Facilitating Home Ownership

JAMAICA MORTGAGE BANK

FINANCING SAFE AND AFFORDABLE HOUSING
FULFILLING THE DREAM OF HOME OWNERSHIP

2019
Annual Report

Table of Contents

Letter of Transmittal

July 1, 2019

Senator The Honourable Pearnel Charles, Jr.
Minister without Portfolio in the
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, 2019 and a copy of the Statement of the Bank's Accounts as at March 31, 2019, duly certified by the Auditors.

Yours respectfully,

....
Mr. Cleveland Stewart
Chairman
Board of Directors

JMB

Facilitating *Home* Ownership

VISION

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

MISSION STATEMENT

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

CORE VALUES

- RESPECT
- ACCOUNTABILITY
- INTEGRITY
- SERVICE-ORIENTED
- EXCELLENCE

Summary of JMB's Business Operations

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

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

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

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

- Guarantee loans made from private investment sources for building 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 the following categories:

Primary Market

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

Secondary Market

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

Mortgage Insurance

The insuring of residential and commercial mortgage loans.

Diaspora Home Building Service

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

Technical Support Service

The provision of Project Management assurance for Financial Institutions lending to Developers for Housing or Commercial Construction.

Board of Directors' Report

The Jamaica Mortgage Bank (JMB or the Bank) operates in a challenging but improving macroeconomic environment, characterized by moderately high borrowing costs and a relatively competitive, construction sector. The JMB has been able, nonetheless, to surmount these challenges and continue 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, 2019.

Economic Overview

During the 2018/19 fiscal year, the Jamaican economy maintained an improved macro-economic environment as reflected in a 1.9 per cent GDP growth, the highest annual growth rate since 2006. The country had two successful reviews under the three-year precautionary Stand-By Arrangement (SBA) with the International Monetary Fund (IMF). Business and consumer confidence remained strong, coupled with increased private sector credit and relatively low inflation. The Economic & Social Survey Jamaica 2018 (ESSJ) published by the Planning Institute of Jamaica (PIOJ), reports that the World Bank "Doing Business 2019" assessed Jamaica as one of the best performing countries in the Latin America and Caribbean region.

The Government established the Economic Growth Council (EGC) whose stretched goal is to achieve a 5 per cent annualized GDP growth rate by 2020 (popularly referred to as "five in four"). The JMB continues to support the Government in achieving this ambitious but necessary target, recognizing that consistent and strong economic performance is critical to improving the lives of the majority of the Jamaican people, particularly through home ownership. The other key macro-economic indicators are discussed below:

Inflation: The rate of inflation for 2018 was 2.4 per cent, compared to 5.2 per cent in 2017. Incidentally, the Bank of Jamaica reports that the annual inflation rate for March 2019 accelerated to 3.4 per cent. This acceleration is reflective of higher prices for agricultural foods, processed foods and other services, but was cushioned by a decline in electricity costs. Inflation targeting has become a key strategy of the Central Bank and we will continue to keep an eye on this movement.

Exchange Rate: The Jamaican Dollar devalued relative to the US dollar by approximately 2.2 per cent in 2018, indicating a moderate reduction in purchasing power. In the prior year the Jamaican dollar strengthened against the US Dollar by 2.7 per cent. As at the end of March 2019, the local currency showed marginal improvement, moving from $128.53 in December 2018 to $126.12 (representing a 1.87% improvement).

Net International Reserves (NIR): At the end of 2018 the NIR of $3.0B was $202.9M lower than 2017.

Interest Rate: Interest Rate on the benchmark Six-Month Treasury Bill decreased from 4.63 per cent in December 2017 to 2.07 per cent at the end of December 2018. Similarly, there were year over declines in the 30-day and 90-day rates. As at March 31, 2019 the Six-Month Treasury Bill rate improved to 2.17%, relative to the December 2018 position.

Growth: According to the ESSJ 2018 report, Jamaica's GDP grew by 1.9 per cent during 2018, and represented the sixth consecutive year of growth. Economic growth rates have been low during the past three years but are steadily rising, and the Bank of Jamaica forecasts GDP growth to accelerate to over 2.5 per cent between 2019 and 2023. The observed growth is aided by positive foreign demand, more accommodative fiscal policy and the assumption that monetary conditions will remain generally supportive over the forecast horizon.

Employment: With the macroeconomic improvements, ESSJ 2018 shows that the Jamaican labour market has made advancements and gains in key indicators. The local unemployment rate continues to improve, closing 2018 at 9.1 per cent, compared to 11.7 per cent the previous year. The average unemployment rate for women, while declining, was still higher than for men: 11.8 per cent versus 6.7 per cent, respectively (2017:15.4% and 8.4% respectively). The unemployment rate for youth (14 to 24 years) is improving, moving from 31.8 per cent to 24.9 per cent for 2018.

Overview of the (Residential) Construction Market 2018-2019 FY

Data from the Planning Institute of Jamaica -- see table below -- indicate that 2018 was another active year for the residential construction sector as well as for the construction industry as a whole. However, due to the absence of a centralized construction data repository, the housing data provided by PIOJ are heavily National Housing Trust (NHT) dependent. The data largely reflect NHT's own activities, but includes residential construction undertaken by the Housing Agency of Jamaica, Limited (HAJL) and private developers with interim financing from NHT. Financing to the sector by commercial institutions is also reflected to a limited extent1,2.

During the 2018 calendar year 3,262 housing starts were recorded, a decrease of 23.8% from the number for the 2017 calendar year. Housing completions numbered 2,496, up 83.9% when compared with 1,357 seen in the prior year. Mortgages issued by the major players in the industry for 2018 valued $55.9B; up 13.0% from $49.5B issued in 2017. Data on financing to the wider construction industry for the full year were unavailable at PIOJ's publication date but the half-year

Table - Construction Sector & Housing Sub-Sector: Select Construction Indicators

	2017	2018	% Change
Housing Starts (NHT only)	3,277	3,247	-0.9
Total Housing Starts	4,280	3,262	-23.8
JMB New Loan Commitments ($M)	972	3,452	255.1
Housing Completions (NHT only)	1,212	2,277	87.9
Total Housing Completions1	1,357	2,496	83.9
Number of Mortgages by NHT	6,368	7,053	10.8
Total Number of Mortgages	15,632	14,711	-5.9
Value of Mortgages by NHT ($M)	21,345	28,335	32.7
Total Value of Mortgages ($M)	49,530	55,957.4	13.0
Commercial Bank Loans and Advances ($M)	28,601.3	34,621.7	21.0
Commercial Bank Loans and Advances ($M)[3]	25,920.1	28,005.5	8.0

Source: Adapted from PIOJ Economic Update & Outlook -2018

[1] Consists of NHT, Housing Agency of Jamaica (HAJ), and Private Sector Developers that obtain interim financing from NHT

[2] Based on data from life insurance companies and all except one building society

[3] Stock of loans at the end of the review quarter

- See notes 2 and 3

position showed Commercial Bank Loans and Advances to the construction sector amounting to $34.6B, an increase of over 21% when compared with $28.6B for the comparable period in 2017. Based on the observed activities in the sector during the year, it is safe to project that the trend continued into the New Year. Indeed, Bank of Jamaica's (BOJ) Quarterly Monetary Policy Report for the January to March 2018 Quarter reflected expansion in the construction sector as a whole during the period.

Despite the PIOJ reporting a 23.8% year over year decline in housing starts, the Jamaica Mortgage Bank issued new loan commitments in interim financing for residential construction by private sector developers amounting to $3.45B (2017/2018 - $972M) or a 255.1% increase. These funds will facilitate the construction of 264 (2017/2018 - 94) housing solutions across Kingston, St. Andrew, Clarendon, St. Elizabeth and St. James. Over the same period, the Bank disbursed approximately $500M (2017/2018 - $1.1B) to start some of these and complete other on-going projects.

Data from the Real Estate Board (REB) on residential construction activities exclusively undertaken by private sector developers (i.e. with private capital, including financing in some instances from JMB) during 2017 are summarized in the table below . As the data reveals, 54 projects were undertaken island wide by private developers during 2017, and included strata apartments, townhouses and subdivisions for residential lots and/or buildings.

Although not shown in the table, the majority of the projects were geared toward the middle market (prices between $7M and $30M) but the upper income market (prices above $30M) was fairly well catered to, and at least one project in St. Andrew was geared toward the lower income segment (prices below $7M).

Assuming the same level of production as the 2017 REB report, the new and or on-going housing solutions across the island during 2018 numbered approximately 9,300 (including starts and completions during the year). Although considered an active/fairly good year for

Table - Housing Developments Sponsored By Private Sector Developers - 2017 (2018 Not Available)

Parish	No. Of Projects	No. Of Units	No. & Types of Development
St. Andrew	42	i. 660 ii. 120 iii. 253	i. Strata Apartments (30) ii. Strata - Townhouses / Apts. (8) iii. Subdivision - Lots / Buildings (4)
St. Ann	2	i. 40 ii. 8	ii. Strata Apartments (1) iii. Subdivision - Lots / Buildings (1)
St. Catherine	2	i. 1,999 ii. 70	i. Subdivision - Lots / Buildings (1) ii. Strata Apartments (1)
St. Elizabeth	1	9	Subdivision - Lots / Buildings (1)
St. James	3	115	Strata Apartments (3)
St. Mary	1	54	Strata - Townhouses / Apartments (1)
St. Thomas	1	29	Subdivision - Lots / Buildings (1)
Trelawny	1	133	Subdivision - Lots / Buildings (1)
Westmoreland	1	52	Subdivision - Lots / Buildings (1)
TOTALS	54	3,542	

Source: Real Estate Board

the residential construction sector, the achievement falls short of the estimated 20,000 solutions required per year. According to a director of the Jamaica Developers Association (JDA) who is also a leading developer, specializing in the higher end of the market, the promulgation of new zoning ordinances by the Town and Country Planning Authority in 2017 is responsible, in part, for the resurgence of residential construction activity. The new ordinances, among other things, establish new density standards by way of increases in the number of habitable rooms per hectare in certain areas, modify set-back requirements, establish standards to guide/encourage mixed use developments, and provide guidelines for "Incentive Development". One outcome expected by this developer is increases in the number of apartment complexes being constructed in the Kingston Metropolitan Area (KMA), a phenomenon already in evidence. He, however, believes that even though there appears to be general structural integrity in the buildings being constructed, the Development Order needs to be partnered with the long anticipated new National Building Code to allow for safe and orderly development as well as to bolster the regulatory framework within which the industry operates.

Commenting on the demand side of the equation, a senior director of the Realtors Association shared the view that the market appears to be slow in absorbing the units being provided in the KMA middle market because of affordability challenges experienced by prospects. As a result, some developers have become "unintentional landlords". This observation would support the call by Caribbean Policy Research Institute (CAPRI) for a "well-functioning rental-housing market (as) a critical part of a sustainable, integral, and healthy housing system" for Jamaica. In this regard, we note that steps are in train to introduce new legislation to streamline gated communities as well as to modernize the legal parameters of landlord/tenant relationships by amendments to the Rent Restriction Act. We also note that further steps were taken during the review year by NHT to increase the amounts available from the Trust to contributors across its spectrum of financing options / benefits in a bid to bridge the affordability gap and improve access to housing for the employed. Meanwhile, because of land scarcity in the KMA, prospects in the middle and lower ends of the local market remain more likely to acquire or afford single family units, including residential lots, in rural parishes like St. Catherine, Clarendon, St James and Trelawny. One concern faced here, however, is that potential purchasers in such developments may face high transportation costs considering where many of them work relative to the locations of such projects.

Another, is the extent to which arable lands are converted to residential use, having regard to other national imperatives such as the impact on water tables or aquifers, and food security. A total solution approach, considering construction costs/technology, availability of supporting infrastructure including utilities, potable water, sewerage, transportation, and employment opportunities, as well as social and civic amenities, needs to be at the centre of planning and approval deliberations. The Provisional Development Orders therefore, represent a step in the right direction.

Given the fairly robust trend that has emerged in the housing construction sector across the island, and with a substantial share of such activities being undertaken by private sector developers, the primary market projection is for opportunities for partnerships between these developers and the Jamaica Mortgage Bank to remain strong. Given the borrowing rate challenges currently experienced by the Bank, the Secondary Mortgage market (SMM) product is still under review. Once lower rate funds become available, the Bank will resume its participation in the SMM.

Strategy and Performance

As mentioned above, the Jamaica Mortgage Bank faces the challenge of relatively high borrowing cost and an increasingly competitive space as Financial Institutions look to diversify their loan book. Nonetheless, in light of the growth in the construction sector, driven by continued expansion, upgrade of road infrastructure and increased residential construction, the JMB continued with its 4-year strategic plan implemented in 2018/2019 to ensure that the Bank achieves exponential growth, sustainable profitability and provides affordable shelter. This broad mandate is measured by the extent to which the Bank achieves the following:

1) Become the lender of choice for the small and medium sized developers segment, as a niche market

2) Diversify its income stream by introducing new and innovative products and services to the construction and mortgage sectors.

3) As a consequence of 1) and 2) above, double the earnings portfolio (est. $4B to $5B) by 2022, to hedge against expected declines in the loans and investments yields attributable to reduced interest rates.

4) Employ its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers.

5) Maintain laser-like focus on the management of the loan portfolio to prevent any new bad loans.

For the 2018/2019 financial year, the Bank experienced year over year growth in profits, and improvements in most areas of its operations. There were relatively lower loan disbursements when compared to the previous year, but disbursements are expected to significantly increase in the coming year as the Bank continues to fund affordable housing solutions. A record $3.45B was approved during the review period, of which most were un-disbursed at year-end for varying reasons, but the commitment pool will provide fertile soil for robust portfolio growth from very early in the next financial year.

The Jamaica Mortgage Bank projected to commit J$1.6B to finance 188 housing solutions through its Primary Market programme for the financial year 2018/2019. Given the level of demand, the highly motivated project team, and the supportive leadership in place, the Bank was able to commit a record $3.45B during the year, to start 264 solutions, primarily to its targeted small and medium-sized developer's market segments. The average loan size was $384M, to construct an average of 29 housing solutions. At the end of the 2018/2019 year, JMB had a total of 17 projects at various stages of completion, with cumulative commitments amounting to $5B to construct an aggregate 443 housing solutions, or an average of $295M to construct an average of 26 solutions altogether (prior/brought forward and new commitments combined). The Bank also disbursed approx. $500M to fund new commitments as well as finance the completion of approximately 68 solutions carried over from previous periods. No disbursements were funded by syndication arrangements for the reporting period.

Total revenues declined by 7.3 per cent or $34.8M, moving from $478.6M to $443.9M for the financial year 2018/19; however, interest income from loans increased by 42.2 per cent with higher average loan balances. Notwithstanding, management was able to reduce total expenses by 30.9 per cent or $84.3M, resulting in a 24.1 per cent increase in JMB's year over year profits before taxes. This performance marks the fifth consecutive year of increase in the pre-tax profits and a change in the fortune and future prospects of the Bank.

For the 2018/2019 year, the Bank borrowed $1.408B from the private capital market and paid out $981M of debt obligations, primarily through a revolving facility with the National Commercial Bank.

As JMB continued its 4-year growth strategy to 2022, it also aggressively recovered and collected over $199M of its legacy bad debts during the financial year. The impact of the International Financial Reporting Standard (IFRS) 9, which replaced the (International Accounting Standard) IAS 39, is evident in the large amount provided for "Expected Credit Loss". This is considered a significant impact on the balance sheet, as an additional $272.6M was charged against retained earnings at the start of the financial year, as an initial recognition of the new standard (IFRS 9). At the end of the financial year an additional $17.5M was written back, thus closing the total provision for Expected Credit Loss for the financial year at $432.9M; up from the prior year position of $239.4M.

The Bank continues to experience an uptick in the usage of the Mortgage Indemnity Insurance (MII) product, since the amendment of the Mortgage Insurance Act (MIA) 2014. This amendment allows for an increase from 90 per cent to 97 per cent in the amount of financing available through insured mortgage loans. As a result, the Bank achieved a 40% year over year increase in the Undertakings to Insure (UTI), in 2018/2019.

The Bank was also proactive in removing the limit on the appraised value of the residential properties and has now included commercial properties to an appraised value up to $100M.The Bank also changed the risk profile of potential home buyers by increasing the required Debt Service Ratio (DSR) from 40% to 45%. The changes provide accommodation to home purchasers with slightly higher risk profiles but expands access to mortgage financing to a wider cross section of the market.

Risk Management

Given the relatively high risk associated with construction lending, the primary market in which JMB operates, risk management is critical to minimize financial loss while allowing the Bank to capitalize on available opportunities. With that recognition, the Bank developed its Integrated Risk Management Framework (IRMF) in February 2017. This framework was approved by JMB's Board in 2018, and in February 2019 a detailed Register of Risks, covering all departments of the Bank, was also approved by the Board.

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

Three of the many objectives of the IRMF are to:

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

The direct responsibility for managing risks resides with the management of the organization, but every employee and associate of the Bank is required to take a responsible approach towards risk. The Board of Directors provides ultimate oversight to the IRMF and places great importance on managing the risks to which the Bank is exposed. On a quarterly basis the Audit, Finance and Risk Management Committee, a sub-committee of the Board, reviews the risk management processes of the Bank. Senior managers, led by the General Manager, have responsibility for managing the functional risks and table important updates to the committee for review, feedback and /or approval.

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

Outlook

The Bank will continue its 4-year growth strategy, which is to target small to medium sized housing developers, grow the loan portfolio and finance quality home construction projects while minimizing new non-performing loans. The Bank will continue its relationships with its Financial Institution partners to raise funding to meet clients' demands, seek to offload lands held for sale, and employ robust risk management and technology to drive efficiency. The objective of the Bank is facilitating home ownership for as many Jamaicans as possible, while achieving sustainable profitability, and positioning itself for privatization.

With this year's performance, the Jamaica Mortgage Bank has had five consecutive years of improved profitability and continues to set new performance standards. The Bank will continue to build on these gains for the foreseeable future while aggressively exploring new and innovative ways to meet the needs of its growing market niche. One ambitious pursuit is JMB's aim to double its balance sheet and profitability by 2022. In addition, based on the increased volume of loan requests being received in tandem with efforts to build relationships and brand awareness in the market place, JMB is convinced that there is a sizeable market for housing solutions geared towards the low-middle and middle-income earners. The Bank has established itself as the premier expert in short-term housing and commercial construction financing in Jamaica, partly, by leveraging its technical strengths in construction project management across the public and private housing sectors, including offering these services to members of the Diaspora.

As part of its financing initiatives, JMB will work through its financial institutions partners in 2019/2020 to raise approximately Four Billion Dollars ($4B) in short and long-term capital using mechanisms such as syndication and other appropriate deal structures to finance viable projects in the low to middle-income niche of the housing sub-sector.

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

Appreciation

The Board of Directors deeply appreciates the support of The Most Hon. Andrew Holness, ON, MP, Prime Minister and Ministers without portfolio in the Ministry of Economic Growth and Job Creation, the outgoing Minister The Hon Karl Samuda, CD, MP; and Senator The Hon. Pearnel Charles Jr.; Permanent Secretary, Mrs. Audrey Sewell, CD, JP and the staff of the Ministry, and thanks them for their support during the year.

To our business partners, especially the National Commercial Bank, Sagicor Bank and the Developers, we thank you for the confidence that you continue to place in the Jamaica Mortgage Bank as we strive to positively impact economic growth, employment and the overall quality of life in Jamaica by bringing the reality of home ownership closer to more of our people. We also express thanks to our support services providers - our legal firms, actuary, internal auditor and our external auditor, Crowe Horwath Jamaica, who have concluded the final year of their contractual arrangement with the Bank.

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 continuing to work with all stakeholders to overcome our shared challenges and to deliver on the mandate of providing affordable housing solutions for Jamaicans.

For and on behalf of the Board of Directors

Yours respectfully,

....

Mr. Cleveland Stewart
Chairman
Board of Directors

Cleveland G. Stewart, OD, JP, ACIS
Cleveland is an Associate of Chartered Institute of Secretaries (ACIS) and a financial consultant. He is currently the Chairman of the Board of Directors, and also chairs the Projects and Loans Committee. He was appointed to the Board of Directors on May 21, 2018.

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

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

Hugh Faulkner holds a B.A. in Communication and is an attorney-at law. He currently chairs the Human Resource Committee and the Corporate Governance Committee and was appointed to the Board of Directors on April 18, 2016

Louis Campbell who is an Accountant by profession, is the Managing Director of Royal Decameron Hotel and was appointed to the Board of Directors on April 18, 2016

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

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

The Board of Directors

Corporate Governance Report

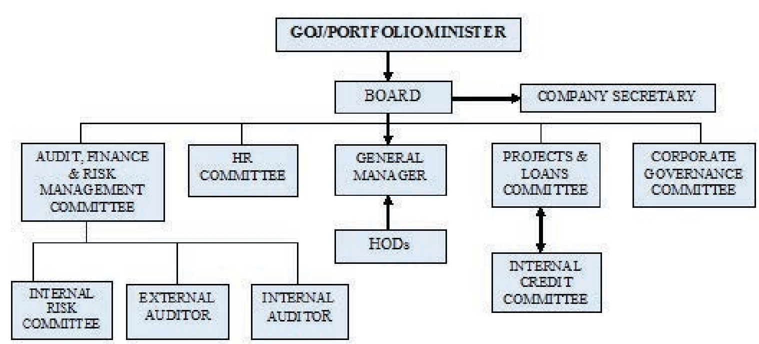
The Jamaica Mortgage Bank (JMB) is committed to maintaining a high standard of Corporate Governance Practices in complying with the Government of Jamaica's Corporate Governance Frame-work and the Bank's own Corporate Governance Policies.

These corporate governance principles and guidelines are undergirded by adherence to the provisions of the Jamaica Mortgage Bank Act and the Public Bodies Management and Accountability Act.

The Board of Directors (The Board), who are appointed by the Minister through the approval of Cabinet is the ultimate governing body of the JMB. The primary function of the Board of Directors is to provide effective leadership and direction to enhance the value of the Bank to its shareholders and other stakeholders. The Board provides strategic oversight of the business affairs of the Bank.

It has overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial per-formance reviews and corporate governance principles.

JMB's Corporate Governance Structure



The JMB, for the second year, entered the Public Sector Corporate Governance Awards Competition, and improved its position over the previous year by being presented the Awards for 1st Runner up for each of the categories: Board Composition, Function and Structure, and Risk Measurement, Management and Internal Controls.

JMB's General Manager, Courtney Wynter receives the certificate of participation in the 2018 Public Sector Governance Awards

Board Meetings

Board meetings were held for a total of twelve (12) times for the Financial Year 2018/2019, to consider and discuss the business and strategic direction of the organisation. During the course of those meetings, the Board reviewed reports from the General Manager and the Financial, Project and Legal reports, along with reports from the various Board Committee Meetings.

During the year, a total of nine (9) projects were approved for a value of $3.45 billion for the construction of 264 housing units. The Board also considered and approved the following policies throughout the year to enhance the governance structure of the Bank:

- Anti-Sexual Harassment Policy & Procedures
- JMB Corporate Social Responsibility Policy
- JMB's Code of Conduct/ Ethics
- ICT and Incident Report Policy and Procedure
- Risk Management Register

The Board also reviewed and amended the Board Charter and the JMB Corporate Governance Policy.

The Bank held its annual Board and Management Retreat in November 2018 to discuss and approve the Organisation's Corporate Strategic Goals and Objectives for the period 2019 / 2020 to 2022 / 2023. The Budget and the Operational Plan for the upcoming financial year 2019 / 2020 were also discussed and approved which set out the strategic direction for the Bank. The Minister with Responsibility for the Bank at that time, the Honourable Karl Samuda, was also in attendance and he provided some guidance for the Bank's strategic direction.

Table - Board of Directors' Meetings

Name of Director	Held	Attended	Apologies
*Cleveland Stewart	12	9 of 10	1
Hugh Faulkner	12	10 of 12	1
Tiva Forbes	12	9 of 12	2
Louis Campbell	12	5 of 12	4
Courtney Hamilton	12	9 of 12	3
Ryan Parkes	12	7 of 12	5
Doreen Prendergast	12	10 of 12	1

* Mr. Stewart became a member of the Board and Board Chairman as at May 16, 2018

Statutory Obligations

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

Awards received in the 2018 Public Sector Corporate Governance Awards

- Four Year Corporate Plan, One-Year Operating Plan and Operating and Capital Budgets for the FY 2019/2020
- Monthly Financial Reports as required under the PBMA
- Quarterly Performance Reports to the Ministry of Economic Growth and Job Creation
- Quarterly Procurement Report to the Integrity Commission.
- Annual Report along with the audited Financial Statements for FY 2017/2018

As part of the Government of Jamaica's thrust towards the adoption of proper Corporate Governance principles, the Board appointed by the Minister to govern the JMB is comprised of members with a diverse background.

The Board currently comprises seven (7) members whose core competencies provides an appropriate balance of skills, experience, gender and knowledge of the company's business required to govern the JMB. The members possess core competencies in accounting and finance, project management, legal, corporate governance, real estate and construction industry knowledge and strategic planning experience.

Table - Board Diversity Matrix

Name of Director	Sector	Area of Expertise						
		Finance	Accountancy	Risk Management	Legal	Housing	Project Management	Governance
Cleveland Stewart	Private	✓				✓		✓
Hugh Faulkner	Public				✓			✓
Tiva Forbes	Public	✓	✓	✓				✓
Courtney Hamilton	Private				✓	✓		
Ryan Parkes	Private	✓	✓	✓				
Doreen Prendergast	Public					✓	✓	
Louis Campbell	Private	✓	✓	✓				

Board Training

The training of the Directors is important to make them more effective and to help them better fulfill their roles and make a difference to the Bank's performance. Training also helps them to keep abreast of changing trends in Corporate Governance and the industry in which the Company operates. During the course of the year the Directors were exposed to training in Corporate Governance in a two and a half hours (2 1/2 hrs) session conducted by Mrs. Suzanne Ffolkes-Goldson, Attorney-at-Law and Senior Lecturer in the Faculty of Law at the University of the West Indies.

They also received training in the Government of Jamaica's Procurement Policy and Procedures in a 3 hour workshop conducted by Mrs. Cecile Maragh, Senior Director, Procurement & Asset Policy in The Ministry of Finance and the Public Service.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are handled with relevant expertise. Four Board Committees have been established and each of them has its specific duties and set out its own terms of reference.

Members of JMB's Board of Directors and Management await the commencement of Mrs. Cecile Maragh's presentation.

Mrs. Suzanne Ffolkes-Goldson receives a token of appreciation from Mrs. Denise Bryson Hinds, JMB's Manager, Human Resource & Administration, following her presentation.

Corporate Governance Committee

Members: Mr. Hugh Faulkner (Chairman), Mrs. Tiva Forbes and Mrs. Donna Samuels Stone.

Major Responsibilities:

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

Table - Corporate Governance Meetings

Name of Director	Held	Attended	Apologies
Tiva Forbes	1	1	-
Hugh Faulkner	1	1	-

Work Performed FY 2018/2019:

- Conducted the Board's self-evaluation exercise and provided the analysis to the Board.
- Reviewed and recommended for approval:
  - o Corporate Social Responsibility Policy
  - o Updated Board Charter and JMB Corporate Governance Policy
  - o Code of Conduct / Ethics for Organization

Audit, Finance and Risk Management Committee

Members: Mr. Ryan Parkes (Chairman), Mrs. Tiva Forbes and Mr. Louis Campbell.

Major Responsibilities:

- To deal with matters concerning the Internal controls of the Bank's operations
- Reviewing the financial position of the Bank by assessing the quarterly financial statements and advising the Board on issues concerning the financial status of the bank and matters relating to the annual Budget.
- Overseeing of the internal audit function
- Overseeing the Integrated Risk Management Framework within the Bank and the monitoring of those risks to ensure that they remain robust, appropriate and effective.

Table - Audit, Finance & Risk Management Meetings

Name of Director	Held	Attended	Apologies
Tiva Forbes	3	3	-
Louis Campbell	3	1	0
Ryan Parkes	3	3	-

Work Performed FY 2018/2019:

- Facilitated and discussed issues and concerns from the Internal audit review in the areas of Loans & Receivables, Compliance , Fixed Assets, Mortgage Indemnity Insurance
- Reviewed the Bank's investment activities for the 4 quarters April 2018 to March 2019
- Reviewed and recommended for approval:
  - o Audited Financial Statement for the year 2017/2018 for the Jamaica Mortgage Bank, JMB Developments Ltd. and Mortgage Insurance Fund
  - o Internal Audit Plan 2018-2021
  - o Integrated Risk Management Register

Human Resource Committee

Members: Mr Hugh Faulkner (Chairman), Mrs. Tiva Forbes, Mrs. Donna Samuels Stone and Mrs. Denise Bryson Hinds.

Major Responsibilities:

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

Table - Human Resource Meetings

Name of Director	Held	Attended	Apologies
Hugh Faulkner	4	4	-
Tiva Forbes	4	4	-

Work Performed FY 2018/2019:

- Reviewed and recommended for approval:
  o ICT Policy and Incident Report and Anti-Sexual Harassment Policy
  o Performance Incentive payments
  o Updated Terms of Reference for HR Committee
  o Increase in the number of Pension Fund Trustees
  o Employer's contribution rate to the Pension Fund
  o Replacement Trustees to the JMB Pension Scheme
  o Updates to the HR Policy
- Conducted Performance Appraisal for General Manager and Company Secretary

Projects & Loans Committee

Members: Mr. Cleveland Stewart (Chairman), Mr. Courtney Hamilton, Mr. Louis Campbell and Mrs. Doreen Prendergast

Major Responsibilities:

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

Table - Project & Loans Meetings

Name of Director	Held	Attended	Apologies
Cleveland Stewart	7	6	-
Doreen Prendergast	7	7	-
Courtney Hamilton	7	4	-
Louis Campbell	7	2	-

Work Performed FY 2018/2019:

The Committee held seven (7) meetings for the year and reviewed and recommended for approval several requests for interim financing of construction projects resulting in the approval of nine (9) projects valued at $3.45B.

- Projects approved:
  o Highlands at Belgrade Apts, St. Andrew
  o Kensington Gates Apts, St. Andrew

- o Palais De la Richesse, Stony Hill, St. Andrew
- o Anchorage, Port Royal, Kingston
- o Beaconfield Apts, St. Andrew
- o Hughenden Apts, St. Andrew
- o Eltham Glades, St. Catherine
- o Fairmont Estate, St. James
- o Genesis Manor, Goshen, St. Elizabeth

- Oversaw the settlement and repayment of bad loans amounting to $199.3M for the year.
- Provided monitoring oversight on all the active projects in the loan portfolio

Corporate Social Responsibility

The JMB's Corporate Social Responsibility policy is intended to provide a framework for the Bank:

a. Conducting business in a socially responsible and ethical manner
b. Creating and maintaining a learning and motivational work environment
c. Fostering positive and healthy relationships within our community
d. Conducting our business in a manner which enhances profit maximization while achieving our mandate

The Bank undertakes a number of initiatives to seek to achieve these objectives.

Staff Wellness Programme

As part of its thrust to promote a safe and healthy work space, the JMB hosts wellness programmes which include Annual Health related activities for its employees and exposure to presentations related to all aspects of wellness. The Bank had its Annual Health Check in May 2018, with the Heart Foundation visiting the office and carrying out various health checks on the staff. The Bank also hosted Wellness Talks from a team from the Ministry of Health and Wellness and Nutritionist, Mrs. Patricia Thompson. The JMB also actively supports initiatives in the community in which we operate, and encourages the participation of our employees in giving back.

Ms. Charmaine Plummer from the Ministry of Health & Wellness conducting session on physical activity.

Mrs. Thompson giving a wellness talk to staff

Labour Day Project

During the year, members of staff participated in the Bank's annual Labour Day Project, which was held at the St. Simons Basic School in Jones Town, St. Andrew. The team, including our HOPE Interns, engaged in gardening, painting and tree planting. The Bank also gifted the school with a new notice board and a sign bearing the school's name.

JMB's Labour Day Project at the St. Simon Basic School.

Hope Programme

In keeping with our initiative to foster positive relationships within our community, the Bank sought to provide opportunities for summer and temporary employment to young persons attending secondary and tertiary institutions. As a result, the Bank participated in the HOPE Programme in collaboration with HEART Trust / NTA and the Office of the Prime Minister. Four (4) individuals were employed through the programme and were integrated into the daily fabric of the organization, participating in all employee related activities.

They were mentored by individuals within the company and at the end of their assignment with the Bank, all participants were assisted with moving on to the next phase of their professional development.

Participant in the HOPE Programme

Summer Workers' Programme

We also provide opportunities for summer and temporary employment to young persons attending secondary and tertiary institutions. During the Summer of 2018, the Bank employed two (2) students, one at the secondary (CAPE) level and the other a student from the University of Technology, Jamaica.

Both were assigned to the Business Operations Department affording them first-hand experience of an aspect of the Bank's operations and the working world.

Students from the Bank's Summer Work Programme

General Manager's High Performance Award

As part of the Employee Focus component of the Bank's Corporate Social Responsibility Policy, the General Manager launched the High Performance Award in 2018, the purpose of which was to reward a member of staff who embodied: Team Work, Productivity, the Bank's Core Values, Work Ethics; and who received the highest performance evaluation score to March 31st of the current year.

JMB's team member, Ms. Antionette Symister, received the General Manager's High performance Award for 2017/18.

General Manager's Report

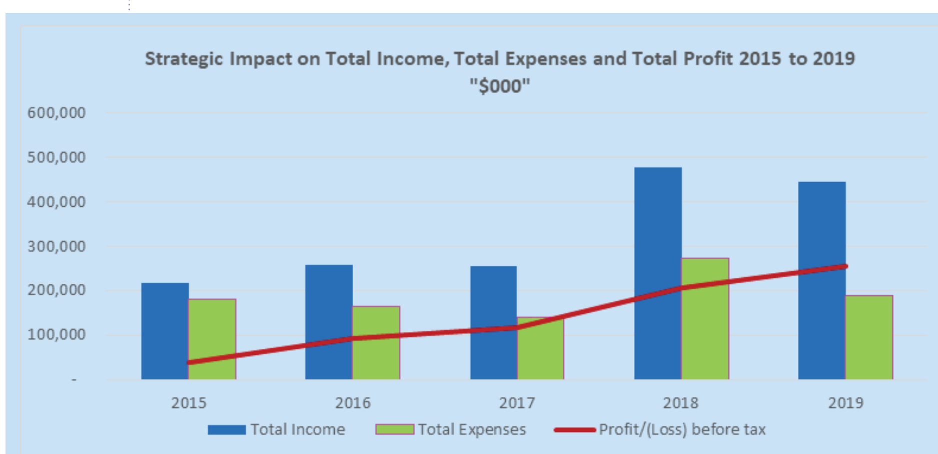
Between 2014 and 2018, the primary strategic objective of the Jamaica Mortgage Bank (JMB) was to turnaround the Bank's fortunes and achieve sustainable profitability, while continuing to facilitate the development of housing solutions for Jamaicans.

Over that period, the Bank achieved its mandate, and in the process, set a notable record (among others) of making its largest single deal ever, while financing one of the largest projects in its 48-year history to the tune of $3.2B.

The next 4-year strategic objective is exponential growth, resulting in the doubling of its active loan portfolio to between $4B & $5B, thereby significantly increasing the output of housing in the private market by 2022. The fiscal year 2018/19 represents the first year of the Bank's new four year growth strategy. During the year, the Bank's core business experienced its fifth consecutive year of improved operating performance, resulting in year over year growth in profit before tax of 24.1 percent (2018: 11.2 percent). During the process, the Bank again set a record of approving financing for new projects amounting to $3.45B; the highest value of new commitments in any one year.

The Bank continued to borrow funds based only on existing loan commitments. Thus, in meeting the customers' demands, the Bank structured its borrowing as a revolving facility with a major financial institution and prudently managed draw-downs and repayments under the facility such that net borrowing amounted to $427M (2018: $193M). The Bank drew $1.408B in total and retired $981M of debt over the period under review. The new International Financial Reporting Standard (IFRS) # 9 provisioning requirement for Expected Credit Loss (ECL) significantly impacted the loan portfolio during the review period; however, some recovery is expected, as the Bank carefully manages its portfolio over the next year.

The Bank also continued with its promotion of the 97 percent Mortgage Indemnity Insurance (MII) programme during the year, resulting in a 16.7 percent increase



in the number of policies issued. In addition, JMB has seen the mortgage market settling at a Loan to Value (LTV) ratio to end users of between 95 percent and 97 percent. Simultaneously, mortgage rates are at the lowest level that they have been in approximately 25 years, with an average rate of 8 percent.

Table - Analysis of Changes in Income & Expenditure 2018/19 vs. 2017/18

ITEM	2019 $'000	2018 $'000	Variance $'000	Var. %
Interest Income				
Interest from Loans	213,148	149,852	63,296	42.2%
Interest from Deposits	835	3,007	(2,172)	-72.2%
Total Interest Income	**213,983**	**152,859**	**61,124**	40.0%
Interest Expenses				
Interest on Bonds Payable	66,570	69,878	3,308	4.7%
Net Interest Income/(Loss)	**147,413**	**82,981**	64,432	77.6%
Non Interest Income	229,885	325,760	(95,875)	-29.4%
Gross Margin before Provision and Expenses	**377,298**	**408,741**	**(31,443)**	-7.7%
Less Operating Expenses	(140,624)	(142,091)	1,467	-1.0%
Operating Profit/(Loss) for the year before Provision	236,674	266,650	**(29,976)**	-11.2%
Provisions	18,230	(61,320)	79,550	129.7%
Profit/(Loss) for the year before taxes	254,904	205,330	49,574	24.1%
Taxes	(40,597)	(39,563)	**(1,034)**	-2.6%
Net Profit/(Loss) for the year	214,307	165,767	48,540	29.3%
Other Comprehensive Income/(Deficit)				
Remeasurement gains/(losses)-defined benefit plan	(7,757)	28,521	(36,278)	-127.2%
Deferred tax-defined benefit plan	(14,015)	(15,969)	1,954	-12.2%
	(21,772)	12,552	(34,324)	-273.5%
TOTAL COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	192,535	178,320	14,215	8.0%

The Strategy

Since 2014, the Bank has been on a continuous growth trajectory accompanied by a focus on increased efficiency. The four-year strategy employed in 2014 has yielded good fruit. Therefore, we will maintain observation of the three pillars of that strategy over the ensuing planning cycle to remain successful, but with greater focus on exponential growth and risk management. The three pillars are: i) growing the loan portfolio organically and through product diversification, thereby increasing interest and fee income, ii) exploring various funding modalities to contain and/or reduce funding cost where possible, and iii) aggressively pursuing collections on the legacy bad debt portfolio. By employing this strategy, the Jamaica Mortgage Bank has positioned itself for sustainable future growth. The foundation for this growth is predicated on JMB working with small and medium sized developers to facilitate increased numbers of housing solutions being made available in the low-middle to middle-income markets.

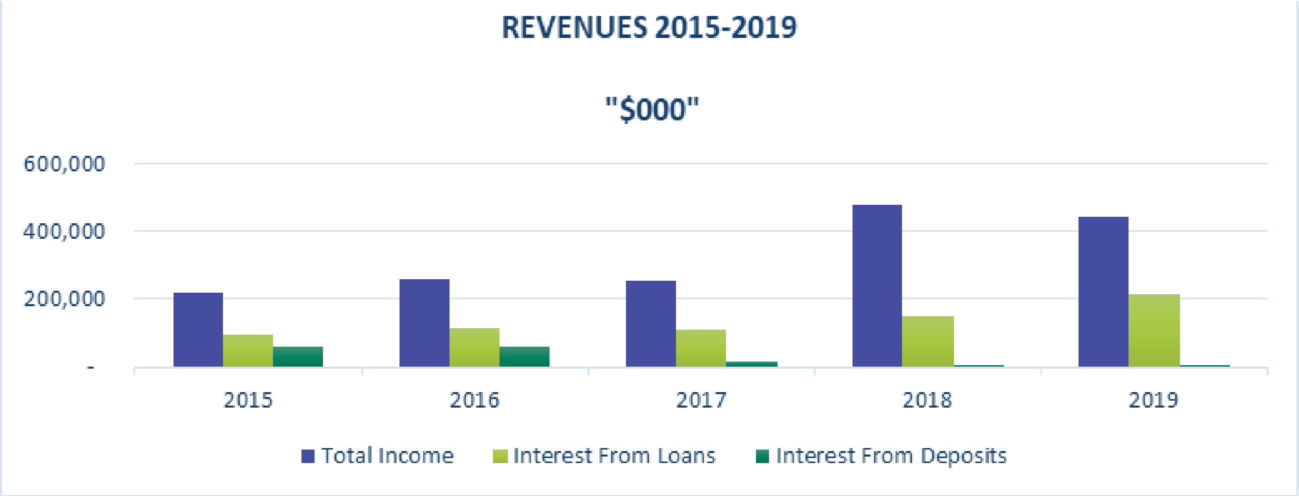
This financial year 2018/19 marks the first of the new four year strategy and has yielded good returns, with the 5-year net impact on key indicators highlighted in table on page 21.

Financial Performance

The Bank's growth strategy has been quite fruitful, as reflected in increased profitability year over year and improvement in most key financial indicators. The increased profitability seen for the current year was primarily driven by greater interest income from loans and a write back on provisioning for bad loans compared to the prior year. This increased inflow was off-set by lower amounts being recovered on bad debts compared to the previous year.

Revenues

Total income of $443.9M (see income statement) was $34.8M or 7.3 percent lower than the previous year. Interest on loans, however, showed a 42.2 percent or $63.3M increase year over year, while interest on



deposits declined by $2.2M. Our non-interest income also declined by 29.4 percent or $95.9M due to the effect of timing attributable to commitment fees.

Total Interest income of $213.9M for the reporting period was 40.0 percent higher than the previous year. Interest from loans amounted to $213.1M - which was 42.2 percent higher than the previous year as a result of holding yields on the loan portfolio. A lower investment portfolio throughout the year coupled with reduced yields resulted in lower than planned income from deposits when compared to the previous year and budget. Net interest income of $147.4M was also significantly higher than the previous year and budget by 77.6 percent and 17.8 percent, respectively, primarily due to reasons already mentioned above.

Non-Interest income of $229.9M was 29.4 percent or $95.9M lower than the previous year but exceeded budget by $179.4M or 355.6 percent. This income line typically fluctuates, with a significantly lower amount earned from bad debt recovery during this period compared to the prior year. As mentioned previously, the primary contributory factor for the lower other income line was timing in realizing fees from projects committed during the last quarter of the year.

Expenses

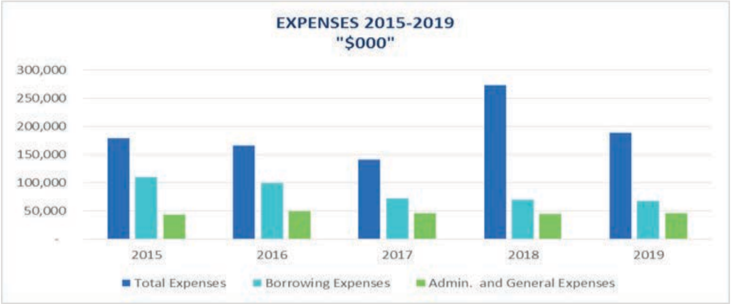
Total expenses of $188.9M were lower than the previous year by $84.3M or 30.9 percent. In the previous year a provision of $61.3M was made in anticipation of International Financial Reporting Standard (IFRS) Subsequently, an IFRS 9 initial adjustment was done as at April 1, 2018 and a significant amount was charged against the retained earnings. This transitional impact totaled $272M (See Financial Statements - Changes in Equity). As at March 31, 2019 there was a write-back of bad debt provisioning totaling $18.2M, which positively impacted the profit and loss result for the year 2018/19.

As indicated in the previous year's report, International Financial Reporting Standard (IFRS 9) replaces IAS 39 and relates to Financial Instruments-Recognition and Measurement. This new Standard, effective January 1, 2018, aims at simplifying the method of accounting for financial instruments and addresses perceived deficiencies which were highlighted by the recent financial crisis. The consequences are as follows:

(i) Earlier recognition of impairment losses on receivables and loans, pro-actively calculating the 'expected credit loss', even before a credit event occurs.

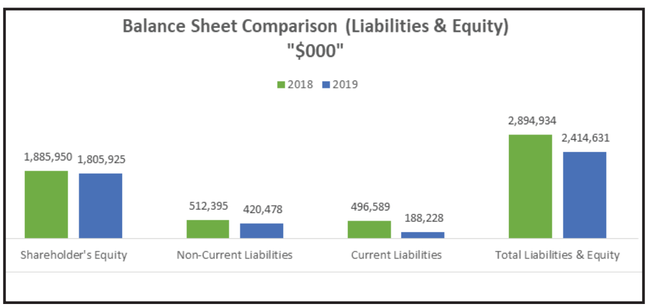
(ii) Significant new disclosure requirements as evidenced in our audit report.

Interest expenses on Debt (Finance Cost) were $3.3M or 4.7 percent lower than the $69.9M incurred for the previous year. This was primarily due to lower levels of borrowing, compared to plan, cost of funds falling



below planned level, resulting from lower interest rates, as well as, the Bank's prudent management of its cash flow.

Operating Expenses (OPEX) of $140.6M consist of expenses related to staff salaries and other Administrative costs. Staff expenses were $3.0M or 3.1% lower than the previous period due to staff movement and changes in complement throughout the year. Administrative cost was $1.5M or 3.5 percent higher than the previous year. The expense lines related to this increase are meeting cost, depreciation, insurance, printing and postage & stamp. These were, however, offset by a significantly lower amount paid for internal audit fees.

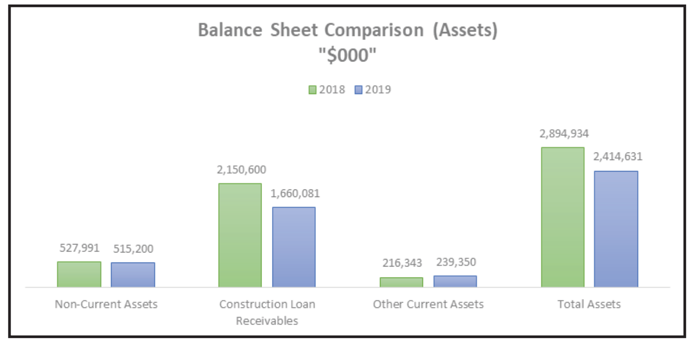


Profit / (Loss)

Resulting from the overall performance highlighted above, the Bank increased its before tax profit for the year 2018/2019 by 24.1 percent to $254.9M, or by $49.6M when compared to the previous year. Likewise, the Bank exceeded its budgeted net profit before tax by $227.9M or 843.9 percent. After tax profit and Total Comprehensive Income were also 29.3 percent and 8.0 percent respectively, higher when compared to the previous year.

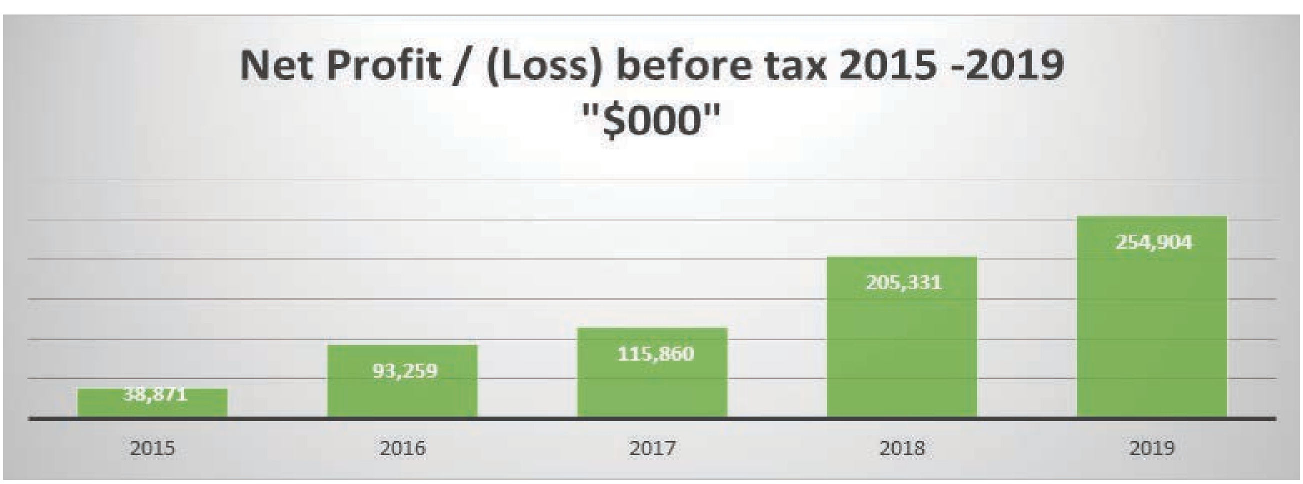
Balance Sheet

The Bank continued to strategically manage its loan



portfolio growth and cash flow by positioning its cash and near-cash to meet its disbursement commitments. The Bank raised a total of $1.408B versus the planned $2.0B for funding during the year; however, the Bank reduced its borrowing liabilities by $0.981B, including short term funds borrowed and repaid from its revolving facility during the year, resulting in a net borrowing liability movement of $427M. Total borrowings for the year ended at approximately $490M. The Bank will further reduce its liabilities by another $190M by the second quarter of the following fiscal year.

The Balance sheet declined by 16.6 percent when



compared to the previous year, primarily as a result of the IFRS provisioning, which was $432.9M compared to $239.4M in the previous year, representing a 6.7 percent negative impact on the Balance Sheet. The loan portfolio at the end of 2018/19 experienced an overall 22.8 percent reduction compared to the previous period. Notwithstanding, the Bank expects the loan portfolio to rebound in the 2019/2020 financial year, given the $3.45B in new projects approved during the period under review, and from which disbursements will commence in the next financial year.

Primary Market

In keeping with the Government's thrust to boost economic growth and job creation through infrastructural development, the construction industry saw a growth surge in both the residential and non-residential categories. The JMB's contribution to this sector saw the approval of nine (9) projects valued at $3.45B for 264 new housing units. This was a record breaking performance for the Bank, resulting in improvements of 255.1 percent and 180.9 percent respectively in these metrics over those of the prior year. Similarly, the Bank made loan disbursements of $499.7M to new and on-going projects, representing a 54.7 percent decline compared to the fiscal year 2017/2018, attributable to timing issues. However, this presents the Bank with an excellent jump-off point to increase the loan portfolio in the 2019/2020 year.

The JMB will continue to promote the Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS) products as feedback and inquiries on both suggest high interest levels in the targeted markets, and they have strong potential to serve as an additional income stream for the Bank.

The Diaspora Home Building Services (DHBS) is a customized product to assist Jamaicans living overseas in building their home locally. JMB stands as a trusted partner to provide project management services by leveraging the in-house expertise it has developed over time to plan and execute the works.

The services provided, range from initial technical assessments of projects through to monitoring implementation and close-out activities, and the product has previously produced additional income for the Bank.

The Bank participated in road shows hosted by JN Bank in Florida during the review year, and these occasions presented excellent opportunities for direct interfacing with the Jamaican Diaspora, prime targets of JMB's "Diaspora Home Building Services" (DHBS). Much interest was expressed in the product by participants and the dialogue will be continued during the ensuing period. Also, the Bank has commenced other targeted informational and promotional activities in the Diaspora to raise awareness of the services available with the expectation that the effort will translate into business for JMB.

On the other hand, 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 financing such projects by assessing and monitoring the technical elements including approvals, budget/costing and implementation.

Secondary Mortgage Market (SMM)

The Central Bank has indicated an intention to continue to ease monetary policy, and several times during the last fiscal year, reduced its policy rate by between 25 and 50 basis points. Although some interest rate reduction has been expected to follow in the local financial markets, for the fiscal period under review, lending rates generally were above the threshold desired to support operations in the Secondary Mortgage Market. JMB has, therefore, continued to monitor local market conditions in readiness to re-engage in the Secondary Mortgage Market when the interest rate environment becomes conducive.

Mortgage Indemnity Insurance (MII)

In fiscal year 2016/17, the JMB hosted a multi-media campaign of the MII product, which generated significant interest about the product. The campaign finally

OTHER KEY PERFORMANCE METRICS

Budget-2018/19 $'000	Actual-2018/19 $'000	Variance $'000	Variance %	Metric	Budget-2019/2020 $'000
2,100,000	3,450,000	1,350,000	64.3%	**Commitments ***	2,100,000
1,600,000	500,000	-1,100,000	-68.8%	**Disbursements ***	2,000,000
1,090,000	1,121,000	31,000	2.8%	**Total Collections**	1,500,000
360,000	199,300	-160,700	-44.6%	**Bad Debt Recovery**	360,000
171	264	93	54.4%	**Units Funded**	188

* Excludes Syndication amounts

started to bear fruit in fiscal year 2018/19 where a forty percent (40 percent) increase was achieved in Undertakings to Insure (UTIs). A total of 70 UTI's were issued at a value of $97M and at an average of $1.385 M. This is favourable when compared to the previous period when 50 UTI's were issued at a value of $72.44 M, averaging $1.45 M per policy.

The reporting period saw a change in the general upward movement in the mortgage amount or Loan to Value (LTV) that the institutions are prepared to entertain, with some institutions going as high as 110 percent. The JMB is keen on boosting the portfolio and to remain as the preferred institution to offer MII. To this end, some revisions were done to the MII such as: inclusion of coverage of commercial properties, removal of the upper limit on the value of insurable residential properties, and reduction in the applicable premium rate and administration fees. It is expected that the product will continue to perform well and experience significant growth.

In the meantime, JMB continued to partner with existing Approved Lenders (mortgage providers) to offer increased mortgage financing with Loan to Value (LTV) of up to 97 percent for persons seeking home ownership across the island.

Bad Debt

The Bank was very successful in its debt recovery drive during the financial year 2018/2019. JMB recovered a total sum of $199.3M during the year as a result of its various recovery initiatives. This includes sale of properties under the Bank's Power of Sale and recoveries of outstanding sums under Settlement Agreements.
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 $360M during the course of the year. This will be from the completion of Foreclosure proceedings already commenced and sale of properties held as security for the related loans. This measure will lead to a significant reduction in the Bank's bad debt portfolio with an anticipated four (4) additional non-performing loans to be fully recovered and removed from the portfolio. The aim is to aggressively reinforce the stringent drive implemented over the past 3 years, and which has resulted in the recovery of over $1B from loans in this category. The outcome should result in a sizable positive adjustment to the expected credit loss (IFRS 9) in the ensuing year. It is also anticipated that with the strengthened underwriting and approval process in place, together with continued relationship building and implementation of tighter monitoring controls of the approved loans, that the Bank will be able to mitigate the risk of any new non-performing loans.

Other

During the 2016/2017 financial year, the Bank deepened its relationship with the University of Technology, Jamaica (UTECH) by establishing a scholarship valued at $200,000 for third and fourth year students within the Faculty of the Built Environment. The launch was effected in recognition of the Bank's 45th Anniversary, during the Housing Seminar, hosted in June 2016 and the recipient awarded later that year. The intention from inception was to establish a financial assistance programme, to which other stakeholders within the construction industry would contribute and from which awards would be made annually to the target group. The Bank did not make an award in the 2018/2019 year and the programme will be revisited shortly to obtain

the participation of other stakeholders.
During the year, the Bank became a member of the Jamaica Chamber of Commerce (JCC) with which it hopes to have a very fruitful relationship.

Macro Real Estate Legal Environment

As a critical industry player, the Bank monitors the macro-legal environment of the Real Estate Market, and has taken note of the continued uptick in activities in the residential construction sector. In order to provide increased access to home ownership, the Bank has sought to create synergies with long-term lenders in the industry by using its Mortgage Indemnity Insurance (MII) product as a conduit. Through the MII, purchasers are able to obtain a larger percentage of the purchase price of available housing units by way of mortgage loans, and thus reduce their need to come up with large sums as deposits against the purchase price. MII protects the mortgage lenders against loss by insuring the portion of the mortgage that represents increased exposure for them.

In addition, the Bank continues to work with the Real Estate Board (REB) to ensure that all Developers who are financed by the JMB, register with the REB to protect the rights of purchasers in these developments. JMB's collaboration with these other industry stakeholders contributes to the Bank's fulfilling of its mandate of facilitating safe and affordable housing for all Jamaicans.

Further, the JMB applauds the Government's decision to review the level of Transfer tax and Stamp duty, applicable to real estate transactions, as the Bank believes it's a move in the right direction. The move will have a further stimulating effect on the housing market and GDP growth. We continue to encourage the Government to take the next step in looking at the timing of these payments to the Government by developers / other real estate vendors, as there is strong evidence suggesting that these taxes act as a deterrent to early home ownership.

Staff Training

The Jamaica Mortgage Bank is committed to the continuous professional development and lifelong learning of its staff. The table above reports the training opportunities provided for the year 2018/19 and the number of persons who benefitted from those opportunities. The Bank also facilitated training, titled "Policy Day" in March, 2019. The day was aimed at providing an in-depth review of all the policies on the Bank's books to ensure a knowledgeable staff complement. The following policies were reviewed:

Table - Staff Training

Area Of Training	Persons Trained
ComptTIA Security +	1
Microsoft Projects	1
Retirement Planning	4
Meal Preparation	2
Improving Managerial Skills	1
Telephone Skills	2
Minute/Note Taking	1
Procurement	4
Legal Professional Development	1
ACCPAC Loans Module	10
Cyber Security	1
Health and Nutrition	All staff
Fire Safety	All staff
Disaster Preparedness (Earthquakes & Hurricanes)	All staff
The Importance of Physical Activity (Jamaica Moves)	All staff
Usage of the Bank's Health Insurance Plan	All staff

- Official Secrets Act / Declaration
- Corporate Governance Policy
- JMB ICT Policy
- JMB Anti- Sexual Harassment Policy
- JMB Code of Conduct Policy
- JMB Corporate Social Responsibility Policy
- JMB Employee Dispute Resolution Policy
- JMB Integrated Risk Management Framework

Conclusion and the Way Forward

For the financial year 2018/2019, the local construction industry was very active. The Jamaica Mortgage Bank was able to execute on its growth strategy, resulting in positive performance as reflected in the financial and other highlights presented herein. Given the Government's ongoing position on waivers and guarantees, many of the Bank's key performance metrices such as interest rates in the capital market, are now market driven, in a sector where the Bank's mandate is to facilitate affordable housing. Despite the odds, the Bank achieved its fifth consecutive year of increased profit after several years of uncertainty.

The Bank remains committed to its mandate, and will continue in 2019/2020 with its growth strategy, while plans are underway to redefine its future business model in light of the prevailing constraints. The Bank is of the view that its current business model is only sustainable over the medium to long term with an identifiable source of low interest funding. We intend to work with the Government to formulate and implement the most robust solutions to the challenges facing the business model, including raising funds on the Jamaica Stock Exchange. In the interim, we are committed to achieving the objectives of our financial and other key metrices, as outlined in the budget included, as well as, ensuring that all supporting resources, including staff and technological systems, are continuously upgraded.

We believe there is a direct correlation between economic growth and performance in the construction sector, especially in the residential housing space and we will continue to capitalize on this relationship.

As such, the ensuing fiscal year is predicted to be successful, especially given the Bank's expected improvement in both new loan commitments and disbursements, as well as the existing overhang of undrawn loan approvals. Positive feedback on the value of the TSS product has been received from several providers of interim financing in the local construction industry and the Bank will actively seek to convert these expressions of interest into business relationships, which together with new partnerships with members of the Jamaican Diaspora through the DHBS should contribute to growth in non-interest income. Certain MII policy revisions having the potential to substantially boost the outcome of marketing initiatives by mortgage providers will also be made during the first quarter of the next fiscal year. The Bank expects that this will yield noticeable increases in MII take-up.

The JMB operates in a very challenging environment but its team is unyielding in its commitment to developing and implementing innovative and creative solutions, so that the Bank not only remains relevant but a worthy participant in the quest to provide safe and affordable housing for Jamaicans.

Courtney Wynter
General Manager

2019/20 BUDGET OF INCOME & EXPENDITURE

Budget-2018/19 $'000	Actual-2018/19 $'000	Variance $'000	Variance %	ITEMS	Budget-2019/2020 $'000
				Interest Income	
248,975	213,148	(35,827)	-14.4%	Interest from Loans	196,358
10,104	835	(9,269)	-91.7%	Interest from Deposits	1,227
174	0	(174)	100.0%	Interest from other Investments	569
259,253	213,983	(45,270)	-17.5%	**Total Interest Income**	198,155
				Interest Expenses	
134,150	66,570	67,580	50.4%	Interest on Debt Payable	72,341
125,103	147,413	22,310	17.8%	**Net Interest Income/(Loss)**	125,814
50,453	229,885	179,432	355.6%	**Non Interest Income**	71,000
175,556	377,298	201,742	114.9%	**Gross Margin before Provision and Expenses**	196,815
(148,552)	(140,624)	7,928	-5.3%	Less Operating Expenses	(150,205)
27,004	236,674	209,670	776.4%	**Operating Profit/(Loss) for the year before Provision**	46,610
0	18,230	18,230	100.0%	**Provisions**	0
27,004	254,904	227,900	843.9%	**Profit/(Loss) for the year before taxes**	46,610
(7,561)	(40,597)	(33,036)	-436.9%	Taxes	(7,561)
19,443	214,307	194,864	1002.2%	**Profit/(Loss) for the year**	39,049

BUDGET-2020
BALANCE SHEET POSITION

	2019 $'000	2018 $'000	% Change	Adj. Budget-2019/20 $'000
ASSETS				
Non-Current Assets				
Property Plant and Equipment	50,150	55,127	-9.0%	37,747
Land Held for Development and Sale	408,989	408,989	0.0%	349,050
Post Retirement Benefits	56,061	63,876	-12.2%	50,238
	515,200	527,992		437,035
Current Assets				
Loans Receivables	1,660,081	2,150,599	-22.8%	2,215,915
Receivables and Prepayments	22,005	22,016	0.0%	116,486
Income tax Recoverables	160,338	161,117	-0.5%	193,903
Certificates of Deposits	19,576	16,680	17.4%	374,838
Resale Agreements	8,010	7,939	0.9%	-
Cash and Cash Equivalents	29,421	8,590	242.5%	18,198
	1,899,431	2,366,941		2,919,340
TOTAL ASSETS	2,414,631	2,894,933		3,356,375
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDER EQUITY				
Share Capital	500,000	500,000	0.0%	500,000
Reserve Fund	500,000	500,000	0.0%	500,000
Special Reserve Fund	340,083	340,083	0.0%	340,083
Retained Earnings	465,842	545,867	-14.7%	528,452
	1,805,925	1,885,950	-4.2%	1,868,535
LIABILITIES				
Non-Current Liabilities				
Bonds and Loans Payable	345,432	472,478	-26.9%	300,000
Deferred Tax Liability	75,047	39,917	88.0%	1,601
	420,479	512,395		301,601
Current Laibilities				
Payables and Accruals	43,310	37,642	15.1%	28,957
Short Term Loan	140,748	442,903	-68.2%	1,155,068
Income Tax Payable	4,169	16,043	-74.0%	2,215
	188,227	496,588		1,186,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,414,631	2,894,933		3,356,375

COURTNEY WYNTER

JP, B.Sc. (Hons), MBA (Hons)
Mr. Wynter has held the position of General Manager at the Jamaica Mortgage Bank since January 6, 2014. Prior to joining JMB, Mr. Wynter held various domestic and international executive financial management positions in the areas of Telecom, Finance and Banking.

PATRICIA BURKE

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

DONNA SAMUELS STONE

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

DENISE BRYSON HINDS

MBA
Mrs. Hinds has been the Manager, Human Resource & Administration since November 1, 2016 and is responsible for the development of the Bank's human resource policies and programs as well as the department's operational and strategic plans.

RAKAR O. WILLIAMS

JP, DBA, DMin, FCCA, FCA, MAPPC
Dr. Williams has over 21 years of experiences in leadership and management. His wealth of experiences cover: maritime/shipping, financial services, pension fund management, insurance, cooperatives, tertiary media training, video production and housing development. Currently, he serves as the Manager, Finance for the Jamaica Mortgage Bank.

Highlights of JMB's Social & Team Building Activities

$3 Billion+ Target Exceeded


Staff Christmas Luncheon 2018

Marketing in Toronto, Canada


Groundbreaking in Goshen, St. Elizabeth


Labour Day 2018


Staff Trip to Strawberry Fields, Aug. 2018


Marketing in Montreal, Canada

Facilitating Home Ownership

Corporate Information

REGISTERED OFFICE

33 Tobago Avenue
Kingston 5

AUDITORS

Crowe Horwath
(Formerly UHY Dawgen)
47-49 Trinidad Terrace
Kingston 10

BANKERS

Sagicor Bank Jamaica Limited
17 Dominica Drive
Kingston 5

National Commercial Bank
32 Trafalgar Road
Kingston 10

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

Business Operations

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

- Secondary Mortgage Market
  Mortgage-backed Securities

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

Corporate Secretarial / Legal

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

Human Resource and Administration

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

General Manager's Office

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

Facilitating Home Ownership

Team JMB

Edinburg

The development is located in the Constant Spring Gardens area of St. Andrew, and on completion will feature 10 studio apartment units and will be an ideal first home for young professionals.

Developer: Woodchip Development Limited

Harmony Court

Harmony Court is a nine (9) studio apartment complex located on Forest Drive in Red Hills, St. Andrew. Single professionals or persons desirous of purchasing for real estate rental will be particularly interested in this development.

Developer: Janan Developers Limited

Hughenden Apartments

This eight (8) unit apartment complex is located on Hughenden Avenue in Kingston and is suited for young professionals or persons desirous of investing in a property for real estate rental.

Developer: TP Data Investments Limited

Sherlock Manor

Sherlock Manor consists of four (4) townhouses and one (1) detached villa in St. Andrew. The townhouses are ideal for families or for persons seeking to acquire a property for a long term real estate investment.

Developer: Jamaica Methodist District

Sunrise Manor

This development features a gated serviced lot subdivision located in St. Thomas. It will be of particular interest to middle income earners, seeking to build their own home.

Developer: Mikam Building and Development Limited

Directors’ & Senior Executives’ Compensation

Directors’ Compensation - April 1, 2018 to March 31, 2019

Position / Title	Fees	Motor Vehicle / Travelling	Honoraria	All Other Compensation	Total
Board Chairman / Sub-Committee Chairman - Cleveland Stewart	$222,000	-	-	-	$222,000
Director / Sub-Committee Chairman - Ryan Parkes	$104,750	-	-	-	$104,750
Director / Sub-Committee Chairman - Hugh Faulkner	$152,750				$152,750
Director - Doreen Prendergast	$152,550				$152,550
Director - Tiva Forbes	$145,350	-	-	-	$145,350
Director - Courtney Hamilton	$121,200	-	-	-	$121,200
Director - Louis Campbell	$80,900	-	-	-	$80,900
				TOTAL	$979,500

Senior Executives’ Compensation - April 1, 2018 to March 31, 2019

Position / Title	Salary	Gratuity	Travel	Pension	Incentive	Vacation	Other	Total
General Manager - Courtney Wynter	8,435,258	2,054,936	771,432	-	809,827	508,322	-	12,579,775
Director, Business Operations - Hecton Hemans (April 1-July 30, 2018)	1,529,567	679,023	440,667	-	630,000	203,942	-	3,483,199
Director, Business Operations - Patricia Burke (Nov 12, 2018-March 31, 2019)	1,759,616	-	594,601	-	-	-	-	2,354,217
Corporate Secretary / Legal Officer - Donna Samuels Stone	6,256,680	-	1,542,864	287,298	649,995	-	-	8,736,837
Manager, Human Resource & Administration - Denise Bryson Hinds	3,593,736	-	813,564	186,874	390,728	-	-	4,984,902
Manager, Finance - Suzette Austin (April 1, 2018 – Mar. 7, 2019)	3,708,981	1,938,878	1,443,881	-	388,500	-	-	7,480,240
Manager, Finance - Rakar Williams (March 1 – 31, 2019)	486,383	-	166,615	-	-	-	-	652,998
TOTAL	25,770,221	4,672,837	5,773,624	474,172	2,869,050	712,264	-	40,272,168

Financial Statements for the Jamaica Mortgage Bank and Its Subsidiaries

for the year ended 31st March 2019

Crowe Horwath Jamaica
Corporate Head Office
47-49 Trinidad Terrace,
Kingston 5

Main 876 926 5210
Fax 876 754 7935
www.crowe.com/jm

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS
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 2019, 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 2019 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 for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Bank, in accordance with the International Ethics Standards Board for Accountants 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.

Key Audit Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL) on Financial Assets	**Our procedures in this area includes the following;**
IFRS 9 was implemented by the entity on April 1, 2018. The adopted standard is new and complex and requires the entity to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgment and estimates	• Obtaining an understanding of the models used by the entity for the calculation of expected credit losses including governance over the determination of key judgments.
The key areas requiring greater management judgment include the identification of significant increase in credit risk ('SICR"), the determination of probabilities of default, loss given default, exposure at default and the implication of forward-looking information.	• Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into IFRS 9 impairment models for investments.
Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of material misstatement.	• Testing the completeness and accuracy of the data used in the models of the underlying accounting records based on a sample basis.
We therefore determined that impairment on loans receivable has a high degree of estimated uncertainty.	• Evaluation of the appropriateness of the entity's impairment methodology including (SICR) criteria presented.

LOCATIONS:

KINGSTON
Oxford House,
6 Oxford Road,
Kingston 5
T: +876-926-3562
F: +876-929-1300

MANDEVILLE
3rd Floor,
14 Caledonia Road,
Mandeville,
Manchester
T: +876-627-9048 / 630-2011

RUNAWAY BAY
Lot 33 & 34,
Cardiff Hall,
Runaway Bay,
St. Ann
T: +876-627-9048 / 630-2011

MONTEGO BAY
Unit 22, Block C,
Fairview Office Park 11,
Montego Bay,
St. James
T: +876-627-9048 / 630-2011

Crowe

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS
RE: JAMAICA MORTGAGE BANK

Key Audit Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL) on Financial Assets In addition, disclosure regarding the entity's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and material inputs to the IFRS9 ECL results.	**Our procedures in this area includes the following;** • Assessment of the assumptions for probability of default, loss given default and exposure at default. • Assessment of the adequacy of the disclosure of the key assumption and judgements as well as the details of transition adjustment for compliance with IFRS 9.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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.

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.

Crowe

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS
RE: JAMAICA MORTGAGE BANK

Responsibilities of Management and Those Charged with Governance for the Financial Statements- Cont'd

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS
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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Dawkins Brown.

Crowe Horwath Jamaica

Crowe Horwath Jamaica

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 17, 2019 AND SIGNED ON ITS BEHALF BY:

MR. CLEVELAND STEWART
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2019 $	2018 $
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	50,149,769	55,126,596
Land Held for Development and Sale	5(c)	408,988,800	408,988,800
Post Retirement Benefits	7(b)	56,061,000	63,876,000
		515,199,569	527,991,396
Current Asset			
Loans Receivable	8	1,660,081,435	2,150,599,515
Receivables and Prepayments	9	22,005,276	22,016,493
Income Tax Recoverable	10	160,337,672	161,117,287
Certificates of Deposit	11	19,576,240	16,680,445
Resale Agreements	12	8,009,985	7,938,823
Cash and Cash Equivalents	13	29,420,506	8,589,729
		1,899,431,114	2,366,942,292
TOTAL ASSETS		2,414,630,683	2,894,933,688
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share Capital	14	500,000,000	500,000,000
Reserve Fund	15	500,000,000	500,000,000
Special Reserve Fund	16	340,083,058	340,083,058
Retained Earnings		465,841,594	545,866,918
		1,805,924,652	1,885,949,976
LIABILITIES			
Non-Current Liabilities			
Bonds and Loans Payable	17	345,431,750	472,478,218
Deferred Tax Liability	26	75,046,594	39,916,963
		420,478,344	512,395,181
Current Liabilities			
Payables and Accruals	18	43,310,023	37,642,429
Short Term Loan	19	140,748,459	442,903,292
Income Tax Payable		4,169,205	16,042,810
		188,227,687	496,588,531
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,414,630,683	2,894,933,688

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

*Reclassification of Deferred Expense relating to Bonds and Loans Payable and Short Term Loans.

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 17, 2019 **AND SIGNED ON ITS BEHALF BY:**

MR. CLEVELAND STEWART
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2019 $	2018 $
Interest Income			
Interest from Loans	20	213,148,188	149,851,941
Interest from Deposit	20	834,970	3,006,763
		213,983,158	152,858,704
Allowances for Loan Impairment			
(Allowance for Impairment Losses on Loans)/Net Recoveries	21	18,230,000	(61,320,151)
Net Interest Income after Provision		232,213,158	91,538,553
Non-Interest Income			
Other Income	22	229,884,939	325,760,526
		462,098,097	417,299,079
Administrative Expenses			
Staff Costs	23	(94,633,791)	(97,641,388)
Administrative and General Expenses	24	(45,990,071)	(44,449,374)
		(140,623,861)	(142,090,762)
Finance Costs			
Interest on Bonds Payable		(66,570,419)	(69,877,749)
Profit Before Taxation		254,903,816	205,330,568
Taxation	26	(40,596,864)	(39,562,624)
Profit for the Year		214,306,952	165,767,944
Other Comprehensive (Deficit)/Income			
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on the defined benefit plan		(7,757,000)	28,521,000
Deferred tax relating to remeasurement (losses)/gains on the defined benefit plan		(14,015,250)	(15,969,000)
		(21,772,250)	12,552,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		192,534,702	178,319,944

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$	$	$	$	$
Balance as at April 1, 2017	500,000,000	500,000,000	340,083,058	367,546,974	1,707,630,032
Surplus for the Year	-	-	-	165,767,944	165,767,944
Other Comprehensive Deficit	-	-	-	12,552,000	12,552,000
Total Comprehensive Income	-	-	-	178,319,944	178,319,944
Balance as at March 31, 2018	500,000,000	500,000,000	340,083,058	545,866,918	1,885,949,976
Impact on transition to IFRS 9 (ECL on Loans)	-	-	-	(272,560,027)	(272,560,027)
Balance as at March 31, 2018 as restated	500,000,000	500,000,000	340,083,058	273,306,891	1,613,389,949
Surplus for the Year	-	-	-	214,306,952	214,306,952
Other Comprehensive Deficit	-	-	-	(21,772,250)	(21,772,250)
Total Comprehensive Income	-	-	-	192,534,702	192,534,702
Balance as at March 31, 2019	500,000,000	500,000,000	340,083,058	465,841,594	1,805,924,652

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
Cash Flows from Operating Activities		
Profit for the Year before Taxation	254,903,816	205,330,568
Impact on transition to IFRS 9 (ECL on Loans)	(272,560,027)	-
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation - Property, Plant and Equipment	6,931,854	4,890,113
Provision for Loan Impairment Losses on Loans and Other Receivables, Net of Recoveries	(18,230,000)	61,320,151
(Gain)/Loss on Disposal of Land Held for Development and Sale	-	(2,961,000)
Pension Expense	2,131,000	4,408,000
Amortization of bond issue costs	(1,810,194)	(544,569)
Interest Income	(213,983,158)	(152,858,704)
Interest Expense	(66,570,419)	(69,877,749)
	(309,187,128)	49,706,810
Decrease/(Increase) in Operating Assets		
Receivables and Prepayments	11,217	55,466,460
Loans Receivable	549,920,370	(532,308,406)
Increase/(Decrease) in Operating Liabilities		
Payables and Accruals	5,667,594	1,154,126
Contributions paid post retirement employee benefits	(2,073,000)	(2,016,000)
Cash Used in Operations	244,339,053	(427,997,010)
Interest Received	172,755,019	125,304,731
Income Tax Paid	(30,576,473)	21,110,799
Net Cash Used in Operating Activities	386,517,599	(281,581,480)
Cash Flows from Investing Activities:		
Resale Agreement	(22,677)	111,452,960
Certificate of Deposit	(2,888,431)	13,519,328
Proceeds on Disposal of Land Held for Development and Sale	-	82,961,000
Proceeds on Disposal of Property Plant and Equipment	5,400,000	-
Additions to Property, Plant and Equipment	(7,355,026)	(10,174,297)
Net Cash Provided by Investing Activities	(4,866,134)	197,758,991
Cash Flows from Financing Activities:		
Interest Paid	65,417,060	68,289,408
Long Term Loan Repaid	(125,000,000)	(425,000,000)
Long Term Loan Issued	-	500,000,000
Short Term Loan Issued	-	1,283,732,000
Short Term Loan Repaid	(301,237,748)	(1,341,124,461)
Net Cash Provided by Financing Activities	(360,820,688)	85,896,947
Net Increase/(Decrease) in Cash and Cash Equivalents	20,830,777	2,074,458
Cash and Cash Equivalents at Beginning of the Year	8,589,729	6,515,271
Cash and Cash Equivalents at End of the Year	**29,420,506**	**8,589,729**

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

JAMAICA MORTGAGE BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2019 $	2018 $
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	50,149,769	55,126,596
Land Held for Development and Sale	5(b)	408,987,800	408,987,800
Interest In Subsidiary	6	124,987,953	124,850,513
Post Retirement Benefits	7(b)	56,061,000	63,876,000
		640,186,522	652,840,909
Current Asset			
Loans Receivable	8	1,660,081,435	2,150,599,515
Receivables and Prepayments	9	22,005,276	22,016,493
Income Tax Recoverable	10	160,337,672	161,117,287
Certificates of Deposit	11	19,576,240	16,680,445
Resale Agreements	12	8,009,985	7,938,823
Cash and Cash Equivalents	13	29,420,506	8,589,729
		1,899,431,114	2,366,942,292
TOTAL ASSETS		2,539,617,636	3,019,783,201
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share Capital	14	500,000,000	500,000,000
Reserve Fund	15	500,000,000	500,000,000
Special Reserve Fund	16	340,083,058	340,083,058
Retained Earnings		602,978,546	682,866,430
		1,943,061,604	2,022,949,488
LIABILITIES			
Non-Current Liabilities			
Bonds and Loans Payable	17	345,431,750	472,478,218
Deferred Tax Liability	26	75,046,594	39,916,963
		420,478,344	512,395,181
Current Liabilities			
Payables and Accruals	18	31,160,024	25,492,430
Short Term Loan	19	140,748,459	442,903,292
Income Tax Payable		4,169,205	16,042,810
		176,077,688	484,438,532
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,539,617,636	3,019,783,201

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

*Reclassification of Deferred Expense relating to Bonds and Loans Payable and Short Term Loans.

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 17, 2019 **AND SIGNED ON ITS BEHALF BY:**

MR. CLEVELAND STEWART
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

JAMAICA MORTGAGE BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2019 $	2018 $
Interest Income			
Interest from Loans	20	213,148,188	149,851,941
Interest from Deposit	20	834,970	3,006,763
		213,983,158	152,858,704
Allowances for Loan Impairment			
Allowance for Impairment Losses on Loans, Net Recoveries	21	18,230,000	(61,320,151)
Net Interest Income after Provision		232,213,158	91,538,553
Non-Interest Income			
Other Income	22	229,884,939	325,760,526
		462,098,097	417,299,079
Administrative Expenses			
Staff Costs	23	(94,633,791)	(97,641,388)
Administrative and General Expenses	24	(45,852,631)	(44,218,294)
		(140,486,421)	(141,859,682)
Finance Costs			
Interest on Bonds Payable		(66,570,419)	(69,877,749)
Profit Before Taxation		255,041,256	205,561,648
Taxation	26	(40,596,864)	(39,562,624)
Profit for the Year		214,444,392	165,999,024
Other Comprehensive (Deficit)/Income			
Other comprehensive income/(deficit) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on the defined benefit plan		(7,757,000)	28,521,000
Deferred tax relating to remeasurement gains/(losses) on the defined benefit plan		(14,015,250)	(15,969,000)
		(21,772,250)	12,552,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		192,672,142	178,551,024

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$	$	$	$	$
Balance as at April 1, 2017	500,000,000	500,000,000	340,083,058	504,315,406	1,844,398,464
Surplus for the Year	-	-	-	165,999,024	165,999,024
Other Comprehensive Expense	-	-	-	12,552,000	12,552,000
Total Comprehensive Income	-	-	-	178,551,024	178,551,024
Balance as at March 31, 2018	500,000,000	500,000,000	340,083,058	682,866,430	2,022,949,488
Impact on transition to IFRS 9 (ECL on Loans)	-	-	-	(272,560,027)	(272,560,027)
Balance as at March 31, 2018 as restated	500,000,000	500,000,000	340,083,058	410,306,403	1,750,389,461
Surplus for the Year	-	-	-	214,444,392	214,444,392
Other Comprehensive Deficit	-	-	-	(21,772,250)	(21,772,250)
Total Comprehensive Income	-	-	-	192,672,142	192,672,142
Balance as at March 31, 2019	500,000,000	500,000,000	340,083,058	602,978,546	1,943,061,604

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

JAMAICA MORTGAGE BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
Cash Flows from Operating Activities		
Profit for the Year before Taxation	255,041,256	205,561,648
Impact on transition to IFRS 9 (ECL on Loans)	(272,560,027)	
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation - Property, Plant and Equipment	6,931,854	4,890,113
Provision for Loan Impairment Losses on Loans and Other Receivables, Net of Recoveries	(18,230,000)	61,320,151
Loss on Disposal of Land Held for Development and Sale	-	(2,961,000)
Pension Expense	2,131,000	4,408,000
Amortization of bond issue costs	(1,810,194)	(544,569)
Interest Income	(213,983,158)	(152,858,704)
Interest Expense	(66,570,419)	(69,877,749)
	(309,049,688)	49,937,890
Decrease/(Increase) in Operating Assets		
Receivables and Prepayments	11,217	55,466,460
Loans Receivable	549,920,370	(532,308,406)
Increase/(Decrease) in Operating Liabilities		
Payables and Accruals	5,667,594	1,104,126
Contributions paid post retirement employee benefits	(2,073,000)	(2,016,000)
Cash Provided by/(Used in) Operations	244,476,493	(427,815,930)
Interest Received	172,755,019	125,304,731
Income Tax Paid	(30,576,473)	21,110,799
Net Cash Provided by/(Used in) Operating Activities	386,655,039	(281,400,400)
Cash Flows from Investing Activities:		
Resale Agreement	(22,677)	111,452,960
Certificates of Deposit	(2,888,431)	13,519,328
Proceeds on Disposal of Land Held for Development and Sale	-	82,961,000
Additions to Property, Plant and Equipment	(7,355,026)	(10,174,297)
Proceeds on Disposal of Property Plant and Equipment	5,400,000	-
Additions to Land Held for Development and Sale	-	-
Interest in Subsidiary	(137,440)	(181,080)
Net Cash (Used in)/Provided by Investing Activities	(5,003,574)	197,577,911
Cash Flows from Financing Activities:		
Interest Paid	65,417,060	68,289,408
Long Term Loan Repaid	(125,000,000)	(425,000,000)
Long Term Loan Issued	-	500,000,000
Short Term Loan Issued	(301,237,748)	1,283,732,000
Short Term Loan Repaid	-	(1,341,124,461)
Net Cash (Used in)/Provided by Financing Activities	(360,820,688)	85,896,947
Increase/(Decrease) in Liquid Assets	20,830,777	2,074,458
Liquid Assets at Beginning of Year	8,589,729	6,515,271
Liquid Assets at End of Year	**29,420,506**	**8,589,729**
Non-Cash item:		
Non Current asset held for sale	-	-
	-	-

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:-

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.

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

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

IAS 12 - Income Taxes -Recognition of Deferred Tax Assets for Unrealised Losses (Effective January 2017)

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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.

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.

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

(a) Standards and interpretations in respect of published standards which are in effect (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)

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.

Improvements to IFRS 2014–2016 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2017 and 2018. The main amendment is as follows:

- **IAS 28: Investments in Associates and Joint Ventures (2011) (Effective January 2018)**

  Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (Effective January 2018)

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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

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

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.

Amendments to IAS 28: Investments in Associates and Joint Ventures (2011) Long-term Interests in Associates and Joint Ventures (Effective January 2019)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Effective January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Annual Improvements to IFRS Standards 2015–2017 Cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 2019.

- **IAS 23: Borrowing Costs (Effective January 2019)**

  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (Effective January 2019)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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 2019 and 2020 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.

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

i) Classification of Financial Asset

The assessment of the business model within which the assets are held and assessment of whether the contractuals terms of the financial assets are soley payments of principal and interest on the principal payment amount outstanding requires management to make certain judgments on its business operations

ii) Impairment of Financial Assets

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

Risk of Estimation uncertainty

i) Measurement of Expected Credit allowance/provision under IFRS 9

The measurement of expected credit allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. That is the likelyhood of borrowers defaulting and the resulting loss).

A number of significant judgements are also required in applying the accounting requirement for measuring expected credit losses, as follow;

- Determining criteria for significant increase in credit risk;

- Selecting appropriate models and assumptions for the measurement of expected credit losses;

- Establishing of the number and reative weightings of forward-looking scenarios for each type pf product or market and associated expected credit loss;

- Establishging groups of similar financial assets for the purpose of measuring expected credit losses.

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

(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 $56.06 million (2018: $63.88 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.

- Loans to borrowers and provision for Loan impairment

  Loans are recognized when cash is advanced to borrowers.

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

  Additionally, the entity is required to update the amount of ECLs recognised at each reporting date to reflect changes in credit risk of the loan portfolio.

  Loans to borrowers are held solely for the collection of principal and interest in accordance with the contractual arrangement between The Group and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

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

  Loan Staging

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

  Stage 1

  Loans are placed in Stage 1 at origination and remains in this stage providing that such loans have not experience a significant increase in credit risk.

  Stage 2

  Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.

  Stage 3

  Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

  Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the Supervisory Body's provisioning policy of making a full provision for loans in arrears over twelve (12) months. General provisions of five percent (5%) to forty percent (40%) are established in respect of loans in arrears for two (2) to twelve (12) months.

  Provision for loss as at April 1, 2018 under IAS 39 that exceed the provision required under International Financial Reporting Standards - IFRS 9 "Financial Instruments" are dealt with in Retained Earnings.

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

(ii) Key Sources of Estimation Uncertainty: (Cont'd)

- 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 26).

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 investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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.

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

(d) Financial Investments (cont'd)

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

Prior to April 1, 2018, Financial assets and liabilities were recognized on the trade date-the date on which the Group becomes a party to the contractual provisions of the instrument.

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

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

From 1st April 2018, the Group has applied IFRS 9 and classified its financial assets as either Fair value through profit or loss (FVTPL); Fair value through other comprehensive income (FVOCI) or Amortised cost.

Immediately after recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset; and the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

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

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

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

Business Model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

(ii) Derecognition

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

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

(d) Financial Investments (cont'd)

(ii) Derecognition (cont'd)

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.

(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.

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 as a whole:

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 prospective basis.

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 and past service costs.

(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)

(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 recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments that are not measured at Fair Value Through Profit & Loss (FVTPL).

Loss allowances are measured at an amount equal to lifetime ECL except for the following are measured as a 12-month ECL:

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

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

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

At each repoirting date, the Group assesses whether the financial assets carried at amortised cost are credit-impaired (referred to a Stage 3 financial assets)

(l) Provisions

General

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

IFRS 9- Expected Credit Loss (ECL)

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and measurement". IFRS 9 bring fundamental changes to the accounting of financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Group has adopt consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about they financial year 2018, but have not been applied to the comparative information

The Expected Credit Loss (ECL) represents the amount the Group is likely to lose in the event of a default.

In recognising Expected Credit Loss (ECL) as prescribed by IFRS 9, the Group took into account past events, current conditions and forecast information. The Group determined the economic variables that are likely to influence the borrowers ability to meet their loan oligation in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

At each reporting date, the Group is required to update the amount of ECLs recognised to reflect changes in credit risk of the loan portfolio.

At least once annually, the Group re-assesses the risk ratings bands and carries out the necessary adjustments in order to ensure that the ratings bands are consistent with prevailing trends and conditions.

As permitted by transitional provisions of IFRS 9, any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognized in the opening retained earning and other reserves of the current period

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

(l) Provisions: (Cont'd)

The impact of transition of IFRS9 on the opening retained earnings and investment revaluation reserve is as follow;

Retained Earnings:

		$
Balance as at March 31, 2018		682,866,430
Impairment provison as at March 31, 2018 under IAS 39:		
On Loans to Members	239,370,622	
Expected Credit Loss as at April 1, 2018 under IFRS 9		
On Loans to Members	(511,930,649)	
Recognition of expected credit loss under IFRS 9		(272,560,027)
Opening balance under IFRS 9 (April. 1. 2018)		410,306,403

(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 condition.

(m) Resale Agreements

Securities purchased under agreements to resell them on a specified future date and at a specified price (resale agreements) are accounted for as short-term 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.

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

(p) Taxation (cont'd)

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.

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.

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. 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.

4 **Property, Plant & Equipment:**

	Freehold Land	Furniture, Fixtures and Equipment	Freehold Building	Plant and Machinery	Motor Vehicle	Total
	$	$	$	$	$	$
Group and Bank						
At Cost or Valuation:						
31st March 2017	3,000,000	38,867,708	72,109,916	110,000	-	114,087,624
Additions	-	2,174,297	-	-	8,000,000	10,174,297
31st March 2018	3,000,000	41,042,005	72,109,916	110,000	8,000,000	124,261,921
Additions	-	1,141,052	-	-	6,213,974	7,355,026
Disposal	-	-	-	-	(8,000,000)	(8,000,000)
31st March 2019	3,000,000	42,183,057	72,109,916	110,000	6,213,974	123,616,947
Accumulated Depreciation:						
31st March 2017	-	32,848,555	31,286,657	110,000	-	64,245,212
Charge for year	-	2,863,462	1,893,318	-	133,333	4,890,113
31st March 2018	-	35,712,017	33,179,975	110,000	133,333	69,135,325
Charge for year	-	2,442,409	1,893,319	-	2,596,125	6,931,854
Disposal	-	-	-	-	(2,600,000)	(2,600,000)
31st March 2019	-	38,154,426	35,073,294	110,000	129,458	73,467,179
Net Book Values:						
31st March 2019	**3,000,000**	**4,028,631**	**37,036,622**	**-**	**6,084,516**	**50,149,769**
31st March 2018	3,000,000	5,329,988	38,929,941	-	7,866,667	55,126,596
31st March 2017	3,000,000	6,019,153	40,823,259	-	-	49,842,412

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

5 Land Held For Development and Sale

The amounts represent the inventory of several properties acquired by the Group which are being held for

(a) The property held by the subsidiary was acquired from the Ministry of Transport, Works and Housing

(b) The condition to the agreement, as outlined above, was not fulfilled and subsequently an agreement

The following properties are held by the group :

	2019	2018
	$	$
Whitehall	270,000,000	270,000,000
Phoenix Park	28,100,000	28,100,000
Norwich	45,887,800	45,887,800
Mount Gotham	65,000,000	65,000,000
	408,987,800	408,987,800

		2019	2018
		$	$
(c)	Bank	408,987,800	408,987,800
	Subsidiary	1,000	1,000
	Group	408,988,800	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 (2018: $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 17 (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.

6. Interest In Subsidiary

	The Bank	
	2019	2018
	$	$
Ordinary Shares	2	2
Long Term Loan	124,987,951	124,850,511
	124,987,953	124,850,513

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.

7 Post Retirement Benefits

(a) Retirement pensions are the only post-employment benefits provided by the Group. For this purpose, the Group operates a contributory, defined-benefit pension plan, the assets of which are held separately from those of the Group. The plan is governed by the Jamaica Mortgage Bank Act, 1973 and the Jamaica Mortgage Bank (Pensioners) Regulations, 1978. The plan's activities are controlled by the Board of Trustees, which 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, 2019 were at a rate of 5% 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 15, 2019 (2017: May 15, 2018) by Rambarran & Associates Limited, Consulting Actuaries. This valuation was in respect of balances at March 31, 2019 and 2018. The valuation was carried out using the projected unit credit method.

(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	
	2019	2018
	$	$
Present Value of Fund Obligations	(194,109,000)	(203,988,000)
Fair Value of Plan Asset	294,586,000	267,864,000
Unrecognised Asset due to Asset Ceiling	(44,416,000)	-
	56,061,000	63,876,000

7 Post Retirement Benefits (Cont'd)

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

	Group and Bank	
	2019	2018
	$	$
Net Defined Benefit Asset at the beginning of the year	63,876,000	37,747,000
Employer Contribution	2,073,000	2,016,000
Company Expense	(2,131,000)	(4,408,000)
Remeasurement Recognised in OCI	(7,757,000)	28,521,000
Net Defined Benefit Asset at year end	56,061,000	63,876,000

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

	Group and Bank	
	2019	2018
	$	$
Current Service Cost	7,179,000	8,308,000
Net Interest Cost		
Interest on Defined Benefit Obligation	14,875,000	18,086,000
Interest Income on Plan Asset	(19,923,000)	(21,986,000)
Expense recognized in Net Profit	2,131,000	4,408,000
Change in Financial Assumptions	11,273,000	56,328,000
Experience Adjustments	(47,932,000)	(84,849,000)
Change in Effect of the Asset Ceiling	44,416,000	-
Expense/(Income) recognised in Other Comprehensive Income	7,757,000	(28,521,000)

(c) Movement in Present Value of Obligation

	Group and Bank	
	2019	2018
	$	$
Present Value at beginning	203,988,000	191,995,000
Service Cost	7,179,000	8,308,000
Interest Cost on Defined Obligation	14,875,000	18,086,000
Member Contribution	4,915,000	4,738,000
Benefits Paid	(8,366,000)	(3,299,000)
Remeasurement - Change in Financial Assumptions	12,587,000	61,014,000
Remeasurement - Change in Experience Assumptions	(41,069,000)	(76,854,000)
Present Value at End	194,109,000	203,988,000

7 Post Retirement Benefits (Cont'd)

(d) Movements in Fair Value of Plan Assets:

	Group and Bank 2019 $	Group and Bank 2018 $
Fair Value of Plan Asset at the beginning of year	267,864,000	229,742,000
Contribution Paid		
- Employer	2,073,000	2,016,000
- Employee	4,915,000	4,738,000
Interest Income on Plan Asset	19,923,000	21,986,000
Benefit Paid	(8,366,000)	(3,299,000)
Remeasurement - Changes in Financial Assumptions	(1,314,000)	4,686,000
Remeasurement - Changes in Experience Assumptions	9,491,000	7,995,000
Fair Value of Plan Asset at end of year	294,586,000	267,864,000

(d) Movements in Fair Value of Plan Assets (Cont'd):
Plan Asset consist of the following :
Investment in Pooled Investment funds with Investment Strategies as follow:

	2019	2018
Equities	85,780,000	69,726,000
Fixed Income Securities	59,691,000	65,426,000
Mortgage and Real Estate	23,745,000	25,326,000
Foreign Currency Fund	45,596,000	43,216,000
International Equity Fund	13,027,000	12,017,000
Global Markets Fund	22,752,000	21,605,000
CPI Fund	12,709,000	-
Annuity Purchased	33,228,000	32,595,000
Other	(1,942,000)	(2,047,000)
Total Invested Asset	294,586,000	267,864,000

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

	Group and Bank 2019 %	Group and Bank 2018 %
Discount Rate at 31st March	7.00	7.50
Future Salary Increase	3.00	4.50
Future Pension Increase	2.40	3.60
Administrative Expense	1.00	1.00
Inflation	3.00	4.50
Minimum Funding Return	0.25	0.25

Demographic Assumptions

(i) Mortality
Mortality (GAM94) table with
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.

7 Post Retirement Benefits (Cont'd)

A quantitative sensitivity analysis for significant assumptions is shown below:

As at 31st March 2019:	**Discount Rate**		**Salary Growth**	
Sensitivity Level	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on Defined Benefit Obligation	(14,512,000)	21,096,000	7,065,000	(6,126,000)

As at 31st March 2018:	**Discount Rate**		**Salary Growth**	
Sensitivity Level	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on Defined Benefit Obligation	(18,568,000)	26,296,000	9,626,000	(8,215,000)

As at 31st March 2019:	**Pension Increase**		**Mortality Improvement**	
Sensitivity Level	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on Defined Benefit Obligation	19,761,000	(16,694,000)	1,718,000	(1,699,000)

As at 31st March 2018:	**Pension Increase**		**Mortality Improvement**	
Sensitivity Level	1% Increase	1% Decrease	1% Increase	1% Decrease
Impact on Defined Benefit Obligation	22,417,000	(18,860,000)	2,463,000	(2,492,000)

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 $7,356,000 (2018: $7,068,000).

(g) The expected pension benefit expense in the next year is expected to be $1,168,000 (2018: $2,128,000).

(h) The weighted average duration of the defined benefit obligation at the end of the reporting period is 34 years (2018: 34 years).

8 Loans Receivable

	Group and Bank	
	2019	2018
	$	$
Construction Loans - Non-Governmental Borrowers (Note 10(a) below)	1,836,888,155	2,173,088,348
Accrued Interest Receivables	235,539,809	194,367,519
	2,072,427,964	2,367,455,867
Less: Provision for Expected Credit Loss/Allowance for Impairment Losses (Note 8(b) below)	(432,931,722)	(239,370,622)
	1,639,496,242	2,128,085,245
Mortgages (Note 10(c))		
– Staff	8,667,366	13,848,031
– Ex Staff Members	11,917,827	8,666,239
	20,585,193	22,514,270
	1,660,081,435	2,150,599,515

(a) Construction loans are issued at interest rates ranging from 13.0% - 17.0%. The loans are repayable over periods of 12 to 24 months. The loans are generally secured by the properties being developed.

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

	Group and Bank	
	2019	2018
	$	$
At the beginning of the year	239,370,622	514,608,043
Charged against revenue during the year (Note 21)	-	73,537,101
Provision for ECL (IFRS 9)/Allowance for Loan Receivables (IAS 39)	255,052,333	(12,939,255)
Bad debt recovery (Note 21)	-	(247,140,970)
	494,422,955	328,064,919
Bad debts written off	(61,491,233)	(88,694,297)
At end of year	432,931,722	239,370,622

	Group and Bank	
	2019	2018
	$	$
Comprising:		
Specific provisions	432,931,722	222,899,066
General provisions	-	16,471,556
	432,931,722	239,370,622

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

9 Receivables and Prepayments

	Group and Bank	
	2019	2018
	$	$
Receivables	19,927,968	19,740,102
Prepayment	2,077,308	2,276,391
	22,005,276	22,016,493

10 Income Tax Recoverable

Income Tax Recoverable represents either the net of partial amounts recovered or total outstanding amounts as at 31st March 2019. The company has been in dialogue with the tax authorities to settle the full amount outstanding.

11 Certificates of Deposit

	Group and Bank	
	2019	2018
	$	$
Certificates of Deposit	19,547,543	16,659,112
Interest Receivables	28,697	21,333
	19,576,240	16,680,445

Certificates of Deposit are made for a period of six months and earn interest at rates ranging between 1.05% to 2.80% (2018: 1.10% to 2.30%) per annum.

Certificates of Deposits equivalent to 3 months interest is maintained as a part of a debt service ratio arrangement for short-term loans. The actual loan balance for short term loans as at March 31, 2019 was $140M.

12 Resale Agreements

	Group and Bank	
	2019	2018
	$	$
Repurchase Agreements	7,947,520	7,924,843
Interest Receivables	62,465	13,980
	8,009,985	7,938,823

These are US$ securities which mature within one year after year end and earns interest at a rate of 2.45% (2018: 1.10%) per annum.

13 Cash and Cash Equivalents

	Group and Bank	
	2019	2018
	$	$
Petty Cash	25,000	25,000
Current Account	29,229,524	8,429,005
Savings Accounts	165,982	135,724
	29,420,506	8,589,729

14 Share Capital

	Group and Bank	
	2019	2018
	$	$
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

15 Reserve Fund

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

16 Special Reserve Fund

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

17 Bonds and Loans Payable

	The Group	
	2019	2018
	$	$
(a) National Insurance Fund Loan	50,000,000	50,000,000
(b) Shelter Bond 12B	150,000,000	150,000,000
(c) Shelter Bond 14	150,000,000	150,000,000
(d) NCB Term $250M	-	125,000,000
	350,000,000	475,000,000
Unamortised Bond Issuance Cost	(4,951,139)	(3,140,945)
	345,048,861	471,859,055

	The Group	
	2019	2018
	$	$
Principal		
Due within 12 months of the statement of financial position date	50,000,000	125,000,000
Due thereafter (within one to five years)	295,048,861	346,859,055
	345,048,861	471,859,055
Accrued Interest on Bonds and Loans	382,889	619,163
	345,431,750	472,478,218

(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.

17 Bonds and Loans Payable (Cont'd)

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

(c) In November 2017, the Bank issued Shelter Bond 14, at a fixed rate of 8.00% for two (2) years and variable thereafter at 1.1% above the 6 months weighted average treasury bill rate. The bond is repayable in full on November 30, 2022.

(d) 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. As at March 31, 2019 this loan was repaid in full.

In computing the variable rates above, the weighted average treasury bill yield used is from the most recent auction of 30 day and 60 day treasury bills prior to the commencement of the particular interest period. At the end of the period, the treasury bill yields were 2.19% and 2.67%, respectively (2018: 2.97% and 3.17%). Unamortised bond issuance costs related to the bonds is $1,861,762 (2018: $2,376,091).

18 Payables and Accruals

	The Group		The Bank	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Other Payables	27,275,327	19,205,568	15,275,327	7,205,568
Accruals	16,034,696	18,436,861	15,884,697	18,286,862
	43,310,023	37,642,429	31,160,024	25,492,430

19 Short Term Loan

	The Group	
	2019	**2018**
	$	**$**
(a) Mortgage Insurance Fund	-	250,000,000
(b) NCB Revolving $250M	-	192,972,000
(c) NCB Revolving $500M	140,714,478	-
	140,714,478	442,972,000
Unamortised bond issuance cost	-	(1,019,774)
	140,714,478	441,952,226
Accrued Interest on Revolving Loan	33,981	951,066
	140,748,459	442,903,292

(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 was repaid in full on 18th May 2017. The Bank subsequently received a new loan in the amount of $250,000,000 which was repayable on 28th February 2018. It 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.

19 Short Term Loan (Cont'd)

(b) In July 2016, the Bank received a revolving loan at a fixed rate of 8.80% per annum. In July 2017 the Bank's revolving loan facility of $250,000,000 was re-issued. The revolving loan facility is for 12 months to revolve at least once per year. Interest payments are due quarterly at a fixed rate of 8.55%. The loan is repayable in full on August 2, 2018 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.

(c) In October 2018, the Bank received a revolving loan at a fixed rate of 7.9%. The revolving loan facility is for 24 months to revolve at least once bi-annually. Interest payments are due quarterly. The facility will expire on October 2, 2020 and is secured by a letter of Negative Pledge and an Interest Reserve Account which should be equivalent to at least three months interest payment.

20. Interest Income

	Group and Bank	
	2019	**2018**
	$	**$**
Construction Loans	211,468,740	148,214,070
Mortgage Loans	1,679,448	1,637,871
Deposits (including Cash and Cash Equivalents)	834,970	3,006,763
	213,983,158	152,858,704

21. Allowance for Impairment Losses (Net of Recoveries)

	Group and Bank	
	2019	**2018**
	$	**$**
Charged against revenue during the year	-	74,259,406
Recoveries during the year	-	(247,140,970)
Provision for ECL (IFRS 9)/Allowance for Loan Receivables (IAS 39) (Note 10)	(17,507,695)	(12,939,255)
Write back of provision on Other Receivables	(722,305)	
Adjustment	-	335,835,267
Direct write off of amounts not deemed collectible	-	(88,694,297)
	(18,230,000)	61,320,151

22. Other Income

	Group and Bank	
	2019	**2018**
	$	**$**
Administration Fee – Mortgage Insurance Fund	31,241,678	27,043,793
Commitment and Administration Fees	17,645,535	20,648,625
Settlement of Loans Receivable	-	750,000
Proceeds from Bad Debt previously written off	180,997,726	277,318,108
	229,884,939	325,760,526

23. Staff Costs

The aggregate cost of employees was as follows:

	Group and Bank	
	2019	2018
	$	$
Salaries and Wages-Related Expenses	84,085,247	83,761,335
Statutory Payroll Contributions	7,453,836	8,241,363
Employees Benefit Expense (credit) (Note 7(b)(iii))	2,131,472	4,408,045
Staff Welfare	963,236	1,230,645
	94,633,791	97,641,388

24. Administrative and General Expenses

	Group		Bank	
	2019	2018	2019	2018
	$	$	$	$
Utilities	5,486,834	5,082,611	5,486,834	5,082,611
Printing, Postage and Stamp	1,121,461	555,209	1,121,461	555,209
Repairs & Maintenance	1,202,996	1,408,794	1,202,996	1,408,794
Insurance	5,891,712	5,265,099	5,891,712	5,265,099
Legal and Professional Fees	2,161,739	2,196,936	2,056,674	2,052,156
Auditor's Remuneration	2,725,000	5,042,120	2,725,000	4,992,120
Mortgage Processing Fees	358,000	305,080	358,000	305,080
Depreciation	6,117,876	4,890,113	6,117,876	4,890,113
Subscriptions and Publications	1,138,706	724,678	1,138,706	724,678
Customer Services and Activities	1,897,087	1,799,830	1,897,087	1,799,830
Bond Expenses	3,833,174	4,283,866	3,833,174	4,283,866
Non-Recoverable G.C.T.	4,031,089	4,034,734	4,031,089	4,034,734
General Expenses	2,511,906	2,449,212	2,511,906	2,449,212
Property Tax	786,438	673,725	769,088	652,450
Donations, Scholarships & Awards	280,300	185,600	280,300	185,600
Directors Fees	979,500	1,183,350	979,500	1,183,350
Computer Expenses	1,758,352	1,591,279	1,758,352	1,591,279
Meeting Expenses	2,136,030	1,033,712	2,136,030	1,033,712
Security	1,043,790	995,751	1,043,790	995,751
Bank Charges	260,158	393,262	260,158	393,262
Asset Tax	15,025	15,025	-	-
Miscellaneous Expenses	252,897	339,388	252,897	339,388
	45,990,071	44,449,374	45,852,631	44,218,294

25. Profit Before Taxation

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

	Group and Bank	
	2019	2018
	$	$
Depreciation	6,117,876	4,890,113
Director's emoluments- fees (Note 24)	979,500	1,183,350
Auditors' remuneration - current year	2,725,000	4,992,120
Gain Loss on disposal of land held for development and sale	-	(2,961,000)

26. Taxation

(a) Income Tax

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 25%).

(i) The total charge for the period comprises:

	Group and Bank	
	2019	2018
	$	$
Current Tax	19,482,483	17,214,521
Deferred Tax	21,114,381	22,348,103
	40,596,864	39,562,624

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

	Group		Bank	
	2019	2018	2019	2018
	$	$	$	$
Profit Before Taxation	254,903,816	205,330,568	255,041,256	205,561,648
Computed "expected" tax expense	63,725,954	51,332,642	63,760,314	51,390,412
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Taxation losses (recognised)/not recognised	(7,190,862)	(7,190,862)	(18,248,863)	(7,190,862)
Employment tax credit	(6,777,023)	(6,777,023)	(8,088,443)	(6,777,023)
Expenses not allowed	(9,161,205)	2,197,867	(9,161,205)	497,380
Actual tax charge recognised in the statement of profit or loss	40,596,864	39,562,624	28,261,803	37,919,907
Tax charge recognised directly in other comprehensive income	14,015,250	15,969,000	14,015,250	15,969,000

26. Taxation (Cont'd)

(b) Deferred Taxation

(i) Deferred taxes are calculated on all temporary differences using the current tax rate of 25% (2018: 25%).

Analysis for financial reporting purposes:

	Group and Bank	
	2019	**2018**
	$	$
Deferred Tax Assets	2,433,898	24,652,745
Deferred Tax Liabilities	(77,480,492)	(64,569,708)
Net Liability	(75,046,594)	(39,916,963)

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

	Group and Bank	
	2019	**2018**
	$	$
Charged to expense for the year	(21,114,381)	(22,348,103)
(Charged)/Credited to other comprehensive income for the period	(14,015,250)	(15,969,000)
Net movement	(35,129,631)	(38,317,103)

(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**
	$	AQQ	$	$	$	$
At April 1, 2017	497,380	42,240,407	789,642	2,042,748	2,467,429	48,037,606
Adjustments to Prior Year	-	-	-	-	-	-
Credited/(Charged) to income for the year	22,200	(23,891,544)	(397,085)	(768,892)	1,650,460	(23,384,861)
At March 31, 2018	519,580	18,348,863	392,557	1,273,856	4,117,889	24,652,745
Charged to income for the year	(191,435)	(18,348,863)	(302,317)	741,657	(4,117,889)	(22,218,847)
At March 31, 2019	328,145	-	90,240	2,015,513	-	2,433,898

26. 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	IFRS 9 ECL Provision	Interest Receivables	Total
	$		$	$
At April 1, 2017	(9,436,750)	-	(41,712,216)	(51,148,966)
(Charged)/Credit to income for the year	9,436,750	-	(6,888,492)	2,548,258
Credited to Other Comprehensive Income	(15,969,000)	-	-	(15,969,000)
At March 31, 2018	(15,969,000)	-	(48,600,708)	(64,569,708)
(Charged)/Credit to income for the year	15,969,000	(4,557,500)	(10,307,034)	1,104,466
Charged to Other Comprehensive Income	(14,015,250)	-	-	(14,015,250)
At March 31, 2019	(14,015,250)	(4,557,500)	(58,907,742)	(77,480,492)

Subject to agreement with Commissioner General, Tax Administration Jamaica, at the end of the reporting period, the Group had unused tax losses of approximately $NIL million (2018: $73.40 million) available for offset against future profits. A deferred tax asset of approximately $NIL (2018: $18.35 million) has been recognised in respect of $NIL million (2018: $73.40 million) of these losses.

27. 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.

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

Balance outstanding at the end of the reporting period:

	Group and Bank 2019 $	Group and Bank 2018 $
Due from the Mortgage Insurance Fund	200,000	800,000
Due to the Mortgage Insurance Fund - Short Term Loan	-	(250,044,520)

	Group and Bank 2019 $	Group and Bank 2018 $
Related Party Transaction:		
Administration Fees - Mortgage Insurance Fund	31,241,678	27,043,793
Interest on Short Term Loan - Mortgage Insurance Fund	(13,998,434)	(16,555,287)

Balances receivable from key management personnel are as follows:

	Group and Bank 2019 $	Group and Bank 2018 $
Staff Loans	7,182,906	2,340,350

Key management compensation is as follows:

	Group and Bank 2019 $	Group and Bank 2018 $
Directors' Fees (Note 24)	979,500	1,183,350
Short-Term Employee Benefits	39,984,872	38,623,979
Post-Employment Expense	360,000	576,000

28. 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.

28. 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 operations.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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	
	2019	2018	2019	2018
	$	$	$	$
Cash and Cash Equivalents	29,420,506	16,680,445	29,420,506	8,589,729
Certificates of Deposit	19,576,240	16,680,445	19,576,240	16,680,445
Resale Agreements	8,009,985	7,938,823	8,009,985	7,938,823
Receivables	19,927,968	19,740,102	19,927,968	19,740,102
Loans Receivable	1,660,081,435	2,150,599,515	1,660,081,435	2,150,599,515
Investment in Subsidiary	-	-	124,987,953	124,850,513
	1,737,016,134	2,211,639,330	1,862,004,087	2,328,399,127

(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.

28. 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 $124.97 million (2018: $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 and their assessment of the current economic environment.

(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:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Not past due or impaired	2,093,013,157	-	1,669,861,956	-
Past due but not impaired under 12 months	-	-	-	-
Past due and impaired over 12 months	-	432,931,722	720,108,181	239,370,622
	2,093,013,157	432,931,722	2,389,970,137	239,370,622

The management of the Bank believes that no impairment allowance is necessary in respect of other financial assets. The movement on the allowance for impairment is presented in Note 8 (b).

28. 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:

	2019		
	Construction Loans	Mortgage Loans	Total
	$	$	$
Developers	2,072,330,758	-	2,072,330,758
Staff	-	8,764,572	8,764,572
Others	-	11,917,827	11,917,827
	2,072,330,758	20,682,399	2,093,013,157

28. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(a) Credit Risk (cont'd)

(iv) Concentration of Loans (cont'd)

	2018		
	Construction Loans	Mortgage Loans	Total
	$	$	$
Developers	2,367,263,736	-	2,367,263,736
Staff	-	14,040,162	14,040,162
Others	-	8,666,239	8,666,239
	2,367,263,736	22,706,401	2,389,970,137

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, 2019 or 2018.

(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 market.

(i) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

(Expressed in Jamaican Dollars unless otherwise indicated)

28. 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

	2019				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	29,420,506	29,420,506
Certificates of Deposit	11,710,446	7,865,794	-	-	19,576,240
Resale Agreements	8,009,985	-	-	-	8,009,985
Receivables	-	-	-	22,005,276	22,005,276
Loans Receivables	152,799,323	1,018,715,137	488,566,975	-	1,660,081,435
Total Financial Assets	172,519,754	1,026,580,931	488,566,975	51,425,782	1,739,093,442
Payables	-	-	-	27,275,327	27,275,327
Short-Term Loans	250,000,000	(109,285,522)	-	-	140,714,478
Bonds and Loans Payable	-	50,000,000	295,048,861	382,889	345,431,750
Total Financial Liabilities	250,000,000	(59,285,522)	295,048,861	27,658,216	513,421,555
Interest Rate Sensitivity Gap	**(77,480,246)**	**1,085,866,453**	**193,518,114**	**23,767,566**	**1,225,671,887**
Cumulative Gap	**(77,480,246)**	**1,008,386,207**	**1,201,904,321**	**1,225,671,887**	**-**

(Expressed in Jamaican Dollars unless otherwise indicated)

28. 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

	2018				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	8,589,729	8,589,729
Certificates of Deposit	13,294,119	3,386,326	-	-	16,680,445
Resale Agreements	7,938,823	-	-	-	7,938,823
Receivables	-	-	-	22,016,493	22,016,493
Loans Receivables	152,799,323	1,018,715,137	979,085,055	-	2,150,599,515
Total Financial Assets	174,032,265	1,022,101,463	979,085,055	30,606,222	2,205,825,005
Payables	-	-	-	19,205,568	19,205,568
Short Term Loans	250,000,000	192,972,000	-	-	442,972,000
Bonds and Loans Payable	-	125,000,000	346,859,055	619,163	472,478,218
Total Financial Liabilities	250,000,000	317,972,000	346,859,055	19,824,731	934,655,786
Interest Rate Sensitivity Gap	**(75,967,735)**	**704,129,463**	**632,226,000**	**10,781,491**	**1,271,169,219**
Cumulative Gap	**(75,967,735)**	**628,161,728**	**1,260,387,728**	**1,271,169,219**	**-**

(Expressed in Jamaican Dollars unless otherwise indicated)

28. 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

	2019				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	29,420,506	29,420,506
Certificates of Deposit	11,710,446	7,865,794	-	-	19,576,240
Resale Agreements	8,009,985	-	-	-	8,009,985
Receivables	-	-	-	22,005,276	22,005,276
Loans Receivables	152,799,323	1,018,715,137	488,566,975	-	1,660,081,435
Interest in Subsidiary: Long Term Loans	-	-	-	124,987,951	124,987,951
Total Financial Assets	172,519,754	1,026,580,931	488,566,975	176,413,733	1,864,081,393
Payables	-	-	-	15,275,327	15,275,327
Short-Term Loans	-	140,714,478	-	-	140,714,478
Bonds and Loans Payable	-	50,000,000	295,048,861	382,889	345,431,750
Total Financial Liabilities	-	190,714,478	295,048,861	15,658,216	501,421,555
Interest Rate Sensitivity Gap	**172,519,754**	**835,866,453**	**193,518,114**	**160,755,517**	**1,362,659,838**
Cumulative Gap	**172,519,754**	**1,008,386,207**	**1,201,904,321**	**1,362,659,838**	**-**

(Expressed in Jamaican Dollars unless otherwise indicated)

28. 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

	2018				
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**	**Non-Rate Sensitive**	**Total**
	$	$	$	$	$
Cash and Cash Equivalents	-	-	-	8,589,729	8,589,729
Certificates of Deposit	13,294,119	3,386,326	-	-	16,680,445
Resale Agreements	7,938,823	-	-	-	7,938,823
Receivables	-	-	-	22,016,493	22,016,493
Loans Receivables	152,799,323	1,018,715,137	979,085,055	-	2,150,599,515
Interest in Subsidiary: Long Term Loans	-	-	-	124,850,511	124,850,511
Total Financial Assets	174,032,265	1,022,101,463	979,085,055	155,456,733	2,330,675,516
Payables	-	-	-	7,205,568	7,205,568
Short-Term Loans	-	442,972,000	-	-	500,000,000
Bonds and Loans Payable	-	125,000,000	346,859,055	619,163	472,478,218
Total Financial Liabilities	-	567,972,000	346,859,055	7,824,731	979,683,786
Interest Rate Sensitivity Gap	**174,032,265**	**454,129,463**	**632,226,000**	**147,632,002**	**1,350,991,730**
Cumulative Gap	**174,032,265**	**628,161,728**	**1,260,387,728**	**1,408,019,730**	**57,028,000**

28. 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

	2019		
	Within 3 Months	**3 to 12 Months**	**Over 12 Months**
	%	**%**	**%**
Certificates of Deposits	2.10	1.25	-
Resale Agreements	1.70	-	-
Loans Receivable	12	13	12
Bonds and Loans Payable	-	8.20	8

	2018		
	Within 3 Months	**Three to 12 Months**	**Over 12 Months**
	%	**%**	**%**
Certificates of Deposits	1.70	1.25	-
Resale Agreements	1.05	-	-
Loans Receivable	12.00	13.00	12.00
Bonds and Loans Payable	-	8.20	8.00

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 $21.44 million and decrease by $21.44 million respectively (2018: increase by $16.60 million and decrease by $16.60 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 (2018: 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.

28. 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)

28. 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 maturity.

Group

	2019						
	Within One Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	No Specific Maturity	Cash Flows Total	Carrying Values Total
	$	$	$	$	$	$	$
Cash and Cash Equivalents	29,420,506	-	-	-	-	29,420,506	29,420,506
Certificate of Deposit	-	11,710,446	7,865,794	-	-	19,576,240	19,576,240
Resale Agreements		8,009,985	-	-	-	8,009,985	8,009,985
Receivables	-	-	22,005,276	-	-	22,005,276	22,005,276
Loans Receivables	16,274,475	136,524,848	1,018,715,137	488,566,975	-	1,660,081,435	1,660,081,435
Total Financial Assets	45,694,981	156,245,279	1,048,586,207	488,566,975	-	1,739,093,442	1,739,093,442
Payables	3,837,925	-	-	3,367,643	12,000,000	19,205,568	27,275,327
Short-Term Loans	-	-	-	140,714,478	-	140,714,478	140,714,478
Bonds and Loans Payable	-	-	50,000,000	295,431,750	-	345,431,750	345,431,750
Total Financial Liabilities	3,837,925	-	50,000,000	439,513,871	12,000,000	505,351,796	513,421,555
	41,857,056	156,245,279	998,586,207	49,053,104	(12,000,000)	1,233,741,646	1,225,671,887

Group

	2018						
	Within One Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	No Specific Maturity	Cash Flows Total	Carrying Values Total
	$	$	$	$	$	$	$
Cash and Cash Equivalents	8,589,729	-	-	-	-	8,589,729	8,589,729
Certificate of Deposit	-	13,294,119	3,386,326	-	-	16,680,445	16,680,445
Resale Agreements		7,938,823	-	-	-	7,938,823	7,938,823
Receivables	1,387,443	20,629,050	-	-	-	22,016,493	22,016,493
Loans Receivables	16,274,475	136,524,848	1,018,715,137	979,085,055	-	2,150,599,515	2,150,599,515
Total Financial Assets	26,251,647	178,386,840	1,022,101,463	979,085,055	-	2,205,825,005	2,205,825,005
Payables	3,837,925	-	-	3,367,643	12,000,000	19,205,568	19,205,568
Short-Term Loans	-	-	442,972,000	-	-	442,972,000	442,972,000
Bonds and Loans Payable	-	-	122,478,218	350,000,000	-	472,478,218	472,478,218
Total Financial Liabilities	3,837,925	-	565,450,218	353,367,643	12,000,000	934,655,786	934,655,786
	22,413,722	178,386,840	456,651,245	625,717,412	(12,000,000)	1,271,169,219	1,271,169,219

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(c) Liquidity Risk (cont'd)

Bank

	2019						
	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	29,420,506	-	-	-	-	29,420,506	29,420,506
Certificates of Deposit	-	11,710,446	7,865,794	-	-	19,576,240	19,576,240
Resale Agreements	-	8,009,985	-	-	-	8,009,985	8,009,985
Receivables	-	-	22,005,276	-	-	22,005,276	22,005,276
Loans Receivables	16,274,475	136,524,848	1,018,715,137	488,566,975	-	1,660,081,435	1,660,081,435
Interest in Subsidiary: Long Term Loans	-	-	-	-	124,987,951	124,987,951	124,987,951
Total Financial Assets	45,694,981	156,245,279	1,048,586,207	488,566,975	124,987,951	1,864,081,393	1,864,081,393
Payables	3,837,925	-	-	11,437,402	-	15,275,327	15,275,327
Short-Term Loans	-	-	-	140,714,478	-	140,714,478	140,714,478
Bonds and Loans Payable	-	-	122,478,218	222,953,532	-	345,431,750	345,431,750
Total Financial Liabilities	3,837,925	-	122,478,218	375,105,412	-	501,421,555	501,421,555
	41,857,056	156,245,279	926,107,989	113,461,563	124,987,951	1,362,659,838	1,362,659,838

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Risk Management (Cont'd)

Risk Management Framework (cont'd)

(c) Liquidity Risk (cont'd)

Bank

	2018						
	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	8,589,729	-	-	-	-	8,589,729	8,589,729
Certificates of Deposit	-	13,294,119	3,386,326	-	-	16,680,445	16,680,445
Resale Agreements	-	7,938,823	-	-	-	7,938,823	7,938,823
Receivables	1,387,443	20,629,050	-	-	-	22,016,493	22,016,493
Loans Receivables	16,274,475	136,524,848	1,018,715,137	979,085,055	-	2,150,599,515	2,150,599,515
Interest in Subsidiary: Long Term Loans	-	-	-	-	124,850,511	124,850,511	124,850,511
Total Financial Assets	26,251,647	178,386,840	1,022,101,463	979,085,055	124,850,511	2,330,675,516	2,330,675,516
Payables	3,837,925	-	-	3,367,643	-	7,205,568	7,205,568
Short-Term Loans	-	-	442,972,000	-	-	442,972,000	442,972,000
Bonds and Loans Payable	-	-	122,478,218	350,000,000	-	472,478,218	472,478,218
Total Financial Liabilities	3,837,925	-	565,450,218	353,367,643	-	922,655,786	922,655,786
	22,413,722	178,386,840	456,651,245	625,717,412	124,850,511	1,408,019,730	1,408,019,730

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

28. 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.

29. 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	
	2019	2018	2019	2018
	$	$	$	$
Assets				
Loans and Receivables	1,660,081,435	2,150,599,515	2,072,427,964	1,979,534,242
Liabilities				
Short Term Loans	140,714,478	442,972,000	140,714,478	442,972,000
Bonds and Loans Payable	345,431,750	472,478,218	345,431,750	525,581,377
	486,146,228	915,450,218	486,146,228	968,553,377

Bank

	Carrying Amount		Fair Value	
	2019	2018	2019	2018
	$	$	$	$
Assets				
Loans and Receivables	1,660,081,435	2,150,599,515	2,072,427,964	1,979,534,242
Investment in Subsidiary	124,987,951	124,850,511	124,987,951	124,850,511
	1,785,069,386	2,275,450,026	2,197,415,915	2,104,384,753
Liabilities				
Short Term Loans	140,714,478	442,972,000	140,714,478	442,972,000
Bonds and Loans Payable	345,431,750	472,478,218	345,431,750	525,581,377
	486,146,228	915,450,218	486,146,228	968,553,377

29. 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 2019 and 31st March 2018 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

	2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets for which fair value is disclosed:				
- Loans Receivables	-	2,072,427,964	-	2,072,427,964
Liabilities for which fair values are disclosed:				
- Short Term Loans	-	140,714,478	-	140,714,478
- Bonds and Loans Payable	-	345,431,750	-	345,431,750
	-	486,146,228	-	486,146,228

	2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets for which fair value is disclosed:				
- Loans Receivables	-	1,979,534,242	-	1,979,534,242
Liabilities for which fair values are disclosed:				
- Short Term Loans	-	442,972,000	-	442,972,000
- Bonds and Loans Payable	-	525,581,377	-	525,581,377
	-	968,553,377	-	968,553,377

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.

30. Commitments

Loans approved but not disbursed by the Group and the Bank at 31st March 2019 amounted to approximately $3,391,482,000 (2018: $85,400,000).

31. 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.

	2019 $	2018 $
Cost of Administration of Mortgage Insurance Fund		
Bank Charges and Interest	20,000	19,581
Professional and Other	2,389,523	12,550
Audit Fees	643,040	200,000
Total Costs	3,052,563	232,131
Funded by:		
Contribution of:		
Two-fifths of Mortgage Insurance fees	1,495,581	2,037,509
Loan Investigation Fees	127,500	166,896
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	617	617
	1,623,698	2,205,022
Paid/(Recovered) by the Mortgage Insurance Fund	1,428,865	(1,972,891)
Total Funding	3,052,563	232,131

32. 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.

Financial Statements for JMB Developments Ltd

for the year ended 31st March 2019

Crowe

Crowe Horwath Jamaica
Corporate Head Office
47-49 Trinidad Terrace,
Kingston 5

Main 876 926 5210
Fax 876 754 7935
www.crowe.com/jm

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 2019, 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 2019, 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 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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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.

LOCATIONS:

KINGSTON
Oxford House,
6 Oxford Road,
Kingston 5

T: +876-926-3562
F: +876-929-1300

MANDEVILLE
3rd Floor,
14 Caledonia Road,
Mandeville,
Manchester

T: +876-627-9048 / 630-2011

RUNAWAY BAY
Lot 33 & 34,
Cardiff Hall,
Runaway Bay,
St. Ann

T: +876-627-9048 / 630-2011

MONTEGO BAY
Unit 22, Block C,
Fairview Office Park 11,
Montego Bay,
St. James

T: +876-627-9048 / 630-2011

Crowe

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.

Crowe

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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Dawkins Brown.

Crowe Horwath Jamaica

Crowe Horwath Jamaica

June 26, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2019 $	2018 $
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		(137,136,952)	(136,999,512)
Total Deficiency in Assets		(137,136,950)	(136,999,510)
LIABILITIES			
Loan Payable to Parent	8	124,987,952	124,850,512
Payables		150,000	150,000
Deposit	8	12,000,000	12,000,000
Total Liabilities		137,137,952	137,000,512
TOTAL DEFICIENCY IN ASSETS AND LIABILITIES		**1,002**	**1,002**

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 26, 2019 AND SIGNED ON ITS BEHALF BY:

MR. CLEVELAND STEWART
CHAIRMAN

MR. RYAN PARKES
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
Administrative Expenses:		
Professional Fees	(137,440)	(231,080)
Net Loss being Total Comprehensive Expense for the Year	(137,440)	(231,080)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Accumulated Deficit	Total
	$	$	$
Balance as at April 1, 2017	2	(136,768,432)	(136,768,430)
Net Loss being Total Comprehensive Expense for the Year	-	(231,080)	(231,080)
Balance as at March 31, 2018	2	(136,999,512)	(136,999,510)
Net Loss being Total Comprehensive Expense for the Year	-	(137,440)	(137,440)
Balance as at March 31, 2019	2	(137,136,952)	(137,136,950)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019	2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the Year, being net cash used in Operating Activities	(137,440)	(231,080)
Increase / (Decrease) in Operating Liabilities		
Payables	-	50,000
Net Cash Used in Operating Activities	(137,440)	(181,080)
Cash Flows from Financing Activities:		
Increase in Loan Payable to Parent	137,440	181,080
Net Cash Provided by Investing Activities	137,440	181,080
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:

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.

IAS 12 - Income Taxes -Recognition of Deferred Tax Assets for Unrealised Losses (Effective January

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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 Company's financial statements.

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):

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.

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):

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

Improvements to IFRS 2014–2016 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2017 and 2018. The main amendment is as follows:

- **IAS 28: Investments in Associates and Joint Ventures (2011) (Effective January 2018)**

  Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(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 28: Investments in Associates and Joint Ventures (2011) Long-term Interests in Associates and Joint Ventures (Effective January 2019)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Effective January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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 2019 and 2020 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

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

(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.

(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

(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.

6. Property, Plant & Equipment -

	Plant and Machinery $
At Cost or Valuation:	
April 1, 2017, March 31st, 2018 and March 31st 2019	110,000
Accumulated Depreciation:	
April 1, 2017, March 31st, 2018 and March 31st 2019	110,000
Net Book Value:	
March 31st 2018 and 2019	-

7. Share Capital

	2019 $	2018 $
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

	2019 $	2018 $
Loan Payable To Parent	124,987,952	124,850,512

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:

	2019 $	2018 $
Auditors' Remuneration - Current Year	-	50,000
Professional Fees	105,065	144,780
Asset Tax	15,025	15,025
Property Taxes	17,350	21,275
	137,440	231,080

10. Tax Losses

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 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 $94.22 million (2018: $94.31 million).

Potential deferred tax asset of approximately $23.55 million (2018: $23.58 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, 2019.

Financial Statements for the Mortgage Insurance Fund and Mortgage Insurance Reserve Fund

for the year ended 31st March 2019

Crowe

Crowe Horwath Jamaica
Corporate Head Office
47-49 Trinidad Terrace,
Kingston 5

Main 876 926 5210
Fax 876 754 7935
www.crowe.com/jm

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 2019, 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 2019, and of the changes in fund balances and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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.

LOCATIONS:

KINGSTON
Oxford House,
6 Oxford Road,
Kingston 5

T: +876-926-3562
F: +876-929-1300

MANDEVILLE
3rd Floor,
14 Caledonia Road,
Mandeville,
Manchester

T: +876-627-9048 / 630-2011

RUNAWAY BAY
Lot 33 & 34,
Cardiff Hall,
Runaway Bay,
St. Ann

T: +876-627-9048 / 630-2011

MONTEGO BAY
Unit 22, Block C,
Fairview Office Park 11,
Montego Bay,
St. James

T: +876-627-9048 / 630-2011

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.

- 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 our audit.

Crowe

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)

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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Dawkins Brown.

Crowe Horwath Jamaica

Crowe Horwath Jamaica

June 17, 2019

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2019 $	2018 $
ASSETS:			
Non-Current Assets			
Cash and Cash Equivalents		6,069,337	57,791,141
Investments	5	1,455,001,572	1,024,028,061
Receivables	6	102,172,136	148,026,724
Due From Related Party	7	27,893	250,230,343
Property, Plant and Equipment	8	-	-
		1,563,270,938	1,480,076,269
LIABILITIES:			
Accounts Payable		-	801,002
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund		80,508	79,889
Due To Related Party	7	200,000	124,826
		280,508	1,005,717
NET ASSETS		**1,562,990,430**	**1,479,070,552**
Represented By:			
ACCUMULATED SURPLUS		**1,562,990,430**	**1,479,070,552**

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 17, 2019 **AND SIGNED ON ITS BEHALF BY:**

MR. CLEVELAND STEWART
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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
Increase in Fund:		
Three-fifths of Mortgage Loan Insurance Fees	2,243,372	3,158,750
Investment Income	91,153,853	86,709,733
Interest Income on Loans	13,949,194	16,610,272
Miscellaneous Income	9,244,660	12,065,855
	116,591,079	118,544,610
Decrease in Fund:		
(Paid)/Recovered by the Bank as Contribution towards the cost of administering the Mortgage Insurance Act	(1,429,487)	1,972,275
Administration Charges paid to the Bank	(31,241,714)	(27,096,335)
	(32,671,201)	(25,124,060)
Net Increase in Fund Balance for the Year	83,919,878	93,420,550
Fund Balance at the Beginning of the Year	1,479,070,552	1,385,650,002
Fund Balance at the End of the Year	1,562,990,430	1,479,070,552

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Fund Balance for the Year	83,919,878	93,420,550
Decrease/(Increase) in Operating Assets		
Due from Jamaica Mortgage Bank	250,202,450	(230,343)
Trade and Other Receivables	45,854,588	107,775,001
(Decrease)/Increase in Operating Liabilities		
Accounts Payable	(801,002)	200,000
Due to Mortgage (Government Guaranteed Loans)		
Insurance Reserve Fund	619	1,028
Due to Jamaica Mortgage Bank	75,174	124,826
Net Cash Provided by Operating Activities	379,251,707	201,291,062
Cash Flows from Investing Activities:		
Additions to Investments	(430,973,511)	(144,766,931)
Net Cash Used in Investing Activities	(430,973,511)	(144,766,931)
Net (Decrease)/Increase in Cash and Cash Equivalents	(51,721,804)	56,524,131
Cash and Cash Equivalents at the Beginning of the Year	57,791,141	1,267,010
Cash and Cash Equivalents at the End of the Year	6,069,337	57,791,141

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
ASSETS		
Due from Mortgage Insurance Fund	79,487	79,889
Government of Jamaica Investment Debenture	15,779	15,779
	95,266	95,668
Represented By:		
ACCUMULATED SURPLUS	95,266	95,668

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON June 17, 2019 **AND SIGNED ON ITS BEHALF BY:**

MR. CLEVELAND STEWART
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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
(Decrease)/Increase in Fund:		
One-half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act	(402)	1,028
	(402)	1,028
Net (Decrease)/Increase in Fund for the Year	(402)	1,028
Fund Balance at the Beginning of the Year	95,668	94,640
Fund Balance at the End of the Year	95,266	95,668

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 2019
(Expressed in Jamaican Dollars unless otherwise indicated)

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Decrease)/Increase in Fund Balance for the Year	(402)	1,028
Decrease/(Increase) in Operating Assets:		
Due from Mortgage Insurance Fund	402	(1,028)
Net Cash Used in Operating Activities	-	-
Cash Flows from Investing Activities:		
Additions to/(Encashment of) Investments	-	-
Net Cash Provided by Investing Activities	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Year	-	-
Cash and Cash Equivalents at the End of the Year	-	-

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

1. Corporate Information

(a) The Mortgage Insurance Fund

(i) Establishment and Functions

The Mortgage Insurance Fund (the "Fund") was established under Section 9 of the Mortgage Insurance Act (the "Act"). Under Section 25 of the Jamaica Mortgage Bank Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank 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:

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.

This affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of this amendment had no material impact on the company'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:

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, Amendments and Interpretations in respect of published standards which are in effect: (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.

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation (Effective January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

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):

Amendments to References to the Conceptual Framework in IFRS Standards (Cont'd)

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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.

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

(d) Investments - (cont'd)

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.

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 entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

5. Investments - Mortgage Insurance Fund -

	2019 $	2018 $
Government of Jamaica:		
Repurchase Agreements	339,750,346	42,595,209
Investment Bonds	773,466,707	764,222,085
	1,113,217,053	806,817,294
Time Deposits	303,548,833	180,955,134
Deferred Shares	25,187,930	25,286,952
Accrued Interest	13,047,756	10,968,681
	1,455,001,572	1,024,028,061

6. Receivables -

	2019 $	2018 $
Other Receivable	1,207	1,207
Withholding Tax Recoverable	102,170,929	148,025,517
	102,172,136	148,026,724

7. Due From/(To) Related Party:

	2019 $	2018 $
Balances outstanding at the end of the reporting period:		
Due from Jamaica Mortgage Bank	27,893	250,230,343
Due to Jamaica Mortgage Bank	(200,000)	(124,826)
Income incurred during the reporting period:		
Administration fees - Jamaica Mortgage Bank	31,241,714	27,096,335

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 2017	114,598	114,598
31st March 2018	114,598	114,598
31st March 2019	114,598	114,598
Accumulated Depreciation:		
31st March 2017	114,598	114,598
31st March 2018	114,598	114,598
31st March 2019	114,598	114,598
Net Book Value:		
31st March 2017	-	-
31st March 2018	-	-
31st March 2019	-	-

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.

<u>Determination of Fair Value:</u>

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 $787 million (2018 - $775 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.

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

	2019	2018
	$	$
Cash and Cash Equivalents	6,069,337	57,791,141
Investments	1,455,001,572	1,024,028,061
Receivables	102,172,136	148,026,724
Short Term Loan - Due From Jamaica Mortgage Bank	27,893	250,230,343
	1,563,270,938	1,480,076,269

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

	2019	2018
	$	$
Due from Mortgage Insurance Fund	79,487	79,889
Government of Jamaica Investment Debenture	15,779	15,779
	95,266	95,668

(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 2019

	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		-	-	-	-	6,069,337	6,069,337
Investments	7	590,764,573	65,582,361	25,187,930	773,466,708	-	1,455,001,572
		590,764,573	65,582,361	25,187,930	773,466,708	6,069,337	1,461,070,909

31st March 2018

	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		-	-	-	-	57,791,141	57,791,141
Investments	5.09	165,263,581	19,255,443	75,286,952	764,222,085	-	1,024,028,061
		165,263,581	19,255,443	75,286,952	764,222,085	57,791,141	1,081,819,202

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, 2018, indicated a surplus balance of approximately $1,479 million, with Actuarial Reserve estimated to be approximately $15.9 million.