

Interest expense is recognized in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the carrying amount of the financial liability on initial recognition. Interest expense includes coupons paid on fixed rate instruments and accretion of discount or amortization of premium on instruments issued at other than par.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(s) Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair values gain is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognized in profit or loss in the period in which they arise.

(t) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4. Property and Equipment

	Freehold land $'000	Furniture fixtures and equipment $'000	Freehold buildings $'000	Machinery $'000	Motor vehicles $'000	Total $'000
Group and Bank						
At Cost or valuation:						
31 March 2019	3,000	42,183	72,110	110	6,214	123,617
Additions	-	4,788	-	-	-	4,788
Disposal	-	(6,519)	-	-	-	(6,519)
31 March 2020	3,000	40,452	72,110	110	6,214	121,886
Additions	-	2,370	-	-	-	2,370
Disposal	-	(2,069)	-	-	-	(2,069)
31 March 2021	3,000	40,753	72,110	110	6,214	122,187
Accumulated Depreciation:						
31 March 2019	-	38,154	35,073	110	130	73,467
Charge for the year	-	1,753	1,893	-	1,359	5,005
Disposal	-	(6,519)	-	-	-	(6,519)
31 March 2020	-	33,388	36,966	110	1,489	71,953
Charge for the year		2,361	1,893	-	1,054	5,308
Disposal		(1,899)	-	-	-	(1,899)
31 March 2021	-	33,850	38,859	110	2,543	75,362
Net book values:						
31 March 2021	3,000	6,903	33,251	-	3,671	46,825
31 March 2020	3,000	7,064	35,144	-	4,725	49,933

Property located at 33 Tobago Avenue, Kingston has been pledged as collateral for Bond 12B (Note 17 (b)).

5. Land Held for Development and Sale

The amounts represent the inventory of several properties acquired by the Group which are being held for sale in some cases, possibly, after development.

(a) The property held by the subsidiary was acquired from the Ministry of Transport, Works and Housing (the Ministry) for $1,000 on condition that the Ministry would be beneficially entitled to twenty percent (20%), or otherwise to be agreed, of the residential serviced lots or houses thereafter developed on each of the properties comprising the said lands, such lots to be identified and agreed from time to time by the Ministry and the subsidiary. The subsidiary would be beneficially entitled to the remaining eighty percent (80%) of such residential serviced lots.

The condition to the agreement, as outlined above, was not fulfilled and subsequently an agreement was arrived at to transfer other lands to the Bank to cover the terms of the agreement. In the 2010/2011 financial year, the Ministry transferred the Whitehall property to the Bank in part settlement of the obligation of the subsidiary.

(b) The following properties are held by the Bank:

	2021	**2020**
	$'000	**$'000**
Whitehall	270,000	270,000
Phoenix Park	24,100	25,900
Norwich	45,888	45,888
Mount Gotham	65,000	65,000
Ocean Terrace (see Note 5(d))	96,600	96,600
	501,588	503,388

	2020	**2019**
	$'000	**$'000**
(c) Bank	501,588	503,388
Subsidiary	1	1
Group	501,589	503,389

(d) In 2020, the Bank received land in respect of a loan which was fully provided for in the previous years. The cost of the land was determined based on a property valuation report prepared by an external valuator.

6. Interest in subsidiary

	2021 $'000	2020 $'000
Ordinary shares*	-	-
Long-term loan (a)	117,197	117,197
Irrecoverable charges (b)	8,477	8,013
	125,674	125,210

*The carrying value of ordinary shares is $2 (2020: $2).

On 5 January 1999, the Bank formed a wholly-owned subsidiary, JMB Developments Limited, ("JMBD") to carry on the business of residential, commercial and industrial real estate development. On 5 July 1999, the subsidiary commenced operations; however, it is currently inactive. JMBD had deficiency in assets at the reporting date. The Bank has pledged to and continues to support the subsidiary.

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended 31 March 2006, after a moratorium of 24 months on principal. The balance shown represents past-due amounts of $117 million (2020: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses.

7. Post-Retirement Benefits

(a) Retirement pensions are the only post-employment benefits provided by the Group. For this purpose, the Group operates a contributory, defined-benefit pension plan, the assets of which are held separately from those of the Group. The plan is governed by the Jamaica Mortgage Bank Act, 1973 and the Jamaica Mortgage Bank (Pensioners) Regulations, 1978. The plan's activities are controlled by the Board of Trustees, which consists of a number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and the definition of the investment strategy. Since August 1993, a life assurance company has been engaged to execute this role.

The plan requires the establishment of a fund which is subject to triennial actuarial funding valuations, carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes, undertaken as at 31 July 2019 indicated a past service surplus of $156.24 million. The actuaries recommended that, given the value of the fund at the valuation date, that no further contribution was needed from the Bank. However, the Bank has continued to contribute at a reduced rate of 2.6% pensionable salaries. The next valuation is due on 31 July 2022. The employees of the Bank pay a compulsory contribution of 5% of basic salary with the option to contribute up to a maximum rate so that the total contribution (employee and employer) sum to 20% of pensionable salaries. Benefits are determined on a prescribed basis and are payable at a rate of 2% of the final pensionable salary.

7. Post-Retirement Benefits (Continued)

(a) (continued)
The final pensionable salary is calculated as the average of the basic salary over the three years of employment preceding the date of retirement for all pensionable service. Contributions are vested after five years of pensionable service.

The vesting period was changed from ten to five years by an amendment to the trust deed by the Trustees effective 1 March 2007. The amendment was approved by the Bank's Board of Directors in August 2007.

The plan has financial risk management policies which are directed by the Trustees. The policies are in respect of the plan's overall business strategies and its risk management philosophy. This risk management programme seeks to minimize potential adverse effects of financial performance of the Plan through risk reports from the fund manager which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk.

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations for IFRS purposes was carried out on 26 April 2021 (2020: 8 May 2020) by Rambarran & Associates Limited, Consulting Actuaries. This valuation was in respect of balances at March 31, 2021 and 2020. The valuation was carried out using the projected unit credit method.

(b) The amount recognized in the financial statement in respect of the plan are as follow:

i. Plan Assets recognized in the Statement of Financial Position:

	Group and Bank	
	2021 $'000	2020 $'000
Present value of fund obligations	(266,832)	(253,288)
Fair value of plan asset	314,869	289,673
	48,037	36,385

ii. Movements in net asset recognized in the Statement of Financial Position:

	Group and Bank	
	2021 $'000	2020 $'000
Net defined benefit asset at the beginning of the year	36,385	56,061
Employer contribution	1,206	1,088
Bank expense	(6,068)	(1,214)
Remeasurement gain/(loss) recognized in OCI	16,514	(19,550)
	48,037	36,385

7. Post-Retirement Benefits (Continued)

(b) The amount recognized in the financial statement in respect of the plan are as follows: (continued)

iii. Expense/(Income) recognized in the Statement of Comprehensive Income:

	Group and Bank	
	2021	2020
	$'000	$'000
Current service cost	8,640	5,345
Net interest cost		
Interest on defined benefit obligation	16,112	13,265
Interest income on plan asset	(18,684)	(20,505)
Interest on effect of the asset ceiling	-	3,109
Expense recognized in net profit	6,068	1,214
Change in financial assumptions	(40,609)	7,886
Experience adjustments	24,095	59,189
Change in effect of the asset ceiling	-	(47,525)
	(16,514)	19,550

(c) Movement in present value of obligation

	Group and Bank	
	2021	2020
	$'000	$'000
Present value at beginning	253,288	194,109
Service cost	8,640	5,345
Interest cost on defined obligation	16,112	13,265
Member contribution	5,265	4,906
Benefits paid	(23,061)	(9,370)
Values of Annuities Purchased	17,723	-
Remeasurement - change in financial assumptions	(45,272)	9,221
Remeasurement - change in experience assumptions	34,137	35,812
	266,832	253,288

(d) Movement in asset ceiling

	Group and Bank	
	2021	2020
	$'000	$'000
Effect of asset ceiling at beginning	-	44,416
Interest in asset	-	3,109
Remeasurement effects	-	(47,525)
	-	-

7. Post-Retirement Benefits (Continued)

(e) Movements in fair value of plan assets

	Group and Bank	
	2021	**2020**
	$'000	**$'000**
Fair value of plan assets at beginning of year	289,673	294,586
Contributions paid - employer	1,206	1,088
- employee	5,265	4,906
Interest income on plan assets	18,684	20,505
Benefits paid	(23,061)	(9,370)
Values of annuities purchased	17,723	-
Remeasurement – changes in financial assumptions	(4,663)	1,335
Remeasurement – changes in experience adjustment	10,042	(23,377)
Fair value of plan assets at end of year	314,869	289,673
Plan assets consist of the following:		
Investment in pooled investment funds with investment strategies as follows:		
Equities	76,394	82,188
Fixed income securities	61,926	58,024
Mortgage and real estate	20,805	21,470
Foreign currency fund	57,687	47,411
International equity fund	17,500	12,390
Global market fund	27,499	23,102
CPI fund	15,426	14,388
Annuity purchased	46,280	33,836
Other	(8,648)	(3,136)
Total invested assets	314,869	289,673

(f) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows:

	Group and Bank	
	2021	**2020**
	%	**%**
Discount rate at 31 March	8.50	6.50
Future salary increases	5.50	4.00
Future pension increases	4.50	3.20
Administrative expense	1.00	1.00
Inflation	5.50	4.00
Minimum funding rate	0.25	0.25

7. Post-Retirement Benefits (Continued)

(f) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows: (continued)

Demographic Assumptions

i. Mortality

American 1994 Group Annuitant Mortality (GAM94) table with mortality improvement of 5 years.

Mortality rates per 1,000 are set out below:

Age	Males	Females
20 – 30	0.35 – 0.66	0.22 – 0.29
30 – 40	0.66 – 0.85	0.29 – 0.48
40 – 50	0.85 – 1.58	0.48 – 0.97
50 – 60	1.58 – 4.43	0.97 – 2.29
60 – 70	4.43 – 14.54	2.29 – 8.64

ii. Retirement - males and females are assumed to retire at age 60.

iii. Terminations - No assumption was made for exit prior to retirement.

A quantitative sensitivity analysis for significant assumptions is shown below:

As at 31 March 2021

	Discount rate		Salary growth	
	1% increase	1% decrease	1% increase	1% decrease
Sensitivity level	$'000	$'000	$'000	$'000
Impact on defined benefit obligation	(23,110)	29,799	8,761	(7,680)

As at 31 March 2020

	Discount rate		Salary growth	
	1% increase	1% decrease	1% increase	1% decrease
Sensitivity level	$'000	$'000	$'000	$'000
Impact on defined benefit obligation	(20,755)	30,122	9,143	(8,002)

7. Post-Retirement Benefits (Continued)

(f) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows: (continued)

A quantitative sensitivity analysis for significant assumptions is shown below: (continued)

As at 31 March 2021

	Future Pension Increase		Mortality Improvement	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	30,599	(25,650)	3,593	(3,620)

As at 31 March 2020

	Future Pension Increase		Mortality Improvement	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	28,782	(24,076)	3,193	(3,022)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(g) Defined benefit pension plan amounts for the current and previous four years were as follows:

	Group and Bank				
	2021	**2020**	**2019**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Present value of obligation	(266,832)	(253,288)	(194,109)	(203,988)	(191,995)
Fair value of plan assets	314,869	289,673	294,586	267,864	229,742
Unrecognized asset due to ceiling	-	-	(44,416)	-	-
Net asset in the statement of financial position	48,037	36,385	56,061	63,876	37,747

(h) The estimated contributions (for both employer and employee) expected to be paid into the pension fund during the next financial year amount to $6.825 million (2020: $6.460 million).

(i) The expected pension benefit expense in the next year is expected to be $3.545 million (2020: $6.068 million).

(j) The weighted average duration of the defined benefit obligation at the end of the reporting period is 33 years (2020: 34 years).

8. Loans Receivable

	Group and Bank 2021 $'000	Group and Bank 2020 $'000
Construction loans - non-governmental borrowers (see Note 8 (a))	2,987,039	2,019,811
Accrued interest receivable	161,951	120,267
	3,148,990	2,140,078
Less: Provision for expected credit loss (see Note 8(b))	(249,943)	(259,515)
	2,899,047	1,880,563
Mortgages (see Note 8(d)) - Staff	4,315	4,560
- Ex staff members	3,707	8,458
	8,022	13,018
	2,907,069	1,893,581
Consists of:		
Current	1,907,179	1,081,699
Non-current	999,890	811,882
	2,907,069	1,893,581

(a) Construction loans are issued at interest rates ranging from 9.0% - 14.0%. The loans are repayable over periods of 12 to 24 months. The loans are generally secured by the properties being developed.

(b) Movement on allowance for impairment losses on loans:

	Group and Bank 2021 $'000	Group and Bank 2020 $'000
At beginning of year	259,515	432,932
Expected credit loss charge/(write back)	37,021	(21,570)
Write-offs	-	(2,596)
Amounts recovered during the year	(46,593)	(149,251)
At end of year	249,943	259,515

(c) Net recoveries/write back of expected credit losses recognized in the statement of comprehensive income:

	Group and Bank 2021 $'000	Group and Bank 2020 $'000
Expected credit loss write back	37,021	(21,570)
Direct write-offs	-	31,016
Amounts recovered during the year	(46,593)	(149,251)
At end of year	(9,572)	(139,805)

(d) The mortgage loans are repayable over periods of 15 to 25 years and at varying interest rates.

9. Tax Recoverable

Tax recoverable represents withholding tax and income tax recoverable, either the net of partial amounts recovered or total outstanding amounts as a 31 March 2021. The Bank continues to work with the investment houses and dialogue with the tax authorities to settle the withholding taxes outstanding. Income tax recoverable at year end is $10.09 million (2020: $nil).

10. Receivables and Prepayments

	Group and Bank	
	2021	**2020**
	$'000	**$'000**
Receivables	33,399	25,291
Prepayments	1,616	1,734
	35,015	27,025

11. Certificates of Deposit

	Group and Bank	
	2021	**2020**
	$'000	**$'000**
Certificates of deposit	11,961	36,675
Interest receivable	20	47
	11,981	36,722

The certificates of deposit are made for a period of three months and earns interest at a rate of 1.25% (2020: 1.60% to 3.00%) per annum.

The Bank and Group have pledged a part of its certificate of deposits to fulfil collateral requirements. Refer to Note 27 (c) for further details.

12. Resale Agreements

	Group and Bank	
	2021	**2020**
	$'000	**$'000**
Repurchase agreements	24,884	38,848
Interest receivable	77	111
	24,961	38,959

The JMD securities are made for a period three months and earn interest at rates between 2.25% and 2.5% per annum. The US$ securities totaling US$109,195 (2020: US$79,000) which mature within one year after year end, earn interest at a rate of 2.45% to 2.50% (2020: 2.45% to 2.85%) per annum.

13. Cash and Cash Equivalents

	Group and Bank	
	2021	2020
	$'000	$'000
Petty cash	35	35
Current account	3,343	83,737
Savings accounts	412	4,195
	3,790	87,967

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank or Group, and earn interest at the respective short-term deposit rates.

At 31 March 2021, the Bank and Group had available nil (2020: $185 million) of undrawn committed borrowing facilities.

14. Share Capital

	Group and Bank	
	2021	2020
	$'000	$'000
Authorized, issued and fully paid:		
500,000,000 ordinary shares of no par value at the beginning and end of the year	500,000	500,000

15. Reserve Fund

The reserve fund was created in accordance with the provisions of Section 13 of the Jamaica Mortgage Bank Act 1973, which requires that a minimum of 25% of the Bank's profit after taxation (if any) be set aside in each calendar year towards a reserve fund to meet contingencies, until the total amount standing to the credit of the reserve fund equals the paid up capital of the Bank. As the reserve fund is now equal to the paid up capital (Note 14), no further transfers are required (see also Note 16).

16. Special Reserve Fund

By resolution of the Board, a special reserve fund was created to deal with any unforeseen contingencies that might occur above the amount of the existing reserve fund (Note 15).

17. Bonds and Loan Payable

	Group and Bank	
	2021 $'000	2020 $'000
a) NCB Revolving $500M	500,000	-
b) Shelter Bond 12B	150,000	150,000
c) Shelter Bond 14	150,000	150,000
	800,000	300,000
Unamortized bond issuance costs	(3,636)	(1,348)
	796,364	298,652
Accrued interest (NCB)	7,530	-
	803,894	298,652

	Group and Bank	
	2021 $'000	2020 $'000
Principal		
Due within 12 months of the statement of financial position date	-	-
Due thereafter (within two to five years)	796,364	298,652
	796,364	298,652
Accrued interest on bonds and loan	7,530	-
	803,894	298,652

(a) In October 2020, the Bank renewed its revolving loan at a fixed rate of 5.75%. The revolving loan facility is for 24 months to revolve at least once bi-annually. Interest payments are due quarterly. The facility will expire on 2 October 2022 and is secured by a letter of negative pledge and an Interest Reserve Account which should be equivalent to at least three months interest payment. As at 31 March 2021, certificate of deposits held in respect of this facility amounted to $11.71 million (Note 11 and 2Note 27(c)).

(b) In July 2014, the Bank issued Shelter Bond 12B which was repaid in full on 23 July 2017. A new bond was issued in September 2017 and is repayable in full on 27 September 2022 at a rate of 8.00% for two (2) years and variable thereafter at 1.10% above the 6 months WATBY rate. The bond is secured by a property located at 33 Tobago Avenue (See Note 4).

(c) In November 2017, the Bank issued Shelter Bond 14, at a fixed rate of 8.00% for two (2) years and variable thereafter at 1.10% above the 6 months WATBY rate. The bond is repayable in full on 30 November 2022.

In computing the variable rates above, the weighted average Treasury bill yield used is from the most recent auction of 180 day (2020: 180 day) treasury bills prior to the commencement of the particular interest period. At the end of the period, the Treasury bill yield is 1.96323% (2020: 1.12165%). Unamortized bond issuance costs related to the bonds is $3.64 million (2020: $1.35 million).

There have been no breaches of the covenants in the current and prior year.

18. Payables and Accruals

	Group		Bank	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Other payables	23,646	8,268	23,646	8,268
Accruals	17,576	24,323	17,576	24,173
	41,222	32,591	41,222	32,441

19. Short Term loan

	Group and Bank	
	2021 $'000	2020 $'000
NCB Revolving $500M (a)	-	315,000
MIF term loans (b)	380,000	-
MIF term loans (c)	120,000	-
MIF term loans (d)	70,000	-
Unamortized borrowing cost	-	(1,019)
	570,000	313,981
Accrued interest	2,827	4,144
	572,827	318,125

a) In October 2018, the Bank received a revolving loan at a fixed rate of 7.90%. The revolving loan facility is for 24 months to revolve at least once bi-annually. Interest payments are due quarterly. The facility expired on 2 October 2020 and was secured by a letter of negative pledge and an Interest Reserve Account which should be equivalent to at least three months interest payment. As at 31 March 2020, cash held in respect of this facility amounted to $11.85 million.

b) During the year, the Bank received an unsecured term loan at a variable rate of 90 basis points above 90 day WATBY. The loan matures 30 September 2021.

c) During the year, the Bank received an unsecured term loan at a fixed rate of 3%. The loan matures 30 June 2021.

d) Represents a drawdown under a $200.00 million unsecured facility at a fixed rate of 2.42% plus 90 basis points. The loan matures 30 September 2021. As at year end $70.00 million was drawn down from the facility.

e) At a meeting of the Board of Directors on 30 June 2021, the maturity dates of the $120 million and $200 million term loans were amended to 31 December 2021 and 31 March 2022, respectively.

20. Interest Income

	Group and Bank	
	2021 $'000	2020 $'000
Construction loans	217,903	162,658
Mortgage loans	814	1,331
	218,717	163,989
Deposits (including cash and cash equivalents)	2,086	2,088
	220,803	166,077

21. Other Income

	Group		Bank	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administration fee – Mortgage Insurance Fund	34,635	33,091	34,635	33,091
Commitment and administration fees	42,799	37,798	42,799	37,798
Settlement of loans receivable	3,410	113,643	3,410	113,643
Other	4,631	20,993	4,631	8,993
	85,475	205,525	85,475	193,525

22. Staff Costs

The aggregate cost of employees was as follows:

	Group and Bank	
	2021 $'000	2020 $'000
Salaries and wage-related expenses	89,953	84,117
Statutory payroll contributions	8,764	7,893
Employee benefit expense (Note 7(b)(ii))	6,068	1,214
Staff welfare	13,380	10,565
	118,165	103,789

23. Administrative and General Expenses

	Group		Bank	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Utilities	5,568	5,976	5,568	5,976
Printing, postage and stamp	1,684	1,983	1,684	1,983
Repairs and maintenance	1,133	1,783	1,133	1,783
Insurance	1,369	984	1,369	984
Legal and professional fees	3,991	8,016	3,676	7,820
Auditor's remuneration	4,900	4,740	4,900	4,740
Mortgage processing fees	497	216	497	216
Depreciation	5,308	5,005	5,308	5,005
Subscriptions and publications	854	1,066	854	1,066
Customer services and activities	1,704	2,244	1,704	2,244
Bond expenses	2,468	2,584	2,468	2,584
Non-recoverable G.C.T.	3,637	3,491	3,637	3,491
General expenses	2,274	2,494	2,274	2,468
Property tax	663	1,554	663	1,554
Donations, scholarships and awards	130	317	130	317
Directors fees	1,196	1,049	1,196	1,049
Computer expenses	2,392	2,094	2,392	2,094
Meeting expenses	408	708	408	708
Security	1,149	1,089	1,149	1,089
Bank charges	99	188	99	188
Miscellaneous expenses	387	304	387	304
	41,811	47,885	41,496	47,663

24. Profit Before Taxation

The following are among the items charged in arriving at the profit before income taxes:

		Group and Bank	
		2021 $	2020 $
Depreciation (Note 4)		5,308	5,005
Directors' emoluments	- fees (Note 26)	1,196	1,049
Auditors' remuneration	- current year	4,900	4,740

25. Taxation

(a) Income tax

Current and deferred taxes have been calculated using the tax rate of 25% (2020: 25%).

i. The total charge for the period comprises:

	Group and Bank 2021 $'000	Group and Bank 2020 $'000
Current tax	20,668	73,971
Employment tax credit	(6,033)	(9,881)
Deferred tax	6,965	(36,611)
Prior year over accrual	(9,442)	-
	12,158	27,479

Prior year over accrual represent income tax credits from prior years emanating from a recent audit conducted by the Tax Administration Jamaica.

ii. The actual tax charge differed from the expected tax charge for the year as follows:

	Group 2021 $'000	Group 2020 $'000	Bank 2021 $'000	Bank 2020 $'000
Profit before taxation	120,763	332,911	121,078	321,133
Computed "expected" tax expense	30,191	83,228	30,270	80,283
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Taxation losses (recognized)/not recognized	-	(22)	-	-
Employment tax credit	(6,033)	(9,881)	(6,033)	(9,881)
Income not recognized	(2,665)	(46,057)	(2,744)	(43,134)
Expenses not allowed	107	211	107	211
Prior year over accrual	(9,442)	-	(9,442)	-
Actual tax charge recognized in the statement of profit or loss	12,158	27,479	12,158	27,479
Tax (credit)/charge recognized directly in other comprehensive incomes	4,129	(4,888)	4,129	(4,888)

25. Taxation (Continued)

(b) Deferred taxation

i. Deferred taxes are calculated on all temporary differences using the current tax rate of 25% (2020: 25%).

Analysis for financial reporting purposes:

	Group and Bank	
	2021	2020
	$'000	$'000
Deferred tax assets	8,241	5,802
Deferred tax liabilities	(52,883)	(39,350)
Net deferred tax liability	(44,642)	(33,548)

ii. The movement for the year and prior reporting period in the net deferred tax position is as follows:

	Group and Bank	
	2021	2020
	$'000	$'000
(Charged)/Credited to expense for the year	(6,965)	36,611
(Charged)/Credited to other comprehensive income for the period	(4,129)	4,888
Net movement	(11,094)	41,499

iii. The following are the main deferred tax assets and liabilities recognized by the Group and the movements thereon, during the current and prior reporting periods:

<u>Deferred tax assets</u>

	Group and Bank				
	Accrued vacation	Interest payable	Accelerated capital allowances	Other	Total
	$'000	$'000	$'000	$'000	$'000
At April 1, 2019	328	90	2,016	-	2,434
Credited to income for the year	250	962	158	1,998	3,368
At March 31, 2020	578	1,052	2,174	1,998	5,802
Credited to income for the year	172	1,527	504	236	2,439
At March 31, 2021	750	2,579	2,678	2,234	8,241

25. Taxation (Continued)

(b) Deferred taxation (continued)

Deferred tax liabilities

	Group and Bank				
	Pension plan asset	IFRS 9 ECL provision	Interest receivable	Other	Total
	$'000	$'000	$'000		$'000
At April 1, 2019	(14,015)	(4,557)	(58,909)	-	(77,481)
(Charged)/Credited to income for the year	31	4,557	28,802	(147)	33,243
Credited to other comprehensive income	4,888	-	-	-	4,888
At March 31, 2020	(9,096)	-	(30,107)	(147)	(39,350)
(Charged)/Credited to income for the year	1,216	-	(10,419)	(201)	(9,404)
Charged to other comprehensive income	(4,129)	-	-	-	(4,129)
At March 31, 2021	(12,009)	-	(40,526)	(348)	(52,883)

26. Related Party Balances and Transactions

A party is related to the Group and Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with, the Bank;
   (ii) has an interest in the Bank that gives it significant influence over the Bank; or
   (iii) has joint control over the Bank;

(b) the party is an associate (as defined in IAS *28, Investments in Associates and Joint Ventures)* of the Bank;

(c) the party is a joint venture in which the Bank is a venturer (see IFRS 11, Joint Arrangements*);*

(d) the party is a member of the key management personnel of the Bank;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is a Bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

(h) the Bank, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

26. Related Party Balances and Transactions (Continued)

Balances outstanding at the end of the reporting period:

	Group and Bank	
	2021	2020
	$'000	$'000
Due from the Mortgage Insurance Fund	9,637	8,976
Due to the Mortgage Insurance Fund – short term loan	(572,827)	-

	Group and Bank	
	2021	2020
	$'000	$'000
Related party transaction:		
Administration fees - Mortgage Insurance Fund	34,635	33,091
Interest on short term loan – Mortgage Insurance Fund	(2,805)	(1,119)

During the year, the Bank drew down a total of $570 million from a total loan facility with the Mortgage Insurance Fund of $700 million. This sum constituted three term loans with varying maturities in the coming financial year, namely September 2021, December 2021 and March 2022 (Note 19). These transactions were carried out in the ordinary course of business.

Balances receivable from key management personnel are as follows:

	Group and Bank	
	2021	2020
	$'000	$'000
Staff loans	729	1,146

Key management compensation is as follows:

	Group and Bank	
	2021	2020
	$'000	$'000
Directors' fees (Note 24)	1,196	1,049
Short-term employee benefits	46,025	40,120
Post-employment expense/(benefits)	942	187

27. Financial Risk Management

Introduction and overview

The Group's activities are principally related to the use of financial instruments. The Group, therefore, has exposure to the following risks from the use of financial instruments in the ordinary course of business:

(a) credit risk
(b) market risk
(c) liquidity risk
(d) operational risk

Detailed below is information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework
The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established Finance and Audit and Loans and Projects Committees, which are responsible for developing and monitoring risk management policies in their specified areas.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Group, 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.

The Audit Committee is responsible for monitoring the Group's compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

Exposure to risks on financial instruments and operational risk arises in the ordinary course of the Group's operations.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its operating activities (primarily loans receivables) and from investing activities including deposits with banks and financial institutions and other financial instruments. Balances arising from these activities include loans and other receivables, debt securities, resale agreements, cash and cash equivalents and accounts receivable.

The Group has credit policies aimed at minimizing exposure to credit risk, which policies include, *inter alia,* obtaining collateral in respect of loans made, and performing credit evaluations on all applicants for credit. In respect of investments and related interest receivable, these are Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and investments are held with financial institutions that management believes do not present any significant credit risk.

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

i. Exposure to credit risk

The maximum credit exposure, the amount of loss that the Group would suffer if every counterparty to the financial assets held were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position, as follows:

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,790	87,967	3,790	87,967
Certificates of deposit	11,981	36,722	11,981	36,722
Resale agreements	24,961	38,959	24,961	38,959
Receivables	33,399	25,291	33,399	25,291
Loans receivable	2,907,069	1,893,581	2,907,069	1,893,581
Loan receivable from subsidiary	-	-	125,674	125,210
	2,981,200	2,082,520	3,106,874	2,207,730

ii. Management of credit risk

(1) Loans receivable

The management of credit risk in respect of loans receivable is delegated to the Bank's Loans and Projects Committee. The Committee is responsible for oversight of the credit risk, including formulating credit policies, establishing the authorization structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a model to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group holds collateral as security against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. These collaterals are considered in the calculation of impairment as at 31 March 2021. At 31 March 2021, collaterals held resulted in a decrease in the ECL of $46.59 million (2020: $149.25 million). The Group evaluates the concentration of risk with respect to trade receivables as high, as most of its customers operate in the same market (Note 27(a)(iv)).

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

ii. Management of credit risk (continued)

(2) Loan receivable from subsidiary

The directors believe that the credit risk associated with this financial instrument is minimal. The carrying amount of $125.67 million (2020: $125.21 million) at the report date represents the Bank's maximum exposure of this class of financial assets.

(3) Resale agreements and certificates of deposit

Collateral is held for all resale agreements.

(4) Receivables

The Group has adopted a policy of dealing with credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. The book value of receivables is stated after allowance for likely losses estimated by the Group's management based on prior year experience and their assessment of the current economic environment.

(5) Cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings of BB or B2 and higher. The carrying amount of cash and bank balances (excluding cash on hand) totaling $3.79 million (2020: $87.9 million) represents the Group and Bank's maximum exposure to this class of financial assets.

There was no change to the Group's approach to managing credit risk during the year.

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

iii. Credit quality of loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Group and Bank's internal credit rating system, stage 1, stage 2 and stage 3. The amounts presented are gross of allowance for ECL. Details of the Group and Bank's internal grading system are explained in Note 3 (c) and Group and Bank's impairment assessment and measurement approach is set out in Note 3 (d). During the year, $338.44 million was transferred from stage 1 to stage 2 and $150.25 million was transferred from stage 2 to stage 3. There were repayments of stage 2 loans of $231.08 million and stage 3 loans of $169.16 million. The increase in expected credit loss recognised in the statement of comprehensive income was $37.02 million (2020: reduction in expected credit loss $21.57 million) (Note 8 (c)).

Group and Bank

	2021			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	2,258,563	338,441	551,986	3,148,990
ECL	(8,937)	(6,830)	(234,176)	(249,943)
	2,249,626	331,611	317,810	2,899,047

	2020			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	1,187,854	381,334	570,890	2,140,078
ECL	(9,902)	(2,838)	(246,775)	(259,515)
	1,177,952	378,496	324,115	1,880,563

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

iv. Concentration of loans

There are significant concentrations of credit risk in that there are significant investments in various forms of Government of Jamaica securities, and loans are substantially to borrowers in the construction sector.

The following table shows concentration of gross loans by summarizing the credit exposure to borrowers, by category:

	2021		
	Construction Loans	Mortgage Loans	Total
	$'000	$'000	$'000
Developers	3,148,990	-	3,148,990
Staff	-	4,315	4,315
Other	-	3,707	3,707
	3,148,990	8,022	3,157,012

	2020		
	Construction Loans	Mortgage Loans	Total
	$'000	$'000	$'000
Developers	2,140,078	-	2,140,078
Staff	-	4,560	4,560
Other	-	8,458	8,458
	2,140,078	13,018	2,153,096

Substantially all the Group's lending is to parties in Jamaica.

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

v. Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are mortgage interest over property, other registered securities over assets and guarantees. The value of collaterals is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

In its normal course of business, the Group and Bank engages external agents to recover funds from repossessed properties or other assets in its loan's portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, properties under legal repossession processes are not recorded on the statement of financial position and not treated as non-current assets held for sale.

Collateral is not generally held against deposits and investment securities, and no such collateral was held at March 31, 2021 or 2020.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Group manages interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Group has limited exposure to foreign currency risk as it has no foreign currency liabilities and no significant foreign currency assets, and that it has no significant exposure to equity price risk as it has no financial assets which are to be realized by trading in the securities market.

i. 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. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

27. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

The following table summarizes the carrying amounts of statement of financial position assets, liabilities and equity to arrive at the Group's and the Bank's interest rate gap based on the earlier of contractual repricing and maturity dates.

Group	2021				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,790	-	-	-	3,790
Certificates of deposit	11,981	-	-	-	11,981
Resale agreements	24,961	-	-	-	24,961
Receivables	-	-	-	33,399	33,399
Loans receivable	1,466,572	692,824	747,673	-	2,907,069
Total financial assets	1,507,304	692,824	747,673	33,399	2,981,200
Payables	-	-	-	23,646	23,646
Short term loans	502,721	70,106	-	-	572,827
Bonds and loan payable	-	-	803,894	-	803,894
Total financial liabilities	502,721	70,106	803,894	23,646	1,400,367
Interest rate sensitivity gap	1,004,583	622,718	(56,221)	9,723	1,580,803
Cumulative gap	1,004,583	1,627,301	1,571,080	1,580,803	

Group	2020				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	87,967
Certificates of deposit	36,722	-	-	-	36,722
Resale agreements	38,959	-	-	-	38,959
Receivables	-	-	-	25,291	25,291
Loans receivable	718,417	375,738	799,426	-	1,893,581
Total financial assets	882,065	375,738	799,426	25,291	2,082,520
Payables	-	-	-	8,268	8,268
Short term loans	-	318,125	-	-	318,125
Bonds and loan payable	-	-	298,652	-	298,652
Total financial liabilities		318,125	298,652	8,268	625,045
Interest rate sensitivity gap	882,065	57,613	500,774	17,023	1,457,475
Cumulative gap	882,065	939,678	1,440,452	1,457,475	

27. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

Bank	2021				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,790	-	-	-	3,790
Certificates of deposit	11,981	-	-	-	11,981
Resale agreements	24,961	-	-	-	24,961
Receivables	-	-	-	33,399	33,399
Loans receivable	1,466,572	692,824	747,673	-	2,907,069
Loan receivable from subsidiary	-	-	-	125,674	125,674
Total financial assets	1,507,304	692,824	747,673	159,073	3,106,874
Payables	-	-	-	23,646	23,646
Short-term loans	502,721	70,106	-	-	572,827
Bonds and loan payable	-	-	803,894	-	803,894
Total financial liabilities	502,721	70,106	803,894	23,646	1,400,367
Interest rate sensitivity gap	1,004,583	622,718	(56,221)	135,427	1,706,507
Cumulative gap	1,004,583	1,627,301	1,571,080	1,706,507	

Bank	2020				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	87,967	87,967
Certificates of deposit	36,722	-	-	-	36,722
Resale agreements	38,959	-	-	-	38,959
Receivables	-	-	-	25,291	25,291
Loans receivable	718,417	375,738	799,426	-	1,893,581
Loan receivable from subsidiary	-	-	-	125,210	125,210
Total financial assets	794,098	375,738	799,426	238,468	2,207,730
Payables	-	-	-	8,268	8,268
Short-term loans	-	318,125	-	-	318,125
Bonds and loan payable	-	-	298,652	-	298,652
Total financial liabilities		318,125	298,652	8,268	625,045
Interest rate sensitivity gap	794,098	57,613	500,774	230,200	1,582,685
Cumulative gap	794,098	851,711	1,352,485	1,582,685	

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Financial Risk Management (Continued)

(b) Market risk (Continued)

i. Interest rate risk (Continued)

With respect to interest-earning assets and interest-bearing liabilities, the average effective yields by the earlier of contractual repricing and maturity dates are as follows:

Group and Bank

	2021		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	1.25	-	-
Resale agreements	2.34	-	-
Loans receivable	13.00	11.75	10.50
Short term loan	2.15	3.32	-
Bonds payable	-	-	4.58

Group and Bank

	2020		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	7.09	-	-
Resale agreements	7.40	-	-
Loans receivable	13.50	13.17	12
Short term loan	-	7.90	-
Bonds payable	-	-	9.10

Sensitivity analysis

If the interest rate had been 100 basis points higher and 100 basis points lower and all other variables were held constant for local interest bearing assets and liabilities, the Bank's/Group's profit for the period would increase by $16.62 million and decrease by $16.62 million respectively (2020: increase by $14.81 million and decrease by $14.81 million). For foreign interest bearing assets and liabilities, if interest rates were 100 basis points higher or 100 basis points lower, and all other variables were held constant, the Bank's/Group's profit for the period would increase by nil and decrease by nil respectively (2020: increase by $0.14 million and decrease by $0.14 million).

ii. Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group has no material exposure to foreign currency risk as there are no significant transactions that are denominated in foreign currencies.

27. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financials instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

Due to the dynamic nature of the underlying businesses, the management of the Group ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities and disbursement commitments when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The daily liquidity position is monitored by reports covering the position of the Group. The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to cash available for disbursements. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment in debt securities for which there is an active liquid market, less loan commitments to borrowers within the coming year.

The following table presents the contractual maturities of financial assets and liabilities, on the basis of their earliest possible contractual maturity.

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Group — **2021**

	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,790	-	-	-	-	3,790	3,790
Certificates of deposit	-	11,981	-		-	11,981	11,981
Resale agreements	-	24,961	-	-	-	24,961	24,961
Receivables	-	33,399	-	-	-	33,399	33,399
Loans receivable	578,675	1,006,253	428,813	981,318	-	2,995,059	2,907,069
Total financial assets	582,465	1,076,594	428,813	981,318	-	3,069,190	2,981,200
Payables	-	23,676	-	-	-	23,676	23,676
Short-term loans	2,827	500,000	70,000	-	-	572,827	572,827
Bonds and loan payable	7,231	1,200	5,400	802,700	-	816,531	803,894
Total financial liabilities	10,058	524,876	75,400	802,700	-	1,413,034	1,400,397
	572,407	551,718	353,413	178,618		1,656,156	1,580,803

Group — **2020**

	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	-	87,967	87,967
Certificates of deposit	-	36,722	-	-	-	36,722	36,722
Resale agreements	-	38,959	-	-	-	38,959	38,959
Receivables	-	25,291	-	-	-	25,291	25,291
Loans receivable	568,425	63,058	589,465	811,882	-	2,032,830	1,893,581
Total financial assets	956,392	164,030	589,465	811,882	-	2,221,769	2,082,520
Payables	-	8,268	-	-	-	8,268	8,268
Short-term loans	-	-	319,144	-	-	319,144	318,125
Bonds and loan payable	-	4,575	13,725	323,815	-	342,115	298,652
Total financial liabilities	-	12,843	332,869	323,815	-	669,527	625,045
	956,392	151,187	256,596	488,067	-	1,552,242	1,457,475

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Bank

	2021						
	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,790	-	-	-	-	3,790	3,790
Certificates of deposit	-	11,983	-	-	-	11,983	11,983
Resale agreements	-	24,961	-			24,961	24,961
Receivables	-	33,399	-	-	-	33,399	33,399
Loans receivable	578,675	1,006,253	428,813	981,318	-	2,995,059	2,907,069
Interest in subsidiary: long term loans	-	-	-	125,674	-	125,674	125,674
Total financial assets	582,465	1,076,596	428,813	1,106,992	-	3,194,866	3,106,876
Payables	-	23,676	-	-	-	23,676	23,676
Short-term loans	2,827	500,000	70,000	0		572,827	572,827
Bonds and loan payable	7,231	1,200	5,400	802,700	-	816,531	803,894
Total financial liabilities	10,058	524,876	75,400	-	-	1,413,034	1,400,397
	572,407	551,720	353,413	304,292		1,781,832	1,706,479

Bank

	2020						
	Within one Month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	-	87,967	87,967
Certificates of deposit	-	36,722	-	-	-	36,722	36,722
Resale agreements	-	38,959	-	-	-	38,959	38,959
Receivables	-	25,291	-	-	-	25,291	25,291
Loans receivable	568,425	63,058	589,465	811,882	-	2,032,830	1,893,581
Interest in subsidiary: long term loans	-	-	-	125,210	-	125,210	125,210
Total financial assets	656,392	164,030	589,465	937,092	-	2,346,979	2,207,730
Payables	-	8,268	-	-	-	8,268	8,268
Short-term loans	-	-	319,144	-	-	319,144	318,125
Bonds and loan payable		4,575	13,725	323,815	-	342,115	298,652
Total financial liabilities	-	12,843	332,869	323,815	-	669,527	625,045
	656,392	151,187	256,596	613,277	-	1,677,452	1,582,685

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Collateral

The Bank and Group has pledged part of its short- term deposits in order to fulfil the collateral requirements for short term loan received. At 31 March 2021, the fair value of the short-term deposits pledged is $11.71 million (2020: $11.850 million). The counterparty has an obligation to return the securities to the Bank and Group. There are no other significant terms and conditions associated with the use of collateral.

(d) Operational risk

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

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

(e) Capital management:
The Bank and Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

i. To safeguard the Bank and Group's ability to continue as a going concern so that it can continue to provide benefits for the shareholder and other stakeholders; and

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

The Bank is a statutory body and is not a regulated entity. Accordingly, there are no rules relating to capital that are imposed by regulations. However, by virtue of the provisions of the Jamaica Mortgage Bank Act (see Note 15) and stated Board policy (see Note 16), the Bank is required to set aside retained profits in special reserves.

The Bank's policy is to maintain a strong capital base to ensure credit and market confidence.

27. Financial Risk Management (Continued)

(e) Capital management (continued):

Capital allocation

The allocation of capital between specific operations and activities is driven by:

a. Strategic Plan and Budget approved by the Board of Directors;
b. The desire to fulfil the Bank's mandate; and
c. Support by the Bank for the government's mission to enhance growth and development.

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

28. Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realize in a current market exchange.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long term fixed rate and variable rate receivables/borrowings are evaluated by the Group based on parameters such as interest rate, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. The long-term loan to the subsidiary has no fixed repayment date. Fair value determined to be amount payable on demand which approximates to the carrying amount.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow methods using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Management has assessed that the carrying values of cash and certificates of deposit, repurchase agreements, trade receivables and payables approximate their fair values largely due to the short-term nature of these instruments. Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those where the carrying amounts are reasonable approximations of fair value.

28. Fair Value Measurement (continued)

Group and Bank	Carrying amount 2021	Carrying amount 2020	Fair value 2021	Fair value 2020
	$'000	$'000	$'000	$'000
Assets				
Loans receivable	2,907,069	1,893,581	3,157,012	2,153,097
Liabilities				
Short term loans	572,827	318,125	572,827	318,125
Bonds and loan payable	803,894	298,652	721,122	354,597
	1,376,721	616,777	1,293,949	672,722

The following table provides an analysis of financial instruments held for the Group and the Bank as at 31 March 2021 and 31 March 2020 that subsequent to initial recognition, are measured at amortized cost. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

Group and Bank

2021	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	3,157,012	-	3,157,012
Liabilities for which fair values are disclosed:				
- Short term loans	-	572,827	-	572,827
- Bonds and loan payable	-	721,122	-	721,122

2020	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	2,153,097	-	2,153,097
Liabilities for which fair values are disclosed:				
- Short term loans	-	318,125	-	318,125
- Bonds and loan payable	-	354,597	-	354,597

There were no transfers between Level 1 and Level 2 during the period.

28. Fair Value Measurement (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulator agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

29. Commitments and Contingencies

Loans approved but not disbursed by the Group and the Bank at 31 March 2021 amounted to approximately $4.200 billion (2020: $3.381 billion).

The Group is involved in litigations in the normal course of operations. The Bank currently has three active litigations. Two were filed by a former employee and the Bank is aggressively defending same. The third is a claim and counter claim involving a developer. The Bank is making an application to strike out the claim and is making an application for summary judgement in a counter claim.

Management believes that, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Group.

30. Costs of and Funding for Administration of Mortgage Insurance Fund

Under Section 25 of the Jamaica Mortgage Bank Act 1973, the Jamaica Mortgage Bank is responsible for administering the Mortgage Insurance Fund.

The employees of the Bank manage the operations of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund. Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Funds in the following way:

- *one-half of the return on the income and assets* of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and *two-fifths (one-fifth up to July 23, 2008) of the insurance fees* received by the Mortgage Insurance Fund; and, if not adequate, then by;
- withdrawals from the Mortgage Insurance Fund of *up to one-half of* the return on investment and assets of the Fund for that year; and, if more is still required, then by
- advances from the Government of Jamaica's Consolidated Fund.

30. Costs of and Funding for Administration of Mortgage Insurance Fund (continued)

	2021 $'000	2020 $'000
Cost of Administration of Mortgage Insurance Fund		
Bank charges and interest	21	19
Professional and other	556	55
Audit fees	550	560
Total costs	1,127	634
Funded by:		
Contribution of:		
Two-fifths of Mortgage Insurance fees	5,672	4,280
Loan investigation fees	194	148
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	1	1
	5,867	4,429
Recovered by the Mortgage Insurance Fund	(4,740)	(3,795)
Total funding	1,127	634

31. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared that outbreak of a novel strain of Coronavirus (COVID-19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the resulting response of governments worldwide, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID-19 on the Group's operational and financial performance is still unknown and will depend on certain developments, including the duration and spread of the outbreak, impact on the Group's borrowers, investments, employees and vendors/suppliers, all of which are uncertain.

Though there was some fallout during the current financial year, the Group expects that, like the rest of the economy, there should be the start of a slow return to normalcy with further recovery in ensuing years.

Impact of COVID-19 on the macro-economic outlook

Forward-looking information, including the scenarios and related probabilities is considered in determining the Group's assumptions for the purposes of its expected credit loss (ECL). Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, the ECL allowance represents reasonable and supportable futuristic views as at the reporting date.

31. Coronavirus (COVID-19) Impact (continued)

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, management:

– re-evaluated whether there were any additional areas of judgement or uncertainty in estimates beyond what has been disclosed above
– updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities
– reviewed external market communications to identify other COVID-19 related impacts
– reviewed public forecasts and experience from previous downturns
– conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes
– assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19, and
– considered the impact of COVID-19 on the Group's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Loan receivables and other financial assets
In response to COVID-19, the Group undertook a review of the credit portfolios and other financial asset exposures, as applicable, and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weightings, together with the determination of the staging of exposures were however revised. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Note 27(a).

Interest in subsidiary
In addition to the Bank assessing its investments in subsidiary for impairment, the Bank re-affirmed that there were no circumstances as a result of COVID-19 that would affect the existing control conclusion for its subsidiary, nor did it highlight instances in which the Bank now had control of such entities.

Lands held for development and sale
The appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID-19 on the carrying value of the assets that were classified as held for sale was assessed. Refer to Note 5.

31. Coronavirus (COVID-19) Impact (continued)

Consideration of the statements of financial position and further disclosures (continued)

Post retirement benefits
The Group's defined benefit pension plan is reviewed annually to determine any changes to the fair value of the plan assets or present value of the defined benefit obligations. This principally reflects actuarial gains reported in other comprehensive income arising from improved discount rates and lower inflation assumptions reducing the plan obligations offset by reductions in the valuation of plan assets. The current environment is likely to continue to affect the values of the plan assets and obligations resulting in potential volatility in the amount of the net defined benefit pension plan surplus/deficit recognized. For the current financial year, the remeasurement resulted in an increased fair value.

Debt issued and other borrowings
Debt-related covenants were assessed to determine whether there were any breaches for which disclosure is required. The Group identified no such breaches at 31 March 2021 nor at the time at which these financial statements were authorised for issue. Refer to Note 17.

Financial Statements for JMB Developments Ltd

for the year ended 31st March 2021

Ernst & Young Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of JMB Developments Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of JMB Developments Limited (the "Company") which comprise the statement of financial position as at 31 March 2021, the statements of comprehensive income, changes in shareholder's deficiency and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Building a better working world

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional requirements of the Jamaican Companies Act

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

Ernst & Young

Chartered Accountants
Kingston, Jamaica

1 July 2021

JMB Developments Limited

Statement of Financial Position
As at 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Investment by parent company		-	-
Land held for development and sale	5	1	1
Property and equipment	6	-	-
Total assets		1	1
SHAREHOLDERS' DEFICIENCY AND LIABILITIES			
Shareholder's deficiency			
Share capital	7	-	-
Accumulated deficit		(125,673)	(125,359)
Total shareholder's deficiency		(125,673)	(125,359)
LIABILITIES			
Loan payable to parent	8	125,674	125,210
Payables		-	150
Total liabilities		125,674	125,360
TOTAL SHAREHOLDER'S DEFICIENCY AND LIABILITIES		1	1

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

Approved for issue by the Board of Directors on 1 July 2021 and signed on its behalf by:

_________________ Chairman _________________ Director

Mr. Michael Shaw Mr. David Lee

JMB Developments Limited

Statement of Comprehensive Income
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
Administrative expenses		
Professional fees	(156)	(196)
Other general expenses	(158)	(26)
Net loss being total comprehensive loss for the year	(314)	(222)

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

JMB Developments Limited

Statement of Changes in Shareholder's Deficiency
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Accumulated Deficit	Total
	$'000	$'000	$'000
Balance as at 31 March 2019	-	(125,137)	(125,137)
Net loss, being total comprehensive loss for the year	-	(222)	(222)
Balance as at 31 March 2020	-	(125,359)	(125,359)
Net loss, being total comprehensive loss for the year	-	(314)	(314)
Balance as at 31 March 2021	-	(125,673)	(125,673)

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

JMB Developments Limited

Statement of Cash Flows
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
Cash flows from operating activities		
Net loss for the year	(314)	(222)
Decrease in operating liabilities		
Payables	(150)	-
Net cash used in operating activities	(464)	(222)
Cash flows from financing activities		
Increase in loan payable to parent	464	222
Net cash provided by investing activities	464	222
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

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

1. Corporate Information

JMB Developments Limited ("the Company") was incorporated under the laws of Jamaica on January 5, 1999 and commenced operations on July 5, 1999. The Company is a wholly-owned subsidiary of Jamaica Mortgage Bank ("parent body"), which is incorporated in Jamaica under the Jamaica Mortgage Bank Act 1973 and is owned by the Government of Jamaica. The Company is domiciled in Jamaica and its registered office is located at 33 Tobago Avenue, Kingston 5, Jamaica.

The principal activity of the Company is to carry on the business of residential, commercial and industrial real estate development. However, the Company was inactive during the year under review and the previous year.

2. Adoption of Standards, Interpretation and Amendments

2.1 Standards, interpretations and amendments to existing standards effective during the year

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are Standards, Amendments and Interpretations in respect of published standards which are in effect:

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective 1 January 2020)
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted.

The requirements of the standard had no impact on the financial statements of the Company.

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective 1 January 2020)
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

The amendments had no impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020)
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments had no impact on the financial statements of the Company.

The Conceptual Framework for Financial Reporting (Effective 1 January 2020)
The revised Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The amendments had no impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective at 31 March 2021 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (Effective 1 June 2020)
In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments are not expected to have any impact on the financial statements of the Company.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (Effective 1 April 2021)
In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. These amendments are not expected to have any impact on the financial statements of the Company.

Interest Rate Benchmark Reform – Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective 1 January 2021)
On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments are not expected to have any impact on the financial statements of the Company.

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments are not expected to have any impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments are not expected to have any impact on the financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments are not expected to have any impact on the financial statements of the Company.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1 (Effective 1 January 2023)
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The Company is assessing the potential impact of this amendment on its financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)

The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Company is assessing the potential impact of this amendment on its financial statements.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

This is not expected to have any impact on the financial statements of the Company.

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

This is not expected to have any impact on the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

Annual improvements to IFRS 2018 - 2020 Cycle – Amendments to IFRS 9 and IAS 41 (Effective 1 January 2022)
The amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. The amendment to IAS 41 removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. The amendment relating to IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The Company is assessing the potential impact of these improvements on its financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

(a) Statement of Compliance and Basis of Preparation

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the requirements of the Jamaican Companies Act.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the end of the reporting period and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The financial statements are presented in Jamaican dollars, which is the functional currency of the Company and rounded to the nearest thousand, unless otherwise stated.

(b) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and are subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)
The Company considers a financial asset in default when contractual payments are 90 days past due, based on historical experience. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and due to related parties balances.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of profit or loss.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets and liabilities.
Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(d) Land Held for Development and Sale

Land held for development and sale is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to sell.

(e) Property and Equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(e) Property and Equipment (continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The following useful lives are used in the calculation of depreciation:

- Property and Equipment 10 years

(f) Payables

Trade and other payables are stated at cost.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax

Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of calculated items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(g) Taxation (continued)

Current and Deferred Tax for the Year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(h) Revenue from contracts with customers

Interest income earned from investments and fees are recorded on the accrual basis.

(i) Expenses

Expenses are recorded on the accrual basis.

(j) Related party balances and transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the "reporting entity").

a) A person or a close member of that person's family is related to the reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to the reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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.

Critical judgements in applying accounting policies

The directors and management believe that there are no critical judgements that management has made in the process of applying the Company's accounting policies that had a significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The directors and management believe there are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

5. Land held for development and dale

The properties held by the Company were acquired from the Ministry of Environment and Housing for $1,000 on condition that the Ministry shall be beneficially entitled to twenty percent (20), or otherwise to be agreed, of the residential serviced lots or houses thereafter developed on each of the properties comprising the said lands, such lots to be identified and agreed from time to time by the Ministry and the subsidiary. The Company shall be beneficially entitled to the remaining eighty percent (80) of such residential serviced lots.

The condition to the agreement, as outlined above, was not fulfilled and subsequent to this an agreement was arrived at for the Ministry to transfer to the Company other lands to cover the terms of the agreement. In 2012, the Ministry of Transport, Works and Housing (formerly the Ministry of Water and Housing, (MOWH)) transferred a property at Whitehall to the Company's parent in part settlement of the obligation of the Company to its parent. The MOWH is to transfer to the Company's parent one additional parcel of land to fully cover the obligation of the Company to its parent.

6. Property and Equipment

	Plant and Machinery $'000
At cost or valuation:	
1 April 2020 and 31 March 2021	110
Accumulated Depreciation:	
1 April 2020	110
Charge for the year	-
31 March 2021	110
Net Book Value:	
31 March 2021 and 2020	-

7. Share Capital

	2021 $'000	2020 $'000
Authorized:		
1,000 shares at no par value at the beginning and end of year		
Issued and fully paid:		
2 shares at no par value at beginning and end of year	2	2

8. Loan Payable to Parent

	2021 $'000	2020 $'000
Ordinary shares*		-
Long-term loan (a)	117,197	117,197
Irrecoverable charges (b)	8,477	8,013
	125,674	125,210

*The carrying value of ordinary shares is $2 (2020: $2)

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended March 31, 2006, after a moratorium of 24 months on principal. The balance shown represents past- due amounts of $117 million (2020: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses. The expenses will not be recharged and therefore is recorded as an expense in the Bank's statement of comprehensive income.

9. Net Loss for the Year

The following are among the items charged in arriving at loss for the year:

	2021 $'000	2020 $'000
Auditor's remuneration	50	100
Professional tees	106	96
Property taxes	35	26
Transfer tax	123	-
	314	222

10. Tax Losses

Current and deferred taxes have been calculated using the tax rate of 25% (2020: 25%).

At the reporting date, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, tax losses, available for relief against future taxable profits, amounted to approximately $94.75 million (2020: $94.44 million).

Potential deferred tax asset of approximately $23.69 million (2020: $23.61 million), arising on the unused tax losses, has not been recognized as the Company is not expected to have taxable profits in the foreseeable future to utilize the losses.

11. Financial Instruments and Financial Instruments Risk Management

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of these financial statements, financial assets and financial liabilities comprise receivables, trade payables and loan payable to parent.

Information relating to fair values and financial risk management is summarized below.

(a) Fair Value

Fair value measurements recognized in the Statement of Financial Position
There were no financial instruments that were measured subsequent to initial recognition at fair value.

Determination of Fair Value:
The fair value of loan payable to parent has been estimated to be its carrying amount as the loan is repayable on demand as repayment is overdue.

11. Financial Instruments and Financial Instruments Risk Management (continued)

(b) Financial Risk Management

Exposure to credit risk, liquidity risk and market risk including interest rate risk and currency risk arises in the ordinary course of the company's business. Information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk is detailed below.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established Finance and Audit and Loans and Projects Committees, which are responsible for developing and monitoring risk management policies in their specified areas.

Exposure to risks on financial instruments and operational risk arises in the ordinary course of the Company's operations.

i. Credit Risk

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

At the end of the reporting period, the Company's exposure to credit risk was insignificant.

ii. Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

These arise from changes in interest rates, foreign currency rates and equity prices and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

- **Foreign currency risk**
  Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

  The Company has no exposure to foreign exchange risk since it has no foreign currency related transactions or balances.

- **Interest rate risk**
  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  The Company currently has no financial instrument subject to significant interest rate risk.

  There has been no change in the manner in which the Company manages and measures this risk during the year.

  The Company currently has no financial instrument subject to significant interest rate risk.

11. Financial Instruments and Financial Instruments Risk Management (continued)

(b) Financial Risk Management (continued)

ii. Market Risk (continued)

- **Other market price risk**

  The Company has no exposure to market risk as it does not hold any traded securities.

iii. Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed facilities.

The Company had net current liabilities at the reporting date and obtains continued financial support from its parent.

There has been no change to the Company's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

(c) Capital Risk Management Policies and Objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. To maintain or adjust the capital structure, the Company may request capital from its shareholder and intercompany financing.

The Company is not subject to any externally imposed capital requirements and its Board of Directors reviews the capital structure on an annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Company had deficiency in assets at the reporting date. The Company's parent has pledged to, and continues to support the Company.

The Company's overall strategy as directed by its shareholders remains unchanged from year ended 31 March 2020.

12. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID 19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's, borrowers, investments, employees and vendors/suppliers, all of which are uncertain.

As the period of pandemic extends into the coming financial year, consideration was given to its possible continued impact on the company. Again the extent depends on its duration. Notwithstanding the foregoing, the application of the going concern principle is not compromised because the Company has financial support from its Parent.

Financial Statements
for the Mortgage Insurance Fund and
Mortgage Insurance Reserve Fund

for the year ended 31st March 2021

Ernst & Young Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mortgage Insurance Fund and the financial statements of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Funds"), which comprise the Funds' statements of financial position as at 31 March 2021, and the Funds' statements of changes in fund balance, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Funds as at 31 March 2021, and of the Funds' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional requirements of the Mortgage Bank Act

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

Ernst & Young

Chartered Accountants
Kingston, Jamaica

1 July 2021

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Financial Position
As at 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
ASSETS:			
Cash and cash equivalents		2,930	9,865
Investments	5	1,029,401	1,522,682
Receivables	6	153,206	127,406
Due from related party	7	572,837	54
		1,758,374	1,660,007
LIABILITIES			
Accounts payable		-	2
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	7	82	80
Due to related party	7	9,637	8,976
		9,719	9,058
NET ASSETS		1,748,655	1,650,949
Represented by:			
ACCUMULATED SURPLUS		1,748,655	1,650,949

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

Approved for issue by the Board of Directors on 1 July 2021 and signed on its behalf by:

Michael Shaw, Chairman

David Lee, Director

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Changes in Fund Balance
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021	2020
	$'000	$'000
Increase in fund		
Three-fifths of mortgage loan insurance fees	8,509	6,420
Investment income	100,879	100,444
Interest income on loans	2,805	1,119
Miscellaneous income	15,601	9,389
Recovered from the Bank as contribution towards the cost of administering the Mortgage Insurance Act	5,673	4,280
	133,467	121,652
Decrease in fund		
Administration charges paid to the Bank	(34,635)	(33,091)
Miscellaneous expense	(1,126)	(602)
	(35,761)	(33,693)
Net increase in fund balance for the year	97,706	87,959
Fund balance at the beginning of the year	1,650,949	1,562,990
Fund balance at the end of the year	1,748,655	1,650,949

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

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Cash Flows
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in fund balance for the year	97,706	87,959
Decrease/(increase) in operating assets		
Due from Jamaica Mortgage Bank	(572,783)	(26)
Receivables	(25,800)	(25,234)
(Decrease)/increase in operating liabilities		
Accounts payable	(2)	2
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	2	(1)
Due to Jamaica Mortgage Bank	661	8,776
Net cash (used in)/provided by operating activities	(500,216)	71,476
Cash flows from investing activities		
Additions to investments	493,281	(67,680)
Net cash provided by/(used in) investing activities	493,281	(67,680)
Net (decrease)/increase in cash and cash equivalents	(6,935)	3,796
Cash and cash equivalents at the beginning of the year	9,865	6,069
Cash and cash equivalents at the end of the year	2,930	9,865

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

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Financial Position
As at 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
ASSETS		
Due from Mortgage Insurance Fund	82	80
Government of Jamaica Investment Debenture	16	16
	98	96
Represented by:		
ACCUMULATED SURPLUS	98	96

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

Approved for issue by the Board of Directors on 1 July 2021 and signed on its behalf by:

_______________ Chairman
Michael Shaw

_______________ Director
David Lee

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Changes in Fund Balance
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
Increase in fund		
Interest income	2	1
Net increase in fund for the year	2	1
Fund balance at the beginning of the year	96	95
Fund balance at the end of the year	98	96

*Because of rounding to the nearest thousand, one half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act in the amount of $620 (2020: $619) is not reflected.

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

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Cash Flows
For the year ended 31 March 2021
(expressed in Jamaican dollars unless otherwise indicated)

	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in fund balance for the year	2	1
Increase in operating assets		
Due from Jamaica Mortgage Bank	(2)	1
Net cash used in operating activities	-	-
Cash flows from investing activities		
Additions to investments	-	-
Net cash provided in investing activities	-	-
Net increase in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

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

1. Corporate Information

(a) The Mortgage Insurance Fund

i. Establishment and Functions

The Mortgage Insurance Fund (the "Fund") was established under Section 9 of the Mortgage Insurance Act (the "Act"). Under Section 25 of the Jamaica Mortgage Bank Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank (the “Bank”) and references in the Act to the Development Finance Corporation shall (notwithstanding Section 25 of the Jamaica Development Bank Act, 1969) be deemed to be references to the Jamaica Mortgage Bank. Accordingly, all assets and liabilities of the Mortgage Insurance Fund were taken over by the Jamaica Mortgage Bank at 15 June 1973 and administered from that date.

The Fund is domiciled in Jamaica and its principal place of business is located at 33 Tobago Avenue, Kingston 5, Jamaica.

ii. Funding

The Act requires that four-fifths of the insurance fees received by the Bank be paid into the Fund. An amendment to the Act, stipulates that three-fifths of the insurance fees received by the Bank be paid into the Fund, effective 24 July 2008. The income of the Fund belongs to the Fund and not to the Bank except as set out in Note 1 (c) below.

(b) The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund was established under Section 11 of the Mortgage Insurance Act, using certain funds transferred by the Accountant General. The income of this Fund belongs to this Fund and not to the Bank except as set out in Note 1 (c) below.

(c) Costs of and Funding for Administration of Mortgage Insurance Act

The employees of the Bank manage the operations of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (together the “Funds"). Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Act in the following way:

- One-half of the return on the income and assets of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and two-fifths (one-fifth up to 23 July 2008) of the insurance fees received; and, if not adequate, then by-

- Withdrawals from the Mortgage Insurance Fund of up to one-half of the return on investment and assets of the Fund for that year; and if more is still required, then by advances from the Government of Jamaica’s Consolidated Fund.

1. Corporate Information (Continued)

(d) The principal purpose of the Fund is to provide mortgage indemnity insurance.

(e) These Funds are exempt from taxation.

2. Adoption of Standards, Interpretations and Amendments

2.1 Standards, interpretations and amendments to existing standards effective during the year

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are Standards, Amendments and Interpretations in respect of published standards which are in effect:

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective 1 January 2020)

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted.

The requirements of the standard had no impact on the financial statements of the Funds.

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective 1 January 2020)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

The amendments had no impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020)
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments had no impact on the financial statements of the Funds.

The Conceptual Framework for Financial Reporting (Effective 1 January 2020)
The revised Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The amendments had no impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted

The standards and interpretations that are issued, but not yet effective at 31 March 2021 are disclosed below. The Funds intend to adopt these standards, if applicable, when they become effective.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (Effective 1 June 2020)
In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments are not expected to have any impact on the financial statements of the Funds.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (Effective 1 April 2021)
In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. These amendments are not expected to have any impact on the financial statements of the Funds.

Interest Rate Benchmark Reform – Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective 1 January 2021)
On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments are not expected to have any impact on the financial statements of the Funds.

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments are not expected to have any impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments are not expected to have any impact on the financial statements of the Funds.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments are not expected to have any impact on the financial statements of the Funds.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1 (Effective 1 January 2023)
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The Funds are assessing the potential impact of this amendment on the financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)

The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Funds are assessing the potential impact of this amendment on the financial statements.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

The Funds are assessing the potential impact of this amendment on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The Funds are assessing the potential impact of this amendment on the financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Annual improvements to IFRS 2018 - 2020 Cycle – Amendments to IFRS 9 and IAS 41 (Effective 1 January 2022)
The amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. The amendment to IAS 41 removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. The amendment relating to IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The Funds are assessing the potential impact of these improvements on the financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the end of the reporting period and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The financial statements are presented in Jamaican dollars, which is the functional currency of the Funds.

(b) Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Withholding Tax Recoverable

  Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the fair value of this amount is determined to approximate its carrying value.

(c) Cash and Cash Equivalents

Cash comprises cash on hand and in banks. Short term deposits are highly liquid investments with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at hand and in bank.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Funds' statement of financial position when the Funds become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 8. Listed below are the Funds' financial assets and liabilities and the specific accounting policies relating to each.

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Funds' business model for managing them.

The business model reflects how the Funds manage the assets in order to generate cash flows. That is, whether the Funds' objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit and loss (FVTPL). Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Funds commit to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at FVOCI.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

The SPPI test

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Funds apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Funds. The Funds measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Funds' financial assets at amortized cost includes loans receivables, certificates of deposits, resale agreements, bonds and cash and bank balances.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition
The Funds derecognize a financial asset in accordance with IFRS 9, when its contractual rights to the cash flows from the assets expire, or when the Funds transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Funds neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Funds recognize their retained interest in the asset and an associated liability for amounts it may have to pay. If the Funds retain substantially all the risks and rewards of ownership of a transferred financial asset, the Funds continue to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Funds retain an option to repurchase part of a transferred asset), the Funds allocate the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

The Funds derecognize financial liabilities when, the Funds' obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment
At each reporting date, the Funds assess whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on the future cash flows of the asset that can be estimated reliably.

The Funds recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Funds expect to receive, discounted at an approximation of the original effective interest rate. The recoverable amount of the Funds' investments in loans and receivables and accounts receivable is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with short duration are not discounted.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)
For other receivables, the Funds apply a simplified approach in calculating ECLs. Therefore, the Funds do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. The Funds use the provision matrix as a practical expedient to measuring ECLs on other receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Funds' financial liabilities include payables.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of income.

(e) Receivables

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

(f) Property and Equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued

(f) Property and Equipment (continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Payables
Trade and other payables are stated at cost.

(h) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Interest income earned from investments and fees are recorded on the accrual basis.

(i) Expenses
Expenses are recorded on the accrual basis.

4. Related Party Balances and Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:
i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:
i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled, or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

5. Investments - Mortgage Insurance Fund

	2021 $'000	2020 $'000
Government of Jamaica:		
Repurchase agreements	99,639	325,270
Investment bonds	798,119	782,711
	897,758	1,107,981
Time deposits	21,408	302,128
Deferred shares	99,998	100,014
	1,019,164	1,510,123
Interest receivable	10,237	12,559
	1,029,401	1,522,682

6. Receivables

	2021 $'000	2020 $'000
Other receivable	1	1
Withholding tax recoverable	153,205	127,405
	153,206	127,406

7. Due from/(to) related party

	2021 $'000	2020 $'000
Balances outstanding at the end of the reporting period:		
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	(82)	(80)
Due to Jamaica Mortgage Bank	(9,637)	(8,976)
Due from Jamaica Mortgage Bank	572,837	54
Income incurred during the reporting period:		
Administration fees - Jamaica Mortgage Bank	(34,635)	(33,091)
Interest earned on short term loan – Jamaica Mortgage Bank	2,805	1,119

7. Due from/(to) related party (continued)

Administration fee is charged at an annual rate of 2.25% of the Fund's investment portfolio balance at the end of each month.

During the year, the Fund issued three term loans to the Jamaica Mortgage Bank at fixed rates of 3.90% and 3.32% and variable rate of 90 basis points above 90 day WATBY. At 31 March 2020, there were drawdowns of $570.00 million of the $700 million available from the loan facilities. The loans mature in 30 June 2021 and 30 September 2021. At a meeting of the Board of Directors on 30 June 2021, the maturity dates of two of the term loans were amended from 30 June 2021 to 31 December 2021 and 30 September 2021 to 31 March 2022.

During 2020, the Jamaica Mortgage Bank drew down $180.9 million from a $300 million facility agreement. The loan commenced in September 2019 and had a six (6) month term with an interest rate of 4% per annum. The principal amount was repaid during 2020. These transactions were carried out in the ordinary course of business.

8. Financial Instruments and Financial Instruments Risk Management

A financial instrument is a 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 the financial statements of the Mortgage Insurance Fund, financial assets have been determined to include cash and cash equivalents, loan receivable from the Jamaica Mortgage Bank, investments and receivables. Financial liabilities have been determined to include payables, due to Jamaica Mortgage Bank, and due to the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund.

For the purpose of the financial statements of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund, financial assets have been determined to include Due from Mortgage Insurance Fund and Government of Jamaica Securities. There are no financial liabilities.

(i) Fair Value

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.

Determination of Fair Value:

The carrying values of the Funds' financial instruments are all considered to approximate their estimated fair values because of their short-term nature. At the end of the period, the fair value of the Fund's investments was $1.029 million in 2021 (2020: $1.523 million). The fair values are estimated on the basis of pricing models or other recognized valuation techniques.

The investments held are classified as level 2 investments. There were no transfers during the year.

(ii) Financial Risk Management

The Funds' activities are principally related to the use of financial instruments. The Funds are exposed to credit risk, market risk and liquidity risk from its use of financial instruments. Market risk includes interest rate and foreign currency risk.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)
The Board of Directors of Jamaica Mortgage Bank has overall responsibility for the establishment and oversight of the Funds' risk management framework. The Board has established Finance and Audit and Loans and Projects Committees for the Bank and, by extension, the Funds. These committees are responsible for developing and monitoring risk management policies in their specified areas - for the Bank and the Funds.

The risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Bank, 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. The Funds are managed by the Bank and benefit from the Bank's risk management policies and processes.

The Audit Committee is responsible for monitoring the Funds' compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework.

a. Credit Risk

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

The assets presented on the Statement of Financial Position comprise the Funds' exposure to credit risk.
Except for significant investments in various forms of Government of Jamaica securities, there is no significant concentration of credit risk. The Funds' exposure to credit risk is limited to the carrying values of financial assets in the statement of financial position. There has not been any change in the Funds' management of credit risk during the year.

Exposure to Credit Risk
The carrying amount of financial assets represents the maximum exposure to credit risks. At the date of the statement of financial position, these amounts were:

Mortgage Insurance Fund

	2021 **$'000**	**2020** **$'000**
Cash and cash equivalents	2,930	9,865
Investments	1,029,401	1,522,682
Receivables	153,206	127,406
Due from Jamaica Mortgage Bank	572,837	54
	1,758,374	1,660,007

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

a. Credit Risk (continued)

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

	2021 $'000	2020 $'000
Due from Mortgage Insurance Fund	82	80
Government of Jamaica Investment Debenture	16	16
	98	96

b. Liquidity Risk

Liquidity risk also referred to as funding risk, is the risk that the Funds will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The Funds' exposure to liquidity risk is insignificant as their assets are readily realizable and claims against the Funds would be handled in a manner which provides for careful liquidation of assets.

c. Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Funds' income or the value of its holdings of financial instruments. Each of the components of market price risks is considered below. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

c. Market Risk (continued)

i) Interest Rate Risk

Interest rate risk is the risk that that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Funds manage interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business.

Set out below is an analysis of the Mortgage Insurance Fund's interest-rate sensitive financial instruments, based on the period in which the earlier of the maturity dates and the contractual re-pricing dates occur. The interest rate sensitive financial instruments of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund are not material.

31 March 2021

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	-	-	-	-	-	2,930	2,930
Investments	8.47	121,383	9,899	100,000	798,119	-	1,029,401
Due from related party	3.65	502,721	70,116	-	-	-	572,837
		624,104	80,015	100,000	798,119	2,930	1,605,168

31 March 2020

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	-	-	-	-	-	9,865	9,865
Investments	4	547,795	92,176	100,000	782,711	-	1,522,682
		547,795	92,176	100,000	782,711	9,865	1,532,547

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

(c) Market Risk (continued)

ii) Foreign Currency Risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The directors and management believe that the Funds have limited exposure to foreign currency risk as they have no foreign currency liabilities and limited foreign currency assets.

iii) Other Market Price Risk
The Funds have no significant exposure to equity price risk as they have no financial assets which are to be realized by trading in the securities market.

9. Fund Valuation

The Fund is subjected to triennial actuarial valuations carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes, undertaken at March 31, 2018, indicated a surplus balance of approximately $1.479 million, with actuarial reserve estimated to be approximately $15.9 million.

10. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID 19 on the Funds' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Funds', borrowers, investments and employees, all of which are uncertain.

The Funds expect that, like the rest of the economy, a significant fallout should be experienced during the next fiscal year, with the extent depending on the duration of the pandemic.

To date there has been no material impact on the operations of the Funds.