Jamaica Mortgage Bank
33 Tobago Avenue
Kingston 10

Telephone: 929-6350 0r 906-3845-7

Printed in Jamaica by Pear Tree Press . Design & Layout by Dynamic Images

JAMAICA MORTGAGE BANK

ANNUAL REPORT & FINANCIAL STATEMENTS

2008

CONTENTS

LETTER OF TRANSMITTAL

July 31, 2008

Hon. Dr. Horace Chang
Minister of Water and Housing
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, 2008 and a copy of the Statement of the Bank's Accounts at March 31,2008, duly certified by the Auditors.

Yours respectfully,

George Thomas
Chairman

VISION

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

MISSION

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.

AT A GLANCE

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 island-wide 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 developments;*
- *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 engaged in building development in Jamaica.*

The Bank's Current Operations fall into three 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 mortgage loans.

Projects

Funded by

JMB

JAMAICA MORTGAGE BANK

MONTE CRISTO

ST. ANDREW

Monte Cristo, St. Andrew: 2 & 3 Bedroom Apartments

VENETIAN

ST. JAMES

Venetian, St. James:
2 & 3 Bedroom Townhouses

Mannings Manor

ST. ANDREW

Mannings Manor : 1 Bedroom Apartments

Emerald Estates

St. Mary

Phase 1

Emerald Estates, St. Mary:
Phase One: 2 Bedroom Houses

Board of Directors

George Thomas
CHAIRMAN

Genefa Hibbert

Carlene O'Connor

Osmond Clarke

Tina Myers-Matalon

Marlene Virgo

Missing: Myrtle Dwyer

Management Team

PATRICK THELWELL
General Manager

PATRICK PEART
Director - Projects & Planning

DONNA SAMUELS STONE
Company Secretary/ Legal Officer

HOPE BARNETT
Director Corporate Services, Human Resource & Administration

MARCIA MILLER
Manager - Projects & Planning

CHAIRMAN'S MESSAGE

George Thomas

Despite the extremely challenging environment in which we operate, the Jamaica Mortgage Bank (JMB) strives to remain a profitable and viable entity. During the year under review, the Bank's revenue declined by 19% over the previous year, however, the organization was still able to record a modest profit of $2.1M after tax.

During the period, the JMB raised an additional $500M through the issue of shelter bonds to fund its loan facility and the Bank's assets grew by 18% despite the decision to increase our provision for doubtful debt by $105M. Interest on bonds and provision for doubtful debt represent the major expense categories and reflect, respectively, the high cost of funds raised by the Bank and the riskiness of our loan portfolio.

The Bank took steps to aggressively address its bad debt portfolio by creating a Debt Recovery Unit and employed a Debt Recovery Manager during the final month of the 2007/2008 financial year. This is expected to drastically reduce the level of bad debt which poses a threat to the Bank's profitability.

One of JMB's on-going strategy to achieve profitability is to curtail expenditure and this was achieved with the Bank recording a 15% decline in administrative expenses over the previous period.

In an effort to achieve its vision "to finance safe and affordable housing so that all Jamaicans will have access to home ownership", the JMB disbursed $561M for the construction of 1,731 housing solutions island-wide and continued working with developers to provide technical assistance required to successfully complete suitable projects.

As administrators of the Government of Jamaica's Mortgage Indemnity Insurance Scheme for the past thirty-five (35) years, the Jamaica Mortgage Bank has been able to positively impact the ability of over Twenty-Three Thousand (23,000) Jamaicans to acquire homes.

In spite of the challenging economic climate in which the Bank has been operating, the JMB was able to perform creditably in 2008 with respect to the management of the Insurance Fund, which had a value of $945M as at 31st March 2008. This very "liquid" fund will adequately cover any possible claims from the Mortgage Indemnity Insurance portfolio valuing $763 Million.

The Bank is positioning itself to play an even greater role in facilitating home ownership, as we seek to fund viable housing projects, re-introduce our Secondary Mortgage Market and expand the number of mortgages for which indemnity insurance is provided.

We would like to thank the Ministry of Water and Housing and our Minister for their continued support of the Bank's efforts and to express appreciation to the JMB management and staff for their commitment and dedication in helping the Bank to achieve its mandate, despite the many challenges.

JAMAICA MORTGAGE BANK

JMB

FLASH BACK

35th ANNIVERSARY

1971 - 2006

CHURCH SERVICE

(LEFT)

The Hon. Fenton Ferguson, Former Minister of State in the Ministry of Housing, Transport, Water and Works (far right), Mrs. Genefa Hibbert, Former Chairman, JMB, Mrs. Mignonette Reynolds, Mr. Milverton Reynolds, Former General Manager, JMB, holding hands in prayer at the Bank's Thanksgiving Service at the Church of the Open Bible, Washington Boulevard on Sunday, June 4, 2006. The Service marked the launch of a series of events celebrating the JMB's 35th Anniversary. Immediately behind Mr. Reynolds is Mr. Alton Morgan, Attorney-at-Law.

(RIGHT)

Members of the JMB Choir giving a tribute in song. Front row (left to right): Janet Coley, Mavis Spence, Pat Carter. Back row (left to right) Candice Ramanand and Samuel Parkes.

(LEFT)
Rev. Dr. Alston Henry, General Superintendent of the Open Bible Standard Churches of Jamaica and Officiating Pastor, greeting from right: Mrs. Genefa Hibbert, Former Chairman, JMB, The Hon. Fenton Ferguson, Former Minister of State in the Ministry of Housing, Transport, Water and Works and Mrs. Pat Carter of the JMB (partially hidden).

JMB's Management, Staff and well-wishers form part of the congregation at its 35th Anniversary Thanksgiving Service.

AWARDS CEREMONY

(ABOVE)

Standing : Annalise Harewood (Former Board Member), Hon. Robert Pickersgill, Former Minister of Housing, Transport, Water and Works , Genefa Hibbert (Former Chairman) and Milverton Reynolds (Former General Manager)

Seated : **AWARDEES FOR 25 and 30 YEARS OF SERVICE**:
(Left to right): Earl Anderson, Janet Coley, Rema Solomon, Mavis Spence

AWARDS Ceremony

AWARD

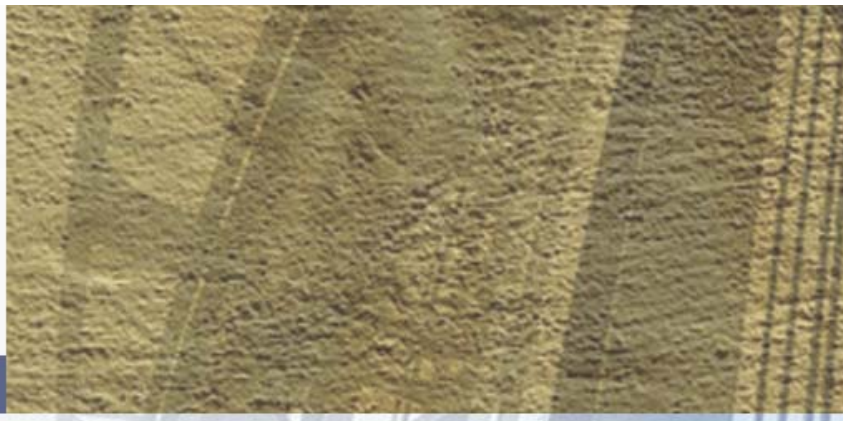
(RIGHT) **AWARDEES OVER 5 AND 10 YEARS SERVICE**

Top row: (Left to right) Marcia Morrison, Marcia Miller, Karen Alexander-Lindsay; Middle row: (Left to right) Danovan Blackburn, Samuel Parkes, Patricia Carter; Bottom row: (Left to right): Patrick Peart, Janet Hines and Marsha Palmer.

(ABOVE) **JMB's sole Pensioner**, Mrs. Lois Maynard, receiving a token from JMB. Making the presentation is Mr. Neville Blythe, Former Board Director - JMB.

(LEFT)

JMB members and well-wishers look on as they listen to the Hon. Robert Pickersgill, keynote speaker at the Bank's 35th Anniversary Long Service Awards dinner held on Friday June 23, 2006 at the Jamaica Pegasus Hotel.



FINANCIAL STATEMENTS 2008

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS REPORT

To the Directors of
JAMAICA MORTGAGE BANK

Report on the Financial Statements

We have audited the financial statements of Jamaica Mortgage Bank ("Bank"), set out on pages 3 to 46, which comprise the Group and Bank balance sheets as at March 31, 2008, and the Group and Bank statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

INDEPENDENT AUDITORS REPORT (CONT'D)

To the Directors of
JAMAICA MORTGAGE BANK

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statement give a true and fair view of the financial positions of the Group and the Bank as at March 31, 2008, and of the Group's and the Bank's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

September 24, 2008

JAMAICA MORTGAGE BANK

Balance Sheets
March 31, 2008

	Notes	Group 2008 $'000	Group 2007 $'000	Bank 2008 $'000	Bank 2007 $'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		2,512	618	2,512	618
Other cash and bank balances		-	9,141	-	9,141
		2,512	9,759	2,512	9,759
Resale agreements	4	936,920	309,118	936,920	309,118
Accounts receivable and prepaid expenses	5	625,804	589,746	625,804	589,746
Investments securities	6	81,503	-	81,503	-
Income tax recoverable		106,295	103,077	106,295	103,077
Interest in subsidiary	7	-	-	134,846	134,709
Loans receivable	8	1,620,853	1,800,901	1,620,853	1,800,901
Land held for development and sale	9	147,169	147,169	147,168	147,168
Employee benefits	10(b)	16,486	18,211	16,486	18,211
Property, plant and equipment	11	59,780	58,760	59,769	58,738
		3,597,322	3,036,741	3,732,156	3,171,427
LIABILITIES AND EQUITY					
LIABILITIES					
Accounts payable and accrued charges	12	71,610	46,279	71,421	46,119
Bonds payable	13	1,500,000	1,000,000	1,500,000	1,000,000
Loan payable to Ministry of Finance	14	32,326	39,611	32,326	39,611
Deferred tax liability	15(a)	70,890	30,529	70,890	30,529
		1,674,826	1,116,419	1,674,637	1,116,259
EQUITY					
Share capital	16	500,000	500,000	500,000	500,000
Reserve fund	17	500,000	500,000	500,000	500,000
Special reserve fund	18	340,083	340,083	340,083	340,083
Retained profits		582,413	580,239	717,436	715,085
		1,922,496	1,920,322	2,057,519	2,055,168
		3,597,322	3,036,741	3,732,156	3,171,427

The financial statements on pages 3 to 46 were approved for issue by the Board of Directors on September 24, 2008 and signed on its behalf by:

_____ Chairman
George Thomas

_____ Director
Osmond Clarke

JAMAICA MORTGAGE BANK

Income Statements
March 31, 2008

	Notes	Group 2008 $'000	Group 2007 $'000	Bank 2008 $'000	Bank 2007 $'000
REVENUE					
Interest from loans		306,975	415,328	306,975	415,328
Interest from deposits		37,056	46,974	37,056	46,974
Interest from other investments		64,962	33,968	64,962	33,968
Total interest income		408,993	496,270	408,993	496,270
Other income		10,333	19,203	10,093	19,103
		419,326	515,473	419,086	515,373
EXPENSES					
Staff costs	19	(57,434)	(60,399)	(57,434)	(60,399)
Provision for impairment	8(b)	(105,437)	(461,783)	(105,437)	(461,783)
Other administrative and general expenses		(27,549)	(39,849)	(27,132)	(39,399)
Finance costs:					
Interest on bonds		(193,919)	(161,058)	(193,919)	(161,058)
Interest on loans		7,548	(12,497)	7,548	(12,497)
		(376,791)	(735,586)	(376,374)	(735,136)
Profit(loss)/ before income tax	20	42,535	(220,113)	42,712	(219,763)
Income tax (charge)/credit	21	(40,361)	67,761	(40,361)	67,748
PROFIT/(LOSS) FOR THE YEAR		2,174	(152,352)	2,351	(152,015)

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

JAMAICA MORTGAGE BANK

Statements of Changes in Equity
Year ended March 31, 2008

Group

	Share capital $'000	Reserve fund $'000	Special reserve fund $'000	Retained profits $'000	Total $'000
Balances at March 31, 2006	500,000	500,000	340,083	743,888	2,083,971
Loss for the year, being total recognised losses	-	-	-	(152,352)	(152,352)
Dividends paid (note 23)	-	-	-	(11,297)	(11,297)
Balances at March 31, 2007	500,000	500,000	340,083	580,239	1,920,322
Profit for the year, being total recognised losses	-	-	-	2,174	2,174
Balances at March 31, 2008	500,000	500,000	340,083	582,413	1,922,496

Bank

	Share capital $'000	Reserve fund $'000	Special reserve fund $'000	Retained profits $'000	Total $'000
Balances at March 31, 2006	500,000	500,000	340,083	878,397	2,218,480
Loss for the year, being total recognised losses	-	-	-	(152,015)	(152,015)
Dividends paid (note 23)	-	-	-	(11,297)	(11,297)
Balances at March 31, 2007	500,000	500,000	340,083	715,085	2,055,168
Profit for the year, being total recognised losses	-	-	-	2,351	2,351
Balances at March 31, 2008	500,000	500,000	340,083	717,436	2,057,519

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

JAMAICA MORTGAGE BANK

Statement of Group Cash Flows
Year ended March 31, 2008

	Notes	2008 $'000	2007 $'000
Cash flows from operating activities			
Profit/(loss) for the year		2,174	(152,352)
Adjustments to reconcile profit/(loss) for the year to net cash (used)/provided by operating activities:			
Depreciation	11	4,176	4,102
Gain on disposal of property, plant and equipment		(147)	(53)
Provision for impairment losses on loans	8(b)	105,437	461,783
Deferred taxation	22	40,361	(67,761)
Employee benefits		1,725	(3,616)
		153,726	(242,103)
Interest income		(408,993)	(496,270)
Interest expense		186,371	173,555
		(68,896)	(80,612)
(Increase)/decrease in operating assets and liabilities:			
Accounts receivable and prepaid expenses		(5,461)	(100,639)
Income tax recoverable		(3,218)	67,748
Loans receivable		74,611	(568,790)
Accounts payable and accrued charges		(9,122)	11,705
Loan payable to Ministry of Finance		(7,285)	(7,036)
Interest received		378,397	299,005
Interest paid		(151,919)	(124,849)
Net cash provided/(used) by operating activities		207,107	(503,468)
Cash flows from investing activities			
Resale agreements		(627,802)	566,450
Investment securities		(81,503)	14,000
Proceeds of disposal of property, plant and equipment		1,053	4,674
Additions to property, plant and equipment	11	(6,102)	(6,794)
Net cash (used)/provided by investing activities		(714,354)	578,330
Cash flows from financing activities			
Issue of bearer bonds		500,000	100,000
Redemption of bearer bonds		-	(250,000)
Other loan payable		-	(13,790)
Dividends paid	23	-	(11,297)
Net cash provided/(used) by financing activities		500,000	(175,087)
Net decrease in cash and cash equivalents		(7,247)	(100,225)
Cash and cash equivalents at beginning of year		9,759	109,984
Cash and cash equivalents at end of year		2,512	9,759

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

JAMAICA MORTGAGE BANK

Statement of Bank Cash Flows
Year ended March 31, 2008

	Notes	2008 $'000	2007 $'000
Cash flows from operating activities			
Profit/(loss) for the year		2,351	(152,015)
Adjustments to reconcile profit/(loss) loss for the year to net cash provided/(used) by operating activities:			
Depreciation	11	4,165	4,091
Gain on disposal of property, plant and equipment		(147)	(370)
Provision for impairment losses on loans	8(b)	105,437	461,783
Deferred taxation	22	40,361	(67,748)
Employee benefits		1,725	(3,616)
		153,892	(242,125)
Interest income		(408,993)	(496,270)
Interest expense		186,371	173,555
		(68,730)	(80,590)
(Increase)/decrease in operating assets and liabilities:			
Accounts receivable and prepaid expenses		(5,461)	(101,055)
Income tax recoverable		(3,218)	67,748
Loans receivable		74,611	(568,790)
Accounts payable and accrued charges		(9,150)	12,099
Loan payable to Ministry of Finance		(7,285)	(7,036)
Due to Mortgage Insurance Fund		-	-
Interest received		378,397	299,005
Interest paid		(151,919)	(124,849)
Net cash provided/(used) by operating activities		207,245	(503,468)
Cash flows from investing activities			
Resale agreements		(627,802)	566,450
Investment securities		(81,503)	14,000
Interest in subsidiary		(138)	-
Proceeds of disposal of property, plant and equipment		1,053	4,674
Additions to property, plant and equipment	11	(6,102)	(6,794)
Net cash (used)/provided by investing activities		(714,492)	578,330
Cash flows from financing activities			
Issue of bearer bonds		500,000	100,000
Redemption of bearer bonds		-	(250,000)
Other loan payable		-	(13,790)
Dividends paid	23	-	(11,297)
Net cash provided/(used) by financing activities		500,000	(175,087)
Net decrease in cash and cash equivalents		(7,247)	(100,225)
Cash and cash equivalents at beginning of year		9,759	109,984
Cash and cash equivalents at end of year		2,512	9,759

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

1. Identification

(a) The Jamaica Mortgage Bank ("Bank") was incorporated on June 15, 1973 under the Jamaica Mortgage Bank Act 1973 as a body corporate, 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 in Jamaica and its registered office is located at 33 Tobago Avenue, Kingston 5, Jamaica, which is its principal place of business.

(b) 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.

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

[i] lend money on mortgage and carry out any other transaction involving mortgages;

[ii] lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;

[iii] guarantee loans from private investment sources for building development;

[iv] furnish financial advice and provide or assist in obtaining managerial, technical and administrative services for persons engaged in building and development in Jamaica; and

[v] sell investments of whatever kind belonging to the Bank, as and when appropriate.

The present activities of the Bank are the:

- mobilization and disbursement, on a wholesale basis, of loan funds to finance housing development in Jamaica; and
- provision of mortgage insurance facilities.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

New and revised standards and interpretations that became effective during the year:

In preparing these financial statements, the Group adopted the standards and interpretations which became effective during the year, of which only IFRS 7 and the amendment to IAS 1 had any significant impact on the financial statements, viz:

IFRS 7 Financial Instruments: *Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures*. IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. The additional disclosures with respect to the group's financial instruments are shown at note 5. The amendment to IAS 1 requires an entity to disclose qualitative and quantitative information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of the financial statements, there were certain new standards, amendments to standards, and interpretations which were in issue but were not yet effective, and not adopted early, and have therefore not been applied in preparing these financial statements. Those which management considers may have an impact on the financial statements or are relevant are as follows:

- *IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* addresses the availability of a refund of surplus or a reduction in future contributions when a minimum funding requirement (MFR) exists. It becomes effective for accounting periods beginning on or after January 1, 2008. Management is considering what impact, if any, IFRIC 14 will have on the financial statements.

- *IAS 1 (revised 2007) Presentation of Financial Statements* requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and in a statement of comprehensive income. The standard becomes effective for annual reporting periods beginning on or after January 1, 2009. Management is considering what impact, if any, the revised IAS 1 will have on the financial statements.

- *IAS 23 Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 is effective for annual reporting periods beginning on or after January 1, 2009 and should have no impact on the financial statements.

- Amendments to *IAS 32 Financial Instruments: Presentation* and *IAS 1, Presentation of Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard is not expected to have any significant impact on the financial statements.

(b) Basis of measurement:

These financial statements are prepared on the historical cost basis, modified for the revaluation of available-for-sale investment securities.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Group, and rounded to the nearest thousand, unless otherwise stated.

2. Statement of compliance and basis of preparation (cont'd)

(d) 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.

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 recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements and, therefore, have a significant risk of material adjustment in the next year are as follows:

(i) Critical judgements in applying the Group's accounting policies

There are no critical judgements used in applying the Group's accounting policies that have a significant risk of material adjustment in the next financial year.

(ii) Key sources of estimation uncertainty

- Pension and other post-employment benefits:

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

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

2. Statement of compliance and basis of preparation (cont'd)

(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd):

(ii) Key sources of estimation uncertainty (cont'd)

- Allowance for loan losses:

  In determining amounts recorded for impairment of loans in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. These are done for individually significant loans. In a portfolio of loans that are not individually significant, indicators of impairment may not be observable on individual loans. In such a case the amount, if any, to be recorded for impairment is determined by applying factors, such as historical loss experience, to the portfolio, provided the loans in the portfolio have similar characteristics such as credit risks.

It is reasonably possible that outcomes within the next financial year that are different from the assumptions used could require a material adjustment to the carrying amounts reflected in the financial statements.

3. Significant accounting policies

(a) Revenue recognition:

(i) Interest income

Interest income is recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. 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 recognised 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, which are recognised in the income statement when the applicant for credit accepts the terms of the credit in writing. Other amounts included in other income are generally recognised on the accrual basis.

3. Significant accounting policies (cont'd)

(b) Interest expense:

Interest expense is recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial liability and is not revised subsequently. Interest expense includes coupons paid on fixed rate instruments and accretion of discount or amortization of premium on instruments issued at other than par.

(c) Financial assets and liabilities:

(i) Recognition

The Group initially recognises loans receivable and debt securities issued on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date – the date on which the Group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Group derecognises a financial asset when its contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred. Any interest in the financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies (cont'd)

(c) Financial assets and liabilities (cont'd):

(iv) 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.

(v) Identification and measurement of impairment:

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss 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 considers evidence of impairment at both the specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Group uses historical experience relating to defaults, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical experience.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

3. Significant accounting policies (cont'd)

(d) Investment securities:

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for on the basis of their classification as loans and receivables, held-to-maturity, fair value through profit or loss, or available-for-sale.

All of the Group's investment securities are designated as loans and receivables (see note 3(e).

(e) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) 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 collateralised lending, classified as loans and receivables [see note 3(e)], and the underlying asset is not recognised in the Group's financial statements. The difference between the purchase price and the amount receivable on resale is recognised 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.

(g) Consolidation:

The consolidated financial statements combine the financial position, results of operations and cash flows of the Bank and its wholly-owned subsidiary (note 7), made up to March 31, 2008, after eliminating all material intra-group amounts.

The Bank and its subsidiary are collectively referred to as "Group".

3. Significant accounting policies (cont'd)

(h) Property, plant and equipment and depreciation:

(i) Property, plant and equipment are stated at cost, less accumulated depreciation and, if any, impairment losses.

(ii) Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates, to write down the assets to their estimated residual values at the end of their expected useful lives. Leasehold improvements are depreciated over the shorter of the period of the lease and their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2.5%
Furniture, fixtures and office equipment	10% & 25%
Leasehold improvements	10%
Motor vehicles	20%

(i) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the income statement.

(j) Income tax:

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

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

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

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

3. Significant accounting policies (cont'd)

(k) 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, 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 recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

(iii) The effect on the financial statements of the undertaking to provide post-employment benefits, comprising pensions, are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Group's and Bank's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The Group operates a defined-benefit pension plan which is required to be funded (note 10). The 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 the balance sheet date on long-term government bonds of maturities approximating the terms of the Group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

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

To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over a period representing the average remaining working lives of staff members in the plan.

Where the calculation results in a pension surplus to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, less any unrecognised actuarial losses and past service costs.

3. Significant accounting policies (cont'd)

(l) Impairment of non-financial assets:

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Investment in subsidiary:

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

(n) Land held for development and sale:

Land held for development and sale is shown at the lower of cost and net realisable value.

(o) Cash and cash equivalents:

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(o) Investment properties:

Investment properties are carried at cost less impairment losses.

4. Resale agreements

At March 31, 2008, securities obtained and held under resale agreements had a fair value of $936,920,000 (2007: $319,066,000) for the Group and the Bank.

5. Accounts receivable and prepaid expenses

	Group and Bank	
	2008	2007
	$'000	$'000
Accrued interest on loans receivable	503,211	490,850
Accrued interest on deposits and investments	20,129	1,893
Other receivables and prepaid expenses	102,464	97,003
	625,804	589,746

Under the terms of an agreement, the Bank offsets the amount of principal and interest on the loan payable to the Ministry of Finance (note 14) which falls due during the year under review, against the amount of principal and interest on the loan receivable from the Ministry of Environment and Housing [note 8(c)] which fall due during the year under review, with the net amount being (receivable from)/payable to the Ministry of Finance. The accumulated net effect of the offset is a receivable from the Ministry of Finance of $14,614,000 (2007: $10,638,000), which is included in other receivables (above), made up substantially as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Balance with Ministry of Finance:		
Amount receivable at beginning of year	(10,638)	(7,120)
Current year portion of amount due to		
Ministry of Finance - Principal (see note 14)	7,285	7,036
- Interest	3,646	4,319
- Other	162	196
	11,093	11,551
	455	4,431
Current year portion of amount due from Ministry of Environment and Housing [note 8(c)]	(15,069)	(15,069)
Net amount receivable from the Ministry of Finance at end of year	(14,614)	(10,638)

6. Investment securities

	Group and Bank	
	2008	2007
	$'000	$'000
Bank of Jamaica Certificates of Deposit	26,694	-
Government of Jamaica securities:		
Investment debentures - 14% 2008 Series BC	15,670	-
Investment bond 2008/2009 Series AP	19,139	-
Investment bond 2010/2011 Series AU	20,000	-
	81,503	-

7. Interest in subsidiary

	Bank	
	2008	2007
	$'000	$'000
Ordinary shares	-	- *
Long-term loan	134,846	134,709
	134,846	134,709

* - Because of rounding to the nearest thousand, the carrying value of ordinary shares in the amount of $2 is not reflected.

On January 5, 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 July 5, 1999, the subsidiary commenced operations, however, it is currently inactive.

The long-term loan, which represents draw-downs 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 includes past-due amount of $134,846,000 (2007: $134,709,000). The loan is interest-free. It is supported by a promissory note and is to be secured on land owned by the subsidiary.

8. Loans receivable

		Group and Bank	
		2008	2007
		$'000	$'000
Construction loans – non-governmental borrowers [see (a) below]		1,876,131	2,015,161
Less: Allowance for impairment losses [see (b) below]		(678,900)	(573,463)
		1,197,231	1,441,698
Construction loans – Ministry of Environment and Housing [see (c) below]		56,343	63,357
Mortgages [see (d) below]	- Staff	24,211	10,355
	- Other	343,068	285,491
		1,620,853	1,800,901

(a) Construction loans are secured and carry varying interest rates. The loans are repayable over periods of 12 to 24 months.

8. Loans receivable (cont'd)

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

	Group and Bank	
	2008	2007
	$'000	$'000
At beginning of year	573,463	131,785
Charged against revenue during the year	105,437	461,783
Bad debts written off	-	(20,105)
At end of year	678,900	573,463

(c) These loans were granted for housing construction. They are being repaid over periods of 15 to 25 years and carry varying interest rates.

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

9. Land held for development and sale

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

(i) The property held by the subsidiary was 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 subsidiary shall be beneficially entitled to the remaining eighty percent (80%) of such residential serviced lots.

The property concerned is "The Reserves" – Non Pariel, with valuation of $76,850,000.

The property was valued on the open market basis at the amount shown by Edwin Tulloch-Reid and Associates in July 2004.

The Board and Management of the Group expect to receive additional lands with a 2002 valuation so as to bring the total such lands held to a 2002 valuation of not less than $194 million.

(ii) There are three other properties held by the Bank, as follows:

	2008	2007
	$'000	$'000
Phoenix Park	81,110	81,110
Mount Gotham	65,000	65,000
Bridge Water	1,058	1,058
	147,168	147,168

10. Employee 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, under the control of trustees. The plan is administered, since August 1993, by a life assurance company; prior to that date it was administered by the trustees.

The plan requires the establishment of a fund which is subject to triennial actuarial valuations, carried out by an independent firm of actuaries. The latest actuarial valuation for funding purposes, undertaken as at July 31, 2006, indicated a past service surplus of $17.6 million. The actuaries have recommended that, based on the value of the fund, contributions of 7.8% of pensionable salaries should be made by the Bank. Contributions during the year were at a rate of 10% of pensionable salaries. The next valuation will become due on July 31, 2009.

The employees of the Bank pay a basic contribution of 5% of annual earnings with the option to contribute an additional 5% of earnings. The pensionable earnings is the average annual earnings over the three years prior to retirement and contributions are vested after ten years of pensionable service.

(b) The amounts recognised in the financial statements in respect of the plan are as follows:

(i) Plan asset recognised in the balance sheets

	Group and Bank	
	2008	2007
	$'000	$'000
Present value of funded obligations	(60,234)	(49,464)
Fair value of plan assets	76,720	68,158
	16,486	18,694
Unrecognised actuarial gains	-	(483)
Recognised asset	16,486	18,211

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

	Group and Bank	
	2008	2007
	$'000	$'000
Net asset at beginning of year	18,211	14,595
Contributions paid	3,496	3,381
Expense recognised in the income statements	(5,221)	235
Net asset at end of year	16,486	18,211

10. Employee benefits (cont'd)

(b) The amounts recognised in the financial statements in respect of the plan are as follows (cont'd):

(iii) Expense recognised in the income statements:

	Group and Bank	
	2008	2007
	$'000	$'000
Current service cost	4,008	2,490
Interest on obligation	5,267	4,048
Actuarial loss recognised	4,295	-
Expected return on plan assets	(8,349)	(6,773)
Expense/(income) recognised in the income statements (note 19)	5,221	(235)
Actual return on plan assets	8%	15%

(c) Movements in fair value of plan assets:

	Group and Bank	
	2008	2007
	$'000	$'000
Fair value of plan assets at beginning of year	68,158	53,631
Contributions paid	6,165	5,909
Expected return on plan assets	8,349	6,773
Benefits paid	(3,244)	325
Actuarial gain/(loss)	(2,708)	1,520
Fair value of plan assets at end of year	76,720	68,158
Plan assets consist of the following:		
Equities	9,554	7,316
Fixed income securities	58,199	53,200
Real estate	8,477	7,007
Bank balances	10	167
Other	480	468
	76,720	68,158

10. Employee benefits (cont'd)

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages based on the plan assets of the plan).

	Group and Bank	
	2008	2007
	%	%
Discount rate at March 31	12.50	12.50
Expected return on plan assets at March 31	12.50	12.50
Future salary increases	10.00	10.00
Future pension increases	3.50	3.50

(e) Historical information

	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Present value of the defined obligation	60,234	49,464	33,794	27,411	21,301
Fair value of plan assets	(76,720)	(68,158)	(53,631)	(44,426)	(31,674)
Surplus in plan	(16,486)	(18,694)	(19,837)	(17,015)	(10,373)
Experience adjustments arising on plan liabilities	2,070	6,279	(829)	(372)	435
Experience adjustments arising on plan assets	2,708	(1,520)	353	4,162	5,525

(f) The estimated contributions expected to be paid into the pension fund during the next financial year is $7,628,000.

11. Property, plant and equipment

Group

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Total $'000
Cost:							
March 31, 2006	3,000	56,330	317	22,546	110	6,364	88,667
Additions	-	4,452	-	1,107	-	1,235	6,794
Disposals	-	-	(317)	(761)	-	(6,364)	(7,442)
March 31, 2007	3,000	60,782	-	22,892	110	1,235	88,019
Additions	-	-	-	652	-	5,450	6,102
Disposals	-	-	-	-	-	(1,235)	(1,235)
March 31, 2008	3,000	60,782	-	23,544	110	5,450	92,886
Depreciation:							
March 31, 2006	-	12,329	-	13,036	77	2,536	27,978
Charge for the year	-	1,427	-	2,393	11	271	4,102
Eliminated on disposals	-	-	-	(169)	-	(2,652)	(2,821)
March 31, 2007	-	13,756	-	15,260	88	155	29,259
Charge for the year	-	1,429	-	2,299	11	437	4,176
Eliminated on disposals	-	-	-	-	-	(329)	(329)
March 31, 2008	-	15,185	-	17,559	99	263	33,106
Net book values:							
March 31, 2008	3,000	45,597	-	5,985	11	5,187	59,780
March 31, 2007	3,000	47,026	-	7,632	22	1,080	58,760
March 31, 2006	3,000	44,001	317	9,510	33	3,828	60,689

11. Property, plant and equipment (cont'd)

Bank

	Freehold land $'000	Freehold buildings $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Cost:					
March 31, 2006	3,000	56,330	22,546	6,364	88,240
Additions	-	4,452	1,107	1,235	6,794
Disposals	-	-	(761)	(6,364)	(7,125)
March 31, 2007	3,000	60,782	22,892	1,235	87,909
Additions	-	-	652	5,450	6,102
Disposals	-	-	-	(1,235)	(1,235)
March 31, 2008	3,000	60,782	23,544	5,450	92,776
Depreciation:					
March 31, 2006	-	12,329	13,036	2,536	27,901
Charge for the year	-	1,427	2,393	271	4,091
Disposals	-	-	(169)	(2,652)	(2,821)
March 31, 2007	-	13,756	15,260	155	29,171
Charge for the year	-	1,429	2,299	437	4,165
Disposals	-	-	-	(329)	(329)
March 31, 2008	-	15,185	17,559	263	33,007
Net book values:					
March 31, 2008	3,000	45,597	5,985	5,187	59,769
March 31, 2007	3,000	47,026	7,632	1,080	58,738
March 31, 2006	3,000	44,001	9,510	3,828	60,339

12. Accounts payable and accrued charges

	Group		Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest payable	61,733	27,280	61,733	27,280
Other	9,877	18,999	9,688	18,839
	71,610	46,279	71,421	46,119

13. Bonds payable

	Group and Bank	
	2008	2007
	$'000	$'000
Shelter Bond VI [see (a) below]	400,000	400,000
Shelter Bond VII [see (b) below]	100,000	100,000
Shelter Bond VIII [see (c) below]	500,000	500,000
Shelter Bond IX [see (d) below]	500,000	-
	1,500,000	1,000,000

	Group and Bank	
	2008	2007
	$'000	$'000
Due within 12 months of the balance sheet date	-	-
Due thereafter	1,500,000	1,000,000
	1,500,000	1,000,000

The Bank maintains a segregated sinking fund for the redemption of the Bonds, these are designated investments that it holds in a particular financial institution as the sinking fund; this fund is managed internally by the Bank.

(a) In January 2006, the Bank issued shelter Bond VI at 1% above the weighted average treasury bill rate. These bonds are repayable in full on January 31, 2010.

(b) In May 2006, the Bank issued Shelter Bond VII at 1% above the weighted average treasury bill rate. The bonds are repayable in full on January 31, 2010.

(c) In March 2006, the Bank issued Shelter Bond VIII at 1.124% above the weighted average treasury bill rate. The bonds are repayable in full on January 31, 2011.

(d) In May 2007, the Bank issued Shelter Bond IX at 1.5% above the weighted average treasury bill rate. The bonds are repayable in full on April 30, 2012.

The weighted average treasury bill yield rate used is that from the most recent auction of six month treasury bills prior to the commencement of the particular interest period.

14. Loan payable to Ministry of Finance

The amount due to the Ministry of Finance represents the following outstanding Jamaica dollar balances of overseas loans, for the repayment of which the Ministry of Finance took responsibility, on their original terms, with the Bank thereby becoming indebted to the Ministry (see note 5):

			Group and Bank				
			2008	Paid during the year	2007	Paid during the year	2006
			$'000	$'000	$'000	$'000	$'000
Loan Schedules	Rate % per annum	Year of final repayment					
532-HG-010 Schedule L3	9.23	2008	-	(2,549)	2,549	(2,330)	4,879
532-HG-011 Schedule L4	10.00	2012	8,010	(1,780)	9,790	(1,780)	11,570
532-HG-012A Schedule L5	10.00	2014	10,311	(1,473)	11,784	(1,473)	13,257
532-HG-012B Schedule L6	10.00	2016	8,800	(1,100)	9,900	(1,100)	11,000
Garveymeade Schedule L11	8.00	2017	5,205	(383)	5,588	(353)	5,941
			32,326	7,285	39,611	(7,036)	46,647
Amounts due within 12 months of the balance sheet date			7,837		7,285		7,036
Due thereafter			24,489		32,326		39,611
			32,326		39,611		46,647

15. Deferred tax asset/(liability)

(a) The deferred tax asset and liability are attributable to the following:

Group and Bank

	Asset		Liability		Net	
	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	1,704	1,395	-	-	1,704	1,395
Employee benefits	-	-	(5,495)	(6,070)	(5,495)	(6,070)
Accounts payable and accrued charges	21,563	10,024	-	-	21,563	10,024
General bad debt provision	-	30,587	-	-	-	30,587
Loss carried forward	85,979	97,783	-	-	85,786	97,783
Accounts receivable and prepaid expenses	-	-	(174,448)	(164,248)	(174,448)	(164,248)
	109,246	139,789	(179,943)	(170,318)	(70,890)	(30,529)

15. Deferred tax asset/(liability) (cont'd)

(b) Movement on deferred tax liability during the year is as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Net deferred tax liability at beginning of year	(30,529)	(98,277)
Net movement for the year (note 22)	(40,361)	67,748
Net deferred tax liability at end of year	(70,890)	(30,529)

16. Share capital

	Group and Bank	
	2008	2007
	$'000	$'000
Authorised, issued and fully paid:		
500,000,000 ordinary shares of $1 each	500,000	500,000

17. 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 16), no further transfers are required (see also note 18).

18. 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 17).

19. Staff number and cost

The number of persons in the Group's and the Bank's employment at the end of the year was 27 (2007: 27).

The aggregate cost of these employees was as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Salaries and wage-related expenses	47,511	54,669
Statutory payroll contributions	3,860	3,035
Employee benefit expense [note 10(b)(iii)]	5,221	(235)
Staff welfare	842	2,930
	57,434	60,399

20. Profit/(loss) before income tax

The following are among the items charged in arriving at profit/(loss) before income tax:

			Group		Bank	
			2008	2007	2008	2007
			$'000	$'000	$'000	$'000
Depreciation			4,176	4,102	4,165	4,091
Directors emoluments	-	fees (note 24)	500	456	500	456
	-	management remuneration	Nil	Nil	Nil	Nil
Auditors' remuneration	-	current year	2,080	2,003	1,900	1,623

21. Income tax

(a) The income tax charge is computed at the rate of 33⅓% of the Group's and Bank's results for the year as adjusted for tax purposes, and is made up as follows:

	Group		Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
(i) Current:				
Provision for charge on current year's results	-	-	-	-
(ii) Deferred:				
Origination and reversal of temporary differences [note 15(b)]	40,361	(67,761)	40,361	(67,748)
Total income tax (credit)/charge recognised in the income statements	40,361	(67,761)	40,361	(67,748)

22. Income tax (cont'd)

(b) The effective tax rate was 94.89% (2007: 30.78%) for the Group and 95.50% (2007:30.83%) for the Bank compared to a statutory rate of $33^1/3$% (2007:$33^1/3$%). The actual tax charge differed from the expected tax charge for the year as follows:

	Group		Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit/(loss) before income tax	42,535	(220,113)	42,712	(219,763)
Computed "expected" tax expense	14,178	(73,371)	14,238	73,255
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Depreciation and capital allowances	410	(670)	350	670
Other	25,773	6,280	25,773	(6,177)
Actual tax charge/(credit) recognised in the income statement	40,361	(67,761)	40,361	(67,748)

(c) At the balance sheet date, taxation losses, subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately $353,000,000 (2007: $389,000,000) for the Group and $260,000,000 (2007: $293,000,000) for the Bank.

No deferred tax asset is recognised in respect of taxation losses in the books of the subsidiary as management believes that it is unlikely that, in the foreseeable future, the subsidiary will have sufficient taxable profits against which the asset can be utilised.

23. Dividends paid

	Group and Bank	
	2008 $'000	2007 $'000
Final paid in respect of 2006 @ $0.02259 per share	-	11,297

24. Related party balances and transactions

A party is related to the 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*) of the Bank;

(c) the party is a joint venture in which the Bank is a venturer (see IAS 31, *Interests in Joint Ventures*);

(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 an 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.

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

Balances (payable to) / receivable from key management are as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Accounts payable	1,592	1,698
Staff loans	4,242	16,046

Key management compensation is as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Directors fees (note 20)	500	456
Short-term employee benefits	21,055	27,378
Post-employment benefits	1,411	(65)
	22,966	27,769

25. 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:

- credit risk
- market risks
- liquidity risk
- operational risk

The notes present information about the Group's exposure to each of the above risks, 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 analyse 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.

The Group does not make use of derivative instruments as part of its overall risk management activities at this time. Therefore, 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 company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from investing activities, lending and deposits with other institutions. Balances arising from these activities include loans and other receivables, debt securities, resale agreements, cash and cash equivalents and accounts receivable.

25. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

The Group has credit policies aimed at minimising 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 exclusively Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and sinking fund investments are held with financial institutions that management believes do not present any significant credit risk.

(i) 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 authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

(ii) Cash and cash equivalents:

These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

(iii) Investment securities:

With regard to investments, there is a significant concentration in securities issued or guaranteed by Government of Jamaica. The Group manages the level of risk it undertakes by investing substantially in short-term investments which are Government of Jamaica securities.

No investment securities were considered impaired at the balance sheet date.

(iv) Resale agreements and certificates of deposit:

Collateral is held for all resale agreements other than those acquired from the Bank of Jamaica.

(v) Accounts receivable:

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.

The impairment provision shown in the balance sheet at year end is specifically applied to the portion of loans and interest receivable deemed uncollectible by the Group.

25. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

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 balance sheets, as follows:

	Group		Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and cash equivalents	2,512	9,759	2,512	9,759
Loans receivable	1,620,853	1,800,901	1,620,853	1,800,901
Resale agreements	936,920	309,118	936,920	309,118
Investments	81,503	-	81,503	-
Accounts receivable	625,804	589,746	625,804	589,746
Loan commitments	127,995	577,243	127,995	577,243

Impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Group believe that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

Credit quality of loans is summarised as follows:

	Group and Bank	
	2008	2007
	$'000	$'000
Past due but not impaired	575,600	356,886
Aging analysis of past due but not impaired		
Within 3 months	60,959	-
3 months – 12 months	112,279	-
Over 12 months	402,362	356,886
Total carrying amount	575,600	356,886

25. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

Exposure to credit risk (cont'd)

Loans with renegotiated terms:

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring. The Group did not restructure any loan during the course of the year.

Allowances for impairment:

The Group has established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. This allowance specifically covers the loss that relates to individual loans assessed as being impaired.

Write-off policy:

The Group writes off a loan (and any related allowances for impairment losses) when the Group determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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 loans by summarising the credit exposure to borrowers, by category:

Group:

	2008 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	1,876,131	343,068	2,219,199
Government	56,343	-	56,343
Staff	-	24,211	24,211
	1,932,474	367,279	2,299,753

25. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

Exposure to credit risk (cont'd)

Group:

	2007 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,015,161	285,491	2,300,652
Government	63,357	-	63,357
Staff	-	10,355	10,355
	2,078,518	295,846	2,374,364

Bank:

	2008 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	1,876,131	343,068	2,219,199
Government	56,343	-	56,343
Staff	-	24,211	24,211
	1,932,474	367,279	2,299,753

	2007 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,015,161	285,491	2,300,652
Government	63,357	-	63,357
Staff	-	10,355	10,355
	2,078,518	359,203	2,374,364

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

Collateral:

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

Collateral is not generally held against deposits and investment securities, and no such collateral was held at March 31, 2008 or 2007.

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

25. Financial Risk Management (cont'd)

(b) Market risks:

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 optimising 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 limited foreign currency assets, and that it has no significant exposure to equity price risk as it has no financial assets which are to be realised by trading in the securities market.

(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 following table summarises the carrying amounts of balance sheet 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

	2008					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	2,512	2,512
Resale agreements	43,893	379,466	513,561	-	-	936,920
Accounts receivable	-	-	-	-	625,804	625,804
Investment securities	-	46,694	-	34,809	-	81,503
Loans receivable	-	60,959	289,661	1,270,233	-	1,620,853
Total financial assets	43,893	487,119	803,222	1,305,042	628,316	3,267,592
Accounts payable	-	-	-	-	71,610	71,610
Bonds payable	-	-	-	1,500,000	-	1,500,000
Loan payable to Ministry of Finance	-	-	-	32,326	-	32,326
Total financial liabilities	-	-	-	1,532,326	71,610	1,603,936
Interest rate sensitivity gap*	43,893	487,119	803,222	(227,284)	556,706	1,663,656
Cumulative gap	43,893	531,012	1,334,234	1,106,950	1,663,656	-

25. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'):

Bank

	2008					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	2,512	2,512
Resale agreements	43,893	379,466	513,561	-	-	936,920
Accounts receivable	-	-	-	-	625,804	625,804
Investment securities	-	46,694	-	34,809	-	81,503
Loans receivable	-	60,959	289,661	1,270,233	-	1,620,853
Total financial assets	43,893	487,119	803,222	1,305,042	628,316	3,267,592
Accounts payable	-	-	-	-	71,421	71,421
Bonds payable	-	-	-	1,500,000	-	1,500,000
Loan payable to Ministry of Finance	-	-	-	32,326	-	32,326
Total financial liabilities	-	-	-	1,532,326	71,421	1,603,747
Interest rate sensitivity gap*	43,893	487,119	803,222	(227,284)	556,895	1,663,845
Cumulative gap	43,893	531,012	1,334,234	1,106,950	1,663,845	-

Group

	2007					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	5,361	3,780	-	618	9,759
Resale agreements	36,183	101,893	171,042	-	-	309,118
Accounts receivable	-	-	-	-	589,746	589,746
Loans receivable	-	269,964	392,913	1,138,024	-	1,800,901
Total financial assets	36,183	377,218	567,735	1,138,024	590,364	2,709,524
Accounts payable	-	-	-	-	46,279	46,279
Bonds payable	-	-	-	1,000,000	-	1,000,000
Loan payable to Ministry of Finance	-	-	-	39,611	-	39,611
Total financial liabilities	-			1,039,611	46,279	1,085,890
Interest rate sensitivity gap*	36,183	377,218	567,735	98,413	544,085	1,623,634
Cumulative gap	36,183	413,401	981,136	1,079,549	1,623,634	-

25. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'):

Bank

	2007					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	5,361	3,780	-	618	9,759
Resale agreements	36,183	101,893	171,042	-	-	309,118
Accounts receivable	-	-	-	-	589,746	589,746
Loans receivable	-	269,964	392,913	1,138,024	-	1,800,901
Total financial assets	36,183	377,218	567,735	1,138,024	590,364	2,709,524
Accounts payable	-	-	-	-	46,119	46,119
Bonds payable	-	-	-	1,000,000	-	1,000,000
Loan payable to Ministry of Finance	-	-	-	39,611	-	39,611
Total financial liabilities				1,039,611	46,119	1,085,730
Interest rate sensitivity gap*	36,183	377,218	567,735	98,413	544,245	1,623,794
Cumulative gap	36,183	413,401	981,136	1,079,549	1,623,794	-

* The gap relates to balance sheet items; there are no off-balance sheet financial instruments.

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

	2008				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
Cash and cash equivalents	-	-	-	-	-
Resale agreements	11.49	12.98	13.86	-	13.17
Loans receivable		18.00	18.72	18.03	18.15
Bonds payable	-	-	16.11	-	16.11
Loan payable to Ministry of Finance	-	-	9.78	9.68	9.67

25. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'):

Group and Bank

	2007				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
Cash and cash equivalents	-	2.00	8.00	-	4.48
Resale agreements	-	6.06	11.81	-	10.67
Loans receivable	-	18.20	19.09	17.87	18.11
Bonds payable	-	-	13.30	-	13.30
Loan payable to Ministry of Finance	-	-	0.01	9.07	9.67

Sensitivity analysis

A change of 200 basis points (2%) in interest rates would have increased or decreased profit and reserves of the Bank by the amounts shown. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	March 31, 2008	March 31, 2007
	$'000	$'000
Effect on profit/loss	20,055	6,182

(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 is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The main currency giving rise to this risk is the United States dollar.

The Group has limited exposure to foreign currency risk on transactions that are denominated in foreign currencies. The Group manages this risk by keeping abreast of exchange rates on a daily basis. The exposure to foreign exchange rate changes is in respect of a deposit of US$920,000 (2007:US$460,000).

25. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

(ii) Foreign currency risk (cont'd):

Sensitivity analysis

A 5 percent strengthening or weakening of the Jamaica dollar against the US$ at March 31 would, respectively, have increased or decreased profit by $3,257,000 (2007:$1,555,000). The analysis assumes that all other variables, in particular, interest rates, remain constant.

The analysis is performed on the same basis as for 2007.

(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 and liquid market less loan commitments to borrowers within the coming year

25. Financial Risk Management (cont'd)

(c) Liquidity risk (cont'd):

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

Group

	2008 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts Payable	4,011	-	5,867	-	-	9,878
Due to Min. of Finance	-	-	515	32,326	-	32,841
Bonds Payable	31,462	17,875	11,880	1,500,000	-	1,561,217
	35,473	17,875	18,262	1,532,326	-	1,603,936

	2007 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts payable	2,782	-	16,217	-	-	18,999
Due to Min. of Finance	-	-	586	39,611	-	40,197
Bonds Payable	10,284	16,410	-	1,000,000	-	1,026,694
	13,066	16,410	16,803	1,039,611	-	1,085,890

Bank:

	2007 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts payable	4,011	-	5,678	-	-	9,689
Due to Min. of Finance	-	-	515	32,326	-	32,841
Bonds payable	31,462	17,876	11,880	1,500,000	-	1,561,218
	35,473	17,876	18,073	1,532,326	-	1,603,748

	2007 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts payable	2,782	-	16,057	-	-	18,839
Due to Min. of Finance	-	-	586	39,611	-	40,197
Bonds payable	10,283	16,411	-	1,000,000	-	1,026,694
	13,066	16,411	16,643	1,039,611	-	1,085,730

There has been no change in the Group's exposure to liquidity risk or its approach to managing liquidity risk.

(d) Operational risk:

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

25. Financial risk management (cont'd)

(d) Operational risk: (cont'd)

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

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

(e) Capital management:

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 Act (see note 17) and stated Board policy (see note 18), the Bank is required to set aside retained profits in special reserves.

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

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 fulfill 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.

26. Financial assets and liabilities – accounting classifications and fair values

Group

		2008			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		2,512	-	2,512	2,512
Resale agreements	4	936,920	-	936,920	936,920
Accounts receivable and prepaid expenses	5	625,804	-	625,804	625,804
Investment securities	6	81,503	-	81,503	81,714
Loans receivable	8	1,620,853	-	1,620,853	1,620,853
		3,267,592	-	3,267,592	3,267,803
LIABILITIES					
Accounts payable and accrued charges	12	-	71,610	71,610	71,610
Bonds payable	13	-	1,500,000	1,500,000	1,453,703
Loan payable to Ministry of Finance	14	-	32,326	32,326	32,326
		-	1,603,936	1,603,936	1,557,639

Group

		2007			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		618	-	618	618
Other cash and bank balances		9,141	-	9,141	9,141
		9,759	-	9,759	9,759
Resale agreements	4	309,118	-	309,118	309,118
Accounts receivable and prepaid expenses	5	589,746	-	589,746	589,746
Loans receivable	8	1,800,901	-	1,800,901	1,800,901
		2,709,524	-	2,709,524	2,709,524
LIABILITIES					
Accounts payable and accrued charges	12	-	46,279	46,279	46,279
Bonds payable	13	-	1,000,000	1,000,000	973,802
Loan payable to Ministry of Finance	14	-	39,611	39,611	39,611
			1,085,890	1,085,890	1,059,692

26. Financial assets and liabilities – accounting classifications and fair values

Bank

		2008			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		2,512	-	2,512	2,512
Resale agreements	4	936,920	-	936,920	936,920
Accounts receivable and prepaid expenses	5	625,804	-	625,804	625,804
Investment securities	6	81,503	-	81,503	81,714
Loans receivable	8	1,620,853	-	1,620,853	1,620,853
		3,267,592	-	3,267,592	3,267,803
LIABILITIES					
Accounts payable and accrued charges	12	-	71,421	71,421	71,421
Bonds payable	13	-	1,500,000	1,500,000	1,453,703
Loan payable to Ministry of Finance	14	-	32,326	32,326	32,326
		-	1,603,747	1,603,747	1,557,450

Bank

		2007			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		618	-	618	618
Other cash and bank balances		9,141	-	9,141	9,141
		9,759	-	9,759	9,759
Resale agreements	4	309,118	-	309,118	309,118
Accounts receivable and prepaid expenses	5	589,746	-	589,746	589,746
Loans receivable	8	1,800,901	-	1,800,901	1,800,901
		2,709,524	-	2,709,524	2,709,524
LIABILITIES					
Accounts payable and accrued charges	12	-	46,119	46,119	46,119
Bonds payable	13	-	1,000,000	1,000,000	973,802
Loan payable to Ministry of Finance	14	-	39,611	39,611	39,611
		-	1,085,730	1,085,730	1,059,532

27. Commitments

Loans approved but not disbursed by the Group and the Bank at March 31, 2008 amounted to $127,995,000 (2007: $577,243,000).

28. Costs of and Funding for Administration of Mortgage Insurance Act

Under Section 25 of the Jamaica Mortgage Bank Act 1973, the Jamaica Mortgage Bank is responsible to administer 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 *one-fifth 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 Consolidated Fund.

	2008 $'000	2007 $'000
Cost of Administration of Mortgage Insurance Act		
Bank charges and interest	19	19
Salaries and related expenses	1,640	1,477
Pension scheme contributions	124	117
Commission	3	-
Other	34	59
Audit fees	230	220
Total costs	2,050	1,892
Funded by:		
Contribution of:		
One-fifth of Mortgage Loan Insurance fees	717	529
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	2	3
	719	532
Contributed by the Mortgage Insurance Fund	1,331	1,360
Total funding	2,050	1,892

29. Litigation

A claim has been brought by a former employee against the Bank for alleged breach of his contract of employment.

No provision has been made in the financial statements in this regard.

CORPORATE INFORMATION

Registered Office
33 Tobago Avenue
Kingston 5

Auditors
KPMG
6 Duke Street
Kingston

Bankers

RBTT Bank Jamaica Ltd.
17 Dominica Drive
Kingston 5

National Commercial Bank
1 Knutsford Boulevard
Kingston 5

Attorneys-at-Law

Livingston Alexander & Levy
72 Harbour Street
Kingston

Myers, Fletcher & Gordon
21 East Street
Kingston

Nicholson Phillips
2nd Floor
The Courtleigh Corporate Centre
8 St. Lucia Avenue
Kingston 5

Ramsay Stimpson
Swallowfield Office Park
Suite 3 North Block
3 South Avenue
Kingston 5

DunnCox
48 Duke Street
Kingston

CORPORATE INFORMATION

Departments

Finance & Accounts
- Financial and Management Accounting
- Management Information Systems
- Treasury and Cash Management

Projects and Planning
- Project Financing
- Mortgage-backed Securities
- Project Appraisal and Monitoring
- Risk Analysis

Mortgage Indemnity Insurance
- Evaluating proposals for insurance coverage for housing schemes
- Claims processing
- Issuing of Undertaking-to-Insure
- Preparation of mortgage insurance policies
- Promotion of mortgage insurance facilities

Corporate Services, Human Resource & Administration
- Policy Developement & Administration
- Human Resource Management
- General Administration
- Public Relations

Corporate Secretarial/Legal
- Legal Conveyancing including title registration
- Corporate Secretarial activities including corporate governance and Board of Directors issues.
- General Legal Services

GROSS SALARIES FOR SENIOR MANAGERS

	$
General Manager	6,125,000
Department Directors	4,093,790
Managers	3,080,169