JAMAICA MORTGAGE BANK

2006

ANNUAL REPORT

TWO

Contents

Letter of Transmittal

July 31, 2006

Hon. Robert Pickersgill,
Minister of Housing,
Transport, Water and Works
6 St. Lucia Avenue
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, 2006 and a copy of the Statement of the Bank's Accounts at March 31,2006, duly certified by the Auditors.

Yours respectfully,

Genefa Hibbert
Chairman

Vision

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

Mission Statement

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

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.

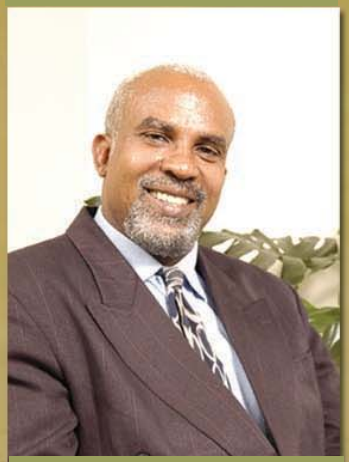
BOARD OF DIRECTORS

Genefa Hibbert - CHAIRMAN

Milverton Reynolds
GENERAL MANAGER

Sharon Weber

Annalise Harewood



John Thompson

K. Churchill Neita

Neville Blythe

Management Team

JANET HINES
Director Of Finance

HOPE BARNETT
Director - Corporate Services, Human Resource & Administration

MILVERTON REYNOLDS
GENERAL MANAGER

MARCIA MILLER
Manager - Projects & Planning

DONNA SAMUELS STONE
Corporate Secretary/Legal Officer

PATRICK PEART
Director - Projects & Planning

Message from the Chairman & General Manager

It is with pride that we present the Jamaica Mortgage Bank's annual report for the fiscal year 2005/2006. Despite the extremely challenging environment in which we operate, the Jamaica Mortgage Bank (JMB) remains a profitable and viable entity, recording after tax profits of $113M for the year under review and continues to make progress toward achieving its vision "to finance safe and affordable housing so that all Jamaicans will have access to home ownership".

At the end of the financial year, March 31, 2006, the Bank's total assets stood at $3.561 B, a growth of 22% over the previous year. Loan commitments and total revenue also increased over the previous year with loan commitments totalling $3.55B, an increase of 45%, while total revenue increased by $41M or 11%, with 69% of the revenue earned coming from loan related activities, which indicates that the JMB is fulfilling its mandate and is making a significant contribution to the stock of affordable housing solutions.

When the Bank was established in 1971, one of its objectives was to foster the development of affordable housing island-wide. The JMB has lived up to this goal and in so doing has contributed to the enrichment of the lives of thousands of Jamaicans.

We will all agree that the provision of housing is one of the most critical goals for any nation. The purchase of a home is the largest and most important financial investment that most Jamaicans will make in their lifetime. It is a goal dear to the hearts of the majority of our people.

Home ownership helps in building wealth and provides the foundation upon which a strong family can be built. This in turn helps to stabilize neighbourhoods and build communities, and as we know, strong and stable communities make for positive national development. In its effort to make homeownership more affordable, the JMB took the bold step at the beginning of 2006 to reduce its lending rates to developers by 3 percentage points in the hope that the savings will be passed on to new homeowners.

The JMB demonstrates all signs of continued growth and stability, which ensures that the Bank will continue to make a meaningful contribution to nation building. Currently, the JMB has a portfolio of thirty-four (34) active projects island-wide, providing 4297 housing solutions.

The Government of Jamaica's Mortgage Insurance Fund, which the JMB has managed since 1973, has to date issued 25,564 policies with total face value exceeding $722 M. The Mortgage Insurance Fund stood at $765 M as at March 31, 2006, recording a 16% growth over the previous year.

The JMB decided to jump-start the Secondary Mortgage Market by originating some mortgages of its own to form the base of the pool. The portfolio created had disbursements totalling $220M as at the end of the year under review.

During 2005/2006, the Bank forged strategic new alliances with other financial institutions, both at home and abroad, to source lower cost funds and concluded a Line of Credit Agreement with the Economic and Social Development Bank of Venezuela (BANDES) through the San Jose Accord. Through this arrangement the JMB will be able to access up to US$2 million at a beneficial interest rate, which will allow the Bank to move into the international financial market and to pass on to its developers, a new and competitive source of funding.

For the next financial year, 2006/2007, the Bank will be raising $1Billion through the issue of Shelter Bonds and strategic alliances with the local building societies to fund an ambitious programme for the year.

In order to improve its effectiveness and efficiency in support of its vision, the JMB is undertaking a comprehensive review of its operations and will implement changes in the 2006/2007 financial year to ensure that the Bank remains relevant and responsive to the needs of our stakeholders.

We recognize that none of our achievements would have been possible without the guidance of our board of directors, the hard work and dedication of the Bank's management and staff and the support of our portfolio Minister and Ministry and so to them we say "Thank you."

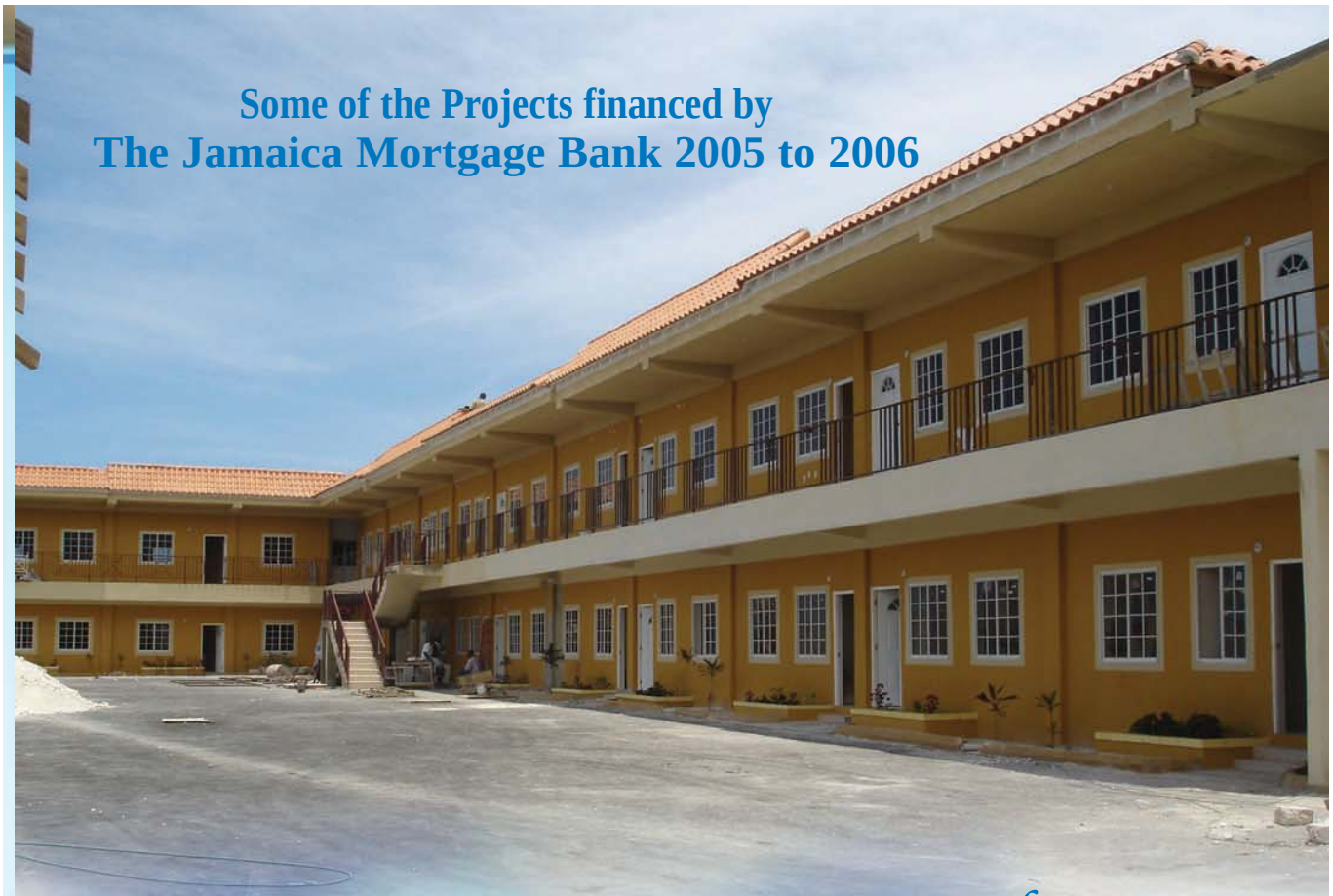
We look forward to meeting the challenges of the new year, knowing we have a strong support team, one that will take us closer to realizing our vision and ensuring that more Jamaicans can experience the emotions expressed in the words of the 19th century poet J.H. Payne, who wrote: "Mid pleasures and palaces though we may roam, be it ever so humble, there's no place like home."

New Projects Financed by The Jamaica Mortgage Bank

April 2005 to March 2006

PROJECT	DEVELOPER	LOCATION	NO. OF UNITS
Adventure Plaza	Adventure Plaza Ltd.	St. Catherine	**20** Shops
Altamont Crescent	Housing and Resort Developers	St. Andrew	**30** Apartments
Armour Villas	Marvel Homes	St. Andrew	**4** Townhouse
Cedar Grove	Expert 2010	St. Catherine	**28** Apartments
Greenside Housing Development	Selco 2002	Trelawany	**16** 3 Bedroom
Greenwich Estate	Kemtek	St. Ann	**134** 2 Bedroom units
Ironshore Housing	Northwest Construction	St. James	**16** Townhouse
Kes Multi Project	Kes Development Ltd.	St. Andrew	**28** Townhouse/ Apartments
Kingsway Town House	Y.P Seaton & Associates	St. Andrew	**26** 3 Bedroom Townhouse
Mango Walk	Selective Homes Montego bay Ltd.	St. James	**258** 2 Bedroom Townhouse
Marley Road	Marley Road Development Co.	St. Andrew	**32** Apartments & Townhouse
Monte Cristo	RCJA	St. Andrew	**30** Apartments/ Townhouse
Orchid Estates	Wilson Park Estate	St. Thomas	**73** 2 Bedroom units
Pines of Karachi	Marley and Plant	St. Andrew	**23** 2 Bedroom Townhouse
Pleasant Valley	Altar Development	St. Andrew	**20** Apartments
Providence	E and W Construction	Manchester	**154** Lots
Rovan Heights	Subdivision and Housing	St. Andrew	**6** Townhouse
Wedgewood Gardens	Elegant Estates	St. Catherine	**101** Studios/ 2bedroom

Some of the Projects financed by
The Jamaica Mortgage Bank 2005 to 2006



Cedar Grove

Huddersfield Development

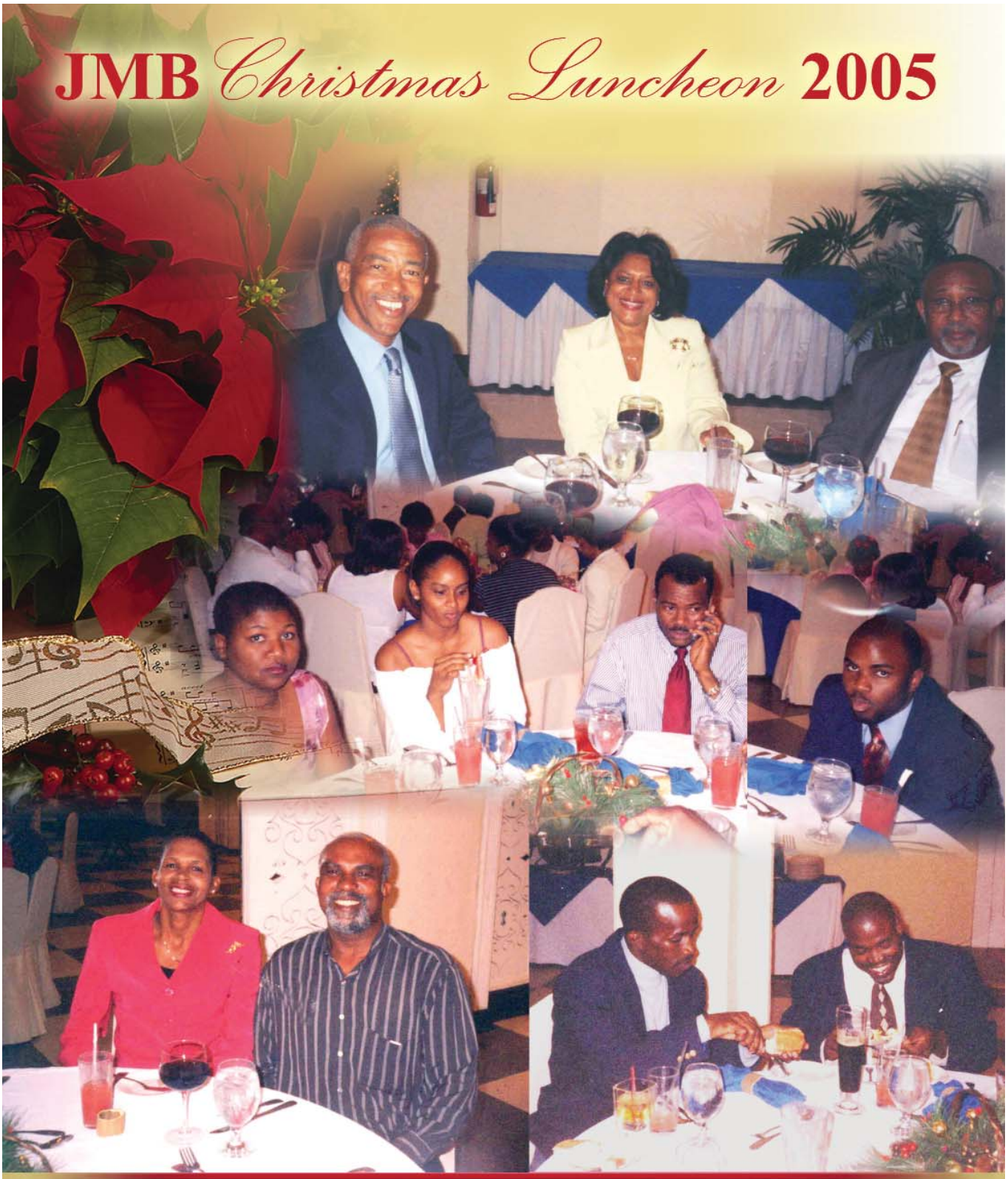
Kingsway Townhouse

Merrivale Development

Orchid Estates

Selnor - Spring Valley

JMB *Christmas Luncheon* 2005



Tribute to COURTNEY HYLTON

Courtney Hylton joined the Jamaica Mortgage Bank as a Security Guard on the 4th of March 1991 and remained in that position until his death on December 30, 2005.

For almost 15 years, Courtney gave devoted service to the Bank and despite his quiet disposition, he was always the 'life of the party' at our monthly socials, especially when playing Bingo where he acted as a lively and entertaining caller.

Courtney had a good sense of humour and was always friendly and considerate. As such, he established a cordial relationship with those with whom he came in contact. He was warm-hearted and displayed genuine interest in people.

His memory will always live in our hearts.
May his soul rest in peace.

FINANCIAL STATEMENTS

2006

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Chartered Accountants
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Jamaica

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To the Directors of
JAMAICA MORTGAGE BANK

Auditors' Report

We have audited the financial statements of Jamaica Mortgage Bank ("the Bank") and the consolidated fi statements of the Bank and its subsidiary ("the Group") as at, and for the year ended, March 31, 2006, set out or 19 to 48, and have obtained all the information and explanations which we required. The financial statements responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statement: on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require t plan and perform the audit to obtain reasonable assurance about whether the financial statements are material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and dis in the financial statements. An audit also includes assessing the accounting principles used and significant es made by management, as well as evaluating the overall presentation of the financial statements. We believe t audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agr therewith and have been prepared in accordance with International Financial Reporting Standards, give a tr fair view of the state of affairs of the Group and the Bank as at March 31, 2006, the results of operations and cho equity of the Group and the Bank and the cash flows of the Group for the year then ended.

KPMG Peat Marwick

JAMAICA MORTGAGE BANK

Balance Sheets
March 31, 2006

	Notes	Group 2006 $'000	Group 2005 $'000	Bank 2006 $'000	Bank 2005 $'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits	14(b)	108,848	408,494	108,848	408,472
Other cash and bank balances		1,136	6,874	1,136	6,874
		109,984	415,368	109,984	415,346
Resale agreements	4	875,568	638,464	875,568	638,464
Accounts receivable and prepaid expenses	5	428,531	297,487	428,531	297,487
Income tax recoverable		82,842	81,029	82,842	81,029
Investment properties	6	-	30,794	-	30,794
Other investments	7	14,000	14,000	14,000	14,000
Interest in subsidiary	8	-	-	134,293	133,492
Loans receivable	9	1,693,894	1,053,235	1,693,894	1,053,235
Land held for development and sale	10	147,169	151,111	147,168	151,110
Employee benefits	11(b)	14,595	12,233	14,595	12,233
Property, plant and equipment	12	60,689	92,480	60,339	91,973
		3,427,272	2,786,201	3,561,214	2,919,163
LIABILITIES AND EQUITY					
LIABILITIES					
Accounts payable and accrued charges	13	34,574	24,862	34,020	24,357
Bonds payable	14	1,150,000	650,000	1,150,000	650,000
Loan payable to Ministry of Finance	15	46,647	53,456	46,647	53,456
Other loan payable	16	13,790	14,312	13,790	14,312
Due to Mortgage Insurance Fund		-	1	-	1
Deferred tax liability	17(a)	98,290	71,543	98,277	71,530
		1,343,301	814,174	1,342,734	813,656
EQUITY					
Share capital	18	500,000	500,000	500,000	500,000
Reserve fund	19	500,000	500,000	500,000	500,000
Special reserve fund	20	340,083	340,083	340,083	340,083
Retained profits		743,888	631,944	878,397	765,424
		2,083,971	1,972,027	2,218,480	2,105,507
		3,427,272	2,786,201	3,561,214	2,919,163

The financial statements on pages 17 to 46 were approved for issue by the Board of Directors on June 12, 2006 and signed on its behalf by:

_____ Chairman
Genefa Hibbert

_____ Director/Secretary
Milverton Reynolds

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

Income Statements
March 31, 2006

	Notes	Group 2006 $'000	Group 2005 $'000	Bank 2006 $'000	Bank 2005 $'000
REVENUE					
Interest from loans		262,027	200,900	262,027	200,900
Interest from deposits		58,958	27,269	58,958	27,269
Interest from other investments		62,455	131,327	62,455	131,327
Total interest income		383,440	359,496	383,440	359,496
Other income		29,003	12,116	29,003	12,116
		412,443	371,612	412,443	371,612
EXPENSES					
Staff costs	21	(47,026)	(43,120)	(47,026)	(43,120)
Other administrative and general expenses		(99,421)	(85,229)	(98,392)	(77,523)
Finance costs:					
Interest on bonds		(91,689)	(76,605)	(91,689)	(76,605)
Interest on loans		(10,040)	(7,055)	(10,040)	(7,055)
		(248,176)	(212,009)	(247,147)	(204,303)
Profit before income tax	22	164,267	159,603	165,296	167,309
Income tax	23	(52,323)	(85,996)	(52,323)	(85,996)
PROFIT FOR THE YEAR		111,944	73,607	112,973	81,313

Dealt with in the financial statements of:

The Bank	112,973	81,313
The subsidiary	(1,029)	(7,706)
	111,944	73,607

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

Statements of Changes in Equity
Year ended March 31, 2006

Group

	Share capital $'000	Reserve fund $'000	Special reserve fund $'000	Retained profits $'000	Total $'000
Balances at March 31, 2004	500,000	500,000	340,083	558,337	1,898,420
Profit for the year, being total recognised gains	-	-	-	73,607	73,607
Balances at March 31, 2005	500,000	500,000	340,083	631,944	1,972,027
Profit for the year, being total recognised gains	-	-	-	111,944	111,944
Balances at March 31, 2006	500,000	500,000	340,083	743,888	2,083,971

Bank

	Share capital $'000	Reserve fund $'000	Special reserve fund $'000	Retained profits $'000	Total $'000
Balances at March 31, 2004	500,000	500,000	340,083	684,111	2,024,194
Profit for the year, being total recognised gains	-	-	-	81,313	81,313
Balances at March 31, 2005	500,000	500,000	340,083	765,424	2,105,507
Profit for the year, being total recognised gains	-	-	-	112,973	112,973
Balances at March 31, 2006	500,000	500,000	340,083	878,397	2,218,480

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

Statement of Group Cash Flows
Year ended March 31, 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Profit for the year	111,944	73,607
Adjustments to reconcile profit for the year to net cash (used)/provided by operating activities:		
Depreciation	6,104	6,660
Gain on disposal of property, plant and equipment	1,354	888
Deferred taxation	26,747	81,753
Revaluation loss	5,000	-
Employee benefits	(2,362)	(2,852)
Gain on disposal of inve stment property	(7,168)	-
	141,619	160,056
Interest income	(383,440)	(359,496)
Interest expense	101,729	83,660
	(140,092)	(115,780)
(Increase)/decrease in operating assets and liabilities:		
Accounts receivable and prepaid expenses	(30,249)	163,254
Income tax recoverable	(1,813)	(55,865)
Loans receivable	(640,659)	(40,421)
Long term receivable	-	25
Accounts payable and accrued charges	9,632	(43,500)
Loan payable to Ministry of Finance	(6,809)	(6,600)
Due to Mortgage Insurance Fund	(1)	-
Interest received	282,645	199,491
Interest paid	(101,649)	(81,429)
Net cash (used)/provided by operating activities	(628,995)	19,175
Cash flows from investing activities		
Resale agreements	(237,104)	254,230
Other investments	-	110,565
Land held for development and sale	-	(81,110)
Investment properties	-	(30,794)
Proceeds of disposal of property, plant and equipment	25,685	2,544
Additions to property, plant and equipment	(2,410)	(32,088)
Proceeds from disposal of investment property	37,962	-
Net cash (used)/provided by investing activities	(175,867)	223,347
Cash flows from financing activities		
Issue of bearer bonds	500,000	400,000
Redemption of bearer bonds	-	(250,000)
Other loan payable	(522)	14,312
Net cash provided by financing activities	499,478	164,312
Net (decrease)/increase in cash and cash equivalents	(305,384)	406,834
Cash and cash equivalents at beginning of year	415,368	8,534
Cash and cash equivalents at end of year	109,984	415,368

The accompanying notes form an integr al 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.

(b) The Bank has a wholly-owned subsidiary, JMB Developments Limited, whose 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB").

(b) Basis of preparation:

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

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

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

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

The preparation of the financial statements in accordance with IFRS also assumes that the Bank and the Group will continue in operational existence for the foreseeable future. This means, inter alia , that the balance sheet and the income statement assume no intention or necessity to liquidate the Bank and the Group or curtail the scale of their operations. This is commonly referred to as the going concern basis. The directors believe that preparation of the financial statements on the going concern basis continues to be appropriate.

(c) Accounting estimates and judgements:

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

(i) 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 determined 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.

(ii) 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. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and the loan portfolio with similar characteristics, such as credit risks.

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

3. Significant accounting policies

(a) Interest:

Interest income and expense are accounted for on the accrual basis. Where the collection of interest income is considered doubtful, a provision for loss is made for amounts already accrued and thereafter such interest is accounted for on the cash basis.

(b) Property, plant and equipment and depreciation:

(i) Property, plant and equipment are stated at cost, less accumulated depreciation and, if any, impairment losses [see note 3(j)].

(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 the expected useful lives. The depreciation rates are as follows:

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

(c) 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.

(d) Investments:

Investments are classified as loans and receivables where the Bank provides money to a debtor, other than those for short-term profit-taking, and the instruments are not quoted in an active market, and are measured at amortised cost less impairment losses [note 3(j)]. Where the Group has the positive intent and ability to hold investments to maturity, they are classified as held-to-maturity investments and measured at amortised cost, less impairment losses.

(e) Consolidation:

The consolidated financial statements combine the financial position, results of operations and cash flows of the Bank and its wholly-owned subsidiary (note 8), made up to March 31, 2006, after eliminating all material intra-group amounts.

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

3. Significant accounting policies (cont'd)

(f) 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.

(g) Provision for probable loan losses:

The provision for probable loan losses is maintained at a level determined by management to be adequate to meet losses which may occur in the collection of outstanding loans and related interest. The management determines this level by reference to past loan loss experience, current and anticipated business and economic conditions and, where enforcement of rights as lender is legally possible, the net realisable value of securities held.

(h) Employee benefits:

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, 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.

3. Significant accounting policies (cont'd)

(h) Employee benefits (cont'd):

(ii) 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 11). 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.

(i) Resale agreements:

Securities purchased under agreements to resell them on a specified date, at a specified price ("resale agreements") are accounted for as short-term collateralised lending and carried at amortised cost, with the difference between the purchase price and the amount receivable on resale being 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.

3. Significant accounting policies (cont'd)

(j) Impairment:

The carrying amounts of the Group's 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 at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

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

(l) Investment in subsidiary:

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

(m) Land held for development and sale:

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

(n) 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.

3. Significant accounting policies (cont'd)

(n) Cash and cash equivalents (cont'd):

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, 2006, securities obtained and held under resale agreements had a fair value of $876,278,000 for the Group and the Bank (2005: $1,617,965,741).

5. Accounts receivable and prepaid expenses

	Group		Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Accrued interest on loans receivable	283,314	164,876	283,314	164,876
Accrued interest on deposits and investments	19,218	36,861	19,218	36,861
Other receivables and prepaid expenses	125,999	95,750	125,999	95,570
	428,531	297,487	428,531	297,487

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 15) 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 9(b)] which falls due during the year under review. The accumulated net effect of the offset is a receivable of $7,120,000 (2005: $4,058,000) from the Ministry of Finance, which is included in other receivables (above), made up substantially as follows:

	2006 $'000	2005 $'000
Balance with Ministry of Finance:		
Opening balance	(4,058)	(1,454)
Current year portion of amount due to Ministry of Finance (see note 15)	12,007	12,465
	7,949	11,011
Current year portion of amount due from Ministry of Environment and Housing [note 9(b)]	(15,069)	(15,069)
Net amount receivable from the Ministry of Finance	(7,120)	(4,058)

6. Investment properties

	Group and Bank	
	2006	2005
	$'000	$'000
At cost	-	30,794

In the previous year, investment properties comprised four apartments, with fair value of $38,400,000 based on bids received from potential purchasers. The apartments were disposed of during the year.

7. Other investments

	Group and Bank	
	2006	2005
	$'000	$'000
Loans and receivables carried at amortised cost:		
Government of Jamaica debentures - 16.87% 2006 Series AJ	14,000	14,000

8. Interest in subsidiary

	2006	2005
	$'000	$'000
Ordinary shares	- *	- *
Long-term loan	134,293	133,492
	134,293	133,492

* - 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.

The long-term loan, which represents drawdowns under a $250,000,000 facility, is repayable over 5 years, which commenced on March 31, 2001, after a moratorium of 24 months on principal. The balance shown includes past-due amount of $133,491,987 (2005: $125,759,893). The loan is interest-free. It is supported by a promissory note and is to be secured on land owned by the subsidiary.

9. Loans receivable

	Group and Bank	
	2006	2005
	$'000	$'000
Construction loans – non-governmental borrowers [see (a) below]	1,496,203	1,028,276
Less: Provision for losses	(131,785)	(97,945)
	1,364,418	930,331
Construction loans – Ministry of Environment and Housing [see (b) below]	82,269	88,447
Mortgages [see (c) below] - Staff	9,466	12,296
- Other	237,741	22,161
	1,693,894	1,053,235

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

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

(c) Mortgage loans for the Group and the Bank are repayable over periods of 15 to 25 years and carry varying interest rates.

10. Land held for development and sale

	Group		Bank	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	151,111	70,001	151,110	70,000
Acquisition	-	81,110	-	81,110
Transferred from property, plant and equipment (see note 12)	1,058	-	1,058	-
Valuation adjustment	(5,000)	-	(5,000)	-
Balance at the end of the year	147,169	151,111	147,168	151,110

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

10. Land held for development and sale (cont'd)

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

The properties included, at valuation, are as follows:

"The Reserves" – Non Pariel (a)	76,850,000
"The Reserves" – White Hall (a)	57,500,000
Land part of Green Pond St. James (b)	54,000,000
Landilo Pen (c)	38,000,000
	$226,350,000

The properties were valued on the open market basis at the amounts shown by the persons and at the dates listed below:

(a) Edwin Tulloch-Reid and Associates in July 2004
(b) Breakenridge and Associates in May 2005
(c) D.C. Tavares & Finson Company Realty Limited in February 2003

(ii) The other three properties are held by the Bank.

11. 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, 2003, indicated a past service surplus of $2.318 million. The actuaries have recommended that, based on the value of the fund, contributions of 10% 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, 2006.

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.

11. Employee benefits (cont'd)

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

(i) Plan asset recognised in the balance sheet

	Group and Bank	
	Asset	
	2006	2005
	$'000	$'000
Present value of funded obligations	(33,794)	(27,411)
Fair value of plan assets	53,631	44,426
	19,837	17,015
Unrecognised actuarial gains	(5,242)	(4,782)
Recognised asset	14,595	12,233

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

	Group and Bank	
	Asset	
	2006	2005
	$'000	$'000
Net asset at beginning of year	12,233	9,381
Contributions paid	2,496	3,107
Expense recognised in the income statements	(134)	(255)
Net asset at end of year	14,595	12,233

(iii) Expense recognised in the income statements:

	Group and Bank	
	Asset	
	2006	2005
	$'000	$'000
Current service cost	2,439	1,675
Interest on obligation	3,275	2,652
Actuarial gains recognised	(16)	-
Expected return on plan assets	(5,564)	(4,072)
Expense recognised in the income statements (note 21)	134	255
Actual return on plan assets	11%	24%

11. Employee benefits (cont'd)

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

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

	Group and Bank	
	2006	2005
	%	%
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

12. Property, plant and equipment

Group

	Freehold land	Freehold buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
March 31, 2005	4,058	79,400	317	21,864	110	13,377	119,126
Additions	-	930	-	1,480	-	-	2,410
Disposals	-	(24,000)	-	(798)	-	(7,013)	(31,811)
Transfers (see note 10)	(1,058)	-	-	-	-	-	(1,058)
March 31, 2006	3,000	56,330	317	22,546	110	6,364	88,667
Depreciation:							
March 31, 2005	-	11,140	-	11,391	66	4,049	26,646
Charge for the year	-	1,939	-	2,224	11	1,930	6,104
Eliminated on disposal	-	(750)	-	(579)	-	(3,443)	(4,772)
March 31, 2006	-	12,329	-	13,036	77	2,536	27,978
Net book values:							
March 31, 2006	3,000	44,001	317	9,511	33	3,828	60,689
March 31, 2005	4,058	68,260	317	10,473	44	9,328	92,480

12. 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, 2005	4,058	79,400	21,503	13,377	118,338
Additions	-	930	1,480	-	2,410
Disposals	-	(24,000)	(436)	(7,013)	(31,449)
Transfers (see note 10)	(1,058)	-	-	-	(1,058)
March 31, 2006	3,000	56,330	22,547	6,364	88,240
Depreciation:					
March 31, 2005	-	11,140	11,176	4,049	26,365
Charge for the year	-	1,939	2,212	1,930	6,081
Disposals	-	(750)	(352)	(3,443)	(4,545)
March 31, 206	-	12,329	13,036	2,536	27,901
Net book values:					
March 31, 2006	3,000	44,001	9,511	3,827	60,339
March 31, 2005	4,058	68,260	10,327	9,328	91,973

13. Accounts payable and accrued charges

	Group		Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest payable	21,426	21,346	21,426	21,346
Other	13,148	3,516	12,594	3,011
	34,574	24,862	34,020	24,357

14. Bonds payable

	Group and Bank	
	2006 $'000	2005 $'000
Shelter Bond V due 2007 [see (a) below]	250,000	250,000
Shelter Bond VI [see (b) below]	400,000	400,000
Shelter Bond VIII [see (c) below]	500,000	-
	1,150,000	650,000
Due within 12 months of the balance sheet date	250,000	-
Due thereafter	900,000	650,000
	1,150,000	650,000

The Bank no longer maintains a segregated sinkin g fund for the redemption of the Bonds, but, instead, has designated investments that it holds in a particular financial institution as the sinking fund; this fund is managed internally by the Bank.

14. Bonds payable (cont'd)

(a) In February 2002, the Bank issued Shelter Bond V at 1.25% above the weighted average treasury bill rate. These bonds are repayable in full on January 31, 2007.

(b) 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.

(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) The conditions precedent to the issuing of Shelter Bond VII were satisfied in January 2006. At the request of the subscriber, however, the bonds will be issued in May 2006.

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.

15. 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	
			2006	2005
			$'000	$'000
Loan Schedules	Rate % per annum	Year of final repayment		
532-HG-010 Schedule L3	9.23	2008	4,879	7,007
532-HG-011 Schedule L4	10.00	2012	11,570	13,350
532-HG-012A Schedule L5	10.00	2014	13,257	14,730
532-HG-012B Schedule L6	10.00	2016	11,000	12,100
Garveymeade Schedule L11	8.00	2017	5,942	6,269
			46,647	53,456
Amounts due within 12 months of the balance sheet date			7,036	6,809
Due thereafter			39,611	46,647
			46,647	53,456

16. Other loan payable

This represents a loan from JN Fund Managers Limited, which bears interest at 21% per annum, on the reducing balance, and is repayable over 10 years.

16. Other loan payable (cont'd)

	Group and Bank	
	2006	2005
	$'000	$'000
Amounts due within 12 months of the balance sheet date	642	521
Due thereafter	13,148	13,791
	13,790	14,312

17. Deferred tax asset and liability

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

Group

	Asset		Liability		Net	
	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000
Unrealised exchange gain	-	-	-	(67)	-	(67)
Property, plant and equipment	926	-	-	(993)	926	(993)
Employee benefits	-	-	(787)	(2,816)	(787)	(2,816)
Accounts payable and accrued charges	7,761	7,115	-	-	7,761	7,115
Accounts receivable and prepaid expenses	-	-	(106,190)	(74,782)	(106,190)	(74,782)
	8,687	7,115	(106,977)	(78,658)	(98,290)	(71,543)
Comprising:						
Bank					(98,277)	(71,530)
Subsidiary					(13)	(13)
Group					(98,290)	(71,543)

Bank

	Asset		Liability		Net	
	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000
Unrealised exchange gain	-	-	-	(67)	-	(67)
Property, plant and equipment	939	-	-	(980)	939	(980)
Employee benefits	-	-	(787)	(2,816)	(787)	(2,816)
Accounts payable and accrued charges	7,761	7,115	-	-	7,761	7,115
Accounts receivable and prepaid expenses	-	-	(106,190)	(74,782)	(106,190)	(74,782)
	8,700	7,115	(106,977)	(78,645)	(98,277)	(71,530)

17. Deferred tax asset and liability (cont'd)

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

	Group		Bank	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Net deferred tax asset/(liability) at beginning of year	(71,543)	10,210	(71,530)	10,223
Net movement for the year (note 23)	(26,747)	(81,753)	(26,747)	(81,753)
Net deferred tax liability at end of year	(98,290)	(71,543)	(98,277)	(71,530)

18. Share capital

	Group and Bank	
	2006	20054
	$'000	$'000
Authorised, issued and fully paid:		
500,000,000 ordinary shares of $1 each	500,000	500,000

19. 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 18), no further transfers are required (see also note 20).

20. 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 19).

21. Staff number and cost

The number of persons in the Group's and the Bank's employment at the end of the year was 29 (2005: 26).

The aggregate cost of these employees was as follows:

	Group and Bank	
	2006	2005
	$'000	$'000
Salaries and wage-related expenses	41,750	38,931
Statutory payroll contributions	2,208	2,216
Employee benefit expense [note 11(b)(iii)]	134	255
Staff welfare	2,934	1,718
	47,026	43,120

22. Profit before income tax

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

	Group		Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Depreciation	6,104	6,660	6,081	6,600
Directors emoluments - fees	487	301	487	301
- management remuneration	Nil	Nil	Nil	Nil
Auditors' remuneration - current year	1,825	1,585	1,475	1,585
- prior year	-	300	-	300
Provision for bad debts	48,019	22,945	48,019	22,945

23. Income tax

(a) The income tax charge is computed at the rate of 33 ⅓% of the Group's results for the year as adjusted for tax purposes, and is made up as follows:

	Group and Bank	
	2006 $'000	2005 $'000
(i) Current:		
Provision for charge on current year's results	26,149	4,381
Over provision for prior year's tax charge	(573)	(138)
(ii) Deferred:		
Origination and reversal of temporary differences [note 17(b)]	26,747	81,753
Total income tax recognised in the income statements	52,323	85,996

(b) The effective tax rate was 31.85% of $164,267,000 (2005: 53.88% of $159,603,000) pre-tax profits compared to a statutory rate of 33 1/3%. The actual tax charge differed from the expected tax charge for the year as follows:

	Group		Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit before income tax	164,267	159,603	165,296	167,309
Computed "expected" tax expense	54,756	53,201	55,098	55,770
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Depreciation and capital allowances	(2,088)	27,589	(2,088)	27,589
Other	228	5,344	(114)	2,775
Over provision of prior year's tax charge	(573)	(138)	(573)	(138)
Actual tax charge recognised in the income statement	52,323	85,996	52,323	85,996

23. Income tax (cont'd)

(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 $96,000,000 (2005: $96,000,000) for the Group and $Nil (2005: Nil) for the Bank.

In his April 2005 budget presentation, the Mi nister of Finance and Planning announced that, instead of indefinitely, the carry forward of taxation losses would be restricted to five years, with effect from January 1, 2006. Up to June 12, 2006, the date of approval of these financial statements, enabling legislation ha d not been passed. The amounts disclosed, therefore, do not reflect any change in the current treatment of taxation losses.

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.

24. Related party balances and transactions

A party is related to an entity if:

(a) directly, or indirectly through o ne or more intermediaries, the party:

(i) controls, is controlled by, or is unde r common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(iii) has joint control over the entity;

(b) the party is an associate (as defined in IAS 28, Investments in Associates) of the entity;

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

(d) the party is a member of the key manage ment personnel of the entity or its parent;

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

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

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

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

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

Key management compensation is as follows:

	Group and Bank	
	2006	2005
	$'000	$'000
Directors fees	487	301
Short-term employee benefits	21,665	17,036
Post-employment benefits (note 11)	44	- *
	22,196	17,337

* The amount for 2005 is not included as it is not practicable to obtain the information.

25. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, accounts receivable, other investments and loans receivable. Financial liabilities have been determined to include accounts payable, bonds payable, loan payable to Ministry of Finance, other loan payable and due to Mortgage Insurance Fund.

(a) Fair value:

Definition of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of financial instruments have been determined using a generally accepted alternative method. However, considerable judgement is required in obtaining and interpreting market data to develop estimates of fair value and even greater judgement where there is no public or over-the-counter market. Accordingly, the estimates presented in these financial statements, having been determined using, where practicable, alternative valuation techniques, given the absence of an active trading market for the instruments, are not necessarily indicative of the amounts that the Group would receive on realisation of its financial assets or pay to settle its financial liabilities in a current market exchange.

Determination of fair value:

The amounts included in the financial statements for cash and cash equivalents, resale agreements, accounts receivable, due to Mortgage Insurance Fund and accounts payable are considered to approximate their fair values because of their relatively short-term nature.

The estimated fair value of investments, is determined by discounting future cash flows to their present values using estimated rates prevailing at balance sheet date for instruments with similar risk profiles. The estimated fair values of the Group's and the Bank's other financial instruments have not been computed due to the unavailability of quoted market prices or sufficient other relevant market information.

25. Financial instruments (cont'd)

(b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the Group's business. Derivative financial instruments are not presently used to manage exposure to financial instrument risks.

(i) Credit risk:

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

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.

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. As there are no off-balance sheet financial instruments, the Group's maximum exposure to credit risk, i.e., the loss that would be suffered by the Group if all counterparties were to default at once, is limited to the carrying values of the financial assets in the balance sheet.

(ii) Interest rate risk:

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

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

25. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

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

Group

	2006					
	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	-	105,282	3,566	-	1,136	109,984
Resale agreements	39,994	151,024	684,550	-	-	875,568
Accounts receivable	-	-	-	-	428,531	428,531
Other investments	-	-	14,000	-	-	14,000
Loans receivable	-	478,145	678,688	537,061	-	1,693,894
Total financial assets	39,994	734,451	1,380,804	537,061	429,667	3,121,977
Accounts payable	-	-	-	-	34,574	34,574
Bonds payable	-	-	250,000	900,000	-	1,150,000
Loan payable to Ministry of Finance	46,647	-	-	-	46,647	-
Other loan payable	-	13,790	-	-	-	13,790
Total financial liabilities	-	13,790	250,000	946,647	34,574	1,245,011
Interest rate sensitivity gap*	39,994	720,661	1,130,804	(409,586)	395,093	1,876,966
Cumulative gap	39,994	760,655	1,891,459	1,481,873	1,876,966	-

	2005					
	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	-	408,472	-	-	6,896	415,368
Resale agreements	-	254,942	383,522	-	-	638,464
Accounts receivable	-	-	-	-	297,487	297,487
Other investments	-	-	14,000	-	-	14,000
Loans receivable	-	149,404	38,461	802,374	62,996	1,053,235
Total financial assets	-	812,818	435,983	802,374	367,379	2,418,554
Accounts payable	-	-	-	-	24,862	24,862
Bonds payable	-	-	-	650,000	-	650,000
Loan payable to Ministry of Finance	53,456	-	-	-	-	53,456
Other loan payable	-	-	-	-	14,312	14,312
Due to Mortgage Insurance Fund	-	-	-	-	1	1
Total financial liabilities	-	-	-	650,000	92,631	742,631
Interest rate sensitivity gap*	-	812,818	435,983	152,374	274,748	1,675,923
Cumulative gap	-	812,818	1,248,801	1,401,175	1,675,923	-

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

25. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

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

Bank

	2006					
	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	-	105,282	3,566	-	1,136	109,984
Resale agreements	39,994	151,024	684,550	-	-	875,568
Accounts receivable	-	-	-	-	428,531	428,531
Other investments	-	-	14,000	-	-	14,000
Loans receivable	-	478,145	678,688	537,061	-	1,693,894
Total financial assets	39,994	734,451	1,380,804	537,061	429,667	3,121,977
Accounts payable	-	-	-	-	34,020	34,020
Bonds payable	-	-	250,000	900,000	-	1,150,000
Loan payable to Ministry of Finance	-	-	-	46,647	-	46,647
Loan payable	-	13,790	-	-	-	13,790
Total financial liabilities	-	13,790	250,000	946,647	34,020	1,244,457
Interest rate sensitivity gap*	39,994	720,661	1,130,804	(409,586)	395,647	1,877,520
Cumulative gap	39,994	760,655	1,891,459	1,481,873	1,877,520	-

	2005					
	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	-	408,472	-	-	6,874	415,346
Resale agreements	-	254,942	383,522	-	-	638,464
Accounts receivable	-	-	-	-	297,487	297,487
Other investments	-	-	14,000	-	-	14,000
Loans receivable	-	149,404	38,461	802,374	62,996	1,053,235
Total financial assets	-	812,818	435,983	802,374	367,357	2,418,532
Accounts payable	-	-	-	-	24,357	24,357
Bonds payable	-	-	-	650,000	-	650,000
Loan payable to Ministry of Finance	-	-	-	53,456		53,456
Loan payable	-	-	-	14,312	-	14,312
Due to Mortgage Insurance Fund		-	-	-	-	1
1						
Total financial liabilities	-	-	-	717,768	24,358	742,126
Interest rate sensitivity gap*	-	812,818	435,983	84,606	342,999	1,676,406
Cumulative gap	-	812,818	1,248,801	1,333,407	1,676,406	-

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

25. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

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

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

Group and Bank

	2006				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
Cash and cash equivalents	8.00	12.86	-	-	12.82
Resale agreements	12.85	15.27	15.42	-	15.35
Other investments	-	-	16.88	-	16.88
Loans receivable	-	18.67	19.35	15.67	17.74
Bonds payable		-	14.55	14.41	14.44
Loan payable to Ministry of Finance	-	-	-	9.60	9.60
Loan payable	-	-	-	21.00	21.00

Group and Bank

	2005				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
Cash and cash equivalents	-	8.00	-	-	8.00
Resale agreements	12.85	15.27	15.42	-	15.35
Other investments	-	-	16.88	-	16.88
Loans receivable	-	20.89	21.01	20.41	20.49
Bonds payable	-	-	-	14.72	14.72
Loan payable to Ministry of Finance	-	-	-	9.60	9.60
Loan payable	-	-	-	21.00	21.00

(iii) Foreign currency risk:

Foreign currency risk is the risk that the va lue of a financial instrument will fluctuate due to changes in foreign exchange rates. The main currency giving rise to this risk is the US$.

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$156,815 (2005:US$102,861).

25. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The directors and management be lieve that the Group has no significant exposure to market risk as it has no financial assets which are to be realised by trading in the securities market.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitment s associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities.

The directors and management of the Grou p manage this risk by maintaining an adequate level of liquid funds.

(vi) Cash flow risk:

Cash flow risk is the risk that future ca sh flows associated with a monetary financial instrument will fluctuate in amount. The Group has no significant exposure to cash flow risk.

26. New and revised IFRS and interpretations

At the date of authorisation of the financial st atements for issue, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the Group and the Bank an d their effective dates are as follows:

Standards		Effective dates
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRIC 4	Determining whether an Arrang ement Contains a Lease	January 1, 2006
IAS 19 Amendment	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendment	The Fair Value Option	January 1, 2006
IAS 39 Amendment	Financial Guarantee Contracts	January 1, 2006
IFRIC 8	Scope of IFRS 2	January 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006

26. New and revised IFRS and interpretations (cont'd)

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

27. Commitments

Loans approved but not disbursed by the Group and the Bank at March 31, 2006 amounted to $1,096,325,000 (2005: $570,737,000).

28. Subsequent events

On May 1, 2006, the Board of Directors approved the payment of a dividend of 2.26¢ per ordinary share to be paid to shareholders on record at May 1, 2006.

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

	2006 $'000	2005 $'000
Cost of Administration of Mortgage Insurance Act		
Stamp duty	-	26
Bank charges and interest	24	5
Salaries and related expenses	1,374	1,217
Pension scheme contributions	98	126
Consultancy fees	-	410
Commission	122	308
Insurance claim	-	833
Other	90	21
Audit fees	200	160
Legal fees	350	-
Total costs	2,258	3,106
Funded by:		
Contribution of:		
One-fifth of Mortgage Loan Insurance fees	474	422
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	3	4
	477	426
Contributed by the Mortgage Insurance Fund	1,781	2,680
Total funding	2,258	3,106

29. Costs of and Funding for Administration of Mortgage Insurance Act (cont'd)

Notes:

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 Act in the following way:

- one-half of the return on the income and assets of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and 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.

KPMG

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To the Directors of
JAMAICA MORTGAGE BANK
MORTGAGE INSURANCE FUND AND MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND

Auditors' Report

We have audited the financial statements of Jamaica Mortgage Bank Mortgage Insurance Fund and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund as at and for the year ended March 31, 2006, set out on pages 33 to 43, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the Jamaica Mortgage Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (both funds administered by Jamaica Mortgage Bank) as at March 31, 2006, and of the changes in fund balances for the year then ended, and comply with the provisions of the Mortgage Insurance Act and the Mortgage Insurance (Amendment) Act.

KPMG Peat Marwick

June 12, 2006

JAMAICA MORTGAGE BANK

Mortgage Insurance Fund
[Established under the Mortgage Insurance Act]

Balance Sheet
March 31, 2006

	Note	2006 $'000	2005 $'000
ASSETS			
Cash and cash equivalents		200	157
Investments	4	740,355	608,053
Accounts receivable		50,618	77,221
Due from Jamaica Mortgage Bank		-	1
		791,173	685,432
LIABILITIES			
Accounts payable		656	255
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund		35	33
		691	288
Net assets		790,482	685,144
Financed by:			
ACCUMULATED SURPLUS		790,482	685,144

The financial statements on pages 49 to 59 were approved for issue by the Board of Directors on June 12, 2006 and signed on its behalf by:

Chairman
Genefa Hibbert

Director/Secretary
Milverton Reynolds

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

Mortgage Insurance Fund
[Established under the Mortgage Insurance Act]

Statement of Changes in Fund Balance
Year ended March 31, 2006

	Note	2006 $'000	2005 $'000
Increase in fund:			
Four-fifths of mortgage loan insurance fees1,895		1,690	
Investment income		105,350	111,866
		107,245	113,556
Decrease in fund:			
Transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act		(1,782)	(2,680)
Administration charges paid to the Bank		(125)	(125)
		(1,907)	(2,805)
Net increase for year		105,338	110,751
At beginning of year		685,144	574,393
At end of year		790,482	685,144

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
[Established under the Mortgage Insurance Act]

Balance Sheet
March 31, 2006

	2006 $'000	2005 $'000
ASSETS		
Due from Mortgage Insurance Fund	35	33
Government of Jamaica bond	15	-
Government of Jamaica investment debenture	27	41
	77	74
Financed by:		
ACCUMULATED SURPLUS	77	74

The financial statements on pages 49 to 59 were approved for issue by the Board of Directors on June 12, 2006 and signed on its behalf by:

_____ Chairman
Genefa Hibbert

_____ Director
Milverton Reynolds

The accompanying notes form an integr al part of the financial statements.

JAMAICA MORTGAGE BANK

MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
[Established under the Mortgage Insurance Act]

Statement of Changes in Fund Balance
Year ended March 31, 2006

	2006 $'000	2005 $'000
Increase in fund:		
Investment income	6	8
Decrease in fund:		
One-half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act	(3)	(4)
Net increase for year	3	4
At beginning of year	74	70
At end of year	77	74

The accompanying notes form an integr al part of the financial statements.

1. Identification and purpose

(a) The Mortgage Insurance Fund

The Mortgage Insurance Fund was established under section 9 of the Mortgage Insurance Act, which also requires that four-fifths of the insurance fees received by the Bank be paid into that Fund. Under Section 25 of the Jamaica Mortgage Bank Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank and references in the Act to the Development Finance Corporation shall (notwithstanding Section 25 of the Jamaica Development Bank Act, 1969) be deemed to be references to the Jamaica Mortgage Bank. Accordingly, all assets and liabilities of the Mortgage Insurance Fund were taken over by the Jamaica Mortgage Bank at June 15, 1973 and administered from that date. The income of the Fund belongs to the Fund and not to the Bank except as set out in note 1(c) below.

The fund is domiciled in Jamaica and its principal place of business is located at 33 Tobago Avenue, Kingston 5, Jamaica.

(b) The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund was established under section 11 of the Mortgage Insurance Act, using certain funds transferred by the Accountant General. The income of this Fund belongs to this Fund and not to the Bank except as set out in note 1(c) below.

(c) Costs of and Funding for Administration of Mortgage Insurance Act

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

- one-half of the return on the income and assets of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and 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 Government's Consolidated Fund.

(d) The principal purpose of the Funds is to provide mortgage indemnity insurance.

2. Statement of compliance and basis of preparation

The financial statements are prepared under the historical cost basis, and in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations adopted by the International Accounting Standards Board ("IASB").

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

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

The financial statements are presented in Jamaica dollars, which is the functional currency of the funds.

There are no significant assumptions and judgements applied in these financial statements giving rise to a risk of material adjustments in the next financial year.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances including short-term deposits with maturities of between one and twelve months from the balance sheet date.

(b) Investments:

Investments in financial instruments are classified as loans and receivables and available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase.

Government of Jamaica or other securities and loans which are made directly to a borrower are classified as loans and receivables, provided there is not an active market for the securities. These are initially measured at cost and subsequently at amortised cost, using the effective interest rate method, less impairment losses.

All other financial assets are classified as available-for-sale and carried at fair value, with changes in fair value taken to equity.

(c) Accounts receivable:

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

(d) Accounts payable:

Trade and other payables are stated at cost.

3. Significant accounting policies (cont'd)

(e) Impairment:

The carrying amounts of the Funds' 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 at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of changes in Fund balance.

(i) Calculation of recoverable amount

The recoverable amount of the Funds' investments in loans and receivables, available-for-sale securities and accounts receivable is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with short duration are not discounted.

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

(ii) Reversals of impairment

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

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

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

4. Investments – Mortgage Insurance Fund

	2006 $'000	2005 $'000
Loans and receivables – carried at amortised cost		
Government of Jamaica:		
Local Registered Stocks	124,160	12,902
Investment debenture	359,220	384,398
Investment bonds	218,285	-
	701,665	397,300
Resale agreements	38,690	210,753
	740,355	608,053

Resale agreements are amounts used by the Fund to acquire an interest in Treasury Bills and Government of Jamaica Local Registered Stocks for a specified period to provide a specified yield. Under the agreements, the securities will be repurchased from the Fund by the party to the contract on given dates, at given amounts. These are accounted for as short-term collateralised lending. The fair value of the underlying securities was $744,794,873 (2005: $214,620,192).

5. Financial instruments

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

For the purpose of the financial statements of the Mortgage Insurance Fund, financial assets have been determined to include cash and cash equivalents, investments, accounts receivable and due from Jamaica Mortgage Bank. Financial liabilities have been determined to include accounts payable and Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund.

For the purpose of the financial statements of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund, financial assets have been determined to include Due from Mortgage Insurance Fund and Government of Jamaica Securities. There are no financial liabilities.

(a) Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

5. Financial instruments (cont'd)

(a) Fair value (cont'd):

Determination of fair value:

The estimated fair value of the Funds' financial instruments, except for investments, are all considered to approximate their carrying values because of their short-term nature.

The fair value of investments is considered to approximate their carrying value.

(b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the Funds' businesses. No derivative financial instruments are presently used to manage exposure to financial instrument risks.

(i) Credit risk:

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

Except for significant investments in various forms of Government of Jamaica securities, there is no significant concentration of credit risk. The Funds' exposure to credit risk is limited to the carrying values of financial assets in the balance sheets.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Set out below is an analysis of the Mortgage Insurance Fund's interest-rate sensitive financial instruments, based on the period in which the earlier of the maturity dates and the contractual repricing dates occur. The interest-rate sensitive financial instruments of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund are immaterial.

5. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd)

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

	2006						
	Immediately rate sensitive $'000	Within 3 months $'000	Three 12 months $'000	Over 12 months $'000	Non-rate sensitive	Total	Average effective yield %
Resale agreements	-	38,690	-	-	-	38,690	13.84
Investments	-	103,552	25,229	572,884	-	701,665	15.23
Cash and cash equivalents	-	-	-	-	200	200	0.00

	2005						
	Immediately rate sensitive $'000	Within 3 months $'000	Three 12 months $'000	Over 12 months $'000	Non-rate sensitive	Total	Average effective yield %
Resale agreements		81,465	129,288	-	-	210,753	15.84
Investments	-	5,835	102,110	289,355	-	397,300	16.84
Cash and cash equivalents	-	-	-	-	157	157	0.00

(iii) Foreign currency risk:

Foreign currency risk is the risk that the va lue of a financial instrument will fluctuate due to changes in foreign exchange rates.

At balance sheet date, the Funds had no balances denominated in foreign currencies and, as a result, there is no exposure to foreign currency risk.

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Market risk is of little significance for the Funds as they do not hold any traded securities.

5. Financial instruments (cont'd)

(b) Financial instruments risks (cont'd):

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The Funds' exposure to liquidity risk is insignificant as their assets are readily realisable and claims against the Funds would be handled in a manner which provides for careful liquidation of assets.

(vi) Cash flow risk:

Cash flow risk is the risk that future ca sh flows associated with a monetary financial instrument will fluctuate in amount. The Funds have no significant exposure to cash flow risk.

CORPORATE INFORMATION

Registered Office

33 Tobago Avenue, Kingston 5

Auditors

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6 Duke Street, Kingston

Bankers

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17 Dominica Drive, Kingston 5.

National Commercial Bank
1 Knutsford Boulevard, Kingston 5.

Attorneys-at-Law

Myers Fletcher & Gordon
21 East Street, Kingston

Departments:

Finance & Accounts

- Financial and Management Accounting
- Management Information Systems
- Treasury and Cash Management

Projects and Planning Department

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

Mortgage 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 Development & Administration
- Human Resource Management
- General Administration
- Public Relations

GROSS SALARIES FOR SENIOR MANAGERS

		2004	2005
General Manager		$ 4,162,500	$4,209,300
Managers and Directors	From	$ 1,925,653	$1,978,756
	To	$ 2,678,000	$2,724,800