JAMAICA MORTGAGE BANK

FINANCIAL STATEMENTS

MARCH 31, 2009

JAMAICA MORTGAGE BANK

FINANCIAL STATEMENTS
As at and for year ended
March 31, 2009

INDEX

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 50, which comprise the Group and Bank balance sheets as at March 31, 2009, 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.

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, 2009, 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

July 29, 2009

KPMG

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 50, which comprise the Group and Bank balance sheets as at March 31, 2009, 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.

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, 2009, 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

July 29, 2009

JAMAICA MORTGAGE BANK

Balance Sheets
March 31, 2009

	Notes	Group 2009 $'000	Group 2008 $'000	Bank 2009 $'000	Bank 2008 $'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		1,698	2,512	1,698	2,512
Resale agreements	4	720,758	936,920	720,758	936,920
Accounts receivable and prepaid expenses	5	142,254	130,616*	142,234	130,616*
Investments securities	6	367,211	81,503	367,211	81,503
Income tax recoverable		147,579	106,295	147,579	106,295
Interest in subsidiary	7	-	-	135,739	134,846
Loans receivable	8	1,681,470	2,116,041*	1,681,470	2,116,041*
Land held for development and sale	9	147,169	147,169	147,168	147,168
Employee benefits	10(b)	22,594	16,486	22,594	16,486
Property, plant and equipment	11	56,118	59,780	56,118	59,769
		3,286,851	3,597,322	3,422,569	3,732,156
LIABILITIES AND EQUITY					
LIABILITIES					
Accounts payable and accrued charges	12	64,419	71,610	64,209	71,421
Bonds payable	13	1,500,000	1,500,000	1,500,000	1,500,000
Loan payable to Ministry of Finance	14	27,559	32,326	27,559	32,326
Deferred tax liability	15(a)	-	70,890	-	70,890
		1,591,978	1,674,826	1,591,768	1,674,637
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		354,790	582,413	490,718	717,436
		1,694,873	1,922,496	1,830,801	2,057,519
		3,286,851	3,597,322	3,422,569	3,732,156

The financial statements on pages 3 to 50 were approved for issue by the Board of Directors on July 29, 2009 and signed on its behalf by:

_________________________ Chairman
Mr. George Thomas

_________________________ Director
Mr. Osmond Clarke

* After reclassification to conform to 2009 presentation.
The accompanying notes form an integral part of the financial statements.

JAMAICA MORTGAGE BANK

Income Statements
March 31, 2009

	Notes	Group 2009 $'000	Group 2008 $'000	Bank 2009 $'000	Bank 2008 $'000
REVENUE					
Interest from loans		154,157	306,975	154,157	306,975
Interest from deposits		49,434	37,056	49,434	37,056
Interest from other investments		115,556	64,962	115,556	64,962
Total interest income		319,147	408,993	319,147	408,993
Other income		35,698	10,333	35,458	10,093
		354,845	419,326	354,605	419,086
EXPENSES					
Staff costs	19	(75,886)	(57,434)	(75,886)	(57,434)
Provision for impairment	5,8(b)	(251,958)	(105,437)	(251,958)	(105,437)
Other administrative and general expenses		(69,828)	(27,549)	(68,683)	(27,132)
Finance costs:					
Interest on bonds		(253,086)	(193,919)	(253,086)	(193,919)
Interest on loans		(2,600)	7,548	(2,600)	7,548
		(653,358)	(376,791)	(652,213)	(376,374)
(Loss)/profit before income tax	20	(298,513)	42,535	(297,608)	42,712
Income tax credit/(charge)	21	70,890	(40,361)	70,890	(40,361)
(LOSS)/PROFIT FOR THE YEAR		(227,623)	2,174	(226,718)	2,351

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

JAMAICA MORTGAGE BANK

Statements of Changes in Equity
Year ended March 31, 2009

Group

	Share capital (Note 16) $'000	Reserve fund (Note 17) $'000	Special reserve fund (Note 18) $'000	Retained profits $'000	Total $'000
Balances at March 31, 2007	500,000	500,000	340,083	580,239	1,920,322
Profit for the year, being total recognised gains	-	-	-	2,174	2,174
Balances at March 31, 2008	500,000	500,000	340,083	582,413	1,922,496
Loss for the year, being total recognised losses	-	-	-	(227,623)	(227,623)
Balances at March 31, 2009	500,000	500,000	340,083	354,790	1,694,873

Bank

	Share capital (Note 16) $'000	Reserve fund (Note 17) $'000	Special reserve fund (Note 18) $'000	Retained profits $'000	Total $'000
Balances at March 31, 2007	500,000	500,000	340,083	715,085	2,055,168
Profit for the year, being total recognised gains	-	-	-	2,351	2,351
Balances at March 31, 2008	500,000	500,000	340,083	717,436	2,057,519
Loss for the year, being total recognised losses	-	-	-	(226,718)	(226,718)
Balances at March 31, 2009	500,000	500,000	340,083	490,718	1,830,801

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

JAMAICA MORTGAGE BANK

Statement of Group Cash Flows
Year ended March 31, 2009

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
(Loss)/profit for the year		(227,623)	2,174
Adjustments to reconcile (loss)/profit for the year to net cash provided by operating activities:			
Depreciation	11	4,636	4,176
Gain on disposal of property, plant and equipment		-	(147)
Provision for impairment losses on loans and other receivables	5,8(b)	251,958	105,437
Deferred taxation	21	(70,890)	40,361
Unrealised gain on foreign exchange		(16,561)	(2,109)*
Employee benefits		(6,108)	1,725
		(64,588)	151,617
Interest income		(319,147)	(408,993)
Interest expense		255,684	186,371
		(128,051)	(71,005)
(Increase)/decrease in operating assets:			
Accounts receivable and prepaid expenses		(64,076)	(5,461)
Income tax recoverable		(41,284)	(3,218)
Loans receivable		185,959	74,611
(Increase)/decrease in operating liabilities:			
Accounts payable and accrued charges		8,189	(9,122)
Loan payable to Ministry of Finance		(4,767)	(7,285)
Interest received		368,240	378,397
Interest paid		(271,066)	(151,919)
Net cash provided by operating activities		53,144	204,998
Cash flows from investing activities			
Resale agreements		232,724	(625,693)*
Investment securities		(285,708)	(81,503)
Proceeds of disposal of property, plant and equipment		-	1,053
Additions to property, plant and equipment	11	(974)	(6,102)
Net cash used by investing activities		(53,958)	(712,245)
Cash flows from financing activities			
Issue of bearer bonds		1,000,000	500,000
Redemption of bearer bonds		(1,000,000)	-
Net cash provided by financing activities		-	500,000
Net decrease in cash and cash equivalents		(814)	(7,247)
Cash and cash equivalents at beginning of year		2,512	9,759
Cash and cash equivalents at end of year		1,698	2,512

*After reclassifications to conform to 2009 presentation.
The accompanying notes form an integral part of the financial statements.

JAMAICA MORTGAGE BANK

Statement of Bank Cash Flows
Year ended March 31, 2009

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
(Loss)/profit for the year		(226,718)	2,351
Adjustments to reconcile (loss)/profit for the year to net cash provided by operating activities:			
Depreciation	11	4,625	4,165
Gain on disposal of property, plant and equipment		-	(147)
Provision for impairment losses on loans and other receivables	5,8(b)	251,958	105,437
Deferred taxation	21	(70,890)	40,361
Unrealised gain on foreign exchange		(16,561)	(2,109)*
Employee benefits		(6,108)	1,725
		(63,694)	151,783
Interest income		(319,147)	(408,993)
Interest expense		255,684	186,371
		(127,157)	(70,839)
(Increase)/decrease in operating assets:			
Accounts receivable and prepaid expenses		(64,056)	(5,461)
Income tax recoverable		(41,284)	(3,218)
Loans receivable		185,959	74,611
(Increase)/decrease in operating liabilities:			
Accounts payable and accrued charges		8,169	(9,150)
Loan payable to Ministry of Finance		(4,767)	(7,285)
Due to Mortgage Insurance Fund		-	-
Interest received		368,240	378,397
Interest paid		(271,067)	(151,919)
Net cash provided by operating activities		54,037	205,136
Cash flows from investing activities			
Resale agreements		232,724	(625,693)*
Investment securities		(285,708)	(81,503)
Interest in subsidiary		(893)	(138)
Proceeds of disposal of property, plant and equipment		-	1,053
Additions to property, plant and equipment	11	(974)	(6,102)
Net cash used by investing activities		(54,851)	(712,383)
Cash flows from financing activities			
Issue of bearer bonds		1,000,000	500,000
Redemption of bearer bonds		(1,000,000)	-
Net cash provided by financing activities		-	500,000
Net decrease in cash and cash equivalents		(814)	(7,247)
Cash and cash equivalents at beginning of year		2,512	9,759
Cash and cash equivalents at end of year		1,698	2,512

*After reclassifications to conform to 2009 presentation.

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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements
March 31, 2009

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
- administration of, including investment management for the Government of Jamaica (GOJ) mortgage insurance fund.

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, none of which had any significant impact on the financial statements, viz:

- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions*. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. The amendments did not have any impact on the Group's financial statements.

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

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

New and revised standards and interpretations that became effective during the year (cont'd):

- IFRIC 12, Services Concession Arrangements. IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's entities provide public sector services.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. This interpretation has no impact on the Group's financial statements.

- IAS 39 (Amendment), Financial instruments: Recognition and measurement. IAS 39 permits the following reclassification of certain non-derivative financial assets:

  - Financial assets classified as held-for-trading may be reclassified from fair value through profit or loss category to another category in rare circumstances, or, if the financial asset was eligible for classification as loans and receivables at the date of reclassification.

  - Financial assets classified as available-for-sale may be reclassified to loans and receivables if, at the date of reclassification, the financial asset would have been eligible for classification as loans and receivables.

    Fair value at the date of reclassification is treated as amortised costs and any increases in future cash receipts as a result of increased recoverability will be spread over the life of the assets.

  - IFRS 7 (Amendment), Financial instruments: Disclosures. For financial assets reclassified in accordance with IAS 39 (Amendment), an entity is required to disclose details of carrying amounts and fair values until they are derecognised, together with details of the fair value gain or loss that would have been recognised in the profit and loss or equity if the financial assets had not been reclassified.

    The amendments did not have any impact on the Group's financial statements.

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:

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 (cont'd):

- IAS 23 (Amendment), *Borrowing Costs* is effective for annual reporting periods beginning on or after January 1, 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e., one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39.

- IAS 1 (Revised), *Presentation of Financial Statements* and IAS 1 (Amendment), *Presentation of Financial Statements* are effective for annual reporting periods beginning on or after January 1, 2009. IAS 1 now requires recognised income and expenses to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements and the balance sheet will be referred to as the 'statement of financial position' and the cash flow statement is referred to as the 'statement of cash flows'. The Group will be required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes. Entities should present a statement of financial position (that is, a balance sheet) as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. The standard also clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39 are examples of current assets and liabilities, respectively. The Group will apply IAS 1 (Revised) from April 1, 2009.

- IAS 32 (Amendment), *Financial Instruments: Presentation* and IAS 1 (Amendment), *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*. These amendments are effective for annual reporting periods beginning on or after January 1, 2009. The standards introduce a limited exception to the principles in IAS 32 for certain puttable financial instruments and certain instruments containing obligations arising on liquidation. Where such instruments meet the strict criteria set out in the amendment, they are classified as equity, rather than as financial liabilities, despite the contractual obligation to deliver cash or another financial asset. IAS 32 also prohibits designating inflation as a hedgeable component of a fixed rate debt. The Group will apply IAS 32 (Amendment) and IAS 1 (Amendment) from April 1, 2009.

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 (cont'd):

- IAS 36 (Amendment), *Impairment of Assets*, is effective for annual reporting periods beginning on or after January 1, 2009. The amendment requires that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. The Group will apply this amendment from April 1, 2009.

- IAS 38 (Amendment), *Intangible Assets*, is effective for annual reporting periods beginning on or after January 1, 2009. IAS 38 states that an asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. It has also deleted wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The Group will apply this amendment from April 1, 2009.

- IAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*, is effective for annual reporting periods beginning on or after January 1, 2010. IAS 39 clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge; or financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4. It also amends the definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading. It clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. It also removes a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The amendment is not expected to have any impact on the financial statements of the Group.

- IAS 27 (Revised), *Consolidated and Separate Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2010. IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It further specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be recognised in profit or loss. The amendment is not expected to have any impact on the financial statements of the Group.

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 (cont'd):

- IFRS 3 (Revised), *Business Combinations*, is effective for annual reporting periods beginning on or after January 1, 2010. The amendment continues to apply the acquisition method to business combinations, with some significant changes. It requires that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The amendment is not expected to have any impact on the financial statements of the Group.

- IFRIC 17, *Distribution of Non-Cash Assets to Owners*, is effective for annual reporting periods beginning on or after January 1, 2010. IFRIC 17 states that a dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The amendment is not expected to have any impact on the financial statements of the Group.

- IFRS 5 (Amendment), *Non-current Assets Held-for-sale and Discontinued Operations* (and consequential amendment to IFRS 1, '*First-time adoption*') is effective for annual reporting periods beginning on or after January 1, 2010. The amendment requires that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If such a subsidiary is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The amendment is not expected to have any impact on the financial statements of the Group.

- IAS 19 (Amendment), *Employee Benefits*, is effective for annual reporting periods beginning on or after January 1, 2010. The amendment states that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. It amends the definition of return on plan assets to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. It also makes the distinction between short term and long term employee benefits which is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The amendment provides further guidance that states that IAS 37, '*Provisions, Contingent Liabilities and Contingent Assets*' requires contingent liabilities to be recognised. The Group will apply this amendment from April 1, 2010.

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

(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.

(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.

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)

- Pension and other post-employment benefits (cont'd):

  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.

- 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.

3. Significant accounting policies (cont'd)

(a) Revenue recognition (cont'd):

(i) Interest income (cont'd)

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.

(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.

3. Significant accounting policies (cont'd)

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

(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.

(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.

3. Significant accounting policies (cont'd)

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

(v) Identification and measurement of impairment (cont'd):

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.

(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, 2009, 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.

(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 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.

(p) Investment properties:

Investment properties are carried at cost less impairment losses.

4. Resale agreements

At March 31, 2009, securities obtained and held under resale agreements had a fair value of $636,453,000 (2008: $936,920,000) for the Group and the Bank.

5. Accounts receivable and prepaid expenses

	Group		Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accrued interest on loans receivable	10,100	8,023*	10,100	8,023*
Accrued interest on deposits and investments	39,082	20,129	39,082	20,129
	49,182	28,152	49,182	28,152
Other receivables and prepaid expenses	96,418	102,464	96,398	102,464
Provision for impairment	(3,346)	-	(3,346)	-
	93,072	102,464	93,052	102,464
	142,254	130,616	142,234	130,616

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 $21,774,000 (2008: $14,614,000), which is included in other receivables (above), made up substantially as follows:

	Group and Bank	
	2009	2008
	$'000	$'000
Balance with Ministry of Finance:		
Amount receivable at beginning of year	(14,614)	(10,638)
Current year portion of amount due to		
Ministry of Finance - Principal (see note 14)	4,767	7,285
- Interest	3,012	3,646
- Other	130	162
	7,909	11,093
	(6,705)	455
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	(21,774)	(14,614)

* After reclassification to conform to 2009 presentation.

6. Investment securities

	Group and Bank	
	2009	2008
	$'000	$'000
Bank of Jamaica Certificates of Deposit	39,587	26,694
Government of Jamaica securities:		
Investment debentures 2008 Series BC	-	15,670
Investment bond 2008/2009 Series AP	19,139	19,139
Investment bond 2010/2011 Series AU	20,000	20,000
Investment bond 2010/2011 Series Bb	25,255	-
Investment bond 2010/2011 Series Be	15,670	-
Investment bond 2010 Series Bg	14,309	-
Investment bond 2010 Series Bk	23,251	-
Investment bond 2012/2013 Series Aw	100,000	-
AIC Barbados Bonds	110,000	-
	367,211	81,503

7. Interest in subsidiary

	Bank	
	2009	2008
	$'000	$'000
Ordinary shares	-	- *
Long-term loan	135,739	134,846
	135,739	134,846

* - 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 $135,739,000 (2008: $134,846,000). The loan is interest-free. It is supported by a promissory note and is to be secured on land owned by the subsidiary.

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

8. Loans receivable

	Group and Bank	
	2009	2008
	$'000	$'000
Construction loans – non-governmental borrowers [see (a) below]	1,798,801	1,876,131
Accrued interest capitalized	425,066	495,188*
Less: Allowance for impairment losses [see (b) below]	(872,453)	(678,900)
	1,351,414	1,692,419
Construction loans – Ministry of Environment and Housing [see (c) below]	48,375	56,343
Mortgages [see (d) below] - Staff	24,305	24,211
- Other	257,376	343,068
	1,681,470	2,116,041

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

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

	Group and Bank	
	2009	2008
	$'000	$'000
At beginning of year	678,900	573,463
Charged against revenue during the year	251,098	105,437
Recoveries during the year	(2,486)	-
	248,612	105,437
Bad debts written off	(55,059)	-
At end of year	872,453	678,900

(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.

* After reclassification to conform to 2009 presentation.

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

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 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:

		2009 $'000	2008 $'000
	Phoenix Park	81,110	81,110
	Mount Gotham	65,000	65,000
	Bridge Water	1,058	1,058
		147,168	147,168
(iii)	Bank	147,168	147,168
	Subsidiary	1	1
	Group	147,169	147,169

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 five years of pensionable service.

The vesting period was charged from ten to five years by an amendment to the trust deed by the trustees effective March 1, 2007, the amendment was approved by the Board in August 2007.

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

10. Employee benefits (cont'd)

(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	
	2009	2008
	$'000	$'000
Present value of funded obligations	(34,474)	(60,234)
Fair value of plan assets	76,425	76,720
	41,951	16,486
Unrecognised actuarial losses	(19,357)	-
Recognised asset	22,594	16,486

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

	Group and Bank	
	2009	2008
	$'000	$'000
Net asset at beginning of year	16,486	18,211
Contributions paid	3,026	3,496
Income/(expense) recognised in the income statements	3,082	(5,221)
Net asset at end of year	22,594	16,486

(iii) Income/(expense) recognised in the income statements:

	Group and Bank	
	2009	2008
	$'000	$'000
Current service cost	4,937	4,008
Interest on obligation	6,434	5,267
Actuarial loss recognised	(4,295)	4,295
Expected return on plan assets	(10,158)	(8,349)
(Income)/expense recognised in the income statements (note 19)	(3,082)	5,221
Actual return on plan assets	4%	8%

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

10. Employee benefits (cont'd)

(c) Movements in fair value of plan assets:

	Group and Bank	
	2009	2008
	$'000	$'000
Fair value of plan assets at beginning of year	76,720	68,158
Contributions paid	5,762	6,165
Expected return on plan assets	10,158	8,349
Benefits paid	(8,814)	(3,244)
Actuarial loss	(7,401)	(2,708)
Fair value of plan assets at end of year	76,425	76,720
Plan assets consist of the following:		
Equities	5,782	9,554
Fixed income securities	59,983	58,199
Real estate	10,100	8,477
Bank balances	10	10
Other	550	480
	76,425	76,720

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

	Group and Bank	
	2009	2008
	%	%
Discount rate at March 31	16.00	13.00
Expected return on plan assets at March 31	14.00	13.50
Future salary increases	11.00	10.00
Future pension increases	4.00	3.50

(e) Historical information

	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Present value of the defined obligation	34,474	60,234	49,464	33,794	27,411
Fair value of plan assets	(76,425)	(76,720)	(68,158)	(53,631)	(44,426)
Surplus in plan	(41,951)	(16,486)	(18,694)	(19,837)	(17,015)
Experience adjustments arising on plan liabilities	(31,053)	2,070	6,279	(829)	(372)
Experience adjustments arising on plan assets	7,401	2,708	(1,520)	353	4,162

(f) The estimated contributions expected to be paid into the pension fund during the next financial year is $6,326,000 (2008:$7,628,000).

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

11. Property, plant and equipment

Group

	Freehold land $'000	Freehold buildings $'000	Furniture, fixtures and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Total $'000
Cost:						
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
Additions	-	-	974	-	-	974
March 31, 2009	3,000	60,782	24,518	110	5,450	93,860
Depreciation:						
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
Charge for the year	-	1,610	1,925	11	1,090	4,636
March 31, 2009	-	16,795	19,484	110	1,353	37,742
Net book values:						
March 31, 2009	3,000	43,987	5,034	-	4,097	56,118
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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

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, 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
Additions	-	-	974	-	974
Disposals	-	-	-	-	-
March 31, 2009	3,000	60,782	24,518	5,450	93,750
Depreciation:					
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
Charge for the year	-	1,610	1,925	1,090	4,625
Disposals	-	-	-	-	-
March 31, 2009	-	16,795	19,484	1,353	37,632
Net book values:					
March 31, 2009	3,000	43,987	5,034	4,097	56,118
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

12. Accounts payable and accrued charges

	Group		Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest payable	46,352	61,733	46,352	61,733
Other	18,067	9,877	17,857	9,688
	64,419	71,610	64,209	71,421

13. Bonds payable

	Group and Bank	
	2009	2008
	$'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
Shelter Bond IX [see (d) below]	-	500,000
Shelter Bond X [see (e) below]	500,000	-
Shelter Bond XI [see (f) below]	500,000	-
	1,500,000	1,500,000

	Group and Bank	
	2009	2008
	$'000	$'000
Due within 12 months of the balance sheet date	500,000	-
Due thereafter	1,000,000	1,500,000
	1,500,000	1,500,000

The Bank maintains a segregated sinking fund for the redemption of the Bonds. This comprises 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 June 30, 2010.

(b) In May 2006, the Bank issued Shelter Bond VII at 1% above the weighted average treasury bill rate. These bonds are repayable in full on June 30, 2010.

(c) In March 2006, the Bank issued Shelter Bond VIII at 1.124% above the weighted average treasury bill rate. These bonds were redeemed on March 1, 2009.

(d) In May 2007, the Bank issued Shelter Bond IX at 1.5% above the weighted average Treasury bill rate. These bonds were redeemed on March 1, 2009.

(e) In March 2009, the Bank issued Shelter Bond X at 1.124% above the weighted average Treasury bill rate. These bonds are repayable in full on February 28, 2014.

(f) In March 2009, the Bank issued Shelter Bond XI at 1.5% above the weighted average Treasury bill rate. These bonds are repayable in full on February 28, 2016.

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.

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

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				
			2009	Paid during the year	2008	Paid during the year	2007
			$'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
532-HG-011 Schedule L4	10.00	2012	6,230	(1,780)	8,010	(1,780)	9,790
532-HG-012A Schedule L5	10.00	2014	8,838	(1,473)	10,311	(1,473)	11,784
532-HG-012B Schedule L6	10.00	2016	7,700	(1,100)	8,800	(1,100)	9,900
Garveymeade Schedule L11	8.00	2017	4,791	(414)	5,205	(383)	5,588
			27,559	(4,767)	32,326	(7,285)	39,611
Amounts due within 12 months of the balance sheet date			4,800		7,837		7,285
Due thereafter			22,759		24,489		32,326
			27,559		32,326		39,611

15. Deferred tax asset/(liability)

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

Group and Bank

	Asset		Liability		Net	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	2,058	1,704	-	-	2,058	1,704
Employee benefits	-	-	(7,531)	(5,495)	(7,531)	(5,495)
Accounts payable and accrued charges	16,727	21,563	-	-	16,727	21,563
Loss carried forward	156,691	85,979	-	-	156,691	85,786
Accounts receivable and prepaid expenses	-	-	(162,425)	(174,448)	(162,425)	(174,448)
Other	-	-	(5,520)	-	(5,520)	-
	175,476	109,246	(175,476)	(179,943)	-	(70,890)

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

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

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

	Group and Bank	
	2009	2008
	$'000	$'000
Net deferred tax liability at beginning of year	(70,890)	(30,529)
Net movement for the year (note 21)	70,890	(40,361)
Net deferred tax liability at end of year	(-)	(70,890)

16. Share capital

	Group and Bank	
	2009	2008
	$'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 (2008: 27).

The aggregate cost of these employees was as follows:

	Group and Bank	
	2009 $'000	2008 $'000
Salaries and wage-related expenses	72,147	47,511
Statutory payroll contributions	5,534	3,860
Employee benefit (income)/expense [note 10(b)(iii)]	(3,082)	5,221
Staff welfare	1,287	842
	75,886	57,434

20. (Loss)/profit before income tax

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

			Group		Bank	
			2009 $'000	2008 $'000	2009 $'000	2008 $'000
Depreciation			4,636	4,176	4,625	4,165
Directors emoluments	-	fees (note 22)	562	500	562	500
	-	management remuneration	-	Nil	-	Nil
Auditors' remuneration	-	current year	2,650	2,080	2,450	1,900

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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(i) Current: Provision for charge on current year's results	-	-	-	-
(ii) Deferred: Origination and reversal of temporary differences [note 15(b)]	(70,890)	40,361	(70,890)	40,361
Total income tax (credit)/charge recognised in the income statements	(70,890)	40,361	(70,890)	40,361

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

21. Income tax (cont'd)

(b) The effective tax rate was 23.37% (2008: 94.89%) for the Group and 23.38% (2008:94.49%) for the Bank, compared to a statutory rate of $33^1/3$% (2008:$33^1/3$%). The actual tax charge differed from the expected tax charge for the year as follows:

	Group		Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(Loss)/profit before income tax	(298,513)	42,535	(297,608)	42,712
Computed "expected" tax expense	(99,202)	14,178	(99,202)	14,238
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Depreciation and capital allowances	233	410	233	350
Other	28,079	25,773	28,079	25,773
Actual tax (credit)/charge recognised in the income statement	(70,890)	40,361	(70,890)	40,361

(c) At the balance sheet date, taxation losses, subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately $643,000,000 (2008: $353,000,000) for the Group and $549,000,000 (2008: $260,000,000) for the Bank.

No deferred tax asset is recognised in respect of taxation losses in the books of the subsidiary and the Bank 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.

22. 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	
	2009	2008
	\$'000	\$'000
Accounts payable	-	1,592
Staff loans	6,863	4,242

Key management compensation is as follows:

	Group and Bank	
	2009	2008
	\$'000	\$'000
Directors fees' (note 20)	562	500
Short-term employee benefits	32,570	21,055
Post-employment benefits	(931)	1,411
	32,201	21,696

23. 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.

23. 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) 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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash and cash equivalents	1,698	2,512	1,698	2,512
Loans receivable	1,681,470	2,116,041*	1,681,470	2,116,041*
Resale agreements	720,758	936,920	720,758	936,920
Investment securities	367,211	81,503	367,211	81,503
Accounts receivable	142,254	130,616*	142,234	130,616*
Loan commitments	486,765	127,995	486,765	127,995

* After reclassification to conform to 2009 presentation.

(ii) Management of credit risk

(1) Loans receivable:

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

(2) 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.

(3) 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.

23. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

(ii) Management of credit risk (cont'd)

(4) Resale agreements and certificates of deposit:

Collateral is held for all resale agreements

(5) 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.

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

(iii) Credit quality of loans

The credit quality of the Group's and Bank's loans receivable is summarised as follows:

	2009		2008	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due and not impaired	509,068	-	-	-
Past due but not impaired				
Within 3 months	174,916	-	66,371	-
3 months – 12 months	-	-	166,986	-
Over 12 months	-	-	415,998	-
Past due and impaired				
Under 12 months	347,605	97,605	363,709	78,070
Over 12 months	1,522,334	774,848	1,781,877	600,830
	2,553,923	872,453	2,794,941	678,900

The management of the Bank believes that no impairment allowance is necessary in respect of other financial assets.

The movement on the allowance for impairment is presented in note 8(b).

23. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

(iii) Credit quality of loans (cont'd)

(1) 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.

(2) 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.

(3) 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 restructured one loan during the course of the year from a mortgage loan to a construction loan. All other terms and conditions of the loan remained the same except that the repayment period was shortened.

(4) 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.

(5) 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.

(iv) Concentration of loans

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

23. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

(iv) Concentration of loans (cont'd)

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

Group:

	2009 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,223,667	257,376	2,481,243
Government	48,375	-	48,375
Staff	-	24,305	24,305
	2,272,242	281,681	2,553,923

	2008 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,371,319	343,068	2,714,387
Government	56,343	-	56,343
Staff	-	24,211	24,211
	2,427,662	367,279	2,794,941

Bank:

	2009 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,223,667	257,376	2,481,243
Government	48,375	-	48,375
Staff	-	24,305	24,305
	2,272,242	281,681	2,553,923

	2008 ($'000)		
	Construction loans	Mortgage loans	Total
Developers	2,371,319	343,068	2,714,387
Government	56,343	-	56,343
Staff	-	24,211	24,211
	2,427,662	367,279	2,794,941

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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

23. Financial Risk Management (cont'd)

(a) Credit risk (cont'd):

(v) 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, 2009 or 2008.

(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 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.

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

23. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

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

Group

	2009					
	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	-	-	-	-	1,698	1,698
Resale agreements	47,607	160,924	512,227	-	-	720,758
Accounts receivable	-	-	-	-	142,254	142,254
Investment securities	-	110,000	113,960	143,251	-	367,211
Loans receivable	-	39,437	149,104	1,492,929	-	1,681,470
Total financial assets	47,607	310,361	775,291	1,636,180	143,952	2,913,391
Accounts payable	-	-	-	-	64,419	64,419
Bonds payable	-	-	500,000	1,000,000	-	1,500,000
Loan payable to Ministry of Finance	-	736	4,064	22,759	-	27,559
Total financial liabilities	-	736	504,064	1,022,759	64,419	1,591,978
Interest rate sensitivity gap*	47,607	309,625	271,227	613,421	79,533	1,321,413
Cumulative gap	47,607	357,232	628,459	1,241,880	1,321,413	-

	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	-

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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

23. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

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

Bank

	2009					
	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	-	-	-	-	1,698	1,698
Resale agreements	47,607	160,924	512,227	-	-	720,758
Accounts receivable					142,234	142,234
Investment securities	-	110,000	113,960	143,251	-	367,211
Loans receivable	-	39,437	149,104	1,492,929	-	1,681,470
Total financial assets	47,607	310,361	775,291	1,636,180	143,932	2,913,371
Accounts payable	-	-	-	-	64,209	64,209
Bonds payable	-	-	500,000	1,000,000	-	1,500,000
Loan payable to Ministry of Finance	-	736	4,064	22,759	-	27,559
Total financial liabilities	-	736	504,064	1,022,759	64,209	1,591,768
Interest rate sensitivity gap*	47,607	309,625	271,227	613,421	79,723	1,312,603
Cumulative gap	47,607	357,232	628,459	1,241,880	1,312,603	-

	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	-

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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

23. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

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

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

	2009				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
Resale agreements	14.91	14.81	20.23	-	16.65
Loans receivable	-	20.00	20.00	19.57	19.64
Bonds payable	-	-	25.45	22.05	24.78
Loan payable to Ministry of Finance	-	-	9.50	9.50	9.50

Group and Bank

	2008				
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Total
	%	%	%	%	%
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

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 2008.

	March 31, 2009	March 31, 2008
	$'000	$'000
Effect on profit/loss	21,759	20,055

23. Financial Risk Management (cont'd)

(b) Market risks (cont'd):

(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$964,000 (2008: US$920,000).

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 $4,238,000 (2008:$3,257,000). The analysis assumes that all other variables, in particular, interest rates, remain constant.

The analysis is performed on the same basis as for 2008.

(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

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

23. 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

	2009 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts payable	14,236	-	50,183	-	-	64,419
Due to Min. of Finance	-	-	4,800	22,759	-	27,559
Bonds payable	-	-	620,285	500,000	500,000	1,620,285
	14,236	-	675,268	522,759	500,000	1,712,263

	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	-	5,866	-	-	9,877
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	18,261	1,532,326	-	1,603,935

Bank:

	2009 ($'000)					
	Within One month	One to 3 months	Three to 12 months	One to 5 years	over 5 years	Carrying amount
Accounts payable	14,026	-	50,183	-	-	64,209
Due to Min. of Finance	-	-	4,800	22,759	-	27,559
Bonds payable	-	-	620,285	500,000	500,000	1,620,285
	14,026	-	675,268	522,759	500,000	1,712,053

	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	-	5,677	-	-	9,688
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	18,072	1,532,326	-	1,603,747

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

23. Financial risk management (cont'd)

(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.

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 ensure credit and market confidence.

23. Financial risk management (cont'd)

(e) Capital management; (cont'd)

Capital allocation

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

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

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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

Group

		2009			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		1,698	-	1,698	1,698
Resale agreements	4	720,758	-	720,758	636,453
Accounts receivable and prepaid expenses	5	142,254	-	142,254	142,254
Investment securities	6	367,211	-	367,211	366,894
Loans receivable	8	1,681,470	-	1,681,470	1,681,470
		2,913,391	-	2,913,391	2,828,769
LIABILITIES					
Accounts payable and accrued charges	12	-	64,419	64,419	64,419
Bonds payable	13	-	1,500,000	1,500,000	1,500,000
Loan payable to Ministry of Finance	14	-	27,559	27,559	27,559
		-	1,591,978	1,591,978	1,591,978

24. Financial assets and liabilities – accounting classifications and fair values (cont'd)

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

Bank

		2009			
	Notes	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000
ASSETS					
Cash and cash equivalents:					
Short-term deposits		1,698	-	1,698	1,698
Resale agreements	4	720,758	-	720,758	636,453
Accounts receivable and prepaid expenses	5	142,234	-	142,234	142,234
Investment securities	6	367,211	-	367,211	366,894
Loans receivable	8	1,681,470	-	1,681,470	1,681,470
		2,913,371	-	2,913,371	2,828,749
LIABILITIES					
Accounts payable and accrued charges	12	-	64,209	64,209	64,209
Bonds payable	13	-	1,500,000	1,500,000	1,500,000
Loan payable to Ministry of Finance	14	-	27,559	27,559	27,559
		-	1,591,768	1,591,768	1,591,768

JAMAICA MORTGAGE BANK

Notes to the Financial Statements (Continued)
March 31, 2009

24. Financial assets and liabilities – accounting classifications and fair values (cont'd)

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

25. Commitments

Loans approved but not disbursed by the Group and the Bank at March 31, 2009 amounted to $486,765,000 (2008: $127,995,000).

26. Contingent liability

Subsequent to the year end a claim for damages was filed against the Bank for approximately $26 million by the owner of a housing development against which the Bank had lodged a caveat. In an earlier suit, the Court ruled that the Bank had erred in lodging the caveat, ordered its removal and further ordered the Bank to pay damages to be assessed. The bank is in the process of challenging the sum claimed by the claimant.

27. 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:

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

- *one-half of the return on the income and assets* of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and *one-fifth (two-fifth effective July 24, 2008) of the insurance fees* received; and, if not adequate, then by-
- withdrawals from the Mortgage Insurance Fund of *up to one-half* of the return on investment and assets of the Fund for that year; and, if more is still required, then by-
- advances from the Consolidated Fund.

	2009 $'000	2008 $'000
Cost of Administration of Mortgage Insurance Act		
Bank charges and interest	6	19
Salaries and related expenses	1,152	1,640
Redundancy cost	3,957	-
Pension scheme contributions	59	124
Commission	-	3
Other	92	34
Audit fees	270	230
Total costs	5,536	2,050
Funded by:		
Contribution of:		
One-fifth of Mortgage Loan Insurance fees	150	717
Two-fifths of Mortgage Insurance fees	605	-
Loan investigation fees	43	-
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	3	2
	801	719
Contributed by the Mortgage Insurance Fund	4,735	1,331
Total funding	5,536	2,050

JAMAICA MORTGAGE BANK

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

JAMAICA MORTGAGE BANK

Other Administrative and General Expenses – Bank only
Year ended March 31, 2009

	2009 $'000	2008 $'000
Advertising	961	1,168
Auditors' remuneration	2,450	2,300
Bank charges and interest	149	120
Bond issue expense	-	52
Computer expenses	1,890	677
Consulting and other professional fees	2,666	890
Depreciation	4,624	4,165
Directors' fees	562	500
Donations	176	188
Electricity	3,696	2,238
Gain on disposal of property, plant and equipment	-	(147)
General insurance	634	926
General office expenses	5,585	3,565
Group health and group life insurance	3,296	3,238
Legal expenses	6,459	871
Settlement of legal claims	20,000	-
Local travelling and incidentals	1,362	786
Motor vehicle expenses	458	123
Overseas travelling and incidentals	1,116	-
Printing and stationery	720	526
Property taxes	82	87
Public relations	3,177	1,775
Conference, seminar and retreat expenses	4,207	-
Repairs and maintenance	1,780	893
Subscriptions and publications	485	521
Telephone, cables and postage	2,148	1,670
	68,683	27,132

INDEPENDENT AUDITORS' REPORT

To the Directors of
THE MORTGAGE INSURANCE FUND AND MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
(*Established under the Mortgage Insurance Act*
Administered by Jamaica Mortgage Bank)

Report on the financial statements

We have audited the financial statements of The Mortgage Insurance Fund and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund ("the funds"), set out on pages 53 to 64 which comprise the balance sheet as at March 31, 2009, the statements of changes in fund balances and cash flows for the year then ended, and 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 risks 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of
THE MORTGAGE INSURANCE FUND AND MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
(*Established under the Mortgage Insurance Act*
Administered by Jamaica Mortgage Bank)

Report on the financial statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund as at March 31, 2009, and of the changes in fund balances for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

July 29, 2009

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
THE MORTGAGE INSURANCE FUND AND MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
(*Established under the Mortgage Insurance Act*
Administered by Jamaica Mortgage Bank)

Report on the financial statements

We have audited the financial statements of The Mortgage Insurance Fund and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund ("the funds"), set out on pages 53 to 64 which comprise the balance sheet as at March 31, 2009, the statements of changes in fund balances and cash flows for the year then ended, and 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 risks 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
THE MORTGAGE INSURANCE FUND AND MORTGAGE (GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
(*Established under the Mortgage Insurance Act*
Administered by Jamaica Mortgage Bank)

Report on the financial statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund as at March 31, 2009, and of the changes in fund balances for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

July 29, 2009

THE MORTGAGE INSURANCE FUND
[Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank]

Balance Sheet
March 31, 2009

	Note	2009 $'000	2008 $'000
ASSETS			
Cash and cash equivalents		258	375
Investments	4	1,053,932	944,583
Accounts receivable		135,492	90,679
		1,189,682	1,035,637
LIABILITIES			
Accounts payable		399	380
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund		51	48
Due to Jamaica Mortgage Bank		1,080	11
		1,530	439
Net assets		1,188,152	1,035,198
Financed by:			
ACCUMULATED SURPLUS		1,188,152	1,035,198

The financial statements on pages 53 to 64 were approved for issue by the Board of Directors on July 29, 2009 and signed on its behalf by:

_______________ Chairman
George Thomas

_______________ Director
Osmond Clarke

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

THE MORTGAGE INSURANCE FUND
[Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank]

Statement of Changes in Fund Balance
Year ended March 31, 2009

	2009 $'000	2008 $'000
Increase in fund:		
Three-fifths of mortgage loan insurance fees	908	-
Four-fifths of mortgage loan insurance fees	601	2,864
Investment income	164,820	125,824
	166,329	128,688
Decrease in fund:		
Transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act	(4,735)	(1,331)
Administration charges paid to the Bank	(8,640)	(125)
	(13,375)	(1,456)
Net increase in fund balance for year	152,954	127,232
Fund balance at beginning of year	1,035,198	907,966
Fund balance at end of year	1,188,152	1,035,198

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

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

Balance Sheet
March 31, 2009

	2009 $'000	2008 $'000
ASSETS		
Due from Mortgage Insurance Fund	51	48
Government of Jamaica bond	19	19
Government of Jamaica investment debenture	15	15
	85	82
Financed by:		
ACCUMULATED SURPLUS	85	82

The financial statements on pages 53 to 64 were approved for issue by the Board of Directors on July 29, 2009 and signed on its behalf by:

____________________ ~~Chairman~~
George Thomas

____________________ Director
Osmond Clarke

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

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

Statement of Changes in Fund Balance
Year ended March 31, 2009

	2009 $'000	2008 $'000
Increase in fund:		
Investment income	5	4
Decrease in fund:		
One-half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act	(2)	(2)
Net increase in fund for year	3	2
Fund balance at beginning of year	82	80
Fund balance at end of year	85	82

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

THE MORTGAGE INSURANCE FUND AND MORTGAGE
(GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
[Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank]

Notes to the Financial Statements
March 31, 2009

1. Identification

(a) The Mortgage Insurance Fund

(i) Establishment and functions

The Mortgage Insurance Fund ("the Fund") was established under section 9 of the Mortgage Insurance Act ("the Act"). Under Section 25 of the Jamaica Mortgage Bank Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank 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 Fund is domiciled in Jamaica and its principal place of business is located at 33 Tobago Avenue, Kingston 5, Jamaica.

(ii) Funding

The Act requires that *four-fifths of the insurance fees* received by the Bank be paid into the Fund. An amendment to the Act, stipulates that *three-fifths of the insurance fees* received by the Bank be paid into the Fund, effective July 24, 2008. The income of the Fund belongs to the Fund and not to the Bank except as set out in note 1(c) below.

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

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

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

The employees of the Bank manage the operations of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund. 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 (two-fifth effective July 24, 2008) of the insurance fees* received; and, if not adequate, then by-
- withdrawals from the Mortgage Insurance Fund of up to one-half of the return on investment and assets of the Fund for that year; and, if more is still required, then by-
- advances from the Government's Consolidated Fund.

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

2. Statement of compliance and basis of preparation

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards ("IFRS").

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 with fixed or determined payments, for which there is not an active market which are not intended for sale immediately or in the near term as designated upon initial recognition as at fair value through profit or loss or as available-for-sale, are classified as loans and receivables. These are initially measured at cost and subsequently at amortised cost, using the effective interest rate method, less impairment losses.

(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.

(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.

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

	2009 $'000	2008 $'000
Loans and receivables – carried at amortised cost		
Government of Jamaica:		
Local registered stocks	35,116	115,161
Investment debentures	136,028	124,169
Investment bonds	874,483	705,253
	1,045,627	944,583
Resale agreements	8,305	-
	1,053,932	944,583

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 at the balance sheet date was $1,029,688,000 (2008: $944,583,000). The difference between the purchase and resale considerations is recognised as interest income over the term of the contract using the effective interest method.

5. Financial instruments and financial risk management

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

For the purpose of the financial statements of the Mortgage Insurance Fund, financial assets have been determined to include cash and cash equivalents, investments and accounts receivable. 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 and financial risk management (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 risk management:

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

- credit risk
- market risk
- liquidity risk

The notes present information about the Funds' exposure to each of the above risks, and the Funds' objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors of Jamaica Mortgage Bank has overall responsibility for the establishment and oversight of the Funds' risk management framework. The Board has established Finance and Audit and Loans and Projects Committees for the Bank and, by extension, the Funds. These committees are responsible for developing and monitoring risk management policies in their specified areas – for the Bank and the Funds.

The risk management policies are established to identify and analyse the risks faced by the Funds, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Funds are managed by the Bank and benefit from the Bank's risk management policies and processes.

5. Financial instruments and financial risk management (cont'd)

(b) Financial risk management (cont'd)

The Audit Committee is responsible for monitoring the Funds' compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework.

(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.

The assets presented on the balance sheets comprise the Funds' exposure to credit risk.

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

There has not been any change in the Funds' management of credit risk during the year.

(ii) Market risk:

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

- Interest rate risk:

  Interest rate risk is the risk that that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Funds manage interest rate risk by monitoring interest rates daily, and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business.

THE MORTGAGE INSURANCE FUND AND MORTGAGE
(GOVERNMENT GUARANTEED LOANS) INSURANCE RESERVE FUND
[Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank]

Notes to the Financial Statements (Continued)
March 31, 2009

5. Financial instruments and financial risk management (cont'd)

(b) Financial risk management (cont'd):

(ii) Market risk (cont'd)

- Interest rate risk (cont'd):

Set out below is an analysis of the Mortgage Insurance Fund's interest-rate sensitive financial instruments, based on the period in which the earlier of the maturity dates and the contractual re-pricing dates occur. The interest-rate sensitive financial instruments of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund are not material.

	2009						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive	Total	Average effective yield %
Investments	-	49,962	200,097	795,815	-	1,045,874	-
Repurchase agreement	8,304	-	-	-	-	8,304	7.00
Cash and cash equivalents	-	-	-	-	258	258	20.96

	2008						
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive	Total	Average effective yield %
Investments	-	68,135	183,013	693,435	-	944,583	13.59
Cash and cash equivalents	-	-	-	-	375	375	-

- Foreign currency risk:

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

The directors and management believe that the Funds have limited exposure to foreign currency risk as it has no foreign currency liabilities and limited foreign currency assets.

5. Financial instruments and financial risk management (cont'd)

(b) Financial risk management (cont'd):

(ii) Market risk (cont'd)

- Other market price risks:

  The Funds have no significant exposure to equity price risk as they have no financial assets which are to be realised by trading in the securities market.

(iii) Liquidity risk:

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

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

6. New and revised IFRS and interpretations that became effective during the year

During the year, certain new and revised IFRS and interpretations became effective; however, their adoption had no effect on the funds' accounting policies.

7. New and revised IFRS and interpretations not yet effective

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The adoption of those standards and interpretations are not expected to have a material impact on the financial statements.