JAMAICA MORTGAGE BANK

Facilitating Home Ownership

Since 1971

ANNUAL REPORT 2017

CONTENTS

LETTER OF TRANSMITTAL

July 1, 2017

Hon. Dr. Horace Chang
Minister without Portfolio in the Ministry of Economic Growth and Job Creation
With responsibility for Water, Works & Housing
Ministry of Economic Growth and Job Creation
25 Dominica Drive
Kingston 5

Dear Sir:

In accordance with Section 15 (1) of the Jamaica Mortgage Bank Act, No. 16 of 1972, I have the honour of transmitting herewith the Bank's Report for the year ended March 31, 2017 and a copy of the Statement of the Bank's Accounts as at March 31, 2017, duly certified by the Auditors.

Yours respectfully,

....
Dr. Patrick W. Thelwell
Chairman

Vision

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

Mission Statement

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

JMB Core Values

Respect

Accountability

Integrity

Service-oriented

Excellence

SUMMARY OF JMB'S OPERATIONS

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

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

a. The mobilization of loan funds for on-lending to developers and other lending institutions.

b. The operation of a secondary mortgage market facility.

c. The provision of mortgage insurance services as set out in the Mortgage Insurance Law of 1960.

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

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

The Bank's current operations fall into three categories:

PRIMARY MARKET
The granting of short-term financing for construction and infrastructure development.

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

MORTGAGE INSURANCE
The insuring of residential mortgage loans.

BOARD OF DIRECTORS' REPORT

Economic Overview

During the 2016/17 fiscal year, the Jamaican economy continued to benefit from an improved macroeconomic environment as reflected in a 1.4 percent GDP growth, slightly lower than projected. The new Government is resolute in its effort at maintaining fiscal prudence and achieving continued success under its economic reform programme and has successfully negotiated a new precautionary three-year Stand-By Arrangement (SBA) with the IMF. Business and consumer confidence continued to be strong. The Economic & Social Survey Jamaica 2016 (ESSJ) published by the Planning Institute of Jamaica (PIOJ), reports that the World Bank "Doing Business 2017" report ranked Jamaica 67 out of 190 countries.

The Government has established the Economic Growth Council (EGC) whose main goal is to achieve a 5 per cent annualized GDP growth rate by 2020 (popularly referred to as "five in four"). The JMB stands ready to assist the Government in achieving this ambitious but necessary target, to improve the lives of the majority of the Jamaican people. The other key marcoeconomic indicators are discussed below:

Inflation: The rate of inflation for 2016 was 1.7 percent, compared to 3.7 percent in 2015 and 6.4 percent in 2014. Per the ESSJ report 2016, this out-turn was the lowest in five decades and was attributed to deflation in the first seven months of 2016, primarily due to increased supply in agricultural products and low energy prices.

Exchange Rate: The Jamaican Dollar devalued in 2016 to the US dollar by approximately 6.7 percent which indicates a moderate reduction but at a higher rate than the 5.04 percent experienced in 2015.

Net International Reserves (NIR): At the end of 2016 the NIR of $2,719M was $282.4M higher than 2015.

Interest Rate: Interest Rate on the benchmark Six-Month Treasury Bill increased from 6.04 percent in December 2015, to a rate of 6.56 percent at the end of December 2016. However, there were year over declines in the 30-day and 90-day rates.

Growth: According to the ESSJ 2016 report, Jamaica's GDP grew by 1.4 percent during 2016, and represented the fourth consecutive year of growth. Economic growth rates have been low during the past three years but are steadily rising, and the World Bank forecasts GDP growth to accelerate to over 2.0 percent in 2017, aided by expected growth of 2.3 percent in the U.S. economy, low oil prices, and various initiatives announced by the Economic Growth Council of Jamaica.

However, despite the macroeconomic improvements, reports from the Statistical Institute of Jamaica show that the unemployment rate in Jamaica, though improved year over year, remained relatively high at 13.2 percent, compared to 13.5% the previous year. The unemployment rate for youth was considerably higher at 31.8 percent, and the average unemployment rate for women, while declining, was still much higher than for men: 17.4 percent versus 9.6 percent, respectively.

Construction Sector and Housing Sub-Sector:2017

An examination of the construction sector and specifically the housing sub-sector showed continued challenges. While the construction sector showed a 0.4 percent improvement over 2015, the ESSJ report showed a 40.4 percent year over year decline in housing completions and a 10.4 percent decline in the total number of mortgages. However, the Government's focus on housing development as a pillar of economic growth is evident in the total number of housing starts increasing significantly by 105.9 percent when compared to the previous year, primarily attributable to the renewed efforts of the National Housing Trust. The Jamaica Mortgage Bank also contributed; financing 71 housing starts for the fiscal year 2016/2017. The construction sector is expected to continue its growth trend in 2017 and, given the recent initiatives and announcements by the NHT, including plans to build over 5,000 new homes as well as various new measures to drive the demand side of housing, we also anticipate some growth in the residential housing sector in the short to medium term.

Despite the reported reduction in housing starts, the JMB continued with its 3-year strategic plan implemented in 2014 to return the Bank to sustainable profitability and focus on providing affordable shelter. As a result, the Bank experienced year over year financial growth in profits and improvements in several areas of its operations, especially loan disbursements in its Primary Market business where it funds affordable housing solutions for the Jamaican people.

Annual Report 2017

The Jamaica Mortgage Bank (JMB) operates in a challenging macroeconomic environment, characterized by high borrowing cost and a competitive, low growth construction sector. Despite these challenges, the Jamaica Mortgage Bank continues to effectively execute its mandate of facilitating affordable housing solutions for Jamaicans. The Board of Directors are therefore pleased to present the Bank's Annual Report for the financial year ended March 31, 2017.

Financial Performance

The Jamaica Mortgage Bank projected to commit J$1.27B to finance 675 housing solutions through its Primary Market programme for the financial year 2016/2017. Due to the deferral of one major project, the Bank was only able to commit to $677M to start 71 solutions. The Bank, however, disbursed over $1B to fund new commitments as well as finance the completion of approximately 564 solutions carried over from previous periods. Approximately $647M of additional disbursements were funded by syndication arrangements with another financial institution.

For the 2016/2017 year, the Bank raised $950M from the private capital market and paid out $1BM of debt obligations. The JMB will be working with financial institutions for loans of approximately One Billion Dollars ($1B) to finance its Primary Market housing programme in 2017/2018, as the Bank currently has over $2B of applications in the pipeline, including proposals to build low and middle income houses.

As the Bank's 3-year strategy to 2017 concludes, it aggressively recovered and collected over $278M of its bad debt during the financial year, as well as, settled the largest debtor, thereby significantly reducing the bad debt portfolio.

Despite total revenues remaining flat, management was able to reduce total expenses by 15.2 percent, resulting in a 24.2 percent increase in its year over year profits before taxes. This reflects the third consecutive year of increase and a change in the fortune and future of the Bank.

Outlook

Given the nature of the project financing requests flowing into the JMB for the past two years, and the increased volume of those requests, the JMB is convinced that there's a sizeable market for housing solutions geared toward low-middle and middle income earners. Additionally, the Bank has established itself as the premier expert in housing and commercial short-term financing in Jamaica, partly, by utilizing its project management strengths across the public and private housing sector, including offering these services to the Diaspora.

The Board, management and the Government will work with other financial institutions to ensure the funding of the viable projects in the low to middle income niche of the housing sub-sector.

The amendments to the Mortgage Insurance Act (MIA) 2014 that allow for the percentage of the appraised value of a property on which a mortgage loan is granted, to be increased from 90 percent to 97 percent, has increased the number of Approved Lenders, but not necessarily resulted in any significant increases in the number of policies insured. Given the ESSJ report 2016 showing a 7.8 percent growth in the total value of mortgages, the Bank can only assume that the Financial Institutions are assuming the increased risk of default.

The Bank will continue to take initiatives to stimulate the use of the MII (Mortgage Indemnity Insurrance) product. One such initiative involves working with the World Bank on an “Access to Finance” project to be launched in 2017. The main goal of the project, as it relates to the JMB, is to extend and increase the utility of the Mortgage Indemnity Insurance product to benefit low income and younger prospective homeowners. This along with the many other initiatives will be used to drive the expected growth and profitability of the Bank.

Appreciation

The Board of Directors deeply appreciates the support of the Most Hon. Andrew Holness, Prime Minister and Minister without portfolio in the Ministry of Economic Growth and Job Creation, the Hon. Dr. Horace Chang, our Portfolio Minister for Water, Works and Housing, and Permanent Secretary, Mrs. Audrey Sewell and the staff of the Ministry, for their support during the year.

To our business partners, especially the National Commercial Bank (our loan syndication partner) and Developers, we thank you for the confidence that you continue to place in the Jamaica Mortgage Bank as we strive to positively impact economic growth, employment and the overall quality of life in Jamaica.

Finally, we would like to thank the management and staff of the Bank for their steadfast and consistent commitment to the continued success of the organization. The current Directors are excited about the Bank’s future and look forward to working with all stakeholders to overcome the challenges and deliver on the mandate of providing affordable housing solutions for Jamaicans.

For and on behalf of the Board of Directors

....

Dr. Patrick Wayne Thelwell
Chairman

GENERAL MANAGER'S REPORT

Overview

The fiscal year 2016/2017 represented the end of a three-year strategic plan implemented in 2014, to turn around the fortunes of the Jamaica Mortgage Bank (the Bank) and to achieve sustainable profitability. As at the end of the fiscal year, the Bank's core business, experienced the third consecutive year of improved operating performance, resulting in profit, growth and stability.

In recognition of the difficulty of raising funds in the private market post the National Debt Exchange (NDX) programme in 2012/2013, the Bank took the decision to only borrow based on existing loan commitment. As such, the Bank borrowed $950M and retired $1B of debt while continuing with its syndication strategy as an alternative means of funding its mandate. Similarly, the Bank, through its promotion of the 97% Mortgage Indemnity Insurance (MII) programme drove the residential mortgage financing market to the offering of between 95% and 97% Loan to Value (LTV) ratios to end user mortgages and at lower interest rates, when compared to the previous periods.

The Strategy

In 2014, the Bank employed a three (3)-year strategy to 2017, to strengthen its capital base and return to sustainable growth and profitability, using three pillars: i) increasing the loan portfolio, while leveraging its expertise to offer other services, thereby increasing income, ii) finding more innovative means of funding, and iii) aggressively pursuing collections on the bad debt portfolio.

During the final year of the plan, 2016/2017, the Bank continued to execute on the three-pillar strategy with mixed successes. The total loans portfolio and disbursements increased year over year by 42.0% and 7.0% respectively, while the Bank performed below budget with its project commitments and total collections primarily due to the deferral of one major project that was budgeted for the period. Both of the Bank's new products, the Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS) introduced in 2016, also generated modest income to the Bank's financial results during 2016/2017.

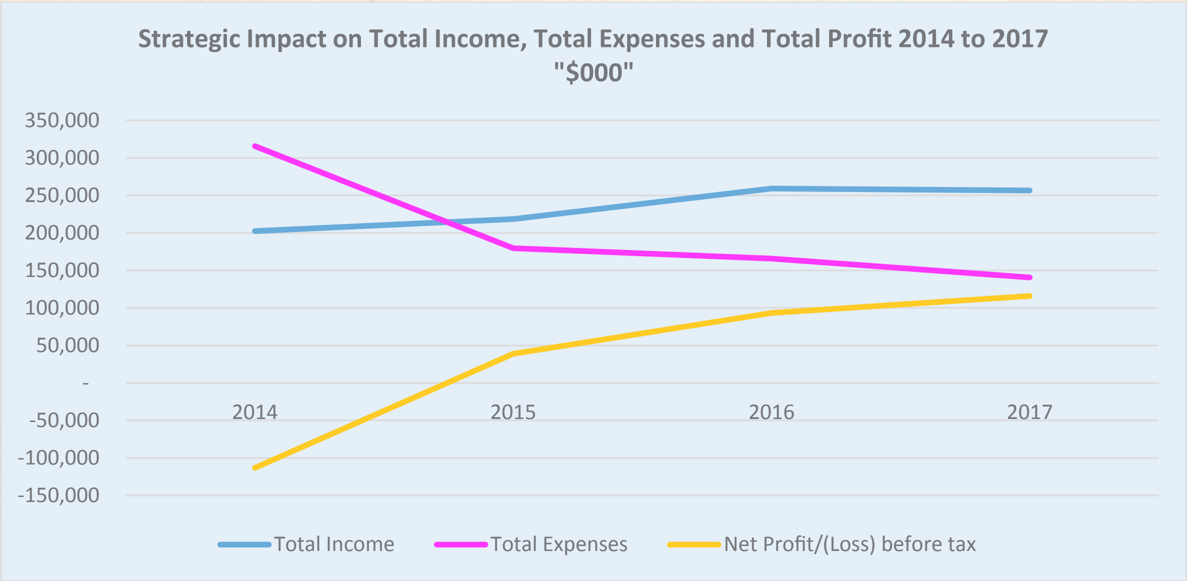
Likewise, the Bank funded most of its project commitments from existing resources while deepening the relationship with its syndication partner, resulting in alternative funding of $647.4M.

The Bank also continued to intensify its bad debt collection efforts, resulting in various settlements, foreclosures and cash collections. The Bank maintained its posture of identifying and funding only quality projects in order to minimize any chance of delinquency, by using a robust set of risk management metrics to assess and price construction projects, and which serve to complement the active project monitoring protocols in use by the business. The metrics also allowed the Bank to maintain its flexibility with developers, while reducing some of the inherent risks experienced with past operating procedures.

Additionally, the Bank continued the programme of upgrading its computer and software systems to enable the staff to be more efficient and productive in their respective functions. This was evident in the year over year reduction of operating expenses.

Also, the Bank continued to seek out buyers to convert its hard assets to cash in order to ensure that liquidity was available to meet commitments. The Bank was able to dispose of one asset valuing over $100M.

See below the net impact on Total Income, Total Expenses and Profitability resulting from the three (3)-year strategic plan implementation.



Financial Performance

As a result of the strategy execution, the Bank showed an increase in the year over year profitability, as well as improvement in some of its key financial indicators. The increased profitability was primarily driven by a significant increase in the loan portfolio due to better than planned disbursements when compared to the previous period, as well as, recovery on two major debts. However, as mentioned above, project commitments and collections were off target due to the deferral of one major project budgeted.

ANALYSIS OF CHANGE IN INCOME & EXPENDITURE 2015/16 to 2016/2017

ITEM	2017 $'000	2016 $'000	Variance $'000	Var. %
Interest Income				
Interest from Loans	109,894	116,878	(6,984)	-6.0%
Interest from Deposits	12,719	59,552	(46,833)	-78.6%
Total Interest Income	**122,613**	**176,430**	**(53,817)**	-30.5%
Interest Expenses				
Interest on Bonds Payable	71,491	98,965	(27,474)	-27.8%
Net Interest Income/(Loss)	**51,122**	**77,465**	(26,343)	-34.0%
Non Interest Income	133,844	82,701	51,143	61.8%
Gross Margin before Provision and Expenses	**184,966**	**160,166**	**24,800**	15.5%
Less Operating Expenses	(132,194)	(143,584)	11,390	-7.9%
Operating Profit/(Loss) for the year before Provision	52,772	16,582	**36,190**	218.2%
Provisions	63,088	76,676	(13,588)	-17.7%
Profit/(Loss) for the year before taxes	115,860	93,258	22,602	24.2%
Taxes	(20,207)	(15,574)	**(4,633)**	-29.7%
Profit/(Loss) for the year	95,653	77,684	17,969	23.1%

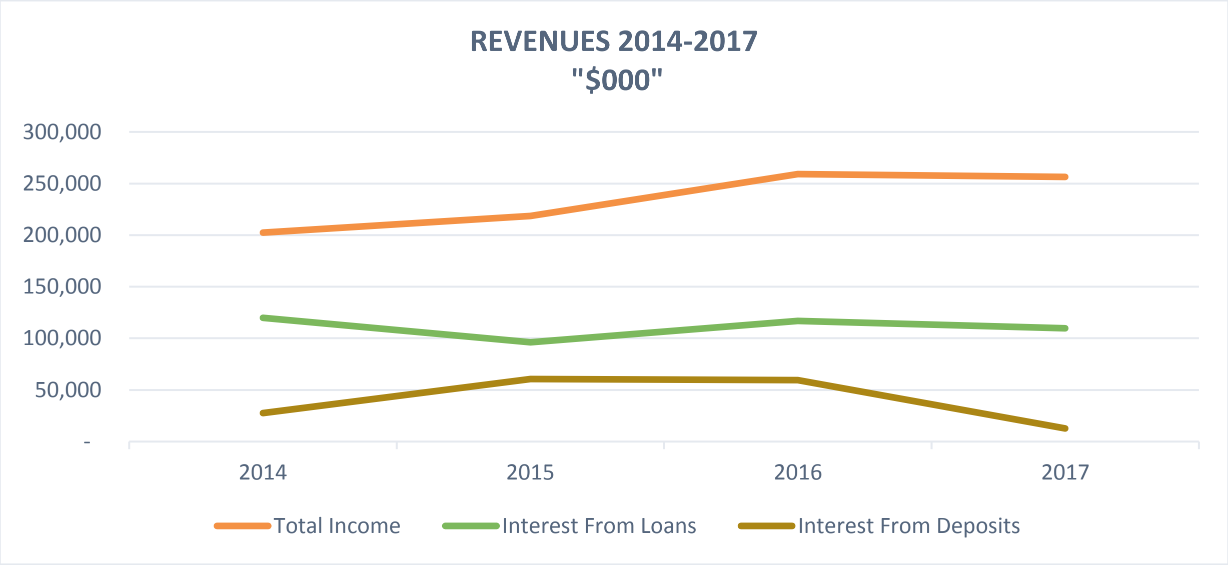
Revenues

Total income of $256.5M was $2.7M or 1.0% lower than the previous year, primarily in the categories of interest from loans and investments due to lower yields as interest rates declined. Non-interest income showed a significant year over year increase to offset the lower than planned interest income.

Total Interest income of $122.6M for the reporting period was 30.5% lower than the previous year, and 35.3% lower than budget, primarily due to lower than planned investments, as well as, lower yields on investments and the loan portfolio. Interest income from loans of $109.9M was 6.0% lower than the previous year. Lower yields on loans were offset somewhat by the increase in the loan portfolio, while interest from deposits was 78.6% lower due to the decline in market interest rates and lower than budgeted borrowing in the private capital markets.

Net Interest income of $51.1M was also lower than the previous year and budget by 34.0% and 40.7%, respectively, primarily due to reasons already mentioned above.

Non-Interest income of $133.8M significantly exceeded that of the previous year by $51.1M or 61.8% and exceeded budget by $70.5M or 111.4%, primarily driven by fees from new business, when compared to budget, as well as, bad debt recoveries on two major projects.

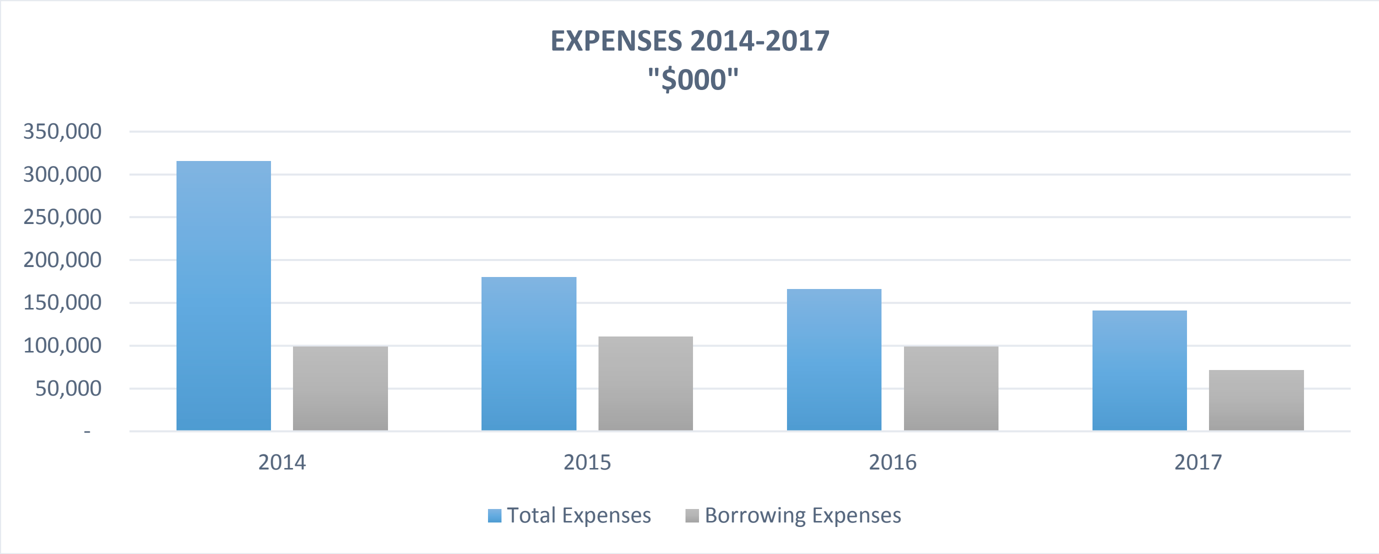


Expenses

Total expenses of $140.6M were lower than the previous year by $25.3M or 15.2% primarily due to lower finance, staff and administrative cost when compared to the previous year. Total expenses also consist of a favourable write back of $63.1M in its loan provisions, attributable to the work done on the bad debt portfolio. The $63.1M, compared to the $76.7M during the previous year. This was primarily due to the Bank's recovery of property securing a non-performing loan, as well as negotiated settlements of various other bad debts.

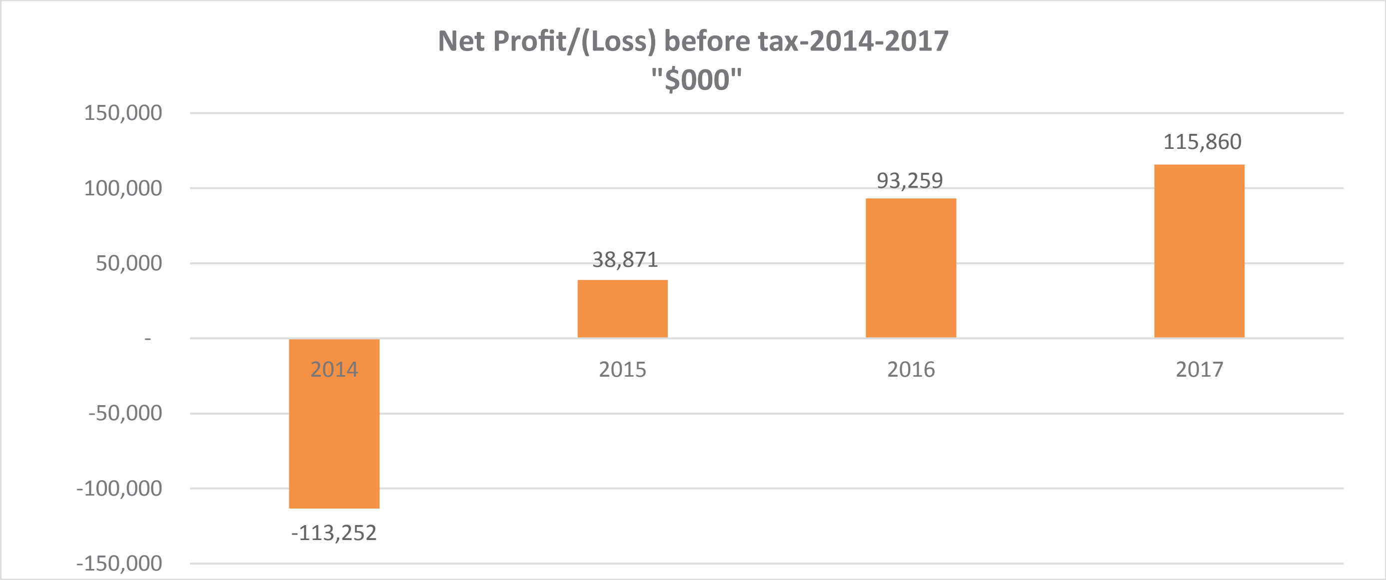
Interest expenses on Debt (Finance Cost) were $71.5M or 27.8% lower than the previous year. This was primarily due to lower than planned cost of funds due to lower interest rates and the Bank not proactively raising funds, as planned.

Operating Expenses (OPEX) of $132.2M were lower than those of the previous year by 7.7% and flat when compared to budget due to lower salary attributable to attrition, reorganization and improved efficiency.



Profit/(Loss)

Resulting from the overall performance mentioned above in the fiscal year 2016/2017, the Bank increased its before tax profit by 24.2% to $115.9M, or by $22.6M when compared to the previous year. Likewise, the Bank exceeded its budgeted net profit before tax by $98.1M or 553.8%. When the results are normalized for the $63.1M write back, the Bank's profit before tax exceeded budget by 97.8% or $35.1M compared to the previous year. After tax profit and Total Comprehensive Income were also 23.1% and 7.1% higher when compared to the previous year.



Balance Sheet

The JMB continued to strategically manage its balance sheet by positioning its cash and near-cash to meet its disbursement commitments. The Bank raised a total of $950M of the planned $1B for funding during the year; however, the Bank reduced its borrowing liabilities by $1B. Total borrowings ended at $900M. The Bank will further reduce its liabilities by another $500M by the second quarter of the following fiscal year.

Other Key Operational Performance Indicators

Primary Market

For the fiscal year under review, the Jamaica Mortgage Bank (JMB) issued net loan commitments amounting to just over $677M for 71 new housing units; down 49% and 86%, respectively, after adjustments, from the prior year, due largely to the postponement of a major project. On the other hand, disbursements to new and on-going projects amounted to $1,070M, surpassing the annual target and bettering the prior year's record by just over 7%. A noteworthy milestone during the year, was the successful completion of construction works on Phase 2 of the student accommodation project on the Mona Campus of the University of the West Indies, financed by JMB through the syndication partnership commenced in 2014 with National Commercial Bank.

The Bank was excited during the year to initiate pre-contract work on its first project under the "Diaspora Home Building Services" (DHBS) product. Unfortunately, a number of unforeseen factors intervened to prevent the client from pursuing the project through to completion. We are satisfied that a need exists for the DHBS product, which is tailored to assist Jamaicans living overseas in building their home locally. JMB stands as a trusted partner which provides project management services by leveraging the in-house expertise it has developed over time to plan and execute the works. The services provided, range from initial technical assessments of projects through to monitoring implementation and close-out activities, and will serve as an additional income stream for the Bank.

In the last quarter, JMB entered into an arrangement allowing the Bank to undertake the first project through its Technical Support Services (TSS). The project, a major housing development, is in the early stage of implementation, and has started to contribute to JMBs non-interest income. The TSS product is geared toward other interim financiers who lack the technical expertise demanded by complex construction projects, and seeks to increase the success rate associated with such projects by assessing and monitoring the technical elements including approvals, budget/costing and implementation.

OTHER KEY PERFORMANCE METRICS

Budget-2016/17 $'000	Actual-2016/17 $'000	Variance $'000	Variance %	Metric	Budget-2017/2018 $'000
1,275,000	677,000	-598,000	-46.9%	**Commitments ***	1,500,000
1,000,000	1,070,400	70,400	7.0%	**Disbursements ***	1,600,000
1,356,000	855,000	-501,000	-36.9%	**Total Collections**	1,450,000
387,000	279,000	-108,000	-27.9%	**Bad Debt Recovery**	550,000
675	71	-604	-89.5%	**Units Funded**	171

* Excludes Syndication amounts

Secondary Market

JMB continued to monitor the local market conditions in readiness to re-engage in the Secondary Mortgage Market when the interest rate environment becomes conducive.

Mortgage Indemnity Insurance (MII)

Despite the significant interest generated in the Mortgage Indemnity Insurance (MII) product by the multi-media awareness campaign hosted by JMB during the last financial year, the upsurge in requests for the product expected from Approved Lenders during the year under review did not materialize. What was observed, however, was a general upward movement in the mortgage amount or Loan to Value (LTV) that the institutions are prepared to entertain - up to 95% (from a previous high of 90%). Few institutions have, however, shown a willingness to make 97% mortgages on a select basis.

Undertakings to Insure (UTIs) issued over the reporting period numbered fifty (50), matching the prior year's performance. These UTIs provided coverage amounting to $72.44M (down 20% from $90.1M in 2015/2016), meaning that the average sum insured reduced from $1.8M to $1.45M and perhaps indicating an increased risk appetite among mortgage providers.

Looking ahead to the ensuing fiscal year, JMB expects a better performance in new loan commitments as well as in amounts disbursed, despite the extended postponement of the next phase of the student accommodation project at UWI. As well, the Bank should continue to derive benefits from the TSS product through the active pursuit of existing and new alliances, and hopes to partner with members of the Jamaican Diaspora via the DHBS to grow non-interest income.

Access to Finance Project (Facilitating use of MII)

The Bank has begun work with the Development Bank of Jamaica (DBJ) on a Financial Inclusion Project being sponsored by the Government of Jamaica (GOJ) and the World Bank, which includes a review of the MII product as a component geared toward increasing access to finance and home ownership by Jamaicans. On completion, this project is expected to stimulate growth in MII take-up in the mortgage finance sector.

The Access to Finance (A2F) Project is a US$20 million Project, representing a partnership between the World Bank and the Government of Jamaica, that will be executed during a period of five (5) years from November, 2017 to November, 2022. The objective of the project is to improve access to finance for micro, small and medium enterprises (MSMEs) and housing finance for the low and middle income segments of the population. The project will be executed under the leadership of the Development Bank of Jamaica via three (3) components, of which component 2 below will directly impact the Jamaica Mortgage Bank and the MII product:

Component 2: Deepening the housing finance market: Under this component, the proposed Project will support the sector through: (i) capitalization of a licensed mortgage insurance (MI) company; (ii) institutional re-organization and capacity building of the MI insurer; (iii) establishment of a risk-based regulatory and supervisory MI framework; and (iv) design and deployment of MI products to address the currently underserved (or unserved) households with low, irregular or informal incomes.

Although not expected to be officially implemented until November 2017, preparatory work on the project commenced in 2016, with the major stakeholders, Development Bank of Jamaica, Bank of Jamaica, Planning Institute of Jamaica, Ministry of Finance and the Public Service, National Housing Trust, Jamaica Mortgage Bank, Jamaica Promotions (JAMPRO), Financial Services Commission, EXIM Bank and overseas partners, the World Bank, in constant dialogue with a view to laying the ground work.

The Jamaica Mortgage Bank is expected to benefit greatly from participating in the Access to Finance project as it is anticipated that there will be an expansion of the Mortgage Insurance portfolio with concurrent increased revenue inflows, to include-additional human resources and new software to facilitate the expansion process.

Bad Debt

The Bank continued during the financial year 2016/2017 to take a number of decisive steps to aggressively reduce the bad debt portfolio. The Bank recovered a total sum of $ 279M by the end of the year as a result of its recovery initiatives. Various methods of recovery were utilized including the sale of properties held as security under the Bank's Power of Sale, the appointment of a Receiver (where it was necessary), initiating law suits and entering into settlement arrangements. The Debt Recovery Unit had a major legal success during the course of the year by obtaining a Judgment Order against the largest debtor in the Non-Performing Loan portfolio, leading to a settlement agreement for the payment of over $500M.

This thrust to recover and reduce the Non-Performing Loan portfolio will continue into the new financial year with the Bank projecting to collect an additional $550M during the course of the year. It is also expected that with the strengthened assessment and approval process and the continued implementation of tighter monitoring controls of the approved loans, the Bank will be able to mitigate the risk of further bad loans being created and a gradual reduction in the Non-Performing Loan portfolio.

Other

During the 2016/2017 year, the Bank deepened its relationship with the University of Technology (UTECH) by establishing an annual scholarship programme valuing $200,000 for final year students within the Faculty of Built Environment. The programme was launched during the Bank's 45th Anniversary Seminar and the first recipient subsequently awarded.

Macro Real Estate Legal Environment

The Bank continues to monitor the macro-legal environment as it relates to the Real Estate Market and while the residential construction industry has experienced some uptick in the recent year, there is still a major challenge for purchasers with the high closing costs and Government taxes payable on land transactions. This makes it very difficult for the average Jamaican citizen to readily access home ownership. This is one area which the JMB believes there should be some review in the Government's policy on the percentage of the Transfer Tax and Stamp Duty payable on sale agreements and the time period when these Government taxes are to be paid in the transaction. The JMB is of the belief that if these duties are lowered then not only will there be increased activity in the market which will drive GDP but the access to home ownership will be more of a reality to more Jamaicans.

In addition, there is also the issue of the high cost of the Stamp Duty which is borne by both Public and Private Developers who wish to enter into Public Private Partnerships for Housing.

2017/18 BUDGET OF INCOME & EXPENDITURE

Budget-2016/17 $'000	Actual-2016/17 $'000	Variance $'000	Variance %	ITEMS	Budget-2017/2018 $'000
				Interest Income	
140,393	109,894	(30,499)	-21.7%	Interest from Loans	151,389
48,257	12,719	(35,538)	-73.6%	Interest from Deposits	30,015
1,000	0	(1,000)	100.0%	Interest from other Investments	0
189,650	**122,613**	(67,037)	-35.3%	**Total Interest Income**	181,404
				Interest Expenses	
103,453	71,491	31,962	30.9%	Interest on Debt Payable	122,777
86,197	**51,122**	(35,075)	-40.7%	**Net Interest Income/(Loss)**	58,627
63,322	133,844	70,522	111.4%	**Non Interest Income**	84,854
149,519	**184,966**	35,447	23.7%	**Gross Margin before Provision and Expenses**	143,481
(131,798)	(132,194)	**(396)**	-0.3%	Less Operating Expenses	(134,331)
17,721	52,772	35,051	-197.8%	**Operating Profit/(Loss) for the year before Provision**	9,150
0	63,088	63,088	100.0%	**Provisions**	0
17,721	115,860	98,139	553.8%	**Profit/(Loss) for the year before taxes**	9,150
(4,430)	(20,207)	(15,777)	-356.1%	Taxes	(2,287)
13,291	95,653	82,362	619.7%	**Profit/(Loss) for the year**	6,863

Conclusion and the Way Forward

The Bank was able to hold its own during the challenging 2016/17 financial year, resulting in mixed performance. Given the withdrawal of the Government waivers and guarantees, many of the Bank's key performance metrics are now market driven, such as interest rates in the capital market, in a sector where the mandate is to facilitate affordable housing. None the less, the Bank was able to turn a profit for the third consecutive year after several years of uncertainty.

While the 2017/2018 financial year is predicted to be equally challenging, as the country enters into a new Standby Agreement with the IMF, the Bank continues to be encouraged by the direction of the macroeconomic indicators and prospect for growth. We believe there is a direct correlation between economic growth and growth in the construction sector, especially in the residential housing space.

In light of the above, the Bank continues in 2017/2018 with a business as usual plan while trying to define its future business model. What is clear, is that the current business model is not sustainable without an identifiable source of low interest funding. We intend to work with the Government to determine the next steps. However, we are committed to achieving our financial and other key metrics objectives, as outlined in the budget included, as well as, ensuring that all supporting structures, including staff and technological systems, are continuously upgraded.

We are also equally committed to the vision of financing safe and affordable housing so that all Jamaicans can have access to home ownership.

Courtney Wynter
General Manager

HIGHLIGHTS OF JMB's 45TH ANNIVERSARY ACTIVITIES

Housing Seminar – June, 2016

Panelists at the 45th Anniversary Housing Seminar, held on June 22, 2016, discussing the topic: "Removing Impediments to Orderly and Sustainable Development - Bridging the Demand / Supply Gap for Affordable & Safe Housing". From left to right: Dionne Jackson Miller (Broadcaster & Moderator for Panel Discussion); Mr. Alton Morgan (Attorney-at-Law); Mr. Martin Henry (Public Affairs Commentator); Mr. Earl Samuels (Assistant General Manager, JNBS) and Dr. Lainey-Marie Oakley-Williams (Senior General Manager, NHT).

A section of the audience listens intently to the presentation.

Scholarship Handover Ceremony – November, 2016

Fourth-year Quantity Surveying student in the Faculty of the Built Environment at the University of Technology, Jamaica (UTECH), Mr. Gareth Johnson (centre) is the Jamaica Mortgage Bank's (JMB) scholarship awardee for 2016. The Bank held the inaugural Scholarship Award Ceremony on November 1, 2016 at its Tobago Avenue Office following the launch of the scholarship initiative on June 22, 2016 at the entity's 45th Anniversary Housing Seminar at the Jamaica Pegasus Hotel.

Anniversary Church Service – December, 2016

Mr. Courtney Wynter, General Manager, Jamaica Mortgage Bank, brought greetings at the Bank's 45th Anniversary Church Service held at the Webster Memorial United Church on Sunday, December 4, 2016.

A group comprising staff members and well-wishers pose for a quick photo after the 45th Anniversary Church Service at Webster Memorial United Church.

Christmas Luncheon & Long Service Awards – December, 2016

Team JMB poses after enjoying a wonderful afternoon at the Mona Visitor's Lodge on December 20, 2016 on the occasion of the Bank's Christmas Luncheon and Long Service Awards.

Ms. Kerryan Saulas, Office Administrator, receives her 10-year award from General Manager, Mr. Courtney Wynter.

Mrs. Doreen Prendergast presents Mr. Daniel Scott, General Worker, with his award for 10 years service.

Ms. Marcia Morrison received her award for 20 years service from Dr. Patrick Thelwell, Chairman, Board of Directors.

CORPORATE INFORMATION

REGISTERED OFFICE
33 Tobago Avenue
Kingston 5

AUDITORS
Crowe Horwath
(Formerly UHY Dawgen)
Unit 34 Winchester Business Centre
Kingston 10

BANKERS
Sagicor Bank Jamaica Limited
17 Dominica Drive
Kingston 5

National Commercial Bank
1 Knutsford Boulevard
Kingston 5

ATTORNEYS-AT-LAW
Myers Fletcher & Gordon
21 East Street
Kingston

Hart Muirhead Fatta
53 Knutsford Boulevard
Kingston 5

Samuda & Johnson
2-6 Grenada Crescent
Kingston 5

Livingston Alexander & Levy
72 Harbour Street
Kingston

DEPARTMENTS

Finance & Accounts

Financial and Management Accounting

Treasury and Cash Management

Budgeting & Control

Business Operations:

- ***Primary Market Financing***
  Project Financing
  Project Appraisal and Monitoring
  Project Risk Analysis
  Technical Support Services
- ***Secondary Mortgage Market***
  Mortgage-backed Securities
- ***Mortgage Insurance***
  Evaluation of proposals for insurance coverage for housing schemes
  Claims processing
  Issuing of Undertakings-to-Insure
  Preparation of mortgage insurance policies
  Promotion of mortgage insurance facilities

Corporate Secretarial/Legal

Corporate Secretarial activities, including Corporate Governance and Board of Directors issues

Legal Conveyancing, and title registration

General Legal Services

Human Resource, Administration & Corporate Services

Human Resource Management

Policy Development and Administration

Office Administration

General Manager's Office

Strategy Development, Implementation and Execution

Information and Communications Technology

Public Relations and Marketing

BOARD OF DIRECTORS

Dr. Patrick W. Thelwell
Chairman
Chairman, Projects Committee and Member, Human Resource and Corporate Governance Committees

Mr. Ryan Parkes
Chairman, Audit & Finance Committee and Member, Projects Committee

Mr. Courtney Hamilton
Member, Projects & Corporate Governance Committees

Mrs. Doreen Prendergast
Member, Projects Committee

Mrs. Tiva Forbes
Member, Audit and Finance and Human Resource Committees

Mr. Louis Campbell
Member, Audit and Finance Committee and Projects Committee

Mr. Hugh Faulkner
Chairman, Human Resource and Corporate Governance Committees

LEADERSHIP TEAM

From left: Denise Bryson-Hinds, Manager, Human Resource and Administration; Hecton Hemans, Director, Business Operations; Donna Samuels-Stone, Corporate Secretary/Legal Officer; Courtney Wynter, General Manager; Suzette Austin, Manager, Finance.

TEAM JMB

JMB Team

PROJECTS FINANCED BY THE JMB

King's Vale, St. Andrew

Lola Gardens, Montego Bay

Upland Manor, St. Andrew

Mayfair Manor, Red Hills, St. Andrew

Directors' & Senior Executives' Compensation

DIRECTORS' COMPENSATION April 1, 2016 – March 31, 2017

Position of Director	Fees ($)	Motor Vehicle/Travelling ($)	Honoraria ($)	All other compensation ($)	Total ($)
Board Chairman/Sub-Committee Chairman	320,050	-	-	-	320,050
Director/Deputy Chairman	-	-	-	-	-
Director/Sub-Committee Chairman	204,150	-	-	-	204,150
Director/Sub-Committee Chairman	167,250	-	-	-	167,250
Director	143,300	-	-	-	143,300
Director	159,950	-	-	-	159,950
Director	135,800	-	-	-	135,800
Director	115,550	-	-	-	115,550
TOTAL	1,246,050	-	-	-	1,246,050

SENIOR EXECUTIVE COMPENSATION April 1, 2016 – March 31, 2017

Position of Senior Executive	Salary ($)	Gratuity ($)	Travel Allowance ($)	Redundancy ($)	Pension ($)	Incentive ($)	Uniform ($)	Vacation ($)	Other ($)	Total ($)
General Manager	8,120,640	2,015,668	1,341,624			898,560			71,685	12,448,177
Director, Business Operations	4,950,000	1,237,500	1,341,624			594,000				8,123,124
Corporate Secretary/Legal Officer	5,508,398		1,341,624		277,134	668,235	60,224			7,855,615
Director, Human Resources, Administration & Corprorate Services	1,179,981		111,802	2,622,770		527,376		451,018		4,892,948

Financial Statements

I N D E X

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Crowe Horwath.

Crowe Horwath Jamaica Limited
Member Crowe Horwath International

Corporate Head Office
47-49 Trinidad Terrace,
Kingston 5

Phone 876.908.3124
Fax 876.754.0380
Email info@crowehorwath.com.jm
Web www.crowehorwath.com.jm

REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTOR RE JAMAICA MORTGAGE BANK

Report on the Financial Statements

We have audited the accompanying financial statements of the Jamaica Mortgage Bank and its subsidiary (the "Group") and the financial statements of Jamaica Mortgage Bank (the "Bank"), which comprise the Group's and Bank's statement of financial position as at 31st March 2017, Group's and Bank's statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Bank as at 31st March 2017, and of the Group's and Bank's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

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

Other Matter

The financial statements of the Jamaica Mortgage Bank and its subsidiary for the year ended 31st March 2016, were audited by another auditor and issued on 8th July 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KINGSTON
Unit 34
Winchester Business Centre
15 Hope Road,
T: +876-9084007
F: +876-7540380

Oxford House
2nd Floor
6 Oxford Road
T: +876-9263562
F: +876-9291300

MANDEVILLE
Shop 2B (Upstairs)
Caledonia Mall
Mandeville
T: +876-9629153/9626369
F: +876-6252797

RUNAWAY BAY
Lot 33 & 34
Cardiff Hall
Runaway Bay
T: +876-9735360/9735981
F: +876-9737546

MONTEGO BAY
The Annex - UGI Building
30 - 34 Market Street
Montego Bay
T: +876-9538486/9719675
F: +876-9533058

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe Horwath.

REPORT OF THE INDEPENDENT AUDITORS
TO THE DIRECTOR
RE JAMAICA MORTGAGE BANK

Report on Additional Matters as Required by the Mortgage Bank Act

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

Crowe Horwath Jamaica
Crowe Horwath Jamaica
Crowe Horwath Jamaica

Unit 34, Winchester Business Centre
15 Hope Road
Kingston 10
Jamaica

1st June 2017

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2017 $	2016 $
ASSETS			
Cash and Cash Equivalents	4	6,515,271	32,916,879
Certificates of Deposit	5	30,192,914	421,492,078
Resale Agreements	6	119,609,884	191,667,753
Receivables and Prepayments	7	77,482,953	13,610,891
Income Tax Recoverable	8	195,853,480	204,818,818
Loans Receivable	10	1,651,846,045	1,162,998,921
Non-Current Asset Held for Sale	11	-	98,000,000
Land Held for Development and Sale	12(c)	488,988,800	408,988,800
Post Retirement Benefits	13(b)	37,747,000	43,148,000
Property, Plant and Equipment	14	49,842,412	53,587,085
TOTAL ASSETS		2,658,078,759	2,631,229,225
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Payables and Accruals	15	36,488,303	41,611,485
Bonds and Loans Payable	16	398,848,628	955,139,137
Short Term Loan	17	501,058,253	-
Deferred Tax Liability		1,599,860	-
Income Tax Payable		12,453,683	17,966,634
		950,448,727	1,014,717,256
SHAREHOLDERS' EQUITY			
Share Capital	18	500,000,000	500,000,000
Reserve Fund	19	500,000,000	500,000,000
Special Reserve Fund	20	340,083,058	340,083,058
Retained Earnings		367,546,974	276,428,911
		1,707,630,032	1,616,511,969
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,658,078,759	2,631,229,225

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 1, 2017 **AND SIGNED ON ITS BEHALF BY:**

DR PATRICK W. THEWELL
DIRECTOR

MR. RYAN PARKES
DIRECTOR

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2017 $	2016 $
Interest Income			
Interest from Loans	21	109,893,778	116,877,728
Interest from Deposit	21	12,719,014	59,552,120
		122,612,792	176,429,848
Allowances for Loan Impairment			
Allowance for Impairment Losses on Loans, Net Recoveries	22	63,087,767	76,676,460
Net Interest Income after Provision		185,700,559	253,106,308
Non-Interest Income			
Other Income	23	133,844,369	82,701,285
		319,544,928	335,807,593
Administrative Expenses			
Staff Costs	24	(86,225,962)	(94,071,104)
Administrative and General Expenses	25	(45,967,673)	(49,513,264)
		(132,193,635)	(143,584,368)
Finance Costs			
Interest on Bonds Payable		(71,491,330)	(98,965,400)
Profit Before Taxation		115,859,963	93,257,825
Taxation	27	(20,207,400)	(15,573,635)
Profit for the Year		95,652,563	77,684,190
<u>Other Comprehensive (Expense)/Income</u>			
Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (losses)/gains on the defined benefit plan		(6,046,000)	9,811,000
Deferred tax relating to remeasurement (losses)/gains on the defined benefit plan		1,511,500	(2,453,000)
		(4,534,500)	7,358,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		91,118,063	85,042,190

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

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$	$	$	$	$
Balance as at April 1, 2015	500,000,000	500,000,000	340,083,058	191,386,721	1,531,469,779
Surplus for the Year	-	-	-	77,684,190	77,684,190
Other Comprehensive Income	-	-	-	7,358,000	7,358,000
Total Comprehensive Income	-	-	-	85,042,190	85,042,190
Balance as at March 31, 2016	500,000,000	500,000,000	340,083,058	276,428,911	1,616,511,969
Surplus for the Year				95,652,563	95,652,563
Other Comprehensive Income	-	-	-	(4,534,500)	(4,534,500)
Total Comprehensive Income	-	-	-	91,118,063	91,118,063
Balance as at March 31, 2017	500,000,000	500,000,000	340,083,058	367,546,974	1,707,630,032

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

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017 $	2016 $
Cash Flows from Operating Activities		
Profit for the Year before Taxation	115,859,963	93,257,825
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation - Property, Plant and Equipment	4,578,458	4,365,219
Provision for Loan Impairment Losses on Loans and Other Receivables, Net of Recoveries	(63,087,787)	(76,676,460)
Loss on Disposal of Land Held for Development and Sale	1,535,860	2,169,495
Pension Expense	1,196,000	1,999,000
Amortization of bond issue costs	(1,688,995)	552,000
Interest Income	(122,612,792)	(176,429,848)
Interest Expense	(71,491,330)	(98,965,400)
	(135,710,623)	(249,728,169)
(Increase)/Decrease in Operating Assets		
Receivables and Prepayments	(63,872,062)	14,611,932
Loans Receivable	(475,267,323)	(5,845,000)
Increase/(Decrease) in Operating Liabilities		
Payables and Accruals	(5,123,182)	9,861,877
Contributions paid post retirement employee benefits	(1,841,000)	(2,119,000)
Cash Used in Operations	(681,814,190)	(233,218,360)
Interest Received	175,286,002	223,637,762
Income Tax Paid	(13,643,633)	(23,976,406)
Net Cash (Used in)/Provided by Operating Activities	(520,171,821)	(33,557,004)
Cash Flows from Investing Activities:		
Resale Agreement	70,966,329	375,047,224
Certificate of Deposit	389,225,460	39,931,532
Proceeds on Disposal of Land Held for Development and Sale	96,464,140	3,230,505
Additions to Land Held for Development and Sale	(80,000,000)	(887,800)
Additions to Property, Plant and Equipment	(833,785)	(1,827,013)
Net Cash Provided by Investing Activities	475,822,144	415,494,448
Cash Flows from Financing Activities:		
Interest Paid	67,948,069	95,896,588
Long Term Loan Repaid	(750,000,000)	(500,000,000)
Long Term Loan Issued	200,000,000	-
Short Term Loan Issued	750,000,000	-
Short Term Loan Repaid	(250,000,000)	-
Net Cash Used in Financing Activities	17,948,069	(404,103,412)
Net Decrease in Cash and Cash Equivalents	(26,401,608)	(22,165,968)
Cash and Cash Equivalents at Beginning of the Year	32,916,879	55,082,847
Cash and Cash Equivalents at End of the Year	**6,515,271**	**32,916,879**
Non-Cash item:		
Non-Current Asset Held for Sale	-	98,000,000
	-	**98,000,000**

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

JAMAICA MORTGAGE BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2017 $	2016 $
ASSETS			
Cash and Cash Equivalents	4	6,515,271	32,916,879
Certificates of Deposit	5	30,192,914	421,492,078
Resale Agreements	6	119,609,884	191,667,753
Receivables and Prepayments	7	77,482,953	13,610,891
Income Tax Recoverable	8	195,853,480	204,818,818
Interest In Subsidiary	9	124,669,433	124,476,172
Loans Receivable	10	1,651,846,045	1,162,998,921
Non-Current Asset Held for Sale	11	-	98,000,000
Land Held for Development and Sale	12(b)	488,987,800	408,987,800
Post Retirement Benefits	13(b)	37,747,000	43,148,000
Property, Plant and Equipment	14	49,842,412	53,587,085
TOTAL ASSETS		2,782,747,192	2,755,704,397
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Payables and Accruals	15	24,388,304	29,561,486
Bonds and Loans Payable	16	398,848,628	955,139,137
Short Term Loan	17	501,058,253	-
Deferred Tax Liability		1,599,860	-
Income Tax Payable		12,453,683	17,966,634
		938,348,728	1,002,667,257
SHAREHOLDERS' EQUITY			
Share Capital	18	500,000,000	500,000,000
Reserve Fund	19	500,000,000	500,000,000
Special Reserve Fund	20	340,083,058	340,083,058
Retained Earnings		504,315,406	412,954,082
		1,844,398,464	1,753,037,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,782,747,192	2,755,704,397

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 1, 2017 **AND SIGNED ON ITS BEHALF BY:**

DR PATRICK W. THEWELL
DIRECTOR

MR. RYAN PARKES
DIRECTOR

JAMAICA MORTGAGE BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2017 $	2016 $
Interest Income			
Interest from Loans	21	109,893,778	116,877,728
Interest from Deposit	21	12,719,014	59,552,120
		122,612,792	176,429,848
Allowances for Loan Impairment			
Allowance for Impairment Losses on Loans, Net Recoveries	22	63,087,767	76,676,460
Net Interest Income after Provision		185,700,559	253,106,308
Non-Interest Income			
Other Income	23	133,844,369	82,701,285
		319,544,928	335,807,593
Administrative Expenses			
Staff Costs	24	(86,225,962)	(94,071,104)
Administrative and General Expenses	25	(45,724,412)	(49,471,264)
		(131,950,374)	(143,542,368)
Finance Costs			
Interest on Bonds Payable		(71,491,330)	(98,965,400)
Profit Before Taxation		116,103,224	93,299,825
Taxation	27	(20,207,400)	(15,573,635)
Profit for the Year		95,895,824	77,726,190
Other Comprehensive Income/(Expense)			
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (losses)/gains on the defined benefit plan		(6,046,000)	9,811,000
Deferred tax relating to remeasurement (losses)/gains on the defined benefit plan		1,511,500	(2,453,000)
		(4,534,500)	7,358,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		91,361,324	85,084,190

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

JAMAICA MORTGAGE BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$	$	$	$	$
Balance as at April 1, 2015	500,000,000	500,000,000	340,083,058	327,869,892	1,667,952,950
Surplus for the Year	-	-	-	77,726,190	77,726,190
Other Comprehensive Income	-	-	-	7,358,000	7,358,000
Total Comprehensive Income	-	-	-	85,084,190	85,084,190
Balance as at March 31, 2016	500,000,000	500,000,000	340,083,058	412,954,082	1,753,037,140
Surplus for the Year				95,895,824	95,895,824
Other Comprehensive Income	-	-	-	(4,534,500)	(4,534,500)
Total Comprehensive Income	-	-	-	91,361,324	91,361,324
Balance as at March 31, 2017	500,000,000	500,000,000	340,083,058	504,315,406	1,844,398,464

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

JAMAICA MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017	2016
	$	$
Cash Flows from Operating Activities		
Profit for the Year before Taxation	116,103,224	93,299,825
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation - Property, Plant and Equipment	4,578,458	4,365,219
Provision for Loan Impairment Losses on Loans and Other Receivables, Net of Recoveries	(63,087,767)	(76,676,460)
Loss on Disposal of Land Held for Development and Sale	1,535,860	2,169,495
Pension Expense	1,196,000	1,999,000
Amortization of bond issue costs	(1,688,995)	552,000
Interest Income	(122,612,792)	(176,429,848)
Interest Expense	(71,491,330)	(98,965,400)
	(135,467,342)	(249,686,169)
(Increase)/Decrease in Operating Assets		
Receivables and Prepayments	(63,872,062)	14,611,932
Loans Receivable	(475,267,323)	(5,845,000)
Increase/(Decrease) in Operating Liabilities		
Payables and Accruals	(5,173,182)	9,819,837
Contributions paid post retirement employee benefits	(1,841,000)	(2,119,000)
Cash Used in Operations	(681,620,909)	(233,218,400)
Interest Received	175,286,002	223,637,762
Income Tax Paid	(13,643,633)	(23,976,406)
Net Cash (Used in)/Provided by Operating Activities	(519,978,540)	(33,557,044)
Cash Flows from Investing Activities:		
Resale Agreement	70,966,329	375,047,264
Certificates of Deposit	389,225,460	39,931,532
Proceeds on Disposal of Land Held for Development and Sale	96,464,120	3,230,505
Additions to Property, Plant and Equipment	(833,785)	(1,827,013)
Additions to Land Held for Development and Sale	(80,000,000)	(887,800)
Interest in Subsidiary	(193,261)	-
Net Cash Provided by Investing Activities	475,628,863	415,494,488
Cash Flows from Financing Activities:		
Interest Paid	67,948,069	95,896,588
Long Term Loan Repaid	(750,000,000)	(500,000,000)
Long Term Loan Issued	200,000,000	-
Short Term Loan Issued	750,000,000	-
Short Term Loan Repaid	(250,000,000)	-
Net Cash Used in Financing Activities	17,948,069	(404,103,412)
Decrease in Liquid Assets	(26,401,608)	(22,165,968)
Liquid Assets at Beginning of Year	32,916,879	55,082,847
Liquid Assets at End of Year	**6,515,271**	**32,916,879**
Non-Cash item:		
Non Current asset held for sale	-	98,000,000
	-	**98,000,000**

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

1. **Identification:**

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

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

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

(a) lend money on mortgage and carry out any other transactions involving mortgages;

(b) lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;

(c) guarantee loans from private investment sources for building development;

(d) furnish financial advice and provide or assist in obtaining managerial, technical and administrative services for persons engaged in building and development in Jamaica; and

(e) sell investments of whatever kind belonging to the Bank, as and when appropriate.

The present activities of the Bank are the:

(a) mobilization and disbursement, on a wholesale basis, of loan funds to finance housing development in Jamaica;

(b) administration of, including investment management for the Government of Jamaica (GOJ) mortgage insurance fund; and

(c) operation of a secondary mortgage market facility.

2. **Adoption of Standards, Interpretations and Amendments:**

(a) Standards and Interpretations in respect of published standards that are in effect:

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to the Bank were:-

2. **Adoption of Standards, Interpretations and Amendments (cont'd) :**

(a) Standards and interpretations in respect of published standards which are in effect (cont'd):

Amendment to IAS 1: Presentation of Financial Statements (Effective January 2016)

The amendment address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

Clarifies that information should not be obscured by aggregating or by providing immaterial information materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

Clarifies that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregated as single line items based on whether or not it will subsequently be reclassified to profit or loss;

Provides additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need to be presented in the order so far listed in paragraph 114 of IAS 1.

IAS 16: Property, Plant and Equipment and IAS 38 Intangible Assets (Effective January 2016)

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Improvements to IFRS 2012–2014 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments are as follows:

- **IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Effective January 2016)**

  Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

- **IFRS 7: Financial Instruments: Disclosures (Effective January 2016)**

  (i) Servicing Contracts

  The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments

2. **Adoption of Standards, Interpretations and Amendments (Cont'd):**

(a) Standards and interpretations in respect of published standards which are in effect (cont'd):

Improvements to IFRS 2012–2014 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments are as follows (cont'd):

- **IFRS 7: Financial Instruments: Disclosures (Effective January 2016) (cont'd)**

  (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

  The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- **IAS 19: Employee Benefits (Effective January 2016)**

  The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IFRS 10: Consolidated Financial Statements, IFRS 12:Disclosure of Interests in Other Entities and IAS 28: Investments in Associates and Joint Ventures (2011) Effective January 2016)

Amendments to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments did not have a material impact on the Fund's financial

(b) Standards and interpretations in respect of published standards that are not in effect:

Amendments to IAS 7 - Statement of Cash Flows (Effective January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract

2. **Adoption of Standards, Interpretations and Amendments (Cont'd):**

(b) Standards and interpretations in respect of published standards that are not in effect (cont'd):

IFRS 15 - Revenue from Contracts with Customers (Cont'd)

The steps in the model: (cont'd)

- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 9: Financial Instruments (2014) (Effective January 1, 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

Management has determined that the standard is relevant to existing policies for its current operations, but has not yet assessed the impact on adoption.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRS 16 - Leases (Effective January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Group is assessing the impact these amendments will have on its 2018 and 2019 financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(a) Statement of Compliance and Basis of Preparation -

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

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

(b) 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.

(i) Critical Judgements in applying the Group's Accounting Policies

Management believes that 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

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

- Pension and Other Post-Employment Benefits:

  The amounts recognised in the statements of financial position for pension and other post-employment benefits of an asset of $37.75 million (2016: $43.15 million) (Note 13) are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations and to determine the return on plan assets.

  The Bank's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds or, in their absence, certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds. There are also demographic assumptions that impact the result of the valuation. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations. Note 13(f) details sensitivity analyses in respect of some of these assumptions.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(b) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Cont'd)

(ii) Key Sources of Estimation Uncertainty (cont'd)

- Allowance for Loan Losses

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

To the extent that the net present value of estimated cash flows changed adversely by 2 percent, the provision as estimated would be increased from $514.61 million to $524.90 million (2016: $577.70 million to $589.25 million).

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

- Taxes

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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 23).

Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the fair value of this amount is determined to approximate its carrying value.

(c) Basis of Consolidation

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

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

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(c) Basis of Consolidation (cont'd)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(d) Financial Assets and Liabilities

The Group classifies its financial assets as loans and receivables. Management determines the classification of its investment based on its nature and purpose at initial recognition. Debt and equity instruments issued by the group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all the liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net direct issue costs.

(i) Initial and Subsequent Recognition

Financial assets and liabilities are recognized on the trade date-the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivable. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities are classified as other financial liabilities. Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value, net of transaction costs (where applicable). Other financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(d) Financial Assets and Liabilities (cont'd)

(i) Initial and Subsequent Recognition (cont'd)

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except when the recognition of interest would be immaterial.

(ii) Derecognition

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

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

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

The Group derecognises financial liabilities when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(d) Financial Assets and Liabilities (cont'd)

(iv) Fair Value Measurement (cont'd)

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

The Group has no financial instruments which are measured at fair value. The fair values of financial instruments measured at amortised cost are disclosed in Note 27.

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(e) Property, Plant and Equipment

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(e) Property, Plant and Equipment (cont'd)

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

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

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

(f) Impairment of Tangible and Intangible Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(g) Employee Benefits

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

(i) Employee benefits that are earned as a result of past or current service are 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 external actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Group'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 5). 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 each reporting date on long-term government bonds of maturities approximating the terms of the Group's obligation. The calculation of the Group post-employment benefits obligation is performed by a qualified actuary using the projected unit credit method.

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes service costs (current service cost, past service cost, gains and losses on curtailments) and net interest expense/income in the staff costs in the statement of comprehensive income. Where the calculation results in a pension surplus to the 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

(h) Investment in Subsidiary

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

(i) Land Held for Development Sale

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(j) 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.

(k) Impairment of Financial Assets

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

The Group 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 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade or loans receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or loan receivable is considered uncollectible, it is written off against the allowance account. subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(l) Non-Current Assets Held-for-Sale

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

(m) Resale Agreements

Securities purchased under agreements to resell them on a specified future date and at a specified price (resale agreements) are accounted for as short-term collateralised lending, classified as loans and receivables (see Note 3(h)), 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.

(n) Certificates of Deposit

Certificates of deposit are short-term deposits held with financial institutions.

(o) Cash and cash equivalents

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

(p) Taxation

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

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

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

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies: (Cont'd)

(p) Taxation (cont'd)

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

<u>Current and Deferred Tax for the Year</u>

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

(q) Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

(i) Interest Income

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

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

(ii) Other Income

Other income includes commitment fees, which are recognised in profit or loss when the borrower accepts the terms of the credit in writing. Other amounts included in other income are generally recognised on the accrual basis.

(r) Interest Expense

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

(s) Foreign Currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Cash and Cash Equivalents

	Group and Bank	
	2017	**2016**
	$	**$**
Petty Cash	25,000	25,000
Current Account	6,191,809	23,690,814
Savings Accounts	298,462	9,201,065
	6,515,271	32,916,879

5. Certificates of Deposit

	Group and Bank	
	2017	**2016**
	$	**$**
Certificates of Deposit	30,178,440	419,403,900
Interest Receivables	14,474	2,088,178
	30,192,914	421,492,078

Certificates of Deposit are made for a period of six months and earn interest at rates ranging between 4.25% to 6.10% (2016: 6.00% to 6.30%) per annum.

Certificates of Deposits equivalent to 3 months interest is maintained as a part of a debt service ratio arrangement for short-term loan totalling $500M. The actual loan balance as at March 31, 2017 was $450M.

6. Resale Agreements

	Group and Bank	
	2017	**2016**
	$	**$**
Government of Jamaica -Local Registered Stock	119,377,803	190,344,132
Interest Receivables	232,081	1,323,621
	119,609,884	191,667,753

These securities mature within one year after year end with interest rates on local currency ranging between 4.25% to 6.10% (2016: 5.05% to 6.20%) and interest rates on US$ currency at 2.25% (2016: 2.50% to 2.55%) per annum.

7. Receivables and Prepayments

	Group and Bank	
	2017	**2016**
	$	**$**
Receivables	75,565,610	11,349,534
Prepayment	1,917,343	2,261,357
	77,482,953	13,610,891

8. Income Tax Recoverable

Income Tax Recoverable represents either the net of partial amounts recovered or total outstanding amounts as at 31st March 2017. The company has been in dialogue with the tax authorities to settle the full amount outstanding.

(Expressed in Jamaican Dollars unless otherwise indicated)

9. Interest In Subsidiary

	The Bank	
	2017	**2016**
	$	**$**
Ordinary Shares	2	2
Long Term Loan	124,669,431	124,476,170
	124,669,433	124,476,172

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. JMBD had deficiency in assets at the reporting date. The Bank has pledged to, and continues to support the subsidiary.

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 is supported by a promissory note and is secured by land owned by the subsidiary. During the prior year, a deposit of $12 million was received in respect of a portion of the land and this was applied to the loan.

10. Loans Receivable

	Group and Bank	
	2017	**2016**
	$	**$**
Construction Loans - Non-Governmental Borrowers (Note 10(a) below)	1,978,086,014	1,473,794,214
Accrued Interest Receivables	166,602,304	216,110,270
	2,144,688,318	1,689,904,484
Less: Allowance for Impairment Losses (Note 10(b) below)	(514,608,043)	(577,695,810)
	1,630,080,275	1,112,208,674
Mortgages (Note 10(c))		
– Staff	11,990,243	11,593,205
– Ex Staff Members	9,775,527	8,639,881
– Others	-	30,557,161
	21,765,770	50,790,247
	1,651,846,045	1,162,998,921

(a) Construction loans are issued at interest rates ranging from 11.50% - 21.00%. The loans are repayable over periods of 12 to 24 months. The loans are generally secured by the properties being developed.

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

	Group and Bank	
	2017	**2016**
	$	**$**
At the beginning of the year	577,695,810	660,589,875
Charged against revenue during the year (Note 22)	51,183,877	3,536,770
Write back of provision (Note 22)	(14,600,000)	(66,730,835)
Bad debt recovery (Note 22)	(99,671,644)	(19,700,000)
	514,608,043	577,695,810
Bad debts written off	-	-
At end of year	514,608,043	577,695,810

(Expressed in Jamaican Dollars unless otherwise indicated)

10. Loans Receivable (Cont'd)

(b) Movement on allowance for impairment losses on loans (cont'd):

	Group and Bank	
	2017	**2016**
	$	$
Comprising:		
Specific provisions	504,738,329	572,045,544
General provisions	9,869,714	5,650,266
	514,608,043	577,695,810

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

11. Non-Current Asset Held For Sale

During 2015-16, the Bank foreclosed on the loan receivable in relation to the Adventure Plaza property and as a result all the titles were transferred in the name of the Bank during July 2015. The Bank obtained a valuation which indicated that the value of the property exceeded the carrying amount of the loan receivable. The provision on the loan receivable of $19.70 million was therefore written back.

Subsequently, management decided to sell the property. The asset was declared available for immediate sale and was listed with several realtors. This resulted in the assets being recognised as a non-current asset held for sale, in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, and is measured at its

As at October 31, 2016, the property was sold and the loss on disposal has been recorded.

12. Land Held For Development and Sale

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

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

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

The following properties are held by the group :

	2017	**2016**
	$	$
Whitehall	270,000,000	270,000,000
Phoenix Park (see Note 12(d))	28,100,000	28,100,000
Norwich (see Note 12(e))	45,887,800	45,887,800
Mount Gotham (see Note 12(d))	65,000,000	65,000,000
Toby Abbotts	80,000,000	-
	488,987,800	408,987,800

(Expressed in Jamaican Dollars unless otherwise indicated)

12. Land Held For Development and Sale (Cont'd)

	2017	2016
	$	$
(c) Bank	488,987,800	408,987,800
Subsidiary	1,000	1,000
Group	488,988,800	408,988,800

(d) Asset Pledged as Security

Land held by the Bank, specifically Phoenix Park and Mount Gotham with a carrying value of $93.10 million (2016: $93.10 million), and land held by the subsidiary with a carrying value of $1,000, was pledged to secure borrowings of the Group totalling $500 million related to Shelter Bond 13 (See Note 16 (c)) that was repaid in May 20, 2016.

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

13. Post Retirement Benefits

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

The plan requires the establishment of a fund which is subject to triennial actuarial funding valuations, carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes, undertaken as at July 31, 2016 indicated a past service surplus of $88.4 million. The actuaries recommended that, based on the value of the fund, contributions of 0.25% of pensionable salaries should be made by the Bank. Contributions during the year ended March 31, 2017 were at a rate of 5.2% of pensionable salaries. The next valuation is due on July 31, 2019. The employees of the Bank pay a basic contribution of 5% of annual earnings with the option to contribute an additional 9.8% of earnings. The pensionable earnings are 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 changed 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 Bank's Board of Directors in August 2007.

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

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations for IFRS purposes was carried out on May 10, 2017 (2016: April 27, 2016) by Rambarran & Associates Limited, Consulting Actuaries. This valuation was in respect of balances at March 31, 2017 and 2016. The valuation was carried out using the projected unit credit method.

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Post Retirement Benefits (Cont'd)

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

(i) Plan Assets recognised in the Statement of Financial Position:

	Group and the Bank	
	2017	2016
	$	$
Present Value of Fund Obligations	(191,995,000)	(164,370,000)
Fair Value of Plan Asset	229,742,000	207,518,000
	37,747,000	43,148,000

(ii) Movements in net asset recognised in the Statement of Financial Position:

	Group and Bank	
	2017	2016
	$	$
Net Defined Benefit Asset at the beginning of the year	43,148,000	33,217,000
Employer Contribution	1,841,000	2,119,000
Company Expense	(1,196,000)	(1,999,000)
Remeasurement Recognised in OCI	(6,046,000)	9,811,000
Net Defined Benefit Asset at year end	37,747,000	43,148,000

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

	Group and Bank	
	2017	2016
	$	$
Current Service Cost	5,330,000	5,449,000
Net Interest Cost		
Interest on Defined Benefit Obligation	14,466,000	13,854,000
Interest Income on Plan Asset	(18,600,000)	(17,304,000)
Expense recognized in Net Profit	1,196,000	1,999,000
Change in Financial Assumptions	(7,648,000)	9,545,000
Experience Adjustments	13,694,000	(19,356,000)
Expense/(Income) recognised in Other Comprehensive Income	6,046,000	(9,811,000)

(c) Movement in Present Value of Obligation

	Group and Bank	
	2017	2016
	$	$
Present Value at beginning	164,370,000	149,517,000
Service Cost	5,330,000	5,449,000
Interest Cost on Defined Obligation	14,466,000	13,854,000
Member Contribution	3,845,000	4,221,000
Benefits Paid	(7,427,000)	(14,617,000)
Value of Annuities Purchased	-	7,076,000
Remeasurement - Change in Financial Assumptions	(8,732,000)	10,402,000
Remeasurement - Change in Experience Assumptions	20,143,000	(11,532,000)
Present Value at End	191,995,000	164,370,000

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Post Retirement Benefits (Cont'd)

(d) Movements in Fair Value of Plan Assets:

	Group and Bank	
	2017	**2016**
	$	**$**
Fair Value of Plan Asset at the beginning of year	207,518,000	182,734,000
Contribution Paid		
- Employer	1,841,000	2,119,000
- Employee	3,845,000	4,221,000
Interest Income on Plan Asset	18,600,000	17,304,000
Benefit Paid	(7,427,000)	(14,617,000)
Value of Annuities Purchased	-	7,076,000
Remeasurement - Changes in Financial Assumptions	(1,084,000)	857,000
Remeasurement - Changes in Experience Assumptions	6,449,000	7,824,000
Fair Value of Plan Asset at end of year	229,742,000	207,518,000
Plan Asset consist of the following :		
Investment in Pooled Investment funds with Investment Strategies as follow:		
Equities	23,255,000	17,898,000
Fixed Income Securities	161,952,000	144,971,000
Mortgage and Real Estate	18,429,000	16,108,000
Annuity Purchased	28,602,000	30,121,000
Other	(2,496,000)	(1,580,000)
Total Invested Asset	229,742,000	207,518,000

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

	Group and Bank	
	2017	**2016**
	%	%
Discount Rate at 31st March	9.50	9.00
Future Salary Increase	6.50	5.50
Future Pension Increase	5.20	4.40
Administrative Expense	1.00	1.00
Inflation	6.50	5.50
Minimum Funding Return	6.25	0.25

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Post Retirement Benefits (Cont'd)

(e) Principal actuarial assumptions used for the purpose of the actuarial valuations (Cont'd):

Demographic Assumptions

(i) Mortality
Annuitant Mortality (GAM94)
Mortality rate per 1,000 are set out below

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

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

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

A quantitative sensitivity analysis for significant assumptions is shown below:

		Salary Growth	
Sensitivity Level	1% decrease	1% Increase	1% decrease
Impact on Defined Benefit Obligation	22,172,000	7,687,000	(6,554,000)

		Salary Growth	
Sensitivity Level	1% decrease	1% Increase	1% decrease
Impact on Defined Benefit Obligation	20,929,000	7,280,000	(6,253,000)

		Mortality Improvement	
Sensitivity Level	1% decrease	1% Increase	1% decrease
Impact on Defined Benefit Obligation	(17,803,000)	2,464,000	(2,500,000)

		Mortality Improvement	
Sensitivity Level	1% decrease	1% Increase	1% decrease
Impact on Defined Benefit Obligation	(15,345,000)	2,099,000	(2,136,000)

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

(f) The estimated contributions (for both employer and employee) expected to be paid into the pension fund during the next financial year amount to $8,018,000 (2016: 5,447,000).

(g) The expected pension benefit expense in the next year is expected to be $4,350,000 (2016: $1,207,000).

(h) The weighted average duration of the defined benefit obligation at the end of the reporting period is 34 years (2016: 34 years).

(Expressed in Jamaican Dollars unless otherwise indicated)

14. Property, Plant & Equipment:

	Freehold Land	Furniture, Fixtures and Equipment	Freehold Building	Plant and Machinery	Total
	$	$	$	$	$
Group and Bank					
At Cost or Valuation:					
31st March 2015	3,000,000	36,206,908	72,109,916	110,000	111,426,824
Additions	-	1,827,015	-	-	1,827,015
31st March 2016	3,000,000	38,033,923	72,109,916	110,000	113,253,839
Additions	-	833,785	-	-	833,785
31st March 2017	3,000,000	38,867,708	72,109,916	110,000	114,087,624
Accumulated Depreciation:					
31st March 2015	-	27,871,854	27,319,681	110,000	55,301,535
Charge for year	-	2,471,900	1,893,319	-	4,365,219
31st March 2016	-	30,343,754	29,213,000	110,000	59,666,754
Adjustment	-	(180,338)	180,338	-	-
Charge for year	-	2,685,139	1,893,319	-	4,578,458
31st March 2017	-	32,848,555	31,286,657	110,000	64,245,212
Net Book Values:					
31st March 2017	**3,000,000**	**6,019,153**	**40,823,259**	**-**	**49,842,412**
31st March 2016	3,000,000	7,690,169	42,896,916	-	53,587,085
31st March 2015	3,000,000	8,335,000	44,790,000	-	56,125,000

Property located at 33 Tobago Avenue, Kingston has been pledged as collateral for Bond 12B (Note 16 (c)).

(Expressed in Jamaican Dollars unless otherwise indicated)

15. Payables and Accruals

	The Group		The Bank	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Other Payables	17,461,365	21,149,650	5,461,365	9,149,650
Accruals	19,026,938	20,461,835	18,926,939	20,411,836
	36,488,303	41,611,485	24,388,304	29,561,486

16. Bonds and Loans Payable

	The Group	
	2017	**2016**
	$	**$**
(a) National Insurance Fund Loan	50,000,000	50,000,000
(b) Shelter Bond 12A	-	250,000,000
(c) Shelter Bond 12B	150,000,000	150,000,000
(d) Shelter Bond 13	-	500,000,000
(e) NCB Term $250M	200,000,000	-
	400,000,000	950,000,000
Unamortised bond issuance cost	(3,251,689)	(1,562,694)
	396,748,311	948,437,306

	The Group	
	2017	**2016**
	$	**$**
Principal		
Due within 12 months of the statement of financial position date	150,000,000	750,000,000
Due thereafter (within two to five years)	246,748,311	198,437,306
	396,748,311	948,437,306
Accrued Interest on Bonds and Loans	2,100,317	6,701,831
	398,848,628	955,139,137

(a) In May 2014, the Bank received a loan from the National Insurance Fund at a fixed rate of 8.50% per annum for five years. Interest payments are due six months after the date of disbursement of the loan proceeds and quarterly thereafter. The loan is repayable in full in May 2019. The loan is secured by the assignment of mortgages on construction loans for $75 million and the assignment of the flow of funds from the loan(s) funded through this borrowing.

(b) In March 2014, the Bank issued Shelter Bond 12A, at a fixed rate of 7.88% for 2 years and variable thereafter at 0.95% above the weighted average treasury bill rate. The bond was repaid in full on March 20, 2017.

(c) In July 2014, the Bank issued Shelter Bond 12B, at a fixed rate of 7.50% for 2 years and variable thereafter at 0.95% above the weighted average treasury bill rate. The bond is repayable in full on July 23, 2017. The bond is secured by a property located at 33 Tobago Avenue (See Note 14).

(Expressed in Jamaican Dollars unless otherwise indicated)

16. Bonds and Loans Payable (Cont'd)

(d) In May 2011, the Bank issued Shelter Bond 13 at 7.85% fixed for two years, and variable at 1% above the weighted average Treasury bill rate for the remainder of the life of the bond. The Bond is repayable in full on May 19, 2016. The bond is secured by land owned by the Bank with a carrying value of $93.10 million (2016: $93.10 million), and land owned by the subsidiary with a carrying value of $1,000 (See Note 12 (e)). The Bond is also secured by a charge over a debt service reserve account and investments therefrom. The Bank is required to maintain the debt service account at the equivalent of four quarter's interest and all proceeds of sale of the respective lands. The account is managed internally by the Bank and comprises designated investments that it holds in particular financial institutions (See Note 6). The bond was repaid in full on March 20, 2017.

(e) In August 2016, the Bank received a Term Loan at a fixed rate of 9.5% per annum for 24 months. Interest payments are due quarterly. The loan is repayable in July 2018 in two semi-annual payments after a 12 month moratorium on principal payments. The loan is secured by a letter of Negative Pledge and an Interest Reserve Account which should be equivalent to at least one quarter's interest payment. Amount received as at 31st March 2017 was $200M.

In computing the variable rates above, the weighted average treasury bill yield used is from the most recent auction of 90 day and 180 day treasury bills prior to the commencement of the particular interest period. At the end of the period, the treasury bill yields were 6.13% and 6.32%, respectively (2016: 5.72% and 6.94%). Unamortised bond issuance costs related to the bonds is $333,000 (2016: $1.56 million).

17. Short Term Loan

	The Group	
	2017	**2016**
	$	$
(a) Mortgage Insurance Fund	250,000,000	-
(b) NCB Revolving $250M	250,000,000	-
	500,000,000	-
Accrued Interest on Revolving Loan	1,058,253	-
	501,058,253	-

(a) In May 2016, the Bank received a loan from the Mortgage Insurance Fund (MIF) at a fixed rate of 6.5% per annum for 12 months. Interest payments are due five days after June 30, 2016 and quarterly thereafter. The loan is repayable in full in May 2017 and is not secured. This is provided that no demand is made by the MIF on or before 12 months after the date of the disbursement and provided that there are no defaults by the Bank from the terms of repayment.

(b) In July 2016, the Bank received a revolving loan at a fixed rate of 8.80% per annum for year one. The loan is for 12 months to revolve at least once per year. Interest payments are due quarterly. The loan is repayable in full in July 2017 and is secured by a letter of Negative Pledge and an Interest Reserve Account which should be equivalent to at least one quarter's interest payment.

18. Share Capital

	Group and Bank	
	2017	**2016**
	$	$
Authorized, issued and fully Paid		
5,000,000,000 ordinary shares of no par value at the beginning and end of the year	500,000,000	500,000,000
	500,000,000	500,000,000

(Expressed in Jamaican Dollars unless otherwise indicated)

19. Reserve Fund

The reserve fund was created in accordance with the provisions of Section 13 of the Jamaica Mortgage Bank Act 1973, which requires that a minimum of 25% of the Bank's profit after taxation (if any) be set aside in each calendar year towards a reserve fund to meet contingencies, until the total amount standing to the credit of the reserve fund equals the paid up capital of the Bank. As the reserve fund is now equal to the paid up capital (Note 16), no further transfers are required (see also Note 20).

20. Special Reserve Fund

By resolution of the Board, a special reserve fund was created to deal with any unforeseen contingencies that might occur above the amount of the existing reserve fund (Note 19).

21. Interest Income

	Group and Bank	
	2017	**2016**
	$	**$**
Construction Loans	108,559,472	110,772,234
Mortgage Loans	1,334,306	6,105,494
Deposits (including Cash and Cash Equivalents)	12,719,014	59,552,120
	122,612,792	176,429,848

22. Allowance for Impairment Losses (Net of Recoveries)

	Group and Bank	
	2017	**2016**
	$	**$**
Charged against revenue during the year (Note 10)	51,183,877	3,536,770
Recoveries during the year (Note 10)	(99,671,644)	(19,700,000)
Write back of provision (Note 10)	(14,600,000)	(66,730,835)
Direct write off of amounts not deemed collectible	-	6,217,605
	(63,087,767)	(76,676,460)

23. Other Income

	Group and Bank	
	2017	**2016**
	$	**$**
Administration Fee – Mortgage Insurance Fund	24,427,642	22,920,134
Commitment and Administration Fees	13,736,028	17,154,076
Settlement of Loans Receivable	3,940,852	2,098,098
Other Income:		
Proceeds from Loan Foreclosure	80,000,000	-
Other	11,739,847	40,528,977
	133,844,369	82,701,285

(Expressed in Jamaican Dollars unless otherwise indicated)

24. Staff Costs

The aggregate cost of employees was as follows:

	Group and Bank	
	2017	**2016**
	$	**$**
Salaries and Wages-Related Expenses	77,694,260	84,162,117
Statutory Payroll Contributions	6,517,346	6,991,237
Employees Benefit Expense (credit) (Note 13(b)(iii))	1,288,541	2,031,160
Staff Welfare	725,815	886,590
	86,225,962	94,071,104

25. Administrative and General Expenses

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Utilities	4,414,955	4,821,635	4,414,955	4,821,635
Printing, Postage and Stamp	867,123	785,772	867,123	785,772
Repairs & Maintenance	1,037,342	1,691,341	1,037,342	1,691,341
Insurance	6,549,810	7,679,159	6,549,810	7,679,159
Legal and Professional Fees	3,931,613	9,014,410	3,782,197	9,014,410
Auditor's Remuneration	4,354,090	4,964,612	4,304,090	4,914,612
Mortgage Processing Fees	253,100	292,680	253,100	292,680
Depreciation	4,578,456	4,364,220	4,578,456	4,364,220
Subscriptions and Publications	681,416	870,182	681,416	870,182
Customer Services and Activities	2,179,356	3,124,317	2,179,356	3,124,317
Bond Expenses	3,662,724	1,187,678	3,662,724	1,187,678
Non-Recoverable G.C.T.	3,698,363	4,299,749	3,698,363	4,299,749
General Expenses	2,216,603	2,086,219	2,216,603	2,086,219
Property Tax	417,845	524,500	379,000	524,500
Donations, Scholarships & Awards	376,800	199,300	376,800	199,300
Directors Fees	1,246,050	646,000	1,246,050	646,000
Computer Expenses	1,459,920	934,777	1,459,920	934,777
Meeting Expenses	2,355,705	359,880	2,355,705	359,880
Security	1,131,756	1,109,681	1,131,756	1,109,681
Bank Charges	264,609	280,068	264,609	280,068
Asset Tax	5,000	-	-	-
Miscellaneous Expenses	285,037	277,084	285,037	285,084
	45,967,673	49,513,264	45,724,412	49,471,264

(Expressed in Jamaican Dollars unless otherwise indicated)

26. Profit Before Taxation

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

	Group and Bank	
	2017	**2016**
	$	**$**
Depreciation	4,578,456	4,364,220
Director's emoluments- fees (Note 25)	1,246,050	646,000
Auditors' remuneration - current year	4,304,090	4,914,612
Loss on disposal of land held for development and sale	1,535,860	2,178,045

27. Taxation

(a) Income Tax

Current and deferred taxes have been calculated using the tax rate of 25% (2016: 25%).

(i) The total charge for the period comprises:

	Group and Bank	
	2017	**2016**
	$	**$**
Current Tax	17,096,040	18,026,635
Deferred Tax	3,111,360	(2,453,000)
	20,207,400	15,573,635

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

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Profit Before Taxation	115,859,963	93,257,825	116,103,224	93,299,825
Computed "expected" tax expense	28,964,991	23,314,456	29,025,806	23,324,956
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Taxation losses (recognised)/not recognised	(6,575,000)	(10,347,000)	(6,575,000)	(10,347,000)
Employment tax credit	(5,434,081)	(210,000)	(5,434,081)	(210,000)
Expenses not allowed	2,856,946	3,305,179	767,548	3,302,679
Other	394,544	(487,000)	394,544	(497,000)
Actual tax charge recognised in the statement of profit or loss	20,207,400	15,575,635	18,178,817	15,573,635
Tax (credit)/charge recognised directly in other comprehensive income	1,511,500	(2,453,000)	1,511,500	(2,453,000)

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Taxation (Cont'd)

(b) Deferred Taxation

(i) Deferred taxes are calculated on all temporary differences using the current tax rate of 25% (2016: 25%).

Analysis for financial reporting purposes:

	Group and Bank	
	2017	**2016**
	$	**$**
Deferred Tax Assets	48,037,606	65,667,516
Deferred Tax Liabilities	(51,148,966)	(65,667,516)
Net Asset (Liability)	(3,111,360)	-

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

	Group and Bank	
	2017	**2016**
	$	**$**
Net Liabilities at the beginning of the period	-	-
Credited/(Charged) to income for the year	(3,111,360)	2,453,000
(Charged)/Credited to other comprehensive income for the period	1,511,500	(2,453,000)
Net Asset/(Liability) at the end of the period	(1,599,860)	-

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

Deferred Tax Assets

	Group and Bank					
	Accrued Vacation	**Tax Loss**	**Interest Payables**	**Accelerated Capital Allowances**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
At April 1, 2015	1,092,548	67,928,735	2,443,458	1,778,275	1,743,500	74,986,516
Credited/(Charged) to income for the year	(325,000)	(7,949,000)	(768,000)	54,000	(331,000)	(9,319,000)
At March 1, 2016	767,548	59,979,735	1,675,458	1,832,275	1,412,500	65,667,516
Adjustments to Prior Year	-	4,790,794	-	-	-	4,790,794
Credited/(Charged) to income for the year	(270,168)	(22,530,122)	(885,816)	210,473	1,054,929	(22,420,704)
At March 31, 2017	497,380	42,240,407	789,643	2,042,748	2,467,429	48,037,606

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Taxation (Cont'd)

(b) Deferred Taxation (cont'd)

(iii) The following are the main deferred tax assets and liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods: (cont'd)

Deferred Tax Liabilities

	Group and Bank		
	Pension Plan Asset	**Interest Receivables**	**Total**
	$	**$**	**$**
At April 1, 2015	(8,304,000)	(66,682,516)	(74,986,516)
(Charged)/Credit to income for the year	(30,000)	11,802,000	11,772,000
Credited to Other Comprehensive Income	(2,453,000)	-	(2,453,000)
At March 1, 2016	(10,787,000)	(54,880,516)	(65,667,516)
(Charged)/Credit to income for the year	(161,250)	13,168,300	13,007,050
Credited to Other Comprehensive Income	1,511,500	-	1,511,500
At March 31, 2017	(9,436,750)	(41,712,216)	(51,148,966)

Subject to agreement with Commissioner General, Tax Administration Jamaica, at the end of the reporting period, the Group had unused tax losses of approximately $168.96 million (2016: $259.08 million) available for offset against future profits. A deferred tax asset of approximately $42.24 million (2016: $59.98 million) has been recognised in respect of $168.96 million (2016: $239.92 million) of these losses.

28. Related Party Balances and Transactions

A party is related to a bank if:

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

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

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

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

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

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

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

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

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

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Related Party Balances and Transactions (Cont'd)

Balance outstanding at the end of the reporting period:

	Group and Bank	
	2017	2016
	$	$
Due from the Mortgage Insurance Fund	-	5,513,885
Due to the Mortgage Insurance Fund - Short Term Loan	(250,000,000)	-

	Group and Bank	
	2017	2016
	$	$
Related Party Transaction:		
Administration Fees - Mortgage Insurance Fund	24,427,642	22,920,134

Balances receivable from key management personnel are as follows:

	Group and Bank	
	2017	2016
	$	$
Staff Loans	2,395,833	-

Key management compensation is as follows:

	Group and Bank	
	2017	2016
	$	$
Directors' Fees (Note 26)	1,246,050	646,000
Short-Term Employee Benefits	33,319,863	41,177,000
Post-Employment Expense	130,000	437,000

29. Financial Risk Management

Introduction and Overview

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

(a) Credit Risk
(b) Market Risk
(c) Liquidity Risk
(d) Operational Risk

Detailed below is information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for the 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 rash management policies in their specified areas.

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

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.

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

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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.

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 related interest receivable, these are Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and sinking fund investments are held with the 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 statement of financial position, as follows:

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash and Cash Equivalents	6,515,271	32,916,879	6,515,271	32,916,879
Certificates of Deposit	30,192,914	421,492,078	30,192,914	421,492,078
Resale Agreements	119,609,884	191,667,753	119,609,884	191,667,753
Receivables	75,565,610	11,349,534	75,565,610	11,349,534
Loans Receivable	1,651,846,045	1,162,999,000	1,651,846,045	1,162,998,921
Investment in Subsidiary	-	-	124,669,433	124,476,172
	1,883,729,724	1,820,425,244	2,008,399,157	1,944,901,337

(ii) Management of Credit Risk

(1) Loans Receivable

The management of the credit 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.

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(a) Credit Risk (cont'd)

(ii) Management of Credit Risk (cont'd)

(1) Loans Receivables (cont'd)

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 allowance shown in the statement of comprehensive income for the year end is specifically applied to the portion of loans and interest receivable deemed uncollectible by the Group.

(2) Investment in subsidiary

The directors believe that the credit risk associated with this financial instrument is minimal. The carrying amount of $124.48 million (2016: $124.48 million) at the report date represents the Bank's maximum exposure of this class of financial assets.

(3) Resale Agreements and Certificates of Deposit

Collateral is held for all resale agreements.

(4) Receivables

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

(5) 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.

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 receivables is summarized as follows:

	2017		**2016**	
	Gross	**Impairment**	**Gross**	**Impairment**
	$	**$**	**$**	**$**
Not past due or impaired	1,008,910,000	-	567,637,000	-
Past due but not impaired under 12 months	-	-	67,735,000	-
Past due and impaired over 12 months	1,157,545,000	514,608,043	1,105,322,000	577,695,810
	2,166,455,000	514,608,043	1,740,694,000	577,695,810

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 10 (b).

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(a) Credit Risk (cont'd)

(iii) Credit Quality of Loans (cont'd)

(1) Impairment Loans

Impaired loans are loans for which the Group determines that it is possible that it is probable that it will be unable to collect al 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 of principal payments are past due but the Group believes there is no impairment 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 re-structured 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 re-structured, it remains in this category.

(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 covers the loss that relates to individual loans assessed as being impaired as well as loans which are assessed not to be impaired individually, and assessed for impairment on a collective basis.

(5) Write-Off Policy

The Group writes off loans (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.

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

	2017		
	Construction Loans	**Mortgage Loans**	**Total**
	$	**$**	**$**
Developers	2,144,688,318	-	2,144,688,318
Staff	-	11,990,243	11,990,243
Others	-	-	-
	2,144,688,318	11,990,243	2,156,678,561

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(a) Credit Risk (cont'd)

(iv) Concentration of Loans (cont'd)

	2016		
	Construction Loans	**Mortgage Loans**	**Total**
	$	$	$
Developers	1,689,904,484	-	1,689,904,484
Staff	-	11,593,205	11,593,205
Others	-	30,557,161	30,557,161
	1,689,904,484	42,150,366	1,732,054,850

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

(v) Collateral

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities are 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, 2017 or 2016.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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 it 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 risks as it has no foreign currency liabilities and no significant foreign currency assets, and that it has no significant exposure to equity price risk as it has no financial assets which are to be realised by trading in the securities

(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.

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(b) Market Risk (cont'd)

(i) Interest Rate Risk (cont'd)

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

Group

	2017				
	Within 3 Months	3 to 12 Months	Over 12 Months	Non-Rate Sensitive	Total
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	6,515,271	6,515,271
Certificates of Deposit	30,192,914	-	-	-	30,192,914
Resale Agreements	104,265,000	15,344,884	-	-	119,609,884
Receivables	-	-	-	75,565,610	75,565,610
Loans Receivables	168,537,000	818,434,000	664,875,045	-	1,651,846,045
Total Financial Assets	302,994,914	833,778,884	664,875,045	82,080,881	1,883,729,724
Payables	-	-	-	17,461,365	17,461,365
Short-Term Loans	250,000,000	250,000,000	-	-	500,000,000
Bonds and Loans Payable	-	150,000,000	246,748,311	2,100,317	398,848,628
Total Financial Liabilities	250,000,000	400,000,000	246,748,311	19,561,682	916,309,993
Interest Rate Sensitivity Gap	**52,994,914**	**433,778,884**	**418,126,734**	**62,519,199**	**967,419,731**
Cumulative Gap	**52,994,914**	**486,773,798**	**904,900,532**	**967,419,731**	

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(b) Market Risk (cont'd)

(i) Interest Rate Risk (cont'd)

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

Group

	2016				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	32,916,879	32,916,879
Certificates of Deposit	183,297,000	236,107,000	-	2,088,078	421,492,078
Resale Agreements	85,706,000	104,638,000	-	1,323,753	191,667,753
Receivables	-	-	-	11,349,534	11,349,534
Loans Receivables	16,959,000	317,546,000	612,382,000	216,111,921	1,162,998,921
Total Financial Assets	285,962,000	658,291,000	612,382,000	263,790,165	1,820,425,165
Payables	-	-	-	21,149,650	21,149,650
Bonds and Loans Payable	500,000,000	250,000,000	198,437,306	6,701,831	955,139,137
Total Financial Liabilities	500,000,000	250,000,000	198,437,306	27,851,481	976,288,787
Interest Rate Sensitivity Gap	**(214,038,000)**	**408,291,000**	**413,944,694**	**235,938,684**	**844,136,378**
Cumulative Gap	**(214,038,000)**	**194,253,000**	**608,197,694**	**844,136,378**	

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(b) Market Risk (cont'd)

(i) Interest Rate Risk (cont'd)

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

Bank

	2017				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	6,515,271	6,515,271
Certificates of Deposit	30,192,914	-	-	-	30,192,914
Resale Agreements	104,265,000	15,344,884	-	-	119,609,884
Receivables	-	-	-	75,565,610	75,565,610
Loans Receivables	168,537,000	818,434,000	664,875,045	-	1,651,846,045
Interest in Subsidiary: Long Term Loans	-	-	-	124,669,431	124,669,431
Total Financial Assets	302,994,914	833,778,884	664,875,045	206,750,312	2,008,399,155
Payables	-	-	-	5,461,365	5,461,365
Short-Term Loans	-	500,000,000	-	-	500,000,000
Bonds and Loans Payable	-	150,000,000	246,748,311	2,100,317	398,848,628
Total Financial Liabilities	-	650,000,000	246,748,311	7,561,682	904,309,993
Interest Rate Sensitivity Gap	**302,994,914**	**183,778,884**	**418,126,734**	**199,188,630**	**1,104,089,162**
Cumulative Gap	**302,994,914**	**486,773,798**	**904,900,532**	**1,104,089,162**	

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(b) Market Risk (cont'd)

(i) Interest Rate Risk (cont'd)

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

Bank

	2016				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	32,916,879	32,916,879
Certificates of Deposit	183,297,000	236,107,000	-	2,088,078	421,492,078
Resale Agreements	85,706,000	104,638,000	-	1,323,753	191,667,753
Receivables	-	-	-	11,349,534	11,349,534
Loans Receivables	16,959,000	317,546,000	612,382,000	216,111,921	1,162,998,921
Interest in Subsidiary: Long Term Loans	-	-	-	124,476,170	124,476,170
Total Financial Assets	285,962,000	658,291,000	612,382,000	388,266,335	1,944,901,335
Payables	-	-	-	9,149,650	9,149,650
Bonds and Loans Payable	500,000,000	250,000,000	198,437,306	6,701,831	955,139,137
Total Financial Liabilities	500,000,000	250,000,000	198,437,306	15,851,481	964,288,787
Interest Rate Sensitivity Gap	**(214,038,000)**	**408,291,000**	**413,944,694**	**372,414,854**	**980,612,548**
Cumulative Gap	**(214,038,000)**	**194,253,000**	**608,197,694**	**980,612,548**	

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(b) Market Risk (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

	2017		
	Within 3 Months	3 to 12 Months	Over 12 Months
	%	%	%
Certificates of Deposits	5.48	-	-
Resale Agreements	5.92	6.35	0.00
Loans Receivable	11.89	12.48	9.90
Bonds Payable	6.50	7.96	9.30

	2016		
	Within 3 Months	Three to 12 Months	Over 12 Months
	%	%	%
Certificates of Deposits	6.04	6.00	-
Resale Agreements	4.73	6.18	-
Loans Receivable	12.75	13.94	9.91
Bonds Payable	6.94	-	7.82

Sensitivity Analysis

If the interest rate had been 100 basis points higher and 100 basis points lower and all other variables were held constant for local interest bearing assets and liabilities, the Bank's/Group's profit for the period would increase by $9.59 million and decrease by $9.59 million respectively (2016: increase by $7.95 million and decrease by $7.95 million). For foreign interest bearing assets and liabilities, if interest rates were 100 basis points higher or 50 basis points lower, and all other variables were held constant, the Bank's/Group's profit for the period would increase by $0.11 million and decrease by $0.05 million respectively (2016: increase by $0.11 million and decrease by $0.05 million).

(ii) Foreign Currency Risk

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

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(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 having 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 age 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 investments in debt securities for which there is an active liquid market, less loan commitments to borrowers within the coming year.

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

(c) Liquidity Risk

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

Group

	2017					
	Within One Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Cash Flows Total**	**Carrying Values Total**
	$	$	$	$	$	$
Cash and Cash Equivalents	6,515,271	-	-	-	6,515,271	6,515,271
Certificate of Deposit	-	30,192,914	-	-	30,192,914	30,192,914
Resale Agreements	69,026,000	35,239,000	15,344,884	-	119,609,884	119,609,884
Receivables	6,530,000	61,239,000	-	7,796,610	75,565,610	75,565,610
Loans Receivables	168,537,000	-	818,434,000	664,875,045	1,651,846,045	1,651,846,045
Total Financial Assets	250,608,271	126,670,914	833,778,884	672,671,655	1,883,729,724	1,883,729,724
Payables	5,506,000	7,956,000	3,999,365	-	17,461,365	17,461,365
Short-Term Loans	250,000,000	250,000,000	-	-	500,000,000	500,000,000
Bonds and Loans Payable	-	150,000,000	-	248,848,628	398,848,628	398,848,628
Total Financial Liabilities	255,506,000	407,956,000	3,999,365	248,848,628	916,309,993	916,309,993
	(4,897,729)	(281,285,086)	829,779,519	423,823,027	967,419,731	967,419,731

Group

	2016					
	Within One Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Cash Flows Total**	**Carrying Values Total**
	$	$	$	$	$	$
Cash and Cash Equivalents	32,916,879	-	-	-	32,916,879	32,916,879
Certificate of Deposit	185,741,000	-	242,919,000	-	428,660,000	421,492,078
Resale Agreements	41,796,000	24,555,000	127,298,000	-	193,649,000	191,667,753
Receivables	151,000	9,183,000	-	2,016,000	11,350,000	11,349,534
Loans Receivables	17,735,000	318,203,000	613,831,000	216,110,000	1,165,879,000	1,162,998,921
Total Financial Assets	278,339,879	351,941,000	984,048,000	218,126,000	1,832,454,879	1,820,425,165
Payables	8,741,000	-	12,409,000	-	21,150,000	21,149,650
Bonds and Loans Payable	-	512,373,000	276,449,000	212,386,000	1,001,208,000	955,139,137
Total Financial Liabilities	8,741,000	512,373,000	288,858,000	212,386,000	1,022,358,000	976,288,787

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(c) Liquidity Risk (cont'd)

Bank

	2017						
	Within One Month	One to 3 Months	Three 12 Months	One to 5 Years	No Specific Maturity	Cash Flows Total	Carrying Values Total
	$	$	$	$	$	$	$
Cash and Cash Equivalents	6,515,271	-	-	-	-	6,515,271	6,515,271
Certificates of Deposit	-	30,192,914	-	-	-	30,192,914	30,192,914
Resale Agreements	69,026,000	35,239,000	15,344,884	-	-	119,609,884	119,609,884
Receivables	6,530,000	61,239,000	-	7,796,610	-	75,565,610	75,565,610
Loans Receivables	168,537,000	-	818,434,000	664,875,045	-	1,651,846,045	1,651,846,045
Interest in Subsidiary:							
Long Term Loans	-	-	-	-	124,669,431	124,669,431	124,669,431
Total Financial Assets	250,608,271	126,670,914	833,778,884	672,671,655	124,669,431	2,008,399,155	2,008,399,155
Payables	-	5,461,365	-	-	-	5,461,365	5,461,365
Short-Term Loans	250,000,000	250,000,000	-	-	-	500,000,000	500,000,000
Bonds and Loans Payable	-	-	100,000,000	298,848,628	-	398,848,628	398,848,628
Total Financial Liabilities	250,000,000	255,461,365	100,000,000	298,848,628	-	904,309,993	904,309,993

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(c) Liquidity Risk (cont'd)

Bank	**2016**						
	Within One Month	**One to 3 Months**	**Three 12 Months**	**One to 5 Years**	**No Specific Maturity**	**Cash Flows Total**	**Carrying Values Total**
	$	$	$	$	$	$	$
Cash and Cash Equivalents	32,916,879	-	-	-	-	32,916,879	32,916,879
Certificates of Deposit	185,741,000	-	242,919,000	-	-	428,660,000	421,492,078
Resale Agreements	41,796,000	24,555,000	127,298,000	-	-	193,649,000	191,667,753
Receivables	151,000	9,183,000	-	2,015,534	-	11,349,534	11,349,534
Loans Receivables	17,735,000	318,203,000	613,831,000	216,110,000	-	1,165,879,000	1,162,998,921
Interest in Subsidiary:							
Long Term Loans	-	-	-	-	124,476,170	124,476,170	124,476,170
Total Financial Assets	278,339,879	351,941,000	984,048,000	218,125,534	124,476,170	1,956,930,583	1,944,901,335
Payables	8,741,000	408,650	-	-	-	9,149,650	9,149,650
Bonds and Loans Payable	-	512,373,000	276,449,000	212,386,000	-	1,001,208,000	955,139,137
Total Financial Liabilities	8,741,000	512,781,650	276,449,000	212,386,000	-	1,010,357,650	964,288,787

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

29. Financial Risk Management (Cont'd)

Risk Management Framework (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 behaviour. Operational risk arises 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 and Finance 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 regulation. However, by virtue of the provisions of the Jamaica Mortgage Bank Act (see Note 19) and stated Board policy (see Note 20), 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 credit and market confidence.

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 allocations are reviewed regularly by the Board of Directors.

(Expressed in Jamaican Dollars unless otherwise indicated)

30. Fair Value Measurement

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

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

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

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

Group

	Carrying Amount		Fair Value	
	2017	2016	2017	2016
	$	$	$	$
Assets				
Loans and Receivables	1,651,846,045	1,162,998,921	1,600,018,352	1,104,603,000
Liabilities				
Short Term Loans	500,000,000	-	500,000,000	-
Bonds and Loans Payable	398,848,628	955,139,137	392,887,586	947,817,000
	898,848,628	955,139,137	892,887,586	947,817,000

Bank

	Carrying Amount		Fair Value	
	2017	2016	2017	2016
	$	$	$	$
Assets				
Loans and Receivables	1,651,846,045	1,162,998,921	1,600,018,352	1,104,603,000
Investment in Subsidiary	124,669,431	124,476,170	124,669,431	124,476,170
	1,776,515,476	1,287,475,091	1,724,687,783	1,229,079,170
Liabilities				
Short Term Loans	500,000,000	-	500,000,000	-
Bonds and Loans Payable	398,848,628	955,139,137	392,887,586	947,817,000
	898,848,628	955,139,137	892,887,586	947,817,000

(Expressed in Jamaican Dollars unless otherwise indicated)

30. Fair Value Measurement (Cont'd)

The following table provides an analysis of financial instruments held for the Group and the Bank as at 31st March 2017 and 31st March 2016 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follow:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

Group and Bank

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets for which fair value is disclosed:				
- Loans Receivables	-	1,600,018,352	-	1,600,018,352
Liabilities for which fair values are disclosed:				
- Short Term Loans	-	500,000,000	-	500,000,000
- Bonds and Loans Payable	-	392,887,586	-	392,887,586
	-	892,887,586	-	892,887,586

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets for which fair value is disclosed:				
- Loans Receivables	-	1,104,603,000	-	1,104,603,000
Liabilities for which fair values are disclosed:				
- Bonds and Loans Payable	-	947,817,000	-	947,817,000
	-	947,817,000	-	947,817,000

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

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

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

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

(Expressed in Jamaican Dollars unless otherwise indicated)

31. Commitments

Loans approved but not disbursed by the Group and the Bank at 31st March 2017 amounted to approximately $237,450,000 (2016: $1,118,878,000).

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

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

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

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

	2017	2016
	$	$
Cost of Administration of Mortgage Insurance Fund		
Bank Charges and Interest	16,394	13,731
Professional and Other	70,727	8,214,000
Audit Fees	200,000	200,000
Total Costs	287,121	8,427,731
Funded by:		
Contribution of:		
Two-fifths of Mortgage Insurance fees	1,131,027	2,583,841
Loan Investigation Fees	85,000	92,500
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	622	326
	1,216,649	2,676,667
Recovered by the Mortgage Insurance Fund	(929,528)	5,751,064
Total Funding	287,121	8,427,731

33. Contingencies

The Bank, because of the nature of its business, is subject to various threatened or filed legal actions.

(i) On April 1, 2013, Springfield Development, a borrower who is in default, filed a claim against the Bank asking the Court to make an order for an interlocutory injunction to restrain the Bank from selling or transferring the property it holds as security for a loan to the borrower. Additionally, a claim of approximately $51.9 million has been made against the Bank for profit the borrower believes it would have made had the Bank completed funding of the related project. The borrower is also asking the Court to declare that the Bank breached the loan agreement and should continue disbursement of relevant loan funds.

The Bank's attorney filed a defence to this claim on June 5, 2013 denying a breach of contract. On October 29, 2013 the borrower filed an Application for interim injunction to restrain the Bank's exercise of its powers of sale. The Bank filed Affidavits opposing the borrowers application which was heard on December 5, 2013 at which time the Court refused the borrowers application for interim injunction.

The matter went to mediation on April 2, 2014 however no settlement was reached.

The Bank is awaiting notification on the date for Case Management Conference. No provision has been made in these financial statements in respect of this matter.

It appears that the claimant is not pursuing the suit but the attorney has advised the Bank to await at least six years from the dates the suit was initiated.

I N D E X

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF JMB DEVELOPMENTS LIMITED

Opinion

We have audited the financial statements of JMB Developments Limited, which comprise the statements of financial position as at 31st March 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2017, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

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

Other Matter

The financial statements of JMB Developments Limited for the year ended 31st March 2016, were audited by another auditor and issued on 8th July 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
JMB DEVELOPMENTS LIMITED**

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
JMB DEVELOPMENTS LIMITED**

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (cont'd):

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

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

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

Report on Additional Matters as Required by the Jamaican Companies Act

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

Crowe Horwath Jamaica

Crowe Horwath Jamaica

Crowe Horwath Jamaica

Unit 34, Winchester Business Centre
15 Hope Road
Kingston 10
Jamaica

1st June 2017

JMB DEVELOPMENTS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2017 $	2016 $
ASSETS:			
Investment by Parent Company		2	2
Land Held for Development and Sale	5	1,000	1,000
Property, Plant and Equipment	6	-	-
Total Assets		**1,002**	**1,002**
DEFICIENCY IN ASSETS			
Share Capital	7	2	2
Accumulated Deficit		(136,768,432)	(136,525,171)
Total Deficiency in Assets		(136,768,430)	(136,525,169)
LIABILITIES			
Loan Payable to Parent	8	124,669,432	124,476,171
Payables		100,000	50,000
Deposit	8	12,000,000	12,000,000
Total Liabilities		136,769,432	136,526,171
TOTAL DEFICIENCY IN ASSETS AND LIABILITIES		**1,002**	**1,002**

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 1, 2017 **AND SIGNED ON ITS BEHALF BY:**

DR. PATRICK W. THELWELL
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

JMB DEVELOPMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017 $	2016 $
Administrative Expenses:		
Professional Fees	(243,261)	(50,000)
Net Loss being Total Comprehensive Expense for the Year	(243,261)	(50,000)

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

JMB DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Accumulated Deficit	Total
	$	$	$
Balance as at April 1, 2015	2	(136,475,171)	(136,475,169)
Net Loss being Total Comprehensive Expense for the Year	-	(50,000)	(50,000)
Balance as at March 31, 2016	2	(136,525,171)	(136,525,169)
Net Loss being Total Comprehensive Expense for the Year	-	(243,261)	(243,261)
Balance as at March 31, 2017	2	(136,768,432)	(136,768,430)

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

JMB DEVELOPMENTS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the Year, being net cash used in Operating Activities	(243,261)	(50,000)
Increase / (Decrease) in Operating Liabilities		
Payables	50,000	50,000
Net Cash Used in Operating Activities	(193,261)	-
Cash Flows from Financing Activities:		
Increase in Loan Payable to Parent	193,261	-
Net Cash Provided by Investing Activities	193,261	-
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Year	-	-
Cash and Cash Equivalents at the End of the Year	-	-

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

1. Corporate Information

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

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

2. Adoption of Standards, Interpretation and Amendments:

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

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

Amendment to IAS 1: Presentation of Financial Statements (Effective January 2016)

The amendment address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

Clarifies that information should not be obscured by aggregating or by providing immaterial information materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

Clarifies that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregated as single line items based on whether or not it will subsequently be reclassified to profit or loss;

Provides additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need to be presented in the order so far listed in paragraph 114 of IAS 1.

IAS 16: Property, Plant and Equipment and IAS 38 Intangible Assets (Effective January 2016)

- Clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;

- Introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;

- Adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(a) The following are Standards, Amendments and Interpretations in respect of published standards which are in effect (cont'd):

Amendments to IFRS 10: Consolidated Financial Statements, IFRS 12:Disclosure of Interests in Other Entities and IAS 28: Investments in Associates and Joint Ventures (2011) Effective January 2016)

Amendments to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments did not have a material impact on the Fund's financial statements.

(b) Standards and Interpretations which are considered relevant to the Funds were issued but not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Funds has not early-adopted. The Funds has assessed the relevance of all the new standards, amendments and interpretations with respect to the Funds' operations and has determined that the following are likely to have an effect on the Funds' financial statements:

Amendments to IAS 7 - Statement of Cash Flows (Effective January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(b) Standards and Interpretations which are considered relevant to the Funds were issued but not yet effective (cont'd):

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2018) (Cont'd)

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRS 9: Financial Instruments (2014) (Effective January 1, 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

Management has determined that the standard is relevant to existing policies for its current operations, but has not yet assessed the impact on adoption.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The company is assessing the impact these amendments will have on its 2018 and 2019 financial statements.

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

(a) Statement of Compliance and Basis of Preparation -

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the requirements of the Jamaican Companies Act.

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

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

(b) Fair Value Measurement -

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets and liabilities.

Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(c) Land Held for Development and Sale -

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

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

(d) Property and Equipment -

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The following useful lives are used in the calculation of depreciation:

Property and Equipment	10 years

(e) Payables -

Trade and other payables are stated at cost.

(f) Impairment -

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated at each reporting 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 comprehensive income.

(i) Calculation of Recoverable Amount

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

(ii) Reversals of Impairment

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

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(g) Taxation -

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

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

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

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

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

Current and Deferred Tax for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(h) Revenue -

Interest income earned from investments and fees are recorded on the accrual basis.

(i) Expenses -

Expenses are recorded on the accrual basis.

(j) Comparative Information -

Where necessary, comparative figures have been re-classified to conform to changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

(k) Fair Value of Financial Instruments -

Amounts reflected in the accounts for investments, trade and other receivables, cash and cash equivalents, trade and other payables is an approximation of their fair value.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(l) Related Party Balances and Transactions -

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in applying Accounting Policies

The directors and management believe that there are no critical judgements that management has made in the process of applying the Company's accounting policies and that had a significant effect on the amounts recognised in the financial statements.

Key Sources of Estimation Uncertainty

The directors and management believe there are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

5. Land Held for Development and Sale

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

The condition to the agreement, as outlined above, was not fulfilled and subsequent to this an agreement was arrived at for the Ministry to transfer to the company other lands to cover the terms of the agreement. In 2012, the Ministry of Transport, Works and Housing (formerly the Ministry of Water and Housing, (MOWH)) transferred a property at Whitehall to the Company's parent in part settlement of the obligation of the company to its parent. The MOWH is to transfer to the Company's parent one additional parcel of land to fully cover the obligation of the Company to its parent.

(Expressed in Jamaican Dollars unless otherwise indicated)

6. Property, Plant & Equipment -

	Plant and Machinery $
At Cost or Valuation:	
April 1, 2015, March 31st, 2016 and March 31st 2017	110,000
Accumulated Depreciation:	
April 1, 2015, March 31st, 2016 and March 31st 2017	110,000
Net Book Value:	
March 31st 2016 and 2017	-

7. Share Capital

	2017 $	2016 $
Authorized:		
1,000 shares at no par value at beginning and end of year		
Issued and Fully Paid:		
2 shares at no par value at beginning and end of year	2	2

8. Loan Payable To Parent

	2017 $	2016 $
Loan Payable To Parent	124,669,432	124,476,171

This represents a loan from the parent that after a 24-month moratorium on principal should have been repaid over the five years ended March 31, 2006. The loan is supported by a promissory note and is to be secured by land owned by the Company. In the 2010/11 financial year, the Company transferred land received from the Ministry of Water and Housing, as distribution in respect of a joint venture, to the parent in settlement of interest outstanding on this loan at that date. Beneficial ownership of the parcels of land that were set aside for the purpose of the joint venture is to be transferred to the Company's parent through the Company. The total distribution to the Company will fully satisfy amounts borrowed from its parent and any interest thereon. During the prior year, a portion of the land was sold and part payment in the amount of $12 million was received as a deposit and used to offset the loan.

9. Net Loss for the Year

The following are among the items charged in arriving at loss for the year:

	2017 $	2016 $
Auditors' Remuneration - Current Year	50,000	50,000
Professional Fees	149,416	-
Asset Tax	5,000	-
Property Taxes	38,845	-
	243,261	50,000

10. Tax Losses

Current and deferred taxes have been calculated using the tax rate of 25% (2016: 25%).

At the reporting date, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, tax losses, available for relief against future taxable profits, amounted to approximately $94.32 million (2016: $94.08 million).

Potential deferred tax asset of approximately $23.58 million (2016: $23.52 million), arising on the unused tax losses, has not been recognised as the Company is not expected to have taxable profits in the foreseeable future to utilise the losses.

11. Financial Instruments and Financial Instruments Risk Management:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of these financial statements, there are no financial assets or financial liabilities except receivables, payables and loan payable to parent.

Information relating to fair values and financial risk management is summarised below.

(a) Fair Value

Fair value measurements recognized in the Statement of Financial Position

There were no financial instruments that were measured subsequent to initial recognition at fair value.

Determination of Fair Value:

The fair value of loan payable to parent has been estimated to be its carrying amount as the loan is repayable on demand as repayment is overdue.

(b) Financial Risk Management

Exposure to credit risk, liquidity risk and market risk including interest rate risk and currency risk arises in the ordinary course of the company's business. Information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk is detailed below.

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

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

(i) Credit Risk

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

At the end of the reporting period, the Company's exposure to credit risk was insignificant.

11. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(b) Financial Risk Management (cont'd)

(ii) Market Risk

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

These arise from changes in interest rates, foreign currency rates and equity prices and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

- Foreign Currency Risk

  Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

  The Company has no exposure to foreign exchange risk since it has no foreign currency related transactions or balances.

- Interest Rate Risk

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

  The Company currently has no financial instrument subject to significant interest rate risk.

  There has been no change in the manner in which the Company manages and measures this risk during the year.

  The Company currently has no financial instrument subject to significant interest rate risk.

- Other Market Price Risk

  The Company has no exposure to market risk as it does not hold any traded securities.

(iii) Liquidity Risk

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

The Company had net current liabilities at the reporting date and obtains continued financial support from its parent.

There has been no change to the Company's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

11. Financial Instruments and Financial Instruments Risk Management (Cont'd):

Capital Risk Management Policies and Objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and retained earnings.

The Company is not subject to any externally imposed capital requirements and its Board of Directors reviews the capital structure on an annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Company had deficiency in assets at the reporting date. The Company's parent has pledged to, and continues to support the Company.

The Company's overall strategy as directed by its shareholders remains unchanged from year ended March 31, 2016.

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

I N D E X

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Crowe Horwath™

Crowe Horwath Jamaica Limited
Member Crowe Horwath International

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Kingston 5

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REPORT OF THE INDEPENDENT AUDITORS
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)

Opinion

We have audited the financial statements of The Mortgage Insurance Fund and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Funds"), which comprise the statements of financial position as at 31st March 2017, and the statements of changes in fund balances and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Funds as at 31st March 2017, and of the changes in fund balances and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

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

Other Matter

The financial statements of The Mortgage Insurance Fund and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Funds") for the year ended 31st March 2016, were audited by another auditor and issued on 8th July 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Crowe Horwath™

REPORT OF THE INDEPENDENT AUDITORS
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)

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

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

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

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

REPORT OF THE INDEPENDENT AUDITORS
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)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (cont'd):

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

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

Report on Additional Matters as Required by the Mortgage Insurance Act

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

Crowe Horwath Jamaica

Crowe Horwath Jamaica

Crowe Horwath Jamaica

Unit 34, Winchester Business Centre
15 Hope Road
Kingston 10
Jamaica

1st June 2017

THE MORTGAGE INSURANCE FUND
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2017 $	2016 $
ASSETS:			
Non-Current Assets			
Cash and Cash Equivalents		1,267,010	5,198,010
Investments	5	879,261,130	1,057,511,456
Receivables	6	255,801,725	246,181,731
Due From Related Party	7	250,000,000	-
Property, Plant and Equipment	8	-	-
		1,386,329,865	1,308,891,197
LIABILITIES:			
Accounts Payable		601,002	398,400
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund		78,861	77,824
Due To Related Party	7	-	5,513,886
		679,863	5,990,110
NET ASSETS		**1,385,650,002**	**1,302,901,087**
Represented By:			
ACCUMULATED SURPLUS		**1,385,650,002**	**1,302,901,087**

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 1, 2017 **AND SIGNED ON ITS BEHALF BY:**

DR. PATRICK W. THELWELL
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

THE MORTGAGE INSURANCE FUND
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017	2016
	$	$
Increase in Fund:		
Three-fifths of Mortgage Loan Insurance Fees	1,696,541	3,875,761
Investment Income	81,221,087	93,659,687
Interest Income on Loans	14,085,401	-
Miscellaneous Income	9,244,622	9,244,622
	106,247,651	106,780,070
Decrease in Fund:		
Recovered by the Bank as Contribution towards the cost of administering the Mortgage Insurance Act	928,906	(5,751,742)
Administration Charges paid to the Bank	(24,427,642)	(22,920,135)
	(23,498,736)	(28,671,877)
Net Increase in Fund Balance for the Year	82,748,915	78,108,193
Fund Balance at the Beginning of the Year	1,302,901,087	1,224,792,894
Fund Balance at the End of the Year	1,385,650,002	1,302,901,087

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

THE MORTGAGE INSURANCE FUND
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Fund Balance for the Year	82,748,915	78,108,193
Decrease / (Increase) in Operating Assets		
Due from Jamaica Mortgage Bank	(250,000,000)	-
Trade and Other Receivables	(9,619,994)	(23,414,731)
Increase / (Decrease) in Operating Liabilities		
Accounts Payable	202,602	200,400
Due to Mortgage (Government Guaranteed Loans)		
Insurance Reserve Fund	1,037	824
Due to Jamaica Mortgage Bank	(5,513,886)	(10,862,114)
Net Cash (Used in)/Provided by Operating Activities	(182,181,326)	44,032,572
Cash Flows from Investing Activities:		
Additions to/(Encashment of) Investments	178,250,326	(50,425,456)
Net Cash Provided by/(Used in) Investing Activities	178,250,326	(50,425,456)
Net Decrease in Cash and Cash Equivalents	(3,931,000)	(6,392,884)
Cash and Cash Equivalents at the Beginning of the Year	5,198,010	11,590,894
Cash and Cash Equivalents at the End of the Year	1,267,010	5,198,010

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017 $	2016 $
ASSETS		
Due from Mortgage Insurance Fund	78,861	77,824
Government of Jamaica Investment Debenture	15,779	15,788
	94,640	93,612
Represented By:		
ACCUMULATED SURPLUS	94,640	93,612

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 1, 2017 **AND SIGNED ON ITS BEHALF BY:**

DR. PATRICK W. THELWELL
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

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

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017	2016
	$	$
Increase in Fund:		
One-half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act	1,028	1,329
	1,028	1,329
Net Increase in Fund for the Year	1,028	1,329
Fund Balance at the Beginning of the Year	93,612	92,283
Fund Balance at the End of the Year	94,640	93,612

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Fund Balance for the Year	1,028	1,329
Decrease / (Increase) in Operating Assets:		
Due from Mortgage Insurance Fund	(1,037)	(824)
Net Cash (Used in)/Provided by Operating Activities	(9)	505
Cash Flows from Investing Activities:		
Additions to/(Encashment of) Investments	9	(505)
Net Cash Provided by/(Used in) Investing Activities	9	(505)
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Year	-	-
Cash and Cash Equivalents at the End of the Year	-	-

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

1. Corporate Information

(a) The Mortgage Insurance Fund

(i) Establishment and Functions

The Mortgage Insurance Fund (the "Fund") was established under Section 9 of the Mortgage Insurance Act (the "Act"). Under Section 25 of the Jamaica Mortgage Bank Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank 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 (together "the Funds"). Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Act in the following way:

- one-half of the return on the income and assets of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and two-fifths (one-fifth up to July 23, 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.

(e) These Funds are exempt from taxation.

2. Adoption of Standards, Interpretation and Amendments:

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

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

Amendment to IAS 1: Presentation of Financial Statements (Effective January 2016)

The amendment address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

Clarifies that information should not be obscured by aggregating or by providing immaterial information materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

Clarifies that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregated as single line items based on whether or not it will subsequently be reclassified to profit or loss;

Provides additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need to be presented in the order so far listed in paragraph 114 of IAS 1.

IAS 16: Property, Plant and Equipment and IAS 38 Intangible Assets (Effective January 2016)

- Clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- Introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
- Adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(a) The following are Standards, Amendments and Interpretations in respect of published standards which are in effect (cont'd):

Improvements to IFRS 2012–2014 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments are as follows:

- **IFRS 7: Financial Instruments: Disclosures (Effective January 2016)**

  Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

Amendments to IFRS 10: Consolidated Financial Statements, IFRS 12:Disclosure of Interests in Other Entities and IAS 28: Investments in Associates and Joint Ventures (2011) Effective January 2016)

Amendments to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments did not have a material impact on the Fund's financial statements.

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(b) Standards and Interpretations which are considered relevant to the Funds were issued but not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Funds has not early-adopted. The Funds has assessed the relevance of all the new standards, amendments and interpretations with respect to the Funds' operations and has determined that the following are likely to have an effect on the Funds' financial statements:

Amendments to IAS 7 - Statement of Cash Flows (Effective January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(b) Standards and Interpretations which are considered relevant to the Funds were issued but not yet effective (cont'd):

IFRS 9: Financial Instruments (2014) (Effective January 1, 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

Management has determined that the standard is relevant to existing policies for its current operations, but has not yet assessed the impact on adoption.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Fund is assessing the impact these amendments will have on its 2018 and 2019 financial statements.

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

(a) Statement of Compliance and Basis of Preparation -

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The financial statements are presented in Jamaican dollars, which is the functional currency of the Funds.

(b) Key Sources of Estimation Uncertainty -

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

- Withholding Tax Recoverable

  Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the fair value of this amount is determined to approximate its carrying value.

(c) Cash and Cash Equivalents

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

(d) Investments -

Investments in financial instruments are classified as loans and receivables. 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 or are not 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.

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

(d) Investments - (cont'd)

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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. These Funds generally use net present value techniques or the discounted cash flow method.

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets and liabilities.

Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(e) Receivables -

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

(f) Impairment -

The carrying amounts of the Funds' assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated at the end of each reporting period. 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 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.

(i) 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.

(g) Property, Plant and Equipment -

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(h) Payables -

Trade and other payables are stated at cost.

(i) Revenue -

Interest income earned from investments and fees are recorded on the accrual basis.

(j) Expenses -

Expenses are recorded on the accrual basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(k) Comparative Information -

Where necessary, comparative figures have been re-classified to conform to changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

(l) Fair Value of Financial Instruments -

Amounts reflected in the accounts for investments, trade and other receivables, cash and cash equivalents, trade and other payables is an approximation of their fair value.

4. Related Party Balances and Transactions:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the “reporting entity”).

(a) A person or a close member of that person’s family is related to the reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

Balances outstanding at the end of the reporting period:

(Expressed in Jamaican Dollars unless otherwise indicated)

5. Investments - Mortgage Insurance Fund -

	2017	2016
	$	$
Government of Jamaica:		
Repurchase Agreements	114,112,418	304,967,086
Investment Bonds	752,156,230	742,911,611
Accrued Interest	12,992,482	9,632,759
	879,261,130	1,057,511,456

6. Receivables -

	2017	2016
	$	$
Other Receivable	1,207	1,207
Withholding Tax Recoverable	255,800,518	246,180,524
	255,801,725	246,181,731

7. Due From/(To) Related Party:

	2017	2016
Balances outstanding at the end of the reporting period:	$	$
Due from Jamaica Mortgage Bank	250,000,000	-
Due to Jamaica Mortgage Bank	-	5,513,886
Income incurred during the reporting period:		
Administration fees - Jamaica Mortgage Bank	24,427,642	22,920,135

Administration fee is charged at an annual rate of 2.25% of the Fund's investment portfolio balance at the end of each month.

8. Property, Plant & Equipment -

	Computer	Total
	$	$
At Cost or Valuation:		
31st March 2015	114,598	114,598
31st March 2016	114,598	114,598
31st March 2017	114,598	114,598
Accumulated Depreciation:		
31st March 2015	114,598	114,598
31st March 2016	114,598	114,598
31st March 2017	114,598	114,598
Net Book Value:		
31st March 2017	-	-
31st March 2016	-	-
31st March 2015	-	-

9. Financial Instruments and Financial Instruments Risk Management:

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

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

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

(i) Fair Value

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

Determination of Fair Value:

The carrying values of the Funds' financial instruments, except for investments, are all considered to approximate their estimated fair values because of their short-term nature. At the end of the period, the fair value of the Fund's investments was $765 million (2016 - $750 million). The fair values are estimated on the basis of pricing models or other recognized valuation techniques.

The investments held are classified as level 2 investments. There were no transfers during the year.

(ii) Financial Risk Management

The Funds' activities are principally related to the use of financial instruments. The Funds are exposed to credit risk, market risk and liquidity risk from its use of financial instruments. Market risk includes interest rate and foreign currency risk.

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

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

(Expressed in Jamaican Dollars unless otherwise indicated)

9. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(a) Credit Risk

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

The assets presented on the Statement of Financial Position comprise the Funds' exposure to credit risk. Except for significant investments in various forms of Government of Jamaica securities, there is no significant concentration of credit risk. The Funds' exposure to credit risk is limited to the carrying values of financial assets in the statement of financial position. There has not been any change in the Funds' management of credit risk during the year.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum exposure to credit risks. At the date of the statement of financial position, these amounts were:

Mortgage Insurance Fund

	2017	2016
	$	$
Cash and Cash Equivalents	1,267,010	5,198,010
Investments	879,261,130	1,057,511,456
Receivables	255,801,725	246,181,731
Short Term Loan - Due From Jamaica Mortgage Bank	250,000,000	-
	1,386,329,865	1,308,891,197

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

	2017	2016
	$	$
Due from Mortgage Insurance Fund	78,861	77,824
Government of Jamaica Investment Debenture	15,779	15,788
	94,640	93,612

(b) Liquidity Risk

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

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

(Expressed in Jamaican Dollars unless otherwise indicated)

9. Financial Instruments and Financial Instruments Risk Management (cont'd):

(c) Market Risk

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

(i) Interest Rate Risk:

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

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

31st March 2017:

	Average Effective Yield	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	(%)	$	$	$	$	$	$
Cash and Cash Equivalents		-	-	-	-	1,267,010	1,267,010
Investments	6.44	54,800,000	72,304,900	-	752,156,230	-	879,261,130
		54,800,000	72,304,900	-	752,156,230	1,267,010	880,528,140

31st March 2016:

	Average Effective Yield	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	(%)	$	$	$	$	$	$
Cash and Cash Equivalents		-	-	-	-	5,198,010	5,198,010
Investments	9.07	8,175,000	296,920,000	-	742,912,000	9,504,456	1,057,511,456
		8,175,000	296,920,000	-	742,912,000	14,702,466	1,062,709,466

9. Financial Instruments and Financial Instruments Risk Management (cont'd):

(c) Market Risk (cont'd)

(ii) Foreign Currency Risk

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

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

(iii) Other Market Price Risk

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

10. Fund Valuation

The Fund is subjected to triennial actuarial valuations carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes, undertaken at March 31, 2015, indicated the actuarial value of net assets of $1.23 billion exceeded the unearned premium liability, claim liability and contingency reserves total of $19 million by a surplus of $1.21 billion. Unearned premium reserve was estimated at 0.73% of the Fund, and annual default rate was estimated at 0.06% of the average fund.

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