JAMAICA MORTGAGE BANK

Facilitating Home Ownership

2020
Annual Report

Financing
Safe & Affordable
Housing Solutions

FULFILLING THE DREAM OF HOME OWNERSHIP

Facilitating *Home* Ownership

JAMAICA MORTGAGE BANK

Our Core Functions

- The mobilization of loan funds for on-lending to public and private sector housing developers and other lending institutions
- The operation of a secondary mortgage market facility
- The provision of mortgage insurance services as set out in the mortgage insurance law no. 26 of 1960, whereby loans made to purchasers of residential dwellings can be insured.

In order to carry out its mandate the JMB may:

- Guarantee loans made from private investment sources for building development
- Sell investments of whatever kind belonging to the bank as and when appropriate
- Lend money for the construction of premises for private residential purposes or of a commercial or industrial nature using the real estate as security
- Lend money on mortgage and carry out any other transactions involving mortgages
- Provide financial advice and or assist in obtaining managerial, technical and administrative services for persons engaged in building development in Jamaica

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Letter of Transmittal

July 1, 2020

Honourable Daryl Vaz, MP
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, 2020 and a copy of the Statement of the Bank's Accounts as at March 31, 2020, duly certified by the Auditors.

Yours respectfully,

....
Mr. Michael Shaw
Chairman
Board of Directors

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 Operations

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

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

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

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

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

The Bank's current operations fall into 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 an increasingly challenging construction financing market. Within the past three years, other large financial institutions looking to diversify their portfolio, have leveraged their capital strength to compete more aggressively in the space.

Further, the increased activity in the construction sector, evidenced by the 2.8 per cent growth reported in the Planning Institute of Jamaica (PIOJ) Economic and Social Survey Jamaica (ESSJ) 2018, together with, the improving macroeconomic environment, as well as the low barrier to entry, has made the space more favorable for competition. Nonetheless, lower borrowing rates and JMB's vast experience, augmented by its organic technical expertise in the market, have allowed the Bank to aggressively compete and surmount the challenges while continuing to effectively execute its mandate of facilitating affordable housing solutions for Jamaicans.

The Board of Directors is therefore pleased to present the Bank's Annual Report for the financial year ended March 31, 2020.

Economic Overview

During the 2019/2020 fiscal year, Jamaica maintained a positive macro-economic environment. However, the PIOJ reported a decline in the growth rate as reflected in a 0.1 per cent GDP growth, when compared to the 2.8 per cent growth experienced for the 2018/19 year. In fact, the PIOJ has estimated a 1.7 per cent decline in GDP in the first quarter of calendar 2020.

For the review period 2019/20, the PIOJ also reported a 1.8 per cent decline in Construction compared to the same period of the prior year. The Real Estate sector, however, increased by 0.6 per cent compared to 2018/2019.

During the reporting period the country terminated its three-year precautionary Stand-By Arrangement (SBA) with the International Monetary Fund (IMF). Up to the start of the COVID-19 pandemic in late 4th quarter, Business and Consumer Confidence remained fairly strong, coupled with increased private sector credit and relatively low inflation. The ESSJ-2018, reports that the World Bank's "Doing Business 2019" assessed Jamaica as one of the best performing countries in the Latin America and Caribbean region.

The Government's 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"), was further challenged by the onset of the COVID-19 pandemic. Business, social and general economic activities have been severely curtailed by the pandemic. Despite the accompanying displacements and shocks brought on by the pandemic to both the Jamaican and global economies, the JMB continues to support the Government's ambitious but necessary growth target, recognizing that consistent and strong economic performance is critical to improving the lives of the majority of the Jamaican people, particularly through initiatives that foster and facilitate home ownership. The other key macro-economic indicators are discussed below.

Inflation: The rate of inflation for 2019 was 6.2 per cent compared to 2.4 per cent for 2018. The Statistical Institute of Jamaica (STATIN) reports that both the point-to-point and fiscal year-to-date inflation was 4.8 per cent while the calendar year-to-date inflation was -0.7 per cent. STATIN explained that the downward movement in March was mainly a result of a 1.8 per cent reduction in the Consumer Price Index (CPI) for the "Housing, Water, Electricity, Gas and other Fuels" division. This was due to lower rates for electricity which itself resulted in a 3.7 per cent fall in the division. The reduction in "Electricity, Gas and other Fuels" was tempered by higher water rates as reported in the 1.7 per cent increase in the group "Water Supply and Miscellaneous Services Related to Dwelling". Movement in the heaviest weighted division, 'Food and Non-Alcoholic Beverages' (-0.2 per cent), was impacted significantly by lower prices for agricultural produce but moderated by a 0.5 per cent increase in the "Transport" division due mostly to higher petrol prices.

Inflation targeting has become a key strategy of the Central Bank which is targeting inflation rates of between 4 per cent and 6 per cent over the next eight quarters. This is in support of the Government's plans to stimulate faster economic growth whilst pursuing its debt reduction strategy.

Exchange Rate: The Jamaican Dollar depreciated relative to the US dollar by approximately 4.2 per cent in 2019, indicating a moderate reduction in purchasing power. This depreciation followed a 2.2 per cent strengthening of the US dollar against the local currency in the prior year compared to 2017. As at the end of March 2020, the local currency continued to slide, moving from $133.94:US$1 in December 2019 to $136.05:US$1 (representing a 1.57 per cent decline).

Net International Reserves (NIR): At the end of 2019 the NIR of US$3.162B was US$131.6M higher than the position at the end of 2018.

Interest Rate: Interest Rate on the benchmark Six-Month Treasury Bill (T-Bill) decreased from 2.07 per cent in December 2018 to 1.59 per cent at the end of December 2019. Similarly, there were year over year declines in the 30-day and 90-day T-Bill interest rates. As at March 31, 2020 the Six-Month Treasury Bill rate improved to 1.79 per cent, relative to the December 2019 position.

Growth: According to the ESSJ 2018 report, Jamaica's GDP grew by 1.9 per cent during 2018 which represented the sixth consecutive year of growth. However, per the PIOJ website, economic growth for 2019 was 0.1 percent primarily influenced by a 1.4 per cent decrease in the goods producing industry, attributable to the impact of the temporary closure of Jiuquan Iron & Steel Co. (JISCO). The service industry showed a year over year increased output of 0.7 per cent, led by a 3 per cent increase in financial and insurance services. The PIOJ has estimated a further 1.7 per cent decline in the economy for the 1st quarter 2020/2021, primarily attributable to the continued JISCO closure, downturn in the wider construction industry, and the impact of the COVID-19 pandemic on the tourism sector in particular. The construction sector is expected to decline by an estimated 2 per cent in the 1st quarter of 2020/2021 due to the winding down of the road infrastructure works, the slow start-up of new works and the continued slowdown of building activities.

Employment: With the macroeconomic improvements in evidence, ESSJ 2018 reported that the Jamaican labour market had made advancements and reflected gains in key indicators. Per the Statistical Institute of Jamaica's website, the local unemployment rate continued to improve, closing January 2020 at 7.3 per cent, compared to 8.0 per cent over the same period for the previous year. The average unemployment rate for women, while declining, was still higher than that for men: 9.0 per cent versus 5.9 per cent, (2019:10.3 per cent and 6.1 per cent respectively). The unemployment rate for youth (20 to 24 years) showed improvement, moving from 19.7 per cent to 16.3 per cent for January 2020. The onset of the COVID-19 pandemic in March 2020 resulted in a phased shutdown of the economy. The JMB therefore, anticipates that the rest of the year should witness significant reversals in the gains reported.

COVID 19 Statement: On the 10th March 2020, Jamaica recorded its first case of COVID-19 (an imported case). Since then, cases have gradually climbed. In line with global best practices and trends, various strategies are being executed towards stemming the spread and containing the economic effects of the virus. As part of the raft of measures implemented, the GOJ announced an economic stimulus package and approached the IMF for support by way of a US$520M Rapid Finance Loan. Although the 4th Quarter results of the Jamaican economy have been adversely affected by the COVID-19 pandemic, the overall results of the Bank were not negatively impacted. However, the Bank expects, that like the rest of the economy, a significant fallout should be experienced during the next fiscal year, with the extent depending on the duration of the pandemic.

Construction Sector and Housing Sub-Sector

Performance of the housing market in Jamaica is influenced by housing stock (existing and new), demand and involvement of stakeholders such as government agencies, developers, development financiers, real estate professionals and mortgagees. According to the Chief Technical Director in the Ministry of Economic Growth and Job Creation, Doreen Prendergast (PAAC, December 6, 2018), there is an annual shortfall of 15,000 housing solutions. As such, there is primarily a government driven effort to produce new inventory to meet the demand while contributing to GDP growth. Private developers are also active, primarily around the Kingston & St Andrew and St Catherine urban centres. A number of indicators and factors are examined below to determine the market's status and outlook.

Housing starts have increased over the last five years by 60 per cent with starts increasing by 1,223 (as per ESSJ 2018 – which represents a portion of residential construction as some building activities by private developers are not adequately captured). Although the growth may be viewed as rapid, the output remains substantially below the 15,000 units required each year.

Housing Starts 2014 – 2018

(Portion of residential Construction) - ESSJ, 2018

Entities	2014	2015	2016	2017	2018
NHT	1,549	1,270	3,024	3,277	3,247
Other	490	197	-	1,003	15
Total	**2,039**	**1,467**	**3,024**	**4,280**	**3,262**

The Jamaican mortgage market is served by the National Housing Trust (NHT), Building Societies, Commercial Banks, Credit Unions and Life Insurance Companies.

According to the ESSJ 2018, as seen in Table 1, in 2018 the NHT accounted for 50.6 per cent of mortgage values, with the building societies and commercial banks contributing 43.9 per cent and the share of credit unions and life insurance companies amounting to 5.4 per cent.

Table 2 - Average Mortgage Values

2014 - 2018 in $Millions - ESSJ, 2018

Entities	2014	2015	2016	2017	2018
NHT	2.80	2.86	3.14	3.35	4.02
Building Society & Commercial Banks	7.93	8.75	9.66	9.91	8.62
Life Insurance Companies	7.62	15.21	9.00	9.43	9.81
Credit Unions	0.72	0.36	0.48	0.55	0.57
Annual Average	2.54	2.31	2.78	3.36	3.79

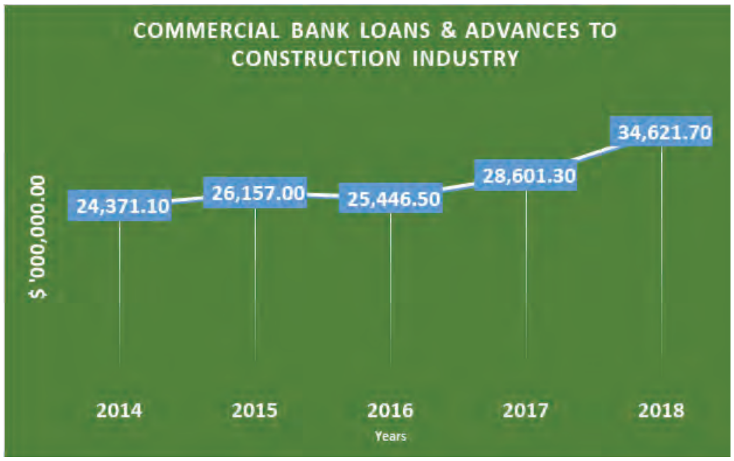
The survey reflected a 10 per cent increase in mortgage volume (14,771 from 13,428) with a 64 per cent increase mortgage value ($55,957M from $34,167M). It further indicates a relative increase of building societies and

Table 1 - Mortgages by Major Agencies 2014 - 2018 - ESSJ, 2018

	2014		2015		2016		2017		2018	
	#	$M	#	$M	#	$M	#	$M	#	$M
NHT	6,324	17,711	5,964	17,080	5,467	17,159	6,368	21,345	7,053	28,335
Building Societies & Commercial Banks	1,526	12,099	1,639	14,349	1,765	17,042	2,910	28,838	2,854	24,589
Life Insurance Companies	53	404	42	639	29	261	35	330	27	265
Credit Unions	5,525	3,953	7,409	2,655	6,229	2,976	6,841	3,796	4,837	2,768
TOTAL:	13,428	34,167	15,054	34,723	13,490	37,438	6,154	54,309	14,771	55,957

*ESSJ 2018 is the last published report.

Figure 1- Commercial Bank Loans & Advances to Construction Industry 2011-2018



commercial banks' role in the market as despite the NHT's 60 per cent increase in value ($17,711M to $28,335M), the combined building societies and commercial banks market share moved from 11.4 per cent to 43.9 per cent over the period.

This resulted from a 103 per cent increase in building societies' and commercial banks' value over the period ($12,099M to $24,589M). Also of note is the 48 per cent increase in the average value of mortgages over the period (see Figure 1). Building societies' and commercial banks' average more than doubled that of the NHT.

These observations suggest the following:

- There is an increased demand and/or accessibility for/to mortgages.
- The NHT, despite its large capital base, low interest rates and fees, is losing market share (value). This may point to a need for further lending policy review by the Trust to provide increased access to financing to a broader cross section of the population it is meant to serve.
- The costs of housing solutions have increased as mortgage values have increased 54 per cent more than mortgage volumes.

The residential development financing market is served by government entities (NHT, JMB) and private entities (commercial banks, building societies and investment entities e.g. REITs). These entities support the construction of these projects via short term loans which are recouped from the sale of the units by developers. Except for JMB, most of these financiers also provide long-term financing by way of mortgages to facilitate home ownership.

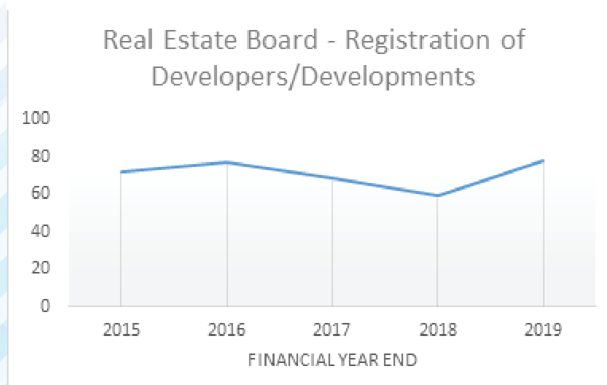
The ESSJ 2018 survey reported a $10,250.6M (42 per cent) increase in advances to the Construction Industry by commercial banks in 2017 / 2018.

Registered Developers / Developments

In regard to developer/developments, the Real Estate Board recorded an increase of 8 per cent between 2015 and 2019 of the number of developers /developments registered (see Figure 2) with that entity which underscores efforts by private developers to bridge the demand/supply gap.

The increase in mortgages, registered developments and advances by commercial banks to the industry is indicative of the continuous growth of residential development, and by extension, the need for financing for these ventures. Additionally, the growth in the average value of mortgages invites a conversation about increased property values and higher percentage mortgages (Loan to Value).

Figure 2 - Registration volume of developments / developers with REB 2015-2019



Based on these indicators, Jamaica Mortgage Bank, being an interim financier and the administrator of the Mortgage Indemnity Insurance product is well positioned to maintain its relevance and importance in the housing market.

COVID-19 Impact on Housing Construction & the JMB

During the end of the 4th quarter, the COVID-19 pandemic presented several challenges for the construction sector, including a slowing down or halting of works, delays in direct imports by developers and general uncertainty regarding how the sector will emerge after the threat has passed. The Bank consulted with the major players within the industry and observed that there was no indication of a shortage of material and that imports from the main markets such as Brazil and Spain were unaffected as those raw material sources remained operational.

More recently, imports from China were reported to be back to normal and supplies of aggregate, steel and cement were readily available. Work crews were however scaled down based on Government established protocols limiting groups to 10 persons per gathering and setting physical distancing standards.

In the latter part of the 4th quarter 2019/2020, in spite of the pandemic and shutdown, the Bank took the decision to retain all of its staff during the period of impact. The Bank, in addition to complying with the Government's quarantine protocols, implemented several internal strategies to balance safety and business continuity. The Bank used technology to establish virtual work protocols, as well as, took advantage of the limited exemptions afforded to the financial sector under the Disaster Risk Management Act, to ensure our operations were not severely impacted.

Strategy and Performance

As mentioned above, the Jamaica Mortgage Bank continues to face the challenge of an increasingly competitive space as financial institutions look to diversify their loan book. Nonetheless, for the 2019/2020 year, in light of the continued growth in the construction sector, driven by expansion and upgrade of road infrastructure, and increased residential construction, the JMB maintained its 4-year strategic plan implemented in 2018 / 2019.

The strategy was employed 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. Creating a niche market by becoming the lender of choice for the small and medium sized developers segment;
2. Diversifying 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, doubling 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. Employing its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers;
5. Maintaining laser-like focus on the management of the loan portfolio to reduce the occurrence of bad loans;
6. Raising equity capital through the GOJ divestment program using the modality of Initial Public Offer (IPO), effectively transitioning from a Statutory Government entity to a private enterprise;
7. Continuing the JMB's culture of strategic thinking that innovates big creative ideas that redound to the prosperity of the Bank and the Jamaican community.

Overall Performance

For the 2019 / 2020 financial year, the Jamaica Mortgage Bank experienced year over year (YoY) growth in profits and improvements in some key areas of its operations, notably, an increase in the net loan portfolio. Total project funding doubled, compared to the previous year and disbursements are expected to significantly increase in the coming year as the Bank continues to fund affordable housing solutions. New loan commitments totaling $2.1B were approved during the review period, of which most were un-disbursed at year-end for varying reasons. This means that the commitment pool will provide fertile soil for robust portfolio growth from very early in the next financial year.

For the financial year 2019 / 2020, the Bank projected to commit J$2.1B to finance 188 housing solutions through its Primary Market programme. Given the level of demand, the highly motivated project team, and a supportive leadership, the Bank was able to commit $2.1B during the year, to start 128 solutions, primarily to its targeted small and medium-sized developers.

The average loan size was $297M, to construct an average of 19 housing solutions. At the end of the 2019/2020 year, JMB had a total of 17 projects at various stages of completion, with cumulative commitments amounting to $6.2B to construct an aggregate 499 housing solutions, or an average of $365M to construct an average of 29 solutions altogether.

The Bank also disbursed approximately $1.2B to fund new commitments as well as finance the completion of approximately 60 solutions carried over from previous periods. No disbursements were funded by syndication arrangements for the reporting period.

Lower lending rates resulted in a decline in year over year revenues by 16.3 per cent or $72.3M, moving from $443.9M to $371.6M for the financial year 2019/2020; however, interest expenses from borrowing decreased by 59.7 per cent given the lower 180 day T-Bill. Management was able to also reduce total expenses, excluding Expected Credit Loss provisions, by 13.9 per cent or $28.7M, resulting in a 30.6 per cent increase in JMB's year over year profit before taxes. This performance marks the sixth consecutive year of increased pre-tax profits and a change in the fortunes and future prospects of the Bank.

For the 2019/2020 year, the Bank borrowed $2.1B from the private capital market and paid out $1.9M 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 collected and recovered over $395.8M 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, was a write-back of over $139M for "Expected Credit Loss" (ECL). This contributed significantly to the Bank's profitability and reversed some of the $272.6M charged against retained earnings at the start of the financial year, as an initial recognition of the standard of IFRS 9.

Mortgage Indemnity Insurance (MII)

Over the review period, the Bank continued to experience an uptick in the usage of the Mortgage Indemnity Insurance (MII) product, resulting largely from 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 MII achieved a 155.7 per cent year over year increase in Undertakings to Insure (UTI), and 172.4 per cent increase in the value of UTIs.

During the 2018/2019 year, the Bank proactively removed the limit on the appraised value of residential properties covered and also began to provide coverage for commercial properties with an appraised value of up to $100M. The Bank also changed the acceptable risk profile of potential home buyers by increasing the required Debt Service Ratio (DSR) from 40 per cent to 45 per cent. 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 within which JMB operates, risk management is critical to minimize financial losses while allowing the Bank to capitalize on available opportunities. With that recognition, the Bank developed its Enterprise Risk Management Framework (ERMF) 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 ERMF 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 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 ERMF are to: -

a. Provide a structured approach to addressing risks from beginning to end;
b. Ensure risk management is adopted throughout the organization as a prudent management practice; and
c. 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 ERMF 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 to 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

Given the anticipated impact on the Jamaican Government's operations and fiscal space resulting from the stimulus package to buffer the shock of the COVID-19 pandemic, Ministries, Departments and Agencies (MDAs) and Statutory Bodies were asked to revisit and revise their 2020/2021 budgets previously submitted to the MOFP.

In reviewing the original projections, the Bank was guided by the associated impacts and took the following decisions:

- Not to mobilize new projects in the first quarter (April to June 2020)
- Commence new projects three to six months later than initially planned
- Limit loan disbursements for April and May 2020

Consideration was also given to offering a reprieve to projects in active construction especially if the country went into total lockdown. One such consideration was the non-accrual of interest on these loans for a specific period. This would further adversely impact revenues but would demonstrate to our stakeholders that the Bank was mindful of the challenges and remind them of JMBs commitment to their success.

Given the analysis, assessments and assumptions of the 2020/2021 situation, it is anticipated that the Bank's revenues will be impacted, but will be offset by a commensurate reduction in borrowing cost and operating expenses, thereby resulting in a near zero impact on comparative net income before taxes.

Despite the COVID-19 situation, the Bank will be moving ahead with 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 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 to facilitate 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 continued its trend of improved profitability for the sixth consecutive year 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 unmet market for housing solutions geared towards the low-middle and middle-income earners. As mentioned above, the extent of this unmet demand is supported by the 2018 report to PAAC by the Chief Technical Director in the Ministry of Economic Growth and Job Creation, Mrs. Doreen Prendergast. 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 partners in 2020/2021 to raise approximately two Billion Dollars ($2B) 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 Prime Minister, The Most Honourable Andrew Holness, ON, MP, Prime Minister and Ministers without portfolio in the Ministry of Economic Growth and Job Creation (MEGJC), the previous 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 MEGJC, and thanks them for their contribution to its operations 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 and external auditors. 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

Mr. Michael Shaw
Chairman

Board of Directors

Michael Shaw holds a professional MBA in Management and is a business man. Mr. Shaw has a vast experience in the Finance and Banking sector. He has served in the positions of Vice President of the Bank of Nova Scotia Jamaica, and Managing Director of Bank of Nova Scotia, Belize.

Courtney A.B. 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 is an Accountant by profession 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.

Corporate Governance Report

The Board and Management of the Jamaica Mortgage Bank (JMB or the Bank) are committed to the highest standards of corporate governance in its management of the Bank and its accountability to our shareholder and other stakeholders.

Strong Leadership and strong corporate governance are integral parts of the Bank's culture. This is evidenced by the JMB's strict compliance with the Government of Jamaica's Corporate Governance Framework 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 responsible for stewardship, governance and oversight and for setting the strategic direction of the Bank. It has overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews and corporate governance principles.

The JMB for the third year entered the Public Sector Corporate Governance awards competition and again performed exceptionally well.

The Bank copped the Award for 2nd Runner up for Risk Measurement, Management and Internal Controls and was awarded the Most Improved Public Body in Corporate Governance, which was a new category for the competition.

Board Meetings

Board meetings were held for a total of twelve (12) times for the financial year 2019/2020 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, Projects and Legal Reports, along with reports from the various Board Committee Meetings.

During the year, a total of seven (7) projects were approved at a value of $2.1 B for the construction of 128 housing units. The Board also considered and approved the following policies throughout the year, to enhance the governance structure of the Bank:

- JMB Whistleblower Policy
- JMB Board Dispute Resolution Policy
- JMB Stakeholder Engagement & Communication Policy
- JMB Fraud Policy

The Bank held its annual Board and Management Retreat in November 2019 to discuss and approve the Organisation's Corporate Strategic Goals and Objectives for the period 2020/2021 to 2023/2024.

The Budget and the Operational Plan for the upcoming financial year 2020/2021 were also discussed and approved, which set out the strategic direction for the Bank. The Minister with Responsibility for the Bank, Senator the Honourable Pearnel Charles Jnr. was also in attendance and he provided some guidance for the Bank's strategic direction.

Board Of Directors Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
*Michael Shaw	12	7 of 7	-
Hugh Faulkner	12	11 of 12	1
Tiva Forbes	12	11 of 12	1
Louis Campbell	12	5 of 12	3
Courtney Hamilton	12	11 of 12	1
Ryan Parkes	12	4 of 12	5
Doreen Prendergast	12	11 of 12	1

*Mr. Michael Shaw became a member of the Board and Board Chairman as at September 13, 2019.

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 timeframe:

- Four Year Corporate Plan, One-Year Operating Plan and Operating and Capital Budgets for the FY 2020/2021
- 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 2018/2019

Board Diversity

As at March 31, 2020, the Board appointed by the Minister to govern the JMB comprised members with a diverse background. The Board currently includes seven (7) members whose core competencies provide 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.

Board Training

The training of the Directors is important to make them more effective and to help them better fulfil 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 and other Compliance Rules for the Jamaica Stock Exchange in a two hours (2 hrs) session conducted by Mr Lennox Irving from the Jamaica Stock Exchange.

Board Committees

The establishment of Board Committees as a subset of the Board is a feature of the Bank's Corporate Governance Framework. These Committees perform specific functions that assist the Board in discharging its advisory and oversight responsibilities.

The Committees deal more efficiently with complex or specialised issues handled by the Bank and make recommendations to the full Board, which retains responsibility for the final decision making. Four (4) Board Committees have been established and each of them has its specific duties and sets out its own terms of reference.

Corporate Governance Committee

Members	**Mr Hugh Faulkner (Chairman), Ms. Tiva Forbes, Mrs. Donna Samuels Stone**
Major Responsibilities	• To make recommendations to the Board on policies and procedures designed to provide 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.

Work Performed FY 2019/2020	• Conducted the Board's self-evaluation exercise and provided the analysis to the Board.
	• Reviewed and recommended for approval:
	  • JMB Whistleblower Policy
	  • JMB Board Dispute Resolution Policy
	  • JMB Stakeholder Engagement & Communication Policy

Corporate Governance Committee meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Tiva Forbes	2	2	-
Hugh Faulkner	2	2	-

Audit Finance and Risk Management Committee

Members	**Mr. Ryan Parkes (Chairman), Ms. Tiva Forbes, 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. • Oversight of the internal audit function. • Review of the Bank's quarterly Investment activities. • Oversight of the enterprise risk management framework within the Bank and the monitoring of those risks to ensure that they remain robust appropriate and effective.

Work Performed FY 2019/2020	• Facilitated and discussed issues and concerns from the Internal Audit review in the areas of Treasury & Investments, Payables and Bank Reconciliation.
	• Reviewed the Bank's investment activities for the 4 quarters April 2019 to March 2020.
	• Reviewed and recommended for approval:
	  • Audited Financial Statement for the year 2018/2019 for the Jamaica Mortgage Bank, JMB Developments Ltd. and Mortgage Insurance Fund
	  • Revised Internal Audit Plan 2018-2021
	  • Quarterly Investment reports
	  • JMB's Fraud Policy
	  • JMB's Expected Credit Loss Policy

Audit, Finance and Risk Management Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Tiva Forbes	3	3	-
Louis Campbell	3	0	0
Ryan Parkes	3	3	`-

Human Resource Committee

Members	**Mr Hugh Faulkner (Chairman), Mr. Michael Shaw, Ms. Tiva Forbes Mrs. Donna Samuels Stone, 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

Work performed during the two meetings held FY 2019/2020	Reviewed and approved:
	• Performance Evaluations
	• Incentive Payments
	• Increase in Loan Limits
	    • Motor Vehicles
	    • Residential Mortgages
	• Appointment of new Sponsor Trustee for the Pension Fund
	• Conducted Performance Appraisal for General Manager and Company Secretary

Human Resource Committee Meetings

Name of Director	Meetings Held	Meetings Attended	Apologies Received
Hugh Faulkner	2	2	-
Michael Shaw **	1	2	-
Tiva Forbes	2	2	-

**Mr. Michael Shaw joined the Committee on September 13, 2019 and has attended all meetings held thereafter.

Projects & Loans Committee

Members	**Mr. Michael Shaw (Chairman), Mr. Courtney Hamilton, Mr. Louis Campbell and Mrs. Doreen Prendergast**
Major Responsibilities	• Review of submissions of projects to be financed by JMB as recommended by the internal management and thereafter present to the full board for final decision. • Review of the 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.
Work Performed FY 2019/2020	• The Committee held nine (9) meetings for the year and reviewed and recommended for approval several requests for interim financing of construction projects resulting in the approval of seven new (7) projects valued at $2.1B. • Approved additional facilities for three (3) existing projects valuing $91M • Oversaw the recovery and collection of bad loans amounting to $395. 8M for the year. • Provided monitoring oversight on all the active projects in the loan portfolio.

Projects & Loans Committee Meetings

Name of Director	No. of Meetings Held	No. of Meetings Attended	Apologies Received
***Michael Shaw	9	4	-
Doreen Prendergast	9	9	-
Courtney Hamilton	9	4	4
Louis Campbell	9	0	3

*** Appointed to the board September 13, 2020 and has attended all meetings since his appointment.

Corporate Social Responsibility

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

- Conducting business in a socially responsible and ethical manner
- Creating and maintaining a learning and motivational work environment
- Fostering positive and healthy relationships within our community
- 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 March 2020, with the Heart Foundation visiting the office and carrying out various health checks on the staff. The Bank also hosted Wellness Talks on Emotional & Mental Wellness from representatives of the Essential Medical Services, and on Financial Wellness from a Representative from Barita Investments.

The JMB also actively supports initiatives in the community in which we operate, and encourages the participation of our employees in giving back.

Labour Day Project

During the year the Bank participated in a Labour Day Project at the Allman Town Methodist Basic School in Allman Town, St. Andrew.

In keeping with our initiative to foster positive relationships within our community, the Bank seeks to provide opportunities for summer and temporary employment to young persons attending secondary and tertiary institutions.

Hope Programme

During this 2019/2020 fiscal year, the Bank again collaborated with the HEART Trust/NTA and the Office of the Prime Minister by offering temporary employment to three (3) HOPE Programme workers for the stipulated four (4) month period.

The individuals were assigned to the Business Operations Department and were integrated into the activities of the department and the wider organization. Given the success of their internship, the JMB re-employed one of the workers for an additional project. The JMB continues to be in touch with members of both cohort.

Summer Workers' Programme

The Bank continues to offer temporary employment during the summer break to students attending secondary and tertiary institutions. During the summer of 2019 the Bank employed two students both at the secondary level. Both were assigned to the Administration and Finance Departments where they received exposure in Customer Service Protocols and Administrative and Financial Departments Records Management Procedures.

JMB
Facilitating Home Ownership

WE'RE ALL ABOUT CORPORATE SOCIAL RESPONSIBILITY

General Manager's Report

Since 2014, the Bank has been on a continuous growth trajectory accompanied by a focus on increased efficiency. Although the local and global economies were adversely affected by the COVID-19 pandemic late in the fourth quarter, the Bank's results for financial year 2019 / 2020 were not negatively impacted.

As such, for the 2019/2020 reporting year, the Bank approved seven (7) new housing projects to build out 128 solutions across the island. The Bank also registered a year over year increase of 16.3 per cent in profit before tax. Interest income from loans declined as a result of lower loan yields due to competitive pricing, but was compensated somewhat from the growth in the loan portfolio.

Through one of its financing partners, the Bank has a revolving facility that it utilized to fund its working capital needs, and borrowed over $2.0B from this source during the year, which was substantially paid down from reflows. As a result, financing cost was significantly lower than the previous year.

The new International Financial Reporting Standard (IFRS) 9 that addresses Expected Credit Loss (ECL) provisioning, negatively impacted the loan portfolio during the 2018/2019 financial year. However, during the 2019/2020 financial year, the Bank benefitted from a $139M write back of the ECL provision, in part due to the efficient management of its loan portfolio and in particular, its bad debt recoveries.

The recalibration of the Mortgage Indemnity Insurance (MII) product, done in the previous year saw an unprecedented increase in its use for the 2019/2020 reporting year. In addition to bringing on board one new financial institution, the Undertakings to Insure (UTI) and policies written during the period increased significantly compared to 2018 / 2019. The JMB has seen a shift in the mortgage market to a Loan to Value (LTV) ratio to end users of between 97 per cent and 100 per cent. Simultaneously, mortgage rates are at the lowest level that they have been in approximately 25 years, with an average annual percentage rate of 7.5 per cent.

The Strategy

The 2019/2020 period represented the second year of a four year plan to grow the construction loan portfolio by $4.0B, and by default to significantly increase the housing output in the low-middle to middle income space. The Board and management have set out a road map to guide the Bank's execution of this plan, with the following six key objectives for JMB:

1) To dominate the niche market of small to medium-size developers in the Primary Market space whose focus is providing housing solutions to low-middle and middle income families. During the reporting year, the Bank signed seven (7) new projects with average pre-sales price of approximately $23M. The Bank also completed three (3) projects with an average house price of $17M.

2) To diversify its income stream by introducing new and innovative products and services to the construction and mortgage sectors. The Bank is currently designing a new and innovative product for the mortgage space, to be launched within the next six to eight months.

3) To employ its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers. During the 2018/2019 year, the Bank implemented its Enterprise Risk Management Framework (ERMF) that manages the Bank's value chain

and processes. This has contributed to a vast improvement in the Bank's operations, partly resulting in the Bank receiving the 2019 Public Bodies Corporate Governance Award for Most Improved Public Body.

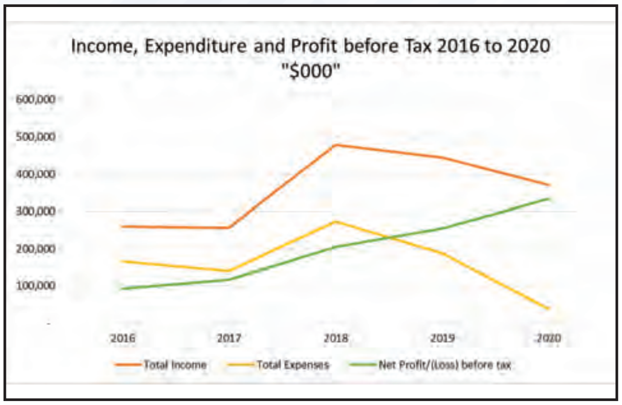
4) To maintain laser-like focus on the management of the loan portfolio to prevent creation of any new bad loans. For the reporting year, the Bank fully collected and closed out three legacy bad loans valuing $395.8M. Unfortunately, one project was placed in the bad debt category which the Bank is working to fully recover.

5) To raise equity capital through the GOJ divestment program using the modality of Initial Public Offer (IPO), effectively transitioning from a Statutory Government entity to a private enterprise. The Bank is working closely with the Development Bank of Jamaica (DBJ) to implement this initiative.

6) To continue the JMB's culture of strategic thinking that innovates big, creative ideas that redounds to the prosperity of the Bank and the Jamaican community. The JMB prides itself with having some of the most brilliant minds in the area of construction and financing. We continue to train individuals in their respective discipline, but most importantly empower the staff to innovate using trending tools and information. See schedule completed for the 2019/2020 year under "Staff training".

Management Discussion and Analysis

The year 2019/2020 was another year of sustained Profitability for the JMB Group. While the COVID-19 pandemic had a negative impact on the country's economy, the JMB Group was spared for the current reporting year. Despite a YoY decline in revenues, **Profits before tax continued to surge with an increase of $78.0M or 30.6 per cent over the prior year.**



Profit after tax also grew by $91.1M or 42.5 percent YoY while net loans increased by 14.1 percent and shareholders' equity grew by 16.1 per cent.

The growth in Group profit was driven by improvement in the profitability of the Bank. This was fuelled mainly by JMBs continued focus on growing its loan portfolio thereby impacting interest income. Additionally, there was a 59.7 per cent reduction in finance costs and a write-back of $139.8M in ECL provisioning.

Financial Highlights	*2020 S'000*	*2019 S'000*	*Variance*
Total Revenues	**371.6**	**443.9**	**-16.3%**
Finance Cost	26.8	66.6	-59.7%
Net Profit after Tax	**305.4**	**214.3**	**42.5%**
Net Loans	1,893.6	1,660.1	14.1%
Shareholder's Equity	**2,096.7**	**1,805.9**	**16.1%**

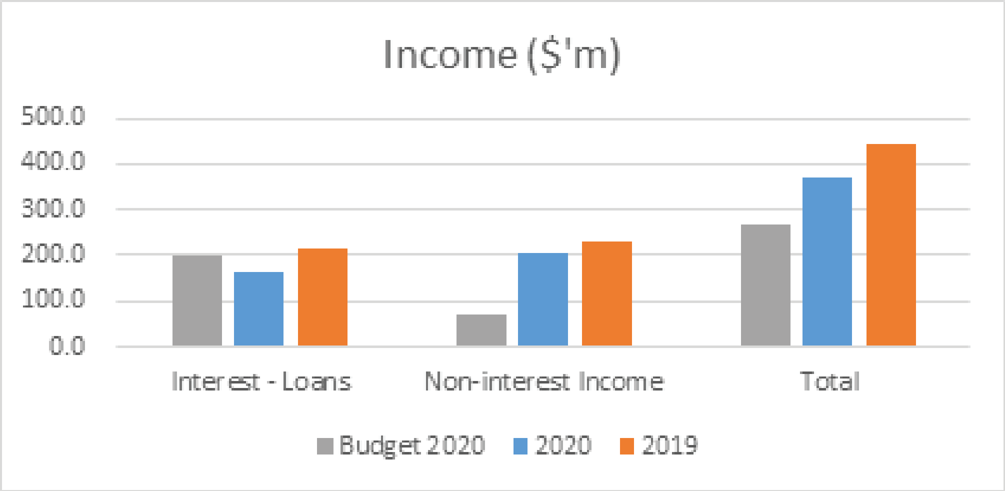
Income

Total revenues for the Group was $371.6M for the year. It declined YoY by 16.3 per cent but was 38.1 per cent favourable to the budget. Consistent with the prior year, non-interest income comprised the largest share of total income, contributing 55.3 per cent versus 51.8 per cent in 2019. Interest income from loans contributed 44.1 per cent of total income versus 48.0 per cent in 2019. Interest income on loans was $49.2M or 23.1 per cent below that of the prior year. The reduction was primarily driven by:

1. A *reduction in yields* YoY as the Bank reduced rates to remain competitive in a market which is critical to GOJ's economic growth agenda and which is seeing increased competition from other financial institutions. On average interest rates were reduced by about 1 per cent. Despite the competition, however, the JMB remained the premier institution for interim financing for the construction sector.

2. A *delay in the rate of disbursements* given the time lag of the funding requirements of the projects. Therefore, although disbursements were greater in the current year ($1.2B versus $0.499B in the prior year), a large portion of these disbursements was made later in the financial year and as such, reduced the level of interest accruing YTD.

Disbursements were also 40 per cent below budget and as such trended lower than the budgeted interest income by 17 per cent. This performance against budget flowed from

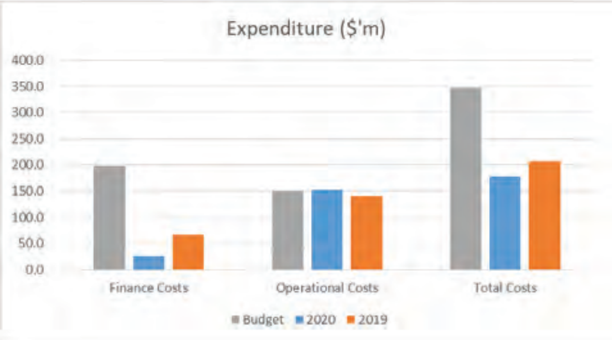


the current loan portfolio being 31 per cent lower than budget. Interest from investments however outperformed both that earned in the prior year and that which was budgeted for the review period. It was 150.1 per cent greater than 2018/2019 and 384.7 per cent better than budget. The main reasons for this outturn was the increase in the sums invested and the yields in this regard being slightly better than last year.

Total non-interest income was $24.4M or 10.6 per cent lower YoY and 189.5 per cent greater than budget. As was the experience for the prior year, these revenues received a major boost from recoveries of bad debt. During the current year unaccrued interest and gains amounting to $113.6M was recognised in recoveries which constituted 58.9 per cent of the non-interest income reported. In 2018 / 2019 this item amounted to $175M.

Expenditure

Total expenditure decreased YoY by $28.7M or 13.9 percent and was also 48.7 per cent below budget. The decline was mainly attributable to the significant reduction in finance costs which outweighed the impact of increases in operational cost YoY and when compared with budget.



Finance Costs

Finance costs registered a dramatic decline of 59.7 per cent YoY moving from $66.6M in 2018/2019 to $26.8M in the current year. The reasons were as follows:

- The interest terms of JMB's bond agreements saw a change from a fixed rate of 8 per cent p.a. to a flexible regime of 110 basis points over the 180 days T-Bill.
- There was improved management of current loan facilities.
- The NIF 8.5 per cent $50M loan facility was repaid in full during the year.

Operating Costs

While operating costs overall were in line with budget they were $11.1M or 7.9 per cent higher than was recorded in the 2018 / 2019 financial year, and amounted to $151.7M for 2020. During the year the JMB Group continued its tight monitoring of expenses in furtherance of its cost containment focus.

Staff costs remained the major component of operating costs, amounting to $103.8M, and constituting 68.4 per cent of operating costs for the current financial year. Between 2018/2019 and 2019/2020 there was a 5 per cent increase on this line item. This was predominantly due to a salary increase, representing the penultimate payment under the last 4-year public sector wage agreement.

ANALYSIS OF CHANGES IN INCOME & EXPENDITURE 2019/20 vs. 2018/19

Revenues	2020	2019	Variance	Var. %
Interest from Loans	163,989	213,148	(49,159)	**-23.1%**
Interest from Deposits	2,088	835	1,253	150.1%
Total Interest Income	166,077	213,983	(47,906)	**-22.4%**
Other income	205,525	229,885	(24,360)	-10.6%
	371,602	**443,868**	**(72,266)**	**-16.3%**
Expenses			0	
Staff Cost	(103,789)	(94,634)	(9,155)	9.7%
Allowance for Impairments	139,805	18,230	121,575	666.9%
Other Administrative Cost	(47,885)	(45,990)	(1,895)	4.1%
Finance Cost	(26,822)	(66,570)	39,748	-59.7%
Total Expenses	**(38,691)**	**(188,964)**	**150,273**	**-79.5%**
			0	
Profit Before Tax	**332,911**	**254,904**	**78,007**	**30.6%**
Tax	(27,479)	(40,597)	13,118	-32.3%
Net Profit	**305,432**	**214,307**	**91,125**	**42.5%**
			0	
Other Comprehensive Income/(Deficit)				
Remeasurement gains/(losses)-defined benefit plan	(19,550)	(7,757)	(11,793)	152.0%
Deferred tax-defined benefit plan	4,888	(14,015)	18,903	-134.9%
	(14,662)	(21,772)	7,110	-32.7%
TOTAL COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	**290,770**	**192,535**	**98,235**	51.0%

Administrative and general expenses increased by $1.9M or 4.1 per cent YoY and was 1.4 per cent above budget. Although there were reductions for most line items in this cost category, the areas of increase tempered these gains. The main driver of the increase was professional fees which rose by $8M or 165 per cent to $12.6M in 2020. During the year a legal matter was settled and there was a change in the external auditors. The largest areas of reduction were in bond and loan expenses which declined by $1.2M or 32.6 per cent, and Conferences and Retreats which declined by $1.4M or 66.9 per cent. In the former case, the reduction was a function of the actual expenses associated with the bonds and loans obtained and the period over which the amortization occurred. In the latter case, more conferences, seminars and expositions were attended during the prior year in an effort to introduce and promote the new Diaspora Home Building Services product.

Financial Position 2019/2020

The JMB Group's balance sheet remained healthy for the period under review. ***Total assets increased by 17.3% YoY.*** The major driver of this increase was growth in the Bank's loan portfolio, given the increase in disbursements over the prior year. Total disbursements stood at $1.2B; up from $0.499B in the prior year.

Balance Sheet Summary	2020 $'000	2019 $'000	Variance $'000	Variance %
Total Assets	2,832,749	2,414,629	418,119	17.3%
Total Liabilities	736,057	608,706	(127,351)	-20.9%
Shareholders Equity	2,096,695	1,805,925	(290,770)	-16.1%

Land held for development and resale was the other area of growth as the Bank foreclosed on one property in settlement of an outstanding loan.

The balance held on investment was also greater than the prior year. The closeout of projects during the year coupled with delays in disbursements resulted in excess funds being available for placement. This was, however, tempered by a reduction in the value of pension assets by $19.6M or 35.1 per cent.

Unlike in previous years, the JMB Group closed out the year with a significantly higher cash balance. Given the impact that COVID-19 had on the operating hours of financial institutions, the Bank strategically held higher balances in its operating account to ensure that it would be able to readily fund its projects during that time.

Liabilities increased by $127.3M or 20.9 per cent over prior year. There was a 126.0 per cent increase in short term loan balance due to increased disbursements YoY. The increase in liability accompanied by a greater increase in the asset base led to an overall increase in shareholders equity by

2019/20 BUDGET OF INCOME & EXPENDITURE

Budget-2019/2020 $'000	Actual-2019/2020 $'000	Variance $'000	Variance %	ITEMS	Budget-2020/2021 $'000
				Interest Income	
196,358	163,989	(32,369)	-16.5%	Interest from Loans	297,261
1,227	2,088	861	70.1%	Interest from Deposits	1,440
569	0	(569)	100.0%	Interest from other Investments	86
198,155	**166,077**	(32,078)	-16.2%	**Total Interest Income**	298,787
				Interest Expenses	
72,341	26,822	45,519	62.9%	Interest on Debt Payable	102,735
125,814	**139,255**	13,441	10.7%	**Net Interest Income/(Loss)**	196,052
71,000	205,525	134,525	189.5%	**Non Interest Income**	72,605
196,815	**344,780**	147,966	75.2%	**Gross Margin before Provision and Expenses**	268,657
(150,205)	(151,674)	**(1,469)**	1.0%	Less Operating Expenses	(163,719)
46,610	193,106	146,496	314.3%	**Operating Profit/(Loss) for the year before ECL Provision**	104,938
0	139,805	139,805	100.0%	**ECL Provisions**	0
46,610	332,911	286,301	614.3%	**Profit/(Loss) for the year before taxes**	104,938
(7,561)	(27,479)	(19,918)	-263.4%	Taxes	(7,561)
39,049	305,432	266,383	682.2%	**Profit/(Loss) for the year**	97,377

16.1 per cent. Return on shareholders' equity also increased YoY to 15.7 per cent from 11.6 per cent.

Other Key Operational Performance Indicators

A total of $1.2B was disbursed for the review period, measured against planned disbursement of $2B. The $800M variance was due primarily to delays in the developers' ability to satisfy all the conditions precedent to disbursement. As at March 31, 2020, there was approximately $3.5B

Budget-2019/20 $'000	Actual-2019/20 $'000	Variance $'000	Variance %	Metric	Budget-2020/2021 $'000
2,100,000	2,100,000	0	0.0%	Commitments *	2,200,000
2,000,000	1,200,000	-800,000	-40.0%	Disbursements *	3,200,000
1,500,000	985,000	-515,000	-34.3%	Total Collections	2,400,000
360,000	395,800	35,800	9.9%	Bad Debt Recovery and Collection	360,000
188	128	-60	-31.9%	Units Funded	250

* Excludes Syndication amounts

Primary Market

The surge observed within the construction industry in 2018/2019 continued into the review period based on the government's strategic focus on boosting economic growth and job creation through infrastructure development. This has positively impacted both the residential and non-residential categories of the construction industry and has also resulted in a change in the type of housing units being built, especially in Kingston & St. Andrew. The JMB's contribution to this sector saw the approval of seven (7) projects valued at $2.1 B for 128 new housing starts, while three (3) projects were concluded, providing 60 housing completions.

of approved pipeline projects to be mobilized. Based on our projections these projects should come on stream in the next fiscal year and should reflect buoyancy in the portfolio.

The Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS) both serve as additional income streams for the Bank. Greater effort will be made in promoting these products so that our target market will be well served.

The 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 have served as an additional income stream for the Bank.

The TSS product is geared toward other interim financiers who lack the technical expertise demanded by complex construction projects, and seeks to increase the success rate associated with such projects by assessing and monitoring the technical elements including approvals, budget/costing and implementation.

Secondary Mortgage Market

The landscape within the Secondary Mortgage Market (SMM) remains unfavourable as margins are too small to render the SMM feasible at this time. However, JMB will continue to monitor the economic environment in readiness to re-engage in this sector when the conditions are conducive.

Mortgage Indemnity Insurance (MII)

The MII portfolio saw phenomenal growth, with a record 179 new Undertakings to Insure (UTI) being issued for the period, at a value of $264.23M. This represents an increase of 155.7% in new UTIs and 172.4% in value over the previous period which recorded 70 UTIs valued at $97M.

There was also a 207.3% increase in the number of policies written during the year, and a 271% increase in the value of the policies. A total of 126 policies were written valued at $188.38M, compared to 41 polices at a value of $50.77M for the previous period.

In September 2019, the Board of Directors approved an application from First Global Bank to become an approved financial institution offering Mortgage Indemnity Insurance. This addition has provided prospective home owners with more options to access the product and realize their aspirations toward home ownership.

Bad Debt

The Bank continued to reduce its bad debt portfolio during the financial year 2019/2020. Recoveries amounted to $395.8M at the end of the year, versus a total recovery of $199.3M in the last financial year. The result was produced by various recovery initiatives, including the sale of properties under the Bank's Power of Sale, and initiating Foreclosure Proceedings. Accordingly, three additional loans were removed from the Bad Debt Portfolio.

The Bank will continue its efforts to recover and reduce the Non-Performing Loan portfolio in the new financial year, and projects to collect an additional $400M approximately, during the course of the year via the sale of properties held as security for these loans. This action will lead to a significant reduction in the Bank's bad debt portfolio. Over the past 3 to 5 years the Bank has experienced a substantial reduction in its non-performing loans portfolio with the recovery of over $1.5 billion, and a decline in the number of loans in the Portfolio from 13 loans to 4 loans as at the end of March 31, 2020. The Bank will continue to move aggressively to recover from the remaining 4 loans in the Portfolio. JMBs rigorous and effective credit assessment and approval process, and the continued implementation of tighter monitoring controls of the approved loans have helped the Bank to mitigate the risks which could create further bad loans.

Other

During the 2019/2020 financial year, the Bank established a relationship with the Allman Town basis school, where the Bank partnered to complete some unfinished structural projects, as well as, donated computers and other learning equipment. Additionally, the Bank assisted with financial donations to various charitable and voluntary organizations.

The Bank continued its relationships and membership with various interest groups, such as the Jamaica Developers Association (JDA), the Jamaica Chamber of Commerce (JCC), the Masters Builders Association and others.

Macro Real Estate Legal Environment

The Bank continues to monitor the macro-legal environment specific to the Real Estate Market to determine its impact on the residential construction industry and the demand for houses. The reduction in Transfer Tax and Stamp Duty which has impacted the cost of property transfers and mortgages has been a welcome news in the industry. The Bank has experienced a significant uptake in the Mortgage Insurance product, with the number of Mortgage Insurance Policies written during the review period, improving by a record 172.4% over the previous year.

This is one indicator that there is growth in the number of persons purchasing properties and obtaining mortgages, which will continue to drive the demand for residential construction financing.

We continue to encourage the Government to take the next step in reviewing the timing of the payment of these taxes by developers/other real estate vendors, as there is strong evidence suggesting that these taxes act as a deterrent to early home ownership.

The Bank also continues to work with the Real Estate Board (REB) to ensure that all of the Developers who are financed by the JMB, first register with and obtain approval from the REB, to protect the rights of the purchasers in these developments. JMB fully supports the new thrust by the REB to ensure that prior to granting their approval of projects, any Restrictive Covenants on the Parent Title of the lands to be developed and which could affect the Developers' ability to complete projects and transfer good Title to the Purchasers, are discharged or modified by the Courts. This posture ties into the Bank's mandate of facilitating safe and affordable housing for all Jamaicans.

Staff Training

The principle that professional and personal development should continue throughout a person's life time (continuous learning) is one to which the Jamaica Mortgage Bank remains committed. Consequently, so far as possible, training opportunities are provided to the Bank's team members during each financial year.

The table below depicts the areas covered and the number of persons who benefitted from training opportunities during the period 2019/2020:

Area of Training	Persons Trained
Customer Service and Telephone Techniques	1
Graphic Design	1
Public Speaking	2
Occupational Health & Safety	2
Procurement	10
Governance	1
Data Protection	1
Stress / Burn Out, Well-being at the Work Place	All
Financial Wellness	All

Conclusion and the Way Forward

For the financial year 2019/2020, despite the challenges, the Bank further solidify itself as a serious competitor within the Primary Market space. This was evident from the level of activity experienced and the current pipeline projects under management. As a result, the Bank's performance was mostly positive and further positions the JMB for market share expansion.

Similarly, the Bank has seen an exponential increase in the use of the Mortgage Indemnity Insurance product it manages on behalf of the Government. We expect to achieve an important milestone of managing a policy portfolio of $1B during the 2020/2021 fiscal year

The Bank fully expects a change in its ownership structure as it list on the Jamaica Stock Exchange sometime during the 2020/2021 year. The Bank has started that transition, in respect to its processes and key personnel and looks forward to an exciting future as we create wealth for our investors.

The Bank firmly understands the direct correlation between economic growth and performance in the construction sector, especially in the residential housing space as we continue to meet the effect demand for housing for Jamaicans.

Courtney Wynter
General Manager

BUDGET-2020
BALANCE SHEET POSITION

ASSETS	2019 $'000	2018 $'000	% Change	Adj. Budget-2019/20 $'000
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

Leadership Team

COURTNEY WYNTER

JP, B.Sc. (Hons), MBA (Hons) 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) Patricia 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), LLM (UWI, Mona) CLE (NMLS) 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 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.

SHERRY-ANN JOHNSON-HYLTON

B.Sc. (Hons.), M.Sc., LLB (UTech, JA) Sherry-Ann joined the Bank on February 3, 2020 as Manager, Finance and has over fifteen years' experience in accounting and finance. She is a Fellow of both the Institute of Chartered Accountants in Jamaica (ICAJ) and the Association of Chartered and Certified Accountants (ACCA).

Pictorial Of Activities Over The Year

Members of staff at the JMB's Christmas Luncheon 2019

Labour Day 2019 at Allman Town Methodist Basic School

General Manager, Courtney Wynter representing the JMB at a Marketing Event in Florida

Some JMB ladies donning safety hats while visiting the King's Landing Site in Linstead, St. Catherine

Senator the Honourable Pearnel Charles Jr. along with representatives of the JMB and MEGJC conducting a tour of the Mayfair Manor project financed by the JMB

Facilitating Home Ownership

Corporate Information

REGISTERED OFFICE

33 Tobago Avenue
Kingston 5

AUDITORS

Ernst & Young
8 Olivier Road
Kingston 8

BANKERS

Sagicor Bank Jamaica Limited
17 Dominica Drive
Kingston 5

National Commercial Bank
1 Knutsford Boulevard
Kingston 5

ATTORNEYS-AT-LAW

Myers Fletcher & Gordon
21 East Street
Kingston

Hart Muirhead Fatta
53 Knutsford Boulevard
Kingston 5

Samuda & Johnson
2-6 Grenada Crescent
Kingston 5

Livingston Alexander & Levy
72 Harbour Street
Kingston

JMB
Facilitating *Home* Ownership

Departments

Finance & Accounts

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

Corporate Secretarial / Legal

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

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

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

Beaconfield

The development is located in the Duhaney Park area of St. Andrew, and on completion will feature six (6) one-bedroom studio apartments. They will be of particular interest to first home owners/young professionals and persons desirous of investing in a property for real estate rental.

Developer: Strong Hold Investments

The King's Landing

This gated development located in Mickleton, Linstead, St. Catherine, consists of Fifteen (15) three bedroom detached units and Eighteen (18) two bedroom apartment units.
The units will be of particular interest to families, returning residents and persons desirous of purchasing for real estate rental.

Developer: The Kayla Acacia Company Limited

Nawe Country Club - Genesis Manor

Located in Goshen, St. Elizabeth, this development features thirty (30) detached two bedroom studios and is suited for families, returning residents or persons desirous of investing in a property for real estate rental.

Developer: Nawe Property Development

Kensington Gates

Kensington Gates, located at Kensington Crescent in the fast-paced area of St. Andrew, consists of forty (40) Studio Apartments. The apartments are ideal for families or for persons seeking to acquire a property for a long term real estate investment.

Developer: Williams Innovative Homes & Designs Limited

Portview Manor

This development which is located in Patrick City, St. Andrew, features eight (8) one-bedroom apartments which will be of particular interest to young professionals and persons interested in holding properties for the purpose of real estate investment.

Developer: NAHRAJ Construction Company Limited

Directors' & Senior Executives' Compensation

Directors' Compensation - April 1, 2019 to March 31, 2020

Position / Title	Fees	Motor Vehicle / Travelling	Honoraria	All Other Compensation	Total
Cleveland Stewart - Board Chairman / Sub-Committee Chairman (April 1, 2019 – August, 2019)	$83,250	-	-	-	$83,250
Michael Shaw - Board Chairman / Sub-Committee Chairman (Sept 18, 2019 – March 31, 2020)	$199,800	-	-	-	$199,800
Ryan Parkes – Director / Sub-Committee Chairman	$71,750	-	-	-	$71,750
Hugh Faulkner – Director / Sub-Committee Chairman	$165,500	-	-	-	$165,500
Doreen Prendergast – Director	$170,950	-	-	-	$170,950
Tiva Forbes – Director	$159,850	-	-	-	$159,850
Courtney Hamilton – Director	$143,200	-	-	-	$143,200
Louis Campbell – Director	$55,000	-	-	-	$55,000
TOTAL	1,049,300				1,049,300

Senior Executives' Compensation - April 1, 2019 to March 31, 2020

Position / Title	Salary	Gratuity	Travel	Pension	Incentive	Vacation	Other	Total
Courtney Wynter - General Manager	9,003,400	2,250,850	848,574	-	1,080,408	173,142	-	13,356,374
Patricia Burke - Director, Business Operations	4,680,000	-	1,697,148	-	183,548	-	-	6,560,696
Donna Samuels Stone - Corporate Secretary / Legal Officer	6,659,149	-	1,697,148	149,395	662,995	-	-	9,168,687
Denise Byron Hinds - Manager, Human Resource & Administration	4,003,524	-	890,020	103,993	431,248	-	-	5,428,785
Rakar Williams - Manager, Finance (Apr. 1, 2019 – Dec. 18, 2019)	3,129,136	-	1,196,528	-		158,810	-	4,484,474
Sherry-Ann Johnson-Hylton - Manager, Finance (Feb. 3, 2020 – Mar. 31, 2020)	837,680		282,858	-	-	-	-	1,120,538
TOTAL	28,312,889	2,250,850	6,612,276	253,388	2,358,199	331,952	-	40,119,554

Financial Statements for the Jamaica Mortgage Bank and Its Subsidiaries

for the year ended 31st March 2020

Building a better
working world

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.

Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Jamaica Mortgage Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 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 statements of financial position as at 31 March 2020, and the Group's and Bank's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 March 2020, and of the Group's and Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 of Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Group and Bank for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 June 2019.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)
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.

Auditor's 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 judgment 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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 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 presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 requirements of 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 and the financial statements are in agreement with the accounting records, and give the information required by the Mortgage Bank Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

31 July 2020

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	4	49,933	50,150
Land held for development and sale	5(c)	503,389	408,989
Post- retirement benefits	7(b)	36,385	56,061
Loans receivable	8	811,882	488,567
Total non-current assets		1,401,589	1,003,767
Current assets			
Loans receivable	8	1,081,699	1,171,514
Tax recoverable	9	158,790	160,338
Receivables and prepayments	10	27,025	22,005
Certificates of deposit	11	36,722	19,576
Resale agreements	12	38,959	8,010
Cash and cash equivalents	13	87,967	29,421
Total current assets		1,431,162	1,410,864
Total assets		2,832,751	2,414,631
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		756,612	465,842
Total shareholders' equity		2,096,695	1,805,925
Non-current liabilities			
Bonds and loans payable	17	298,652	345,432
Deferred tax liability	25	33,548	75,047
Total non-current liabilities		332,200	420,479
Current liabilities			
Payables and accruals	18	32,591	43,310
Short term loan	19	318,125	140,748
Income tax payable		53,140	4,169
Total current liabilities		403,856	188,227
Total shareholders' equity and liabilities		2,832,751	2,414,631

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

The financial statements were approved for issue by the Board of Directors on 31 July 2020 and are signed on its behalf by:

____________________ Chairman
Mr. Michael Shaw

____________________ Director
Mr. Ryan Parkes

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Revenue			
Interest from loans	20	163,989	213,148
Interest from deposits	20	2,088	835
		166,077	213,983
Expected credit losses			
Net recoveries/write back of expected credit losses on loans	8	139,805	18,230
Net interest income after expected credit losses		305,882	232,213
Non-interest income			
Other income	21	205,525	229,885
		511,407	462,098
Administrative expenses			
Staff costs	22	(103,789)	(99,210)
Administrative and general expenses	23	(47,885)	(41,414)
		(151,674)	(140,624)
Finance costs			
Interest on borrowings		(26,822)	(66,570)
Profit before taxation	24	332,911	254,904
Taxation	25	(27,479)	(40,597)
Profit for the year		305,432	214,307
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on the defined benefit plan	7	(19,550)	(7,757)
Deferred tax relating to the remeasurement losses on the defined benefit plan	25(b)	4,888	(14,015)
		(14,662)	(21,772)
Total comprehensive income for the year, net of tax		290,770	192,535

The accompanying notes on form an integral part of these financial statements.

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital $'000	Reserve Fund $'000	Special Reserve Fund $'000	Retained Earnings $'000	Total $'000
Balance as at 1 April 2018	500,000	500,000	340,083	273,307	1,613,390
Profit for the year	-	-	-	214,307	214,307
Other comprehensive loss	-	-	-	(21,772)	(21,772)
Total comprehensive income	-	-	-	192,535	192,535
Balance as at 31 March 2019	500,000	500,000	340,083	465,842	1,805,925
Profit for the year	-	-	-	305,432	305,432
Other comprehensive loss	-	-	-	(14,662)	(14,662)
Total comprehensive income	-	-	-	290,770	290,770
Balance as at 31 March 2020	500,000	500,000	340,083	756,612	2,096,695

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

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Operating activities			
Profit before taxation		332,911	254,904
Impact on transition to IFRS 9 (ECL on loans)		-	(272,560)
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	5,005	6,932
Expected credit loss recognized on loans receivables	8	(139,805)	(18,230)
Gain on land held for development and sale		(22,938)	-
Net foreign exchange gain		(589)	-
Pension expense	7(b)	1,214	2,131
Amortization of debt issuance costs		2,584	1,810
Interest income	20	(166,077)	(213,983)
Interest expense		26,822	66,570
		39,127	(172,426)
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(5,020)	11
Tax recoverable		1,548	-
Loans receivable		(276,913)	549,919
Payables and accruals		(14,508)	5,668
Contributions paid post retirement employee benefits	7(b)	(1,088)	(2,073)
Cash (used in)/generated from operations		(256,854)	381,099
Interest received		281,283	172,755
Income tax paid		(15,119)	(30,576)
Net cash flows from operating activities		9,310	523,278
Investing activities:			
Resale agreement		(31,489)	(23)
Certificate of deposit		(17,128)	(2,888)
Proceeds on disposal of land held for development and sale		2,407	-
Proceeds on disposal of property and equipment		-	5,400
Additions to property and equipment	4	(4,788)	(7,355)
Net cash flows used in investing activities		(50,998)	(4,866)
Financing activities:			
Interest paid		(23,032)	(71,343)
Long term loan repaid		(50,000)	(125,000)
Short term loan issued		2,089,266	-
Short term loan repaid		(1,916,000)	(301,238)
Net cash flows provided by/(used in) financing activities		100,234	(497,581)
Net increase in cash and cash equivalents		58,546	20,831
Cash and cash equivalents at beginning of the year		29,421	8,590
Cash and cash equivalents at end of the year	13	87,967	29,421
Comprising:			
Cash and bank balances		76,117	17,670
Restricted cash balance	27(c)	11,850	11,751
	13	87,967	29,421

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

JAMAICA MORTGAGE BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	4	49,933	50,150
Land held for development and sale	5(b)	503,388	408,988
Interest in subsidiary	6	125,210	124,988
Post- retirement benefits	7(b)	36,385	56,061
Loans receivable	8	811,882	488,567
Total non-current assets		1,526,798	1,128,754
Current assets			
Loans receivable	8	1,081,699	1,171,514
Tax recoverable	9	158,790	160,338
Receivables and prepayments	10	27,025	22,005
Certificates of deposit	11	36,722	19,576
Resale agreements	12	38,959	8,010
Cash and cash equivalents	13	87,967	29,421
Total current assets		1,431,162	1,410,864
Total assets		2,957,960	2,539,618
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		881,970	602,978
Total shareholders' equity		2,222,053	1,943,061
LIABILITIES			
Non-current liabilities			
Bonds and loans payable	17	298,652	345,432
Deferred tax liability	25	33,548	75,047
Total non-current liabilities		332,200	420,479
Current liabilities			
Payables and accruals	18	32,441	31,161
Short term loan	19	318,125	140,748
Income tax payable		53,141	4,169
Total current liabilities		403,707	176,078
Total shareholders' equity and liabilities		2,957,960	2,539,618

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

The financial statements were approved for issue by the Board of Directors on 31 July 2020 and are signed on its behalf by:

_______________ Chairman   _______________ Director

Mr. Michael Shaw   Mr. Ryan Parkes

JAMAICA MORTGAGE BANK

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Revenue			
Interest from loans	20	163,989	213,148
Interest from deposits	20	2,088	835
		166,077	213,983
Expected credit losses			
Net recoveries/write back of expected credit losses on loans	8	139,805	18,230
Net interest income after expected credit losses		305,882	232,213
Non-interest income			
Other income	21	193,525	229,885
		499,407	462,098
Administrative expenses			
Staff costs	22	(103,789)	(99,210)
Administrative and general expenses	23	(47,663)	(41,277)
		(151,452)	(140,487)
Finance costs			
Interest on borrowings		(26,822)	(66,570)
Profit before taxation	24	321,133	255,041
Taxation	25	(27,479)	(40,597)
Profit for the year		293,654	214,444
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on the defined benefit plan	7	(19,550)	(7,757)
Deferred tax relating to the remeasurement losses on the defined benefit plan	25(b)	4,888	(14,015)
		(14,662)	(21,772)
Total comprehensive income for the year, net of tax		278,992	192,672

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

JAMAICA MORTGAGE BANK

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital $'000	Reserve Fund $'000	Special Reserve Fund $'000	Retained Earnings $'000	Total $'000
Balance as at 1 April 2018	500,000	500,000	340,083	410,306	1,750,389
Profit for the year	-	-	-	214,444	214,444
Other comprehensive loss	-	-	-	(21,772)	(21,772)
Total comprehensive income	-	-	-	192,672	192,672
Balance as at 31 March 2019	500,000	500,000	340,083	602,978	1,943,061
Profit for the year	-	-	-	293,654	293,654
Other comprehensive loss	-	-	-	(14,662)	(14,662)
Total comprehensive income	-	-	-	278,992	278,992
Balance as at 31 March 2020	500,000	500,000	340,083	881,970	2,222,053

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

JAMAICA MORTGAGE BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Operating activities			
Profit before taxation		321,133	255,041
Impact on transition to IFRS 9 (ECL on loans)		-	(272,560)
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	5,005	6,932
Expected credit loss recognized on loans receivables		(139,805)	(18,230)
Gain on disposal of land held for development and sale		(22,938)	-
Net foreign exchange gain		(589)	
Pension expense	7(b)	1,214	2,131
Amortization of debt issuance costs		2,584	1,810
Interest income	20	(166,077)	(213,983)
Interest expense		26,822	66,570
		27,349	(172,289)
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(5,020)	11
Tax recoverable		1,548	-
Loans receivable		(276,913)	549,919
Payables and accruals		(2,508)	5,668
Contributions paid post retirement employee benefits	7(b)	(1,088)	(2,073)
Cash (used in)/ generated from operations		(256,632)	381,236
Interest received		281,283	172,755
Income tax paid		(15,119)	(30,576)
Net cash used in operating activities		9,532	523,415
Investing activities:			
Resale agreement		(31,489)	(23)
Certificate of deposit		(17,128)	(2,888)
Proceeds on disposal of land held for development and sale		2,407	-
Proceeds on disposal of property and equipment		-	5,400
Additions to property and equipment	4	(4,788)	(7,355)
Interest in subsidiary		(222)	(137)
Net cash used in investing activities		(51,220)	(5,003)
Financing activities:			
Interest paid		(23,032)	(71,343)
Long term loan repaid		(50,000)	(125,000)
Short term loan issued		2,089,266	-
Short term loan repaid		(1,916,000)	(301,238)
Net cash provided by/(used in) financing activities		100,234	(497,581)
Net increase in cash and cash equivalents		58,546	20,831
Cash and cash equivalents at beginning of the year		29,421	8,590
Cash and cash equivalents at end of the year	13	87,967	29,421
Comprising:			
Cash and bank balances		76,117	17,670
Restricted cash balance	27(c)	11,850	11,751
	13	87,967	29,421

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 authorized 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

2.1 Standards, interpretations and amendments to existing standards effective during the year

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. The nature and the impact of each new standard or amendment is described below.

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

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IFRS 16 Leases (Effective 1 January 2019)
This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17.

The requirements of the standard had no impact on the financial statements of the Group and Bank.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective 1 January 2019)
In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The interpretation had no impact on the financial statements of the Group and Bank.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation (Effective 1 January 2019)
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

Amendments to IFRS 9 - Prepayment Features with Negative Compensation (Effective 1 January 2019) (continued)

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

The amendments had no impact on the financial statements of the Group and Bank.

Amendments to IAS 28: Long-term interests in associates and joint ventures (Effective 1 January 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 “Investments in Associates and Joint Ventures”.

The amendments had no impact on the financial statements of the Group and Bank

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (Effective 1 January 2019)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (Effective 1 January 2019) (continued)
The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Group and Bank.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements, which are effective 1 January 2019, include:
- IFRS 3 Business Combinations – Previously held interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held interests in a joint operation
- IAS 12 Income Taxes – Income tax consequences of payments of financial instruments classified as equity
- IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

These amendments are not expected to have an impact on the Group’s financial statements.

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted

The standards and interpretations that are issued, but not yet effective at 31 March 2020 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective 1 January 2020)
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted. The amendments are not expected to have any impact on the financial statements of the Group and Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective 1 January 2020)
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2020. This amendment will have no impact on the Group and Bank's financial statements.

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020)
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have any impact on the financial statements of the Group and Bank.

The Conceptual Framework for Financial Reporting (Effective 1 January 2020)
The revised Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

The Conceptual Framework for Financial Reporting (Effective 1 January 2020) (continued)

- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The directors and management have not yet assessed the impact of the application of this framework on the Group and Bank's financial statements.

IFRS 17 - Insurance Contracts (Effective 1 January 2021)
IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (i.e. coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

This standard is not expected to have any impact on the financial statements of the Group and Bank.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Group and Bank.

Classification of Liabilities as Current or Non-current Amendments to IAS 1 (Effective 1 January 2022)

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments also clarify that the requirements for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date. This is not expected to have any impact on the financial statements of the Group and Bank.

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

(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) 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:

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(b) Basis of Consolidation (continued)

- 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.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>
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 recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized 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 recognized in other comprehensive income and accumulated in equity, the amounts previously recognized 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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) 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 recognized 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 contractual terms of the financial assets are solely 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 increased 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

1. **Measurement of Expected Credit allowance/provision under IFRS 9**
The measurement of expected credit allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. That is the likelihood of borrowers defaulting and the resulting loss).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

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

Risk of Estimation uncertainty (continued)

1. **Measurement of Expected Credit allowance/provision under IFRS 9 (continued)**
A number of significant judgements are also required in applying the accounting requirements for measuring expected credit losses, as follows:

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type pf product or market and associated expected credit loss;
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

2. **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 recognized in the statements of financial position for pension and other post-employment benefits of an asset of $36.38 million (2019: $56.06 million) (Note 7) are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized 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 7(e) details sensitivity analyses in respect of some of these assumptions.

- Loans to borrowers and provision for expected credit losses

  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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

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

Risk of Estimation uncertainty (continued)

2. Key Sources of Estimation Uncertainty (continued)

- Loans to borrowers and provision for expected losses (continued)

Additionally, the entity is required to update the amount of ECLs recognized for each loan to borrowers that is 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 categorized in the recognized 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 remain in this stage provided that such loans have not experienced a significant increase in credit risk. The Group recognizes an allowance based on twelve (12) months ECLs. These loans are not in arrears for more than ninety days (90) days and have an internal credit risk rating of 1-15.

Stage 2
Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk. The Group records an allowance for lifetime expected credit losses. This stage also includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 3 and they have arrears for over ninety (90) days but less than two hundred and seventy (270) days). Stage 2 loans have an internal credit risk rating of 16-45.

Stage 3
Loans that are considered credit impaired and an allowance for lifetime is expected as credit losses. Loans in default over two hundred and seventy (270) days and have an internal credit risk rating of forty-six (46) and above.

In measuring ECL in accordance with IFRS 9 forward-looking information is considered.

The Bank establishes provisions for credit losses that are expected to arise over the life of the assets.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

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

Risk of Estimation uncertainty (Continued)

2. Key Sources of Estimation Uncertainty (continued)

- 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 25).

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.

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Group and Bank's statement of financial position when the Group or Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 28. Listed below are the Group's financial assets and liabilities and the specific accounting policies relating to each.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

- *Fair value through other comprehensive income:* 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 FVOCI.

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortized 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 recognized 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 instruments 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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)

The SPPI test
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes loans receivables, certificates of deposits, resale agreements and cash and bank balances.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition
The Group derecognizes 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 recognize the financial asset and also recognises a collateralized 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 recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize 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 recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

Impairment
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 an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 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 which are measured as a 12-month ECL:

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)

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

Twelve-month ECLs 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 recognized is referred to as Stage 1 financial instrument.

Lifetime ECLs 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 recognized and is not credit-impaired is referred to Stage 2 financial instruments.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired (referred to as Stage 3 financial assets). At each reporting date, the Group is required to update the amount of ECLs recognized to reflect changes in credit risk of the loan portfolio. At least once annually, the Group re-assesses the risk rating bands and carries out the necessary adjustments in order to ensure that the rating bands are consistent with prevailing trends and conditions.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- **EAD -** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD -** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Incorporation of forward- looking information
The assessment of significant increase in credit risk and the calculation of the ECL incorporates forward looking information along with key economic indicators impacting credit risk and expected credit risk for each portfolio.

The impact of these economic variables on the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) is determined by performing trend analysis and comparing historical information with forecast macroeconomic data to decide the impact on default rates and on LGD and EAD.

The Group performs scenarios considering the expected impact of interest rates unemployment rates, gross domestic products on a yearly basis.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible that comes in the form of real estate or debentures. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

Collateral repossessed
The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

Write-offs
Financial assets are written off, either partially or in their entirety, only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bonds and short-term loans payable.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of comprehensive income.

(e) 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 amortized cost are disclosed in Note 28.

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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(e) Fair value measurement (continued)

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 based on the lowest level input that is significant to the fair value measurement as a whole, described as follows:

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

(f) 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 historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized in order to write off the cost or valuation of assets (other than land and properties under construction) 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.

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
Machinery	10 years

Repairs and maintenance costs are recognized in profit or loss.

An item of property and equipment is de-recognized 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 recognized in profit or loss.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(g) 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 recognized 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 recognized for the asset (or the cash-generating unit) in prior years.

A reversal of an impairment loss is recognized 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

(h) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, 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 recognized in the following manner: Short-term employee benefits are recognized as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(h) Employee benefits (continued)

ii. The Bank operates a defined benefit pension plan for qualifying employees. The plan is exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 7(d) details the plan's exposure in respect of various financial assets. 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 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 Bank operates a defined-benefit pension plan which is required to be funded (Note 7). The Bank and 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 Bank and Group's obligation. The calculation of the Bank and Group's 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 Bank and 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 Bank and Group, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, less any unrecognized actuarial losses and past service costs.

The trustees ensure benefits are funded, benefits are paid, and assets are invested to maximize return subject to acceptable investment risks while considering the liability profile. The board of trustees (including sponsor, employee and pensioner representatives) have contracted a pension services provider to administer the plan's activities. The plan is not registered with the Financial Services Commission.

(i) Investment in subsidiary

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

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(j) Land held for development and sale

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

(k) Provisions

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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(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 met 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 collateralized lending, classified as amortized cost (see Note 3(d)), and the underlying asset is not recognized in the Group's consolidated financial statements. The difference between the purchase price and the amount receivable on resale is recognized 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, classified as amortized cost (see Note 3(d)).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(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
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 realized, 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(q) Revenue

Revenue is recognized 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. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of the service to the customer, in the amount of the consideration to which the Group expects to be entitled. Revenue may therefore be recognized at a point in time upon completion of the service or over time as the services are provided. When revenue is recognized over time, the Group is generally required to provide the services each period and therefore measures its progress towards completion of the service based upon the time elapsed.

i. Interest income

Interest income is recognized 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 at initial recognition. Interest income includes coupons earned on fixed income investments, accretion of discount on instruments purchased at a discount, and amortization of premium on instruments purchased at a premium.

When interest-earning financial assets are impaired, they are written down to their recoverable amounts and interest income is thereafter recognized 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 and management fees in relation to the management of the Mortgage Insurance Fund. Commitment fees are recognized in profit or loss at the point in time when the borrower accepts the terms of the credit in writing.

Management fees are primarily based on the respective value of assets under administration (AUA) and are recognized over the period that the related services are provided. Other amounts included in other income are generally recognized on the accrual basis.

(r) Interest expense

Interest expense is recognized 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 amortization of premium on instruments issued at other than par.

(s) Foreign currencies

The consolidated financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Group operates (its functional currency).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(s) Foreign currencies (continued)

In preparing the consolidated 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 on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair values gain is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

(t) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4. Property and Equipment

	Freehold land	Furniture fixtures and equipment	Freehold buildings	Machinery	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Bank						
At Cost or valuation:						
31 March 2018	3,000	41,042	72,110	110	8,000	124,262
Additions	-	1,141	-	-	6,214	7,355
Disposal	-	-	-	-	(8,000)	(8,000)
31 March 2019	3,000	42,183	72,110	110	6,214	123,617
Additions	-	4,788	-	-	-	4,788
Disposal	-	(6,519)	-	-	-	(6,519)
31 March 2020	3,000	40,452	72,110	110	6,214	121,886
Accumulated Depreciation:						
31 March 2018	-	35,712	33,180	110	133	69,135
Charge for the year	-	2,442	1,893	-	2,597	6,932
Disposal	-	-	-	-	(2,600)	(2,600)
31 March 2019	-	38,154	35,073	110	130	73,467
Charge for the year	-	1,753	1,893	-	1,359	5,005
Disposal	-	(6,519)	-	-	-	(6,519)
31 March 2020	-	33,388	36,966	110	1,489	71,953
Net book values:						
31 March 2020	3,000	7,064	35,144	-	4,725	49,933
31 March 2019	3,000	4,029	37,037	-	6,084	50,150

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 sale in some cases, possibly, after development.

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

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

(b) The following properties are held by the Group:

	2020 $'000	2019 $'000
Whitehall	270,000	270,000
Phoenix Park	25,900	28,100
Norwich	45,888	45,888
Mount Gotham	65,000	65,000
Ocean Terrace (see Note 5(d))	96,600	-
	503,388	408,988

	2020 $'000	2019 $'000
(c) Bank	503,388	408,988
Subsidiary	1	1
Group	503,389	408,989

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

6 Interest in subsidiary

	2020 $'000	2019 $'000
Ordinary shares*	-	-
Long-term loan (a)	117,197	117,197
Irrecoverable charges (b)	8,013	7,791
	125,210	124,988

*The carrying value of ordinary shares is $2 (2019: $2).

On 5 January 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 5 July 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.

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended 31 March 2006, after a moratorium of 24 months on principal. The balance shown represents past-due amounts of $117 million (2019: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses.

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 31 July 2019 indicated a past service surplus of $156.24 million. The actuaries recommended that, given the value of the fund at the valuation date, that no further contribution was needed from the Bank. However, the Bank has continued to contribute at a reduced rate of 2.6% pensionable salaries. The next valuation is due on 31 July 2022. The employees of the Bank pay a compulsory contribution of 5% of basic salary with the option to contribute up to a maximum rate so that the total contribution (employee and employer) sum to 20% of pensionable salaries. Benefits are determined on a prescribed basis and are payable at a rate of 2% of the final pensionable salary.

7. Post-Retirement Benefits (Continued)

(a) This is calculated as the average of the basic salary over the three years of employment preceding the date of retirement for all pensionable service. 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 1 March 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 minimize potential adverse effects of financial performance of the Plan through risk reports from the fund manager which analyze 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 8 May 2020 (2019: 15 May 2019) by Rambarran & Associates Limited, Consulting Actuaries. This valuation was in respect of balances at March 31, 2020 and 2019. The valuation was carried out using the projected unit credit method.

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

i. Plan Assets recognized in the Statement of Financial Position:

	Group and Bank	
	2020 $'000	2019 $'000
Present value of fund obligations	(253,288)	(194,109)
Fair value of plan asset	289,673	294,586
Unrecognized asset due to asset ceiling	-	(44,416)
	36,385	56,061

ii. Movements in net asset recognized in the Statement of Financial Position:

	Group and Bank	
	2020 $'000	2019 $'000
Net defined benefit asset at the beginning of the year	56,061	- 63,876
Employer contribution	1,088	2,073
Bank expense	(1,214)	(2,131)
Remeasurement recognized in OCI	(19,550)	(7,757)
	36,385	56,061

7. Post-Retirement Benefits (Continued)

(b) The amount recognized in the financial statement in respect of the plan are as follows: (continued)

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

	Group and Bank	
	2020	**2019**
	$'000	**$'000**
Current service cost	5,345	7,179
Net interest cost		
Interest on defined benefit obligation	13,265	14,875
Interest income on plan asset	(20,505)	(19,923)
Interest on effect of the asset ceiling	3,109	-
Expense recognized in net profit	1,214	2,131
Change in financial assumptions	7,886	11,273
Experience adjustments	59,189	(47,932)
Change in effect of the asset ceiling	(47,525)	44,416
	19,550	7,757

(c) Movement in present value of obligation

	Group and Bank	
	2020	**2019**
	$'000	**$'000**
Present value at beginning	194,109	203,988
Service cost	5,345	7,179
Interest cost on defined obligation	13,265	14,875
Member contribution	4,906	4,915
Benefits paid	(9,370)	(8,366)
Remeasurement - change in financial assumptions	9,221	12,587
Remeasurement - change in experience assumptions	35,812	(41,069)
	253,288	194,109

(d) Movement in asset ceiling

	Group and Bank	
	2020	**2019**
	$'000	**$'000**
Effect of asset ceiling at beginning	44,416	-
Interest in asset	3,109	-
Remeasurement effects	(47,525)	44,416
	-	44,416

7. Post-Retirement Benefits (Continued)

(d) Movements in fair value of plan assets:

	Group and Bank	
	2020	2019
	$'000	$'000
Fair value of plan assets at beginning of year	294,586	267,864
Contributions paid - employer	1,088	2,073
- employee	4,906	4,915
Interest income on plan assets	20,505	19,923
Benefits paid	(9,370)	(8,366)
Remeasurement – changes in financial assumptions	1,335	1,314
Remeasurement – changes in experience adjustment	(23,377)	6,863
Fair value of plan assets at end of year	289,673	294,586
Plan assets consist of the following:		
Investment in pooled investment funds with investment strategies as follows:		
Equities	82,188	85,780
Fixed income securities	58,024	59,691
Mortgage and real estate	21,470	23,745
Foreign currency fund	47,411	45,596
International equity fund	12,390	13,027
Global market fund	23,102	22,752
CPI fund	14,388	12,709
Annuity purchased	33,836	33,228
Other	(3,136)	(1,942)
Total invested assets	289,673	294,586

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

	Group and Bank	
	2020	2019
	%	%
Discount rate at 31 March	6.50	7.00
Future salary increases	4.00	3.00
Future pension increases	3.20	2.40
Administrative expense	1.00	1.00
Inflation	4.00	3.00
Minimum funding rate	0.25	0.25

7. Post-Retirement Benefits (Continued)

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

Demographic Assumptions

i. Mortality

American 1994 Group Annuitant Mortality (GAM94) table with mortality improvement of 5 years.

Mortality rates per 1,000 are set out below:

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

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

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

A quantitative sensitivity analysis for significant assumptions is shown below:

As at 31 March 2020

	Discount rate		Salary growth	
	1% increase	1% decrease	1% increase	1% decrease
Sensitivity level	$'000	$'000	$'000	$'000
Impact on defined benefit obligation	(20,755)	30,122	9,143	(8,002)

As at 31 March 2019

	Discount rate		Salary growth	
	1% increase	1% decrease	1% increase	1% decrease
Sensitivity level	$'000	$'000	$'000	$'000
Impact on defined benefit obligation	(14,512)	21,096	7,065	(6,126)

7. Post-Retirement Benefits (Continued)

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

A quantitative sensitivity analysis for significant assumptions is shown below: (continued)

As at 31 March 2020

	Future Pension Increase		**Mortality Improvement**	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	28,782	(24,076)	3,193	(3,022)

As at 31 March 2019

	Future Pension Increase		**Mortality Improvement**	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	19,761	(16,694)	1,718	(1,699)

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) Defined benefit pension plan amounts for the current and previous four years were as follows:

	Group and Bank				
	2020	**2019**	**2018**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Present value of obligation	(253,288)	(194,109)	(203,988)	(191,995)	(164,370)
Fair value of plan assets	289,673	294,586	267,864	229,742	207,518
Unrecognized asset due to ceiling	-	(44,416)	-	-	-
Net asset in the statement of financial position	36,385	56,061	63,876	37,747	43,418

(g) The estimated contributions (for both employer and employee) expected to be paid into the pension fund during the next financial year amount to $6.460 million (2019: $7.356 million).

(h) The expected pension benefit expense in the next year is expected to be $6.068 million (2019: $2.128 million).

(i) The weighted average duration of the defined benefit obligation at the end of the reporting period is 34 years (2019: 34 years).

8. Loans Receivable

	Group and Bank	
	2020 $'000	2019 $'000
Construction loans - non-governmental borrowers (see Note 8 (a))	2,019,811	1,836,888
Accrued interest receivable	120,267	235,540
	2,140,078	2,072,428
Less: Provision for expected credit loss (see Note 8(b))	(259,515)	(432,932)
	1,880,563	1,639,496
Mortgages (see Note 8(d)) - Staff	4,560	8,667
- Ex staff members	8,458	11,918
	13,018	20,585
	1,893,581	1,660,081

(a) Construction loans are issued at interest rates ranging from 9.0% - 14.0%. 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	
	2020 $'000	2019 $'000
At beginning of year	432,932	239,371
Impact of IFRS 9 adoption	-	272,560
Expected credit loss write back	(21,570)	(18,230)
Write-offs	(2,596)	(60,769)
Amounts recovered during the year	(149,251)	-
At end of year	259,515	432,932

(c) Net recoveries/write back of expected credit losses recognized in the statement of comprehensive income:

	Group and Bank	
	2020 $'000	2019 $'000
Expected credit loss write back	(21,570)	(18,230)
Direct write-offs	31,016	-
Amounts recovered during the year	(149,251)	-
At end of year	(139,805)	(18,230)

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

9. Tax Recoverable

Tax recoverable represents withholding tax recoverable, either the net of partial amounts recovered or total outstanding amounts as a 31 March 2020. The Bank has been in dialogue with the tax authorities to settle the full amount outstanding.

10. Receivables and Prepayments

	Group and Bank	
	2020 $'000	2019 $'000
Receivables	25,291	19,928
Prepayments	1,734	2,077
	27,025	22,005

11. Certificates of Deposit

	Group and Bank	
	2020 $'000	2019 $'000
Certificates of deposit	36,675	19,547
Interest receivable	47	29
	36,722	19,576

Certificates of deposit are made for a period of three months and earn interest at rates ranging between 1.60% to 3.00% (2019: 1.05% to 2.80%) per annum.

12. Resale Agreements

	Group and Bank	
	2020 $'000	2019 $'000
Repurchase agreements	38,848	7,948
Interest receivable	111	62
	38,959	8,010

The JMD securities are made for a period three months and earn interest at a rate of 3.00% per annum. The US$ securities totaling US$79,000 (2019: US$63,400) which mature within one year after year end, earn interest at a rate of 2.45% to 2.85% (2019: 2.45%) per annum.

13. Cash and Cash Equivalents

	Group and Bank	
	2020	2019
	$'000	$'000
Petty cash	35	25
Current account	83,737	29,230
Savings accounts	4,195	166
	87,967	29,421

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank or Group, and earn interest at the respective short-term deposit rates.

At 31 March 2020, the Bank and Group had available $185 million (2019: $359 million) of undrawn committed borrowing facilities.

The Bank and Group have pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 27 (c) for further details.

14. Share Capital

	Group and Bank	
	2020	2019
	$'000	$'000
Authorized, issued and fully paid:		
500,000,000 ordinary shares of no par value at the beginning and end of the year	500,000	500,000

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 Loan Payable

	Group and Bank	
	2020 $'000	2019 $'000
a) National Insurance Fund Loan	-	50,000
b) Shelter Bond 12B	150,000	150,000
c) Shelter Bond 14	150,000	150,000
	300,000	350,000
Unamortized bond issuance costs	(1,348)	(4,951)
	298,652	345,049

	Group and Bank	
	2020 $'000	2019 $'000
Principal		
Due within 12 months of the statement of financial position date	-	50,000
Due thereafter (within two to five years)	298,652	295,049
	298,652	345,049
Accrued interest on bonds and loan	-	383
	298,652	345,432

(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 were due six months after the date of disbursement of the loan proceeds and quarterly thereafter. The loan was repaid in full in May 2019. The loan was secured by the assignment of mortgages on construction loans for $75 million and the assignment of the flow of funds from the loan(s) funded through this borrowing.

(b) In July 2014, the Bank issued Shelter Bond 12B which was repaid in full on 23 July 2017. A new bond was issued in September 2017 and is repayable in full on 27 September 2022 at a rate of 8.00% for two (2) years and variable thereafter at 1.10% above the 6 months WATBY rate. 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 1.10% above the 6 months WATBY rate. The bond is repayable in full on 30 November 2022.

In computing the variable rates above, the weighted average Treasury bill yield used is from the most recent auction of 180 day (2019: 90 and 180 day) treasury bills prior to the commencement of the particular interest period. At the end of the period, the Treasury bill yield is 1.12165% (2019: 1.8499% and 1.79634% respectively). Unamortized bond issuance costs related to the bonds is $1.348 million (2019: $4,951 million).

There have been no breaches of the covenants in the current and prior year.

18. Payables and Accruals

	Group		Bank	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Other payables	8,268	27,275	8,268	15,275
Accruals	24,323	16,035	24,173	15,886
	32,591	43,310	32,441	31,161

19. Short Term loan

	Group and Bank	
	2020	2019
	$'000	$'000
a) NCB Revolving $500M	315,000	140,714
Unamortized borrowing cost	(1,019)	-
	313,981	140,714
Accrued interest	4,144	34
	318,125	140,748

b) In October 2018, the Bank received a revolving loan at a fixed rate of 7.90%. 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 2 October 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. As at 31 March 2020, cash held in respect of this facility amounted to $11.85 million (2019: $11.75 million.

20. Interest Income

	Group and Bank	
	2020	2019
	$'000	$'000
Construction loans	162,658	211,469
Mortgage loans	1,331	1,679
Deposits (including cash and cash equivalents)	2,088	835
	166,077	213,983

21. Other Income

	Group		Bank	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Administration fee – Mortgage Insurance Fund	33,091	31,242	33,091	31,242
Commitment and administration fees	37,798	17,645	37,798	17,645
Settlement of loans receivable	113,643	-	113,643	-
Other	20,993	180,998	8,993	180,998
	205,525	229,885	193,525	229,885

22. Staff Costs

The aggregate cost of employees was as follows:

	Group and Bank	
	2020 $'000	2019 $'000
Salaries and wage-related expenses	84,117	84,085
Statutory payroll contributions	7,893	7,454
Employee benefit expense (Note 7(b)(iii))	1,214	2,132
Staff welfare	10,565	5,539
	103,789	99,210

23. Administrative and General Expenses

	Group		Bank	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Utilities	5,976	5,487	5,976	5,487
Printing, postage and stamp	1,983	1,121	1,983	1,121
Repairs and maintenance	1,783	1,203	1,783	1,203
Insurance	984	503	984	503
Legal and professional fees	8,016	2,162	7,820	2,057
Auditor's remuneration	4,740	2,725	4,740	2,725
Mortgage processing fees	216	358	216	358
Depreciation	5,005	6,932	5,005	6,932
Subscriptions and publications	1,066	1,139	1,066	1,139
Customer services and activities	2,244	1,897	2,244	1,897
Bond expenses	2,584	3,833	2,584	3,833
Non-recoverable G.C.T.	3,491	4,031	3,491	4,031
General expenses	2,494	2,512	2,468	2,512
Property tax	1,554	786	1,554	769
Donations, scholarships and awards	317	280	317	280
Directors fees	1,049	979	1,049	979
Computer expenses	2,094	1,758	2,094	1,758
Meeting expenses	708	2,136	708	2,136
Security	1,089	1,044	1,089	1,044
Bank charges	188	260	188	260
Asset tax	-	15	-	-
Miscellaneous expenses	304	253	304	253
	47,885	41,414	47,663	41,277

24. Profit Before Taxation

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

		Group and Bank	
		2020	2019
		$	$
Depreciation		5,005	6,932
Directors' emoluments	- fees (Note 26)	1,049	979
Auditors' remuneration	- current year	4,740	2,725

25. Taxation

(a) Income tax

Current and deferred taxes have been calculated using the tax rate of 25% (2019: 25%).

i. The total charge for the period comprises:

	Group and Bank	
	2020	2019
	$'000	$'000
Current tax	73,971	27,571
Employment tax credit	(9,881)	(8,088)
Deferred tax	(36,611)	21,114
	27,479	40,597

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

	Group		Bank	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Profit before taxation	332,911	254,904	321,133	255,041
Computed "expected" tax expense	83,228	63,726	80,283	63,760
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Taxation losses (recognized)/not recognized	(22)	(7,191)	-	(18,249)
Employment tax credit	(9,881)	(8,088)	(9,881)	(8,088)
Income not recognized	(46,057)	(7,850)	(43,134)	-
Expenses not allowed	211	-	211	3,174
Actual tax charge recognized in the statement of profit or loss	27,479	40,597	27,479	40,597
Tax (credit)/charge recognized directly in other comprehensive incomes	(4,888)	14,015	(4,888)	14,015

25. Taxation (Continued)

(b) Deferred taxation

i. Deferred taxes are calculated on all temporary differences using the current tax rate of 25% (2019: 25%).

Analysis for financial reporting purposes:

	Group and Bank 2020 $'000	Group and Bank 2019 $'000
Deferred tax assets	5,802	2,434
Deferred tax liabilities	(39,350)	(77,481)
Net deferred tax liability	(33,548)	(75,047)

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

	Group and Bank 2020 $'000	Group and Bank 2019 $'000
Credited/(Charged) to expense for the year	36,611	(21,114)
Credited/(Charged) to other comprehensive income for the period	4,888	(14,015)
Net movement	41,499	(35,129)

iii. The following are the main deferred tax assets and liabilities recognized 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 payable	Accelerated capital allowances	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At April 1, 2018	519	18,349	392	1,275	4,118	24,653
Credited/(Charged) to income for the year	(191)	(18,349)	(302)	741	(4,118)	(22,219)
At March 31, 2019	328	-	90	2,016	-	2,434
Credited to income for the year	250	-	962	158	1,998	3,368
At March 31, 2020	578	-	1,052	2,174	1,998	5,802

25. Taxation (Continued)

(b) Deferred taxation (continued)

Deferred tax liabilities

	Group and Bank				
	Pension plan asset	IFRS 9 ECL provision	Interest receivable	Other	Total
	$'000	$'000	$'000		$'000
At April 1, 2018	(15,969)	-	(48,602)	-	(64,571)
(Charged)/Credited to income for the year	15,969	(4,557)	(10,307)	-	1,105
Charged to other comprehensive income	(14,015)	-	-	-	(14,015)
At March 31, 2019	(14,015)	(4,557)	(58,909)	-	(77,481)
(Charged)/Credited to income for the year	31	4,557	28,802	(147)	33,243
Credited to other comprehensive income	4,888	-	-	-	4,888
At March 31, 2020	(9,096)	-	(30,107)	(147)	(39,350)

26. Related Party Balances and Transactions

A party is related to the Group and 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)* of 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.

26. Related Party Balances and Transactions (Continued)

Balances outstanding at the end of the reporting period:

	Group and Bank	
	2020	2019
	$'000	$'000
Due from the Mortgage Insurance Fund	8,976	200

	Group and Bank	
	2020	2019
	$'000	$'000
Related party transaction:		
Administration fees - Mortgage Insurance Fund	33,091	31,242
Interest on short term loan – Mortgage Insurance Fund	(1,119)	(13,998)

During the year, the Jamaica Mortgage Bank drew down $180.9 million from a $300 million facility with the Mortgage Insurance Fund. The loan commenced on September 2019 and had a six (6) month term with an interest rate of 4% per annum. The principal amount and applicable interest were repaid during the year. These transactions were carried out in the ordinary course of business.

Balances receivable from key management personnel are as follows:

	Group and Bank	
	2020	2019
	$'000	$'000
Staff loans	-	7,183

Key management compensation is as follows:

	Group and Bank	
	2020	2019
	$'000	$'000
Directors' fees (Note 24)	1,049	979
Short-term employee benefits	40,120	39,985
Post-employment expense/(benefits)	187	360

27. Financial Risk Management

Introduction and overview

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

(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 measuring and managing risk.

Risk management framework

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

The risk management policies are established to identify and analyze 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. The Group is exposed to credit risk from its operating activities (primarily loans receivables) and from investing activities including deposits with banks and financial institutions and other financial instruments. 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 minimizing exposure to credit risk, which policies include, *inter alia,* obtaining collateral in respect of loans made, and performing credit evaluations on all applicants for credit. In respect of investments and related interest receivable, these are Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and investments are held with financial institutions that management believes do not present any significant credit risk.

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

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	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	87,967	29,421	87,967	29,421
Certificates of deposit	36,722	19,576	36,722	19,576
Resale agreements	38,959	8,010	38,959	8,010
Receivables	25,291	19,928	25,291	19,928
Loans receivable	1,893,581	1,660,081	1,893,581	1,660,081
Loan receivable from subsidiary	-	-	125,210	124,988
	2,082,520	1,737,016	2,207,730	1,862,004

ii. Management of credit risk

(1) Loans receivable

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

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. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a model to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group holds collateral as security against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. These collaterals are considered in the calculation of impairment as at 31 March 2020. At 31 March 2020, collaterals held resulted in a decrease in the ECL of $526 million (2019: $238 million). The Group evaluates the concentration of risk with respect to trade receivables as high, as most of its customers operate in the same market (Note 27 (a) (iv)).

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

ii. Management of credit risk (continued)

(2) Loan receivable from subsidiary

The directors believe that the credit risk associated with this financial instrument is minimal. The carrying amount of $125.21 million (2019: 124.97 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 credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored and the 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

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings of BB or B2 and higher. The carrying amount of cash and bank balances (excluding cash on hand) totaling $87.9 million (2019: $29.4 million) represents the Group and Bank's maximum exposure to this class of financial assets.

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

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

iii. Credit quality of loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Group and Bank's internal credit rating system, stage 1, stage 2 and stage 3. The amounts presented are gross of allowance for ECL. Details of the Group and Bank's internal grading system are explained in Note 3 (c) and Group and Bank's impairment assessment and measurement approach is set out in Note 3 (d). During the year, $240.27 million was transferred from stage 1 to stage 2 and $411.97 million was transferred from stage 2 to stage 3. There were repayments of stage 2 loans of $69.58 million and stage 3 loans of $179.63 million. The reduction in expected credit loss recognised in the statement of comprehensive income was $21.57 million ($18.23 million) (Note 8 (c)).

Group and Bank

	2020			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	1,187,854	381,334	570,890	2,140,078
ECL	(9,902)	(2,838)	(246,775)	(259,515)
	1,177,952	378,496	324,115	1,880,563

	2019			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	1,523,241	320,687	228,500	2,072,428
ECL	(76,157)	(128,275)	(228,500)	(432,932)
	1,447,084	192,412	-	1,639,496

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

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 summarizing the credit exposure to borrowers, by category:

	2020		
	Construction Loans	**Mortgage Loans**	**Total**
	$'000	**$'000**	**$'000**
Developers	2,140,078	-	2,140,078
Staff	-	4,560	4,560
Other	-	8,458	8,458
	2,140,078	13,018	2,153,096

	2019		
	Construction Loans	**Mortgage Loans**	**Total**
	$'000	**$'000**	**$'000**
Developers	2,072,428	-	2,072,428
Staff	-	8,667	8,667
Other	-	11,918	11,918
	2,072,428	20,585	2,093,013

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

27. Financial Risk Management (Continued)

Risk management framework (Continued)

(a) Credit risk (continued)

v. Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are mortgage interest over property, other registered securities over assets and guarantees. The value of collaterals is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

In its normal course of business, the Group and Bank engages external agents to recover funds from repossessed properties or other assets in its loan's portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, properties under legal repossession processes are not recorded on the statement of financial position and not treated as non-current assets held for sale.

Collateral is not generally held against deposits and investment securities, and no such collateral was held at March 31, 2020 or 2019.

(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 optimizing returns.

The Group manages interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Group has limited exposure to foreign currency risk as it has no foreign currency liabilities and 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 realized 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.

27. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

The following table summarizes 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	2020				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	87,967
Certificates of deposit	36,722	-	-	-	36,722
Resale agreements	38,959	-	-	-	38,959
Receivables	-	-	-	25,291	25,291
Loans receivable	718,417	375,738	799,426	-	1,893,581
Total financial assets	882,065	375,738	799,426	25,291	2,082,520
Payables	-	-	-	8,268	8,268
Short term loans	-	318,125	-	-	318,125
Bonds and loan payable	-	-	298,652	-	298,652
Total financial liabilities		318,125	298,652	8,268	625,045
Interest rate sensitivity gap	882,065	57,613	500,774	17,023	1,457,475
Cumulative gap	882,065	939,678	1,440,452	1,457,475	

Group	2019				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	29,421	29,421
Certificates of deposit	11,710	7,866	-	-	19,576
Resale agreements	8,010	-	-	-	8,010
Receivables	-	-	-	22,005	22,005
Loans receivable	152,799	1,018,715	488,567	-	1,660,081
Total financial assets	172,519	1,026,581	488,567	51,426	1,739,093
Payables	-	-	-	27,275	27,275
Short term loans	-	140,748	-	-	140,748
Bonds and loan payable	-	50,000	295,049	383	345,432
Total financial liabilities	-	190,748	295,049	27,658	513,455
Interest rate sensitivity gap	172,519	835,833	193,518	23,768	1,225,638
Cumulative gap	172,519	1,008,352	1,201,870	1,225,638	

27. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

Bank	2020				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	87,967	87,967
Certificates of deposit	36,722	-	-	-	36,722
Resale agreements	38,959	-	-	-	38,959
Receivables	-	-	-	25,291	25,291
Loans receivable	718,417	375,738	799,426	-	1,893,581
Loan receivable from subsidiary	-	-	-	125,210	125,210
Total financial assets	794,098	375,738	799,426	238,468	2,207,730
Payables	-	-	-	8,268	8,268
Short-term loans	-	318,125	-	-	318,125
Bonds and loan payable	-	-	298,652	-	298,652
Total financial liabilities		318,125	298,652	8,268	625,045
Interest rate sensitivity gap	794,098	57,613	500,774	230,200	1,582,685
Cumulative gap	794,098	851,711	1,352,485	1,582,685	

Bank	2019				
	Within 3 months	3 - 12 Months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	29,421	29,421
Certificates of deposit	11,710	7,866	-	-	19,576
Resale agreements	8,010	-	-	-	8,010
Receivables	-	-	-	22,005	22,005
Loans receivable	152,799	1,018,715	488,567	-	1,660,081
Interest in subsidiary: Long-term loan	-	-	-	124,988	124,988
Total financial assets	172,519	1,026,581	488,567	176,414	1,864,081
Payables	-	-	-	15,275	15,275
Short-term loans	-	140,748	-	-	140,748
Bonds and loan payable	-	50,000	295,049	383	345,432
Total financial liabilities	-	190,748	295,049	15,658	501,455
Interest rate sensitivity gap	172,519	835,833	193,518	160,756	1,362,626
Cumulative gap	172,519	1,008,352	1,201,870	1,362,626	

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Financial Risk Management (Continued)

(b) Market risk (Continued)

i. Interest rate risk (Continued)

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

	2020		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	7.09	-	-
Resale agreements	7.40	-	-
Loans receivable	13.50	13.17	12
Short term loan	7.90	-	-
Bonds payable	-	-	9.10

Group and Bank

	2019		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	2.10	1.25	-
Resale agreements	1.70	-	-
Loans receivable	12.00	13.00	12.00
Short term loan	7.90	-	-
Bonds 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 $14.81 million and decrease by $14.81 million respectively (2019: increase by $21.44 million and decrease by $21.44 million). For foreign interest bearing assets and liabilities, if interest rates were 100 basis points higher or 100 basis points lower, and all other variables were held constant, the Bank's/Group's profit for the period would increase by $0.14 million and decrease by $0.14 million respectively (2019: 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.

27. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financials instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

Due to the dynamic nature of the underlying businesses, the management of the Group ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities and disbursement commitments when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The daily liquidity position is monitored by reports covering the position of the Group. The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to cash available for disbursements. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment in debt securities for which there is an active liquid market, less loan commitments to borrowers within the coming year.

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

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Group — **2020**

	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	-	87,967	87,967
Certificates of deposit	-	36,675	-	-	-	36,675	36,722
Resale agreements	-	38,847	-	-	-	38,847	38,959
Receivables	-	25,291	-	-	-	25,291	25,291
Loans receivable	568,425	63,058	589,465	811,882	-	2,032,830	1,893,581
Total financial assets	956,392	163,871	589,465	811,882	-	2,221,610	2,082,520
Payables	-	8,268	-	-	-	8,268	8,268
Short-term loans	-	-	313,981	-	-	313,981	318,125
Bonds and loan payable	-	4,575	13,725	323,815	-	342,115	298,652
Total financial liabilities	-	12,843	327,706	323,815	-	664,364	625,045
	956,392	151,028	261,759	488,067	-	1,557,246	1,457,475

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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	29,421	-	-	-	-	29,421	29,421
Certificates of deposit	-	11,710	7,866	-	-	19,576	19,576
Resale agreements	-	8,010	-	-	-	8,010	8,010
Receivables	-	-	22,005	-	-	22,005	22,005
Loans receivable	16,274	136,525	1,018,715	488,567	-	1,660,081	1,660,081
Total financial assets	45,695	156,245	1,048,586	488,567	-	1,739,093	1,739,093
Payables	3,838	-	-	3,368	12,000	19,206	27,275
Short-term loans	-	-	-	140,714	-	140,714	140,714
Bonds and loan payable	-	-	50,000	295,432	-	345,432	345,432
Total financial liabilities	3,838	-	50,000	439,514	12,000	505,352	513,421
	41,857	156,245	998,586	49,052	(12,000)	1,233,741	1,225,672

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Bank

	2020						
	Within one Month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	87,967	-	-	-	-	87,967	87,967
Certificates of deposit	-	36,675	-	-	-	36,675	36,722
Resale agreements	-	38,847	-	-	-	38,847	38,959
Receivables	-	25,291	-	-	-	25,291	25,291
Loans receivable	568,425	63,058	589,465	811,882	-	2,032,830	1,893,581
Interest in subsidiary: long term loans	-	-	-	125,210	-	125,210	125,210
Total financial assets	656,392	163,871	589,465	937,092	-	2,346,820	2,207,730
Payables	-	8,268	-	-	-	8,268	8,268
Short-term loans	-	-	313,981	-	-	313,981	318,125
Bonds and loan payable		4,575	13,725	323,815	-	342,115	298,652
Total financial liabilities	-	12,843	327,706	323,815	-	664,364	625,045
	656,392	151,028	261,759	613,277	-	1,682,456	1,582,685

Bank

	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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	29,421	-	-	-	-	29,421	29,421
Certificates of deposit	-	11,710	7,866	-	-	19,576	19,576
Resale agreements	-	8,010	-	-	-	8,010	8,010
Receivables	-	-	22,005	-	-	22,005	22,005
Loans receivable	16,274	136,525	1,018,715	488,567	-	1,660,081	1,660,081
Interest in subsidiary: long term loans	-	-	-	-	124,988	124,988	124,988
Total financial assets	45,695	156,245	1,048,586	488,567	124,988	1,864,081	1,864,081
Payables	3,838	-	-	11,437	-	15,275	15,275
Short-term loans	-	-	-	140,714	-	140,714	140,714
Bonds and loan payable	-	-	122,478	222,954	-	345,432	345,432
Total financial liabilities	3,838	-	122,478	375,105	-	501,422	501,42
	41,857	156,245	926,108	113,462	124,988	1,362,659	1,362,660

27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Collateral

The Bank and Group has pledged part of its short- term deposits in order to fulfil the collateral requirements for short term loan received. At 31 March 2020, the fair value of the short-term deposits pledged is $11.850 million. The counterparty has an obligation to return the securities to the Bank and Group. There are no other significant terms and conditions associated with the use of collateral.

(d) Operational risk

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 and Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To safeguard the Bank and Group's ability to continue as a going concern so that it can continue to provide benefits for the shareholder and other stakeholders; and

(ii) To maintain a strong capital base to support the development of its business.

The Bank is a statutory body and is not a regulated entity. Accordingly, there are no rules relating to capital that are imposed by regulations. However, by virtue of the provisions of the Jamaica Mortgage Bank Act (see Note 15) and stated Board policy (see Note 16), the Bank is required to set aside retained profits in special reserves.

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

27. Financial Risk Management (Continued)

(e) Capital management (continued):

Capital allocation

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

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

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes to the Bank and Group's approach to capital management during the year, and the Bank and Group is not subject to externally imposed capital requirements.

28. 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 recognized 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. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. 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.

28. Fair Value Measurement (continued)

Group and Bank	Carrying amount 2020	Carrying amount 2019	Fair value 2020	Fair value 2019
	$'000	$'000	$'000	$'000
Assets				
Loans receivable	1,893,581	1,660,081	2,153,097	2,072,428
Liabilities				
Short term loans	318,125	140,714	318,125	140,714
Bonds and loan payable	298,652	345,432	354,597	345,432
	616,777	486,146	672,722	486,146

The following table provides an analysis of financial instruments held for the Group and the Bank as at 31 March 2020 and 31 March 2019 that subsequent to initial recognition, are measured at amortized cost. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

Group and Bank

	2020			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	2,153,097	-	2,153,097
Liabilities for which fair values are disclosed:				
- Short term loans	-	318,125	-	318,125
- Bonds and loan payable	-	354,597	-	354,597

	2019			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	2,072,428	-	2,072,428
Liabilities for which fair values are disclosed:				
- Short term loans	-	140,714	-	140,714
- Bonds and loan payable	-	345,432	-	345,432

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

28. Fair Value Measurement (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulator agency, and those prices represent actual and regularly occurring market transactions on an 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 maximize 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.

29. Commitments and Contingencies

Loans approved but not disbursed by the Group and the Bank at 31 March 2020 amounted to approximately $3.381 billion (2019: $3.392 billion).

The Group is involved in litigations in the normal course of operations. The Bank currently has three active litigations. Two were filed by a former employee and the Bank is aggressively defending same. The third is a claim and counter claim involving a developer. The Bank is making an application to strike out the claim and is making an application for summary judgement in a counter claim.

Management believes that, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Group.

30. 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 Reserve Fund. Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Funds in the following way:

- *one-half of the return on the income and assets* of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and *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 investment and assets of the Fund for that year; and, if more is still required, then by
- advances from the Government of Jamaica's Consolidated Fund.

30. Costs of and Funding for Administration of Mortgage Insurance Fund (continued)

	2020 $'000	2019 $'000
Cost of Administration of Mortgage Insurance Fund		
Bank charges and interest	19	20
Professional and other	55	2,390
Audit fees	560	643
Total costs	634	3,053
Funded by:		
Contribution of:		
Two-fifths of Mortgage Insurance fees	4,280	1,496
Loan investigation fees	148	127
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	1	1
	4,429	1,624
Paid/(Recovered) by the Mortgage Insurance Fund	(3,795)	1,429
Total funding	634	3,053

31. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared that outbreak of a novel strain of Coronavirus (COVID-19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the resulting response of governments worldwide, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Group's borrowers, investments, employees and vendors/suppliers, all of which are uncertain.

The Group expects that, like the rest of the economy, a significant fallout should be experienced during the next fiscal year, with the extent depending on the duration of the pandemic.

To date there has been no material impact on the operations of the Group.

Impact of COVID-19 on the macro-economic outlook

Forward-looking information, including the scenarios and related probabilities is considered in determining the Group's assumptions for the purposes of its expected credit loss (ECL). Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, the ECL allowance represents reasonable and supportable futuristic views as at the reporting date.

31. Coronavirus (COVID-19) Impact (continued)

Processes applied

As a consequence of COVID-19 and in preparing these financial statements, management:

– re-evaluated whether there were any additional areas of judgement or uncertainty in estimates beyond what has been disclosed above
– updated its economic outlook – principally for the purposes of inputs into its ECL through the application of forward-looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities
– reviewed external market communications to identify other COVID-19 related impacts
– reviewed public forecasts and experience from previous downturns
– conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes
– assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19, and
– considered the impact of COVID-19 on the Group's financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Loan receivables and other financial assets
In response to COVID-19, the Group undertook a review of the credit portfolios and other financial asset exposures, as applicable, and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weightings, together with the determination of the staging of exposures were however revised. The impact of COVID-19 on the credit risk management disclosures, notably in relation to credit quality and collateral and other credit enhancements was also considered. Refer to Note 27(a).

Interest in subsidiary
In addition to the Bank assessing its investments in subsidiaries for impairment, the Bank re-affirmed that there were no circumstances as a result of COVID-19 that would affect the existing control conclusion for its subsidiary, nor did it highlight instances in which the Bank now had control of such entities.

Lands held for development and sale
The appropriateness of the held for sale classification at the reporting date was reassessed and affirmed. Further, the impact of COVID-19 on the carrying value of the assets that were classified as held for sale was assessed. Refer to Note 5.

31. Coronavirus (COVID-19) Impact (continued)

Consideration of the statements of financial position and further disclosures (continued)

Post retirement benefits
The Group's defined benefit pension plan is reviewed annually to determine any changes to the fair value of the plan assets or present value of the defined benefit obligations. This principally reflects actuarial gains reported in other comprehensive income arising from improved discount rates and lower inflation assumptions reducing the plan obligations offset by reductions in the valuation of plan assets. The current environment is likely to continue to affect the values of the plan assets and obligations resulting in potential volatility in the amount of the net defined benefit pension plan surplus/deficit recognized.

Debt issued and other borrowings
Debt-related covenants were assessed to determine whether there were any breaches for which disclosure is required. The Group identified no such breaches at 31 March 2020 nor at the time at which these financial statements were authorised for issue. Refer to Note 17.

Financial Statements for JMB Developments Ltd

for the year ended 31st March 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JMB Developments Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of JMB Developments Limited (the "Company") which comprise the statement of financial position as at 31 March 2020, the statements of comprehensive income, changes in shareholder's deficiency and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 June 2019.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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 or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's 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 judgment 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.

- 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 presents a true and fair view.

We communicate with the Board of Directors 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 requirements of 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 and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

31 July 2020

JMB Developments Limited

Statement of Financial Position
As at 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	Restated 2019 $'000	Restated 2018 $'000
ASSETS				
Non-Current Assets				
Investment by parent company		-	-	-
Land held for development and sale	5	1	1	1
Property and equipment	6	-	-	-
Total assets		1	1	1
SHAREHOLDERS' DEFICIENCY AND LIABILITIES				
Shareholder's deficiency				
Share capital	7	-	-	-
Accumulated deficit		(125,359)	(125,137)	(125,000)
Total Shareholder's deficiency		(125,359)	(125,137)	(125,000)
LIABILITIES				
Loan payable to parent	8	125,210	124,988	124,851
Payables		150	150	150
Total liabilities		125,360	125,138	125,001
TOTAL SHAREHOLDER'S DEFICIENCY AND LIABILITIES		1	1	1

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

Approved for issue by the Board of Directors on 31 July 2020 and signed on its behalf by:

Chairman
Mr. Michael Shaw

Director
Mr. Ryan Parkes

JMB Developments Limited

Statement of Comprehensive Income
For the year ended 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Administrative expenses		
Professional fees	(196)	(94)
Other general expenses	(26)	(43)
Net loss being total comprehensive loss for the year	(222)	(137)

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

JMB Developments Limited

Statement of Changes in Shareholder's Deficiency
For the year ended 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Accumulated Deficit	Total
	$'000	$'000	$'000
Balance as at April 1, 2018, as previously reported	-	(137,000)	(137,000)
Prior period adjustment (Note 12)		12,000	12,000
Balance as at April 1, 2018, as restated	-	(125,000)	(125,000)
Net loss, being total comprehensive loss for the year	-	(137)	(137)
Balance as at March 31, 2019, restated		(125,137)	(125,137)
Net loss, being total comprehensive loss for the year		(222)	(222)
Balance as at March 31, 2020	-	(125,359)	(125,359)

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

JMB Developments Limited

Statement of Cash Flows
For the year ended 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Cash flows from operating activities		
Net loss for the year, being net cash used in operating activities	(222)	(137)
	-	-
Net cash used in operating activities	(222)	(137)
Cash flows from financing activities		
Increase in loan payable to parent	222	137
Net cash provided by investing activities	222	137
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.

JMB Developments Limited

Notes to the financial statements
For the year ended 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

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

2.1 Standards, interpretations and amendments to existing standards effective during the year

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. The nature and the impact of each new standard or amendment is described below.

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

IFRS 16 Leases (Effective January 2019)
This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of “low value” assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17.

The requirements of the standard had no impact on the financial statements of the Company.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective January 2019)
In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

2. Adoption of Standards, Interpretation and Amendments (continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective January 2019) (continued)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The interpretation had no impact on the financial statements of the Company.

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

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

The amendments had no impact on the financial statements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures (Effective January 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 "Investments in Associates and Joint Ventures".

The amendments had no impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

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

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Company.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements, which are effective 1 January 2019, include:

- IFRS 3 Business Combinations – Previously held interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held interests in a joint operation
- IAS 12 Income Taxes – Income tax consequences of payments of financial instruments classified as equity
- IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

These amendments did not have an impact on the Company's financial statements.

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company

The standards and interpretations that are issued, but not yet effective at 31 March 2020 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

2. Adoption of Standards, Interpretation and Amendments (continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective January 1, 2020)

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted. The amendments are not expected to have any impact on the financial statements of the Company.

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective January 1, 2020)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2020. This amendment will have no impact on the Company's financial statements.

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective January 1, 2020)

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have any impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective January 1, 2020)
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Company

The Conceptual Framework for Financial Reporting (Effective January 1, 2020)
Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event. This is not expected to have any impact on the Company's financial statements.

2. Adoption of Standards, Interpretation and Amendments (continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)

IFRS 17- Insurance Contracts (Effective January 2021)
IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (i.e. coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

This is not expected to have any impact on the Company’s financial statements.

Classification of Liabilities as Current or Non-current Amendments to IAS 1 (Effective January 2022)
In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

2. Adoption of Standards, Interpretation and Amendments (continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)

Classification of Liabilities as Current or Non-current Amendments to IAS 1 (Effective January 2022) (continued)

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments also clarify that the requirements for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date. This is not expected to have any impact on the Company's 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) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and are subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

(b) Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

(b) Financial instruments (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

(b) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)
The Company considers a financial asset in default when contractual payments are 90 days past due, based on historical experience. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and due to related parties balances.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of profit or loss.

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

(c) 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.

(d) Land Held for Development and Sale

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

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

(e) 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 recognized 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 derecognized 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 recognized in profit or loss.

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

- Property and Equipment 10 years

(f) Payables

Trade and other payables are stated at cost.

(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 calculated 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 using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 realized, based on tax rates (and tax laws) that have

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

(g) Taxation (continued)

Deferred Tax (continued)

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

(h) Revenue from contracts with customers

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

(i) Expenses

Expenses are recorded on the accrual basis.

(j) 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.

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

(j) Related party balances and transactions (continued)

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

(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.

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 recognized 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 that had a significant effect on the amounts recognized 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 dale

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

5. Land held for development and sale (continued)

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 and Equipment

	Plant and Machinery $'000
At cost or valuation:	
1 April 2019 and 31 March 2020	110
Accumulated Depreciation:	
1 April 2019	110
Charge for the year	-
31 March 2020	110
Net Book Value:	
31 March 2020 and 2019	-

7. Share Capital

	2020 $'000	2019 $'000
Authorized:		
1,000 shares at no par value at the 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

	2020 $'000	2019 $'000
Ordinary shares*	-	-
Long-term loan (a)	117,197	117,197
Irrecoverable charges (b)	8,013	7,791
	125,210	124,988

*The carrying value of ordinary shares is $2 (2019: $2)

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended March 31, 2006, after a moratorium of 24 months on principal. The balance shown represents past- due amounts of $117 million (2019: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses. The expenses will not be recharged and therefore is recorded as an expense in the Bank's statement of comprehensive income.

9. Net Loss for the Year

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

	2020 $'000	**2019 $'000**
Auditor's remuneration	100	-
Professional tees	96	105
Asset tax	-	15
Property taxes	26	17
	222	137

10. Tax Losses

Current and deferred taxes have been calculated using the tax rate of 25% (2019: 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 $94.44 million (2019: $94.22 million).

Potential deferred tax asset of approximately $23.61 million (2019: $23.55 million), arising on the unused tax losses, has not been recognized as the Company is not expected to have taxable profits in the foreseeable future to utilize 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, financial assets and financial liabilities comprise receivables, trade payables and loan payable to parent.

Information relating to fair values and financial risk management is summarized 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.

11. Financial Instruments and Financial Instruments Risk Management (continued)

(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.

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.

11. Financial Instruments and Financial Instruments Risk Management (continued)

(b) Financial Risk Management (continued)

ii. Market Risk (continued)

- **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 management implies maintaining 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.

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 maximizing the return to stakeholders through the optimization 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 31 March 2019.

12. Restatement

During 2015, the Company received a deposit of $12 million which represented a non-refundable advance payment of fifty percent (50%) of the sale price of parcels of land located at Non-Pariel in the Parish of Westmoreland. This amount was treated as a refundable deposit in error and recorded on the books as a current liability. The impact of correcting this error has resulted in a decrease in shareholder's deficit of $12 million as at 31 March 2019.

The effect of restating the 2019 and 2018 financial statements are disclosed below:

31 March 2019

	As previously reported	Adjustment	Restated
	$'000	**$'000**	**$'000**
Impact to the statement of financial position			
Accumulated deficit	137,137	(12,000)	125,137
Liabilities - Deposit	(12,000)	12,000	-

31 March 2018

	As previously reported	Adjustment	Restated
	$'000	**$'000**	**$'000**
Impact to the statement of financial position			
Accumulated deficit	137,000	(12,000)	125,000
Liabilities - Deposit	(12,000)	12,000	-

13. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID 19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's, borrowers, investments, employees and vendors/suppliers, all of which are uncertain.

The Company expects that, like the rest of the economy, a significant fallout should be experienced during the next fiscal year, with the extent depending on the duration of the pandemic. Notwithstanding the foregoing, the application of the going concern principle is not compromised because the Company has financial support from its Parent.

To date there has been no material impact on the operations of the Company.

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

for the year ended 31st March 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mortgage Insurance Fund and the financial statements of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Funds"), which comprise the Funds' statements of financial position as at 31 March 2020, and the Funds' statements of changes in fund balance, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Funds as at 31 March 2020, and of the Funds' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Funds for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on these financial statements on 17 June 2019.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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 Funds 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.

Auditor's 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 judgment 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 presents a true and fair view.

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 requirements of 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 and the financial statements are in agreement with the accounting records, and give the information required by the Mortgage Bank Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

31 July 2020

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Financial Position
As at 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS:			
Cash and cash equivalents		9,865	6,069
Investments	5	1,522,682	1,455,002
Receivables	6	127,406	102,172
Due from related party	7	54	28
		1,660,007	1,563,271
LIABILITIES			
Accounts payable		2	-
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	7	80	81
Due to related party	7	8,976	200
		9,058	281
NET ASSETS		1,650,949	1,562,990
Represented by:			
ACCUMULATED SURPLUS		1,650,949	1,562,990

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

Approved for issue by the Board of Directors on 31 July 2020 and signed on its behalf by:

Chairman
Michael Shaw

Director
Ryan Parkes

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 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Increase in fund		
Three-fifths of mortgage loan insurance fees	6,420	2,243
Investment income	100,444	91,154
Interest income on loans	1,119	13,949
Miscellaneous income	9,389	9,245
	117,372	116,591
Decrease in fund		
(Paid)/recovered by the Bank as contribution towards the cost of administering the Mortgage Insurance Act	4,280	(1,429)
Administration charges paid to the Bank	(33,091)	(31,242)
Miscellaneous expense	(602)	-
	(29,413)	(32,671)
Net increase in fund balance for the year	87,959	83,920
Fund balance at the beginning of the year	1,562,990	1,479,070
Fund balance at the end of the year	1,650,949	1,562,990

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 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in fund balance for the year	87,959	83,920
Decrease/(increase) in operating assets		
Due from Jamaica Mortgage Bank	(26)	250,202
Trade and other receivables	(25,234)	45,855
(Decrease)/increase in operating liabilities		
Accounts payable	2	(801)
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	(1)	1
Due to Jamaica Mortgage Bank	8,776	75
Net cash provided by operating activities	71,476	379,252
Cash flows from investing activities		
Additions to investments	(67,680)	(430,974
Net cash used in investing activities	(67,680)	(430,974)
Net (decrease)/increase in cash and cash equivalents	3,796	(51,722)
Cash and cash equivalents at the beginning of the year	6,069	57,791
Cash and cash equivalents at the end of the year	9,865	6,069

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 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
ASSETS		
Due from Mortgage Insurance Fund	80	79
Government of Jamaica Investment Debenture	16	16
	96	95
Represented by:		
ACCUMULATED SURPLUS	96	95

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

Approved for issue by the Board of Directors on 31 July 2020 and signed on its behalf by:

_______________ Chairman
Michael Shaw

_______________ Director
Ryan Parkes

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 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
(Decrease)/increase in fund		
Interest income	1	-
One half of investment income transferred to the Bank as towards the cost of administering the Mortgage Insurance Act	-	-
Net (decrease)/increase in fund for the year	1	-
Fund balance at the beginning of the year	95	95
Fund balance at the end of the year	96	95

*Because of rounding to the nearest thousand, one half of investment income transferred to the bank as contribution towards the cost of administering the Mortgage Insurance Act in the amount of $619 (2019: $402) is not reflected.

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 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (decrease)/increase in fund balance for the year	1	-
Decrease/(increase) in operating assets		
Due from Jamaica Mortgage Bank	1	-
Net cash used in operating activities	-	-
Cash flows from investing activities		
Additions to/(encashment of) investments	-	-
Net cash provided in 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.

The Mortgage Insurance Fund
and Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Notes to the financial statements
For the year ended 31 March 2020
(expressed in Jamaican dollars unless otherwise indicated)

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 of Jamaica’s Consolidated Fund.

1. Corporate Information (Continued)

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

(e) These Funds are exempt from taxation.

2. Adoption of Standards, Interpretations and Amendments

2.1 Standards, interpretations and amendments to existing standards effective during the year

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. The nature and the impact of each new standard or amendment is described below.

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

IFRS 16 Leases (Effective 1 January 2019)

This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of “low value” assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17.

The requirements of the standard had no impact on the financial statements of the Funds.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective 1 January 2019)

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective 1 January 2019) (continued)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The interpretation had no impact on the financial statements of the Funds.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation (Effective 1 January 2019)

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

The amendments had no impact on the financial statements of the Funds.

Amendments to IAS 28: Long-term interests in associates and joint ventures (Effective 1 January 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.1 Standards, interpretations and amendments to existing standards effective during the year (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures (Effective 1 January 2019) (continued)

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 “Investments in Associates and Joint Ventures”.

The amendments had no impact on the financial statements of the Funds.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (Effective 1 January 2019)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Funds.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements, which are effective 1 January 2019, include:

- IFRS 3 Business Combinations – Previously held interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held interests in a joint operation
- IAS 12 Income Taxes – Income tax consequences of payments of financial instruments classified as equity
- IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

These amendments are not expected to have an impact on the Funds’ financial statements.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted

The standards and interpretations that are issued, but not yet effective at 31 March 2020 are disclosed below. The Funds intend to adopt these standards, if applicable, when they become effective.

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3 (Effective 1 January 2020)
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 with earlier application permitted. The amendments are not expected to have any impact on the financial statements of the Funds.

IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (Effective 1 January 2020)
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2020. This amendment will have no impact on the Funds' financial statements.

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020)
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (Effective 1 January 2020) (continued)

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020 and are not expected to have any impact on the financial statements of the Funds.

The Conceptual Framework for Financial Reporting (Effective 1 January 2020)

Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The directors and management have not yet assessed the impact of the application of this framework on the Funds' financial statements.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

IFRS 17 - Insurance Contracts (Effective 1 January 2021)
IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (i.e. coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

This is not expected to have any impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretations and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Funds.

Classification of Liabilities as Current or Non-current Amendments to IAS 1 (Effective 1 January 2022)
In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments also clarify that the requirements for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date. This is not expected to have any impact on the financial statements of the Funds.

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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(a) Statement of Compliance and Basis of Preparation (continued)

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 months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at hand and in bank.

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Funds' statement of financial position when the Funds become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 8. Listed below are the Funds' financial assets and liabilities and the specific accounting policies relating to each.

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Funds' business model for managing them.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)
The business model reflects how the Funds manage the assets in order to generate cash flows. That is, whether the Funds' 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 fair value through profit and loss (FVTPL). Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Funds commit to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. 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 FVOCI.

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortized 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 recognized 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 instruments 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.

The SPPI test
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)

The SPPI test (continued)
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Funds apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Funds. The Funds measure financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Funds' financial assets at amortized cost includes loans receivables, certificates of deposits, resale agreements, bonds and cash and bank balances.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition
The Funds derecognize a financial asset in accordance with IFRS 9, when its contractual rights to the cash flows from the assets expire, or when the Funds transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Funds neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Funds recognize their retained interest in the asset and an associated liability for amounts it may have to pay. If the Funds retain substantially all the risks and rewards of ownership of a transferred financial asset, the Funds continue to recognize the financial asset and also recognizes a collateralized 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 recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Funds retain an option to repurchase part of a transferred asset), the Funds allocate the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes 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 recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

The Funds derecognize financial liabilities when, the Funds' obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment
At each reporting date, the Funds assess 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 Funds recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Funds expect to receive, discounted at an approximation of the original effective interest rate. 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.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)

For other receivables, the Funds apply a simplified approach in calculating ECLs. Therefore, the Funds do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. The Funds use the provision matrix as a practical expedient to measuring ECLs on other receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates

i. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Funds' financial liabilities include payables.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of income.

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

(e) Receivables

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

(f) 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 recognized 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 derecognized 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 recognized in profit or loss.

(g) Payables
Trade and other payables are stated at cost.

(h) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Interest income earned from investments and fees are recorded on the accrual basis.

(i) Expenses
Expenses are recorded on the accrual basis.

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

	2020 $'000	2019 $'000
Government of Jamaica:		
Repurchase agreements	325,270	339,750
Investment bonds	782,711	773,467
	1,107,981	1,113,217
Time deposits	302,128	303,549
Deferred shares	100,014	25,188
	1,510,123	1,441,954
Interest receivable	12,559	13,048
	1,522,682	1,455,002

6. Receivables

	2020 $'000	2019 $'000
Other receivable	1	1
Withholding tax recoverable	127,405	102,171
	127,406	102,172

7. Due from/(to) related party

	2020 $'000	2019 $'000
Balances outstanding at the end of the reporting period:		
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	(80)	(81)
Due to Jamaica Mortgage Bank	(8,976)	(200)
Due from Jamaica Mortgage Bank	54	28
Income incurred during the reporting period:		
Administration fees - Jamaica Mortgage Bank	(33,091)	(31,242)
Interest earned on short term loan – Jamaica Mortgage Bank	1,119	13,949

7. Due from/(to) related party (continued)

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

During the year, the Jamaica Mortgage Bank drew down $180.9 million from a $300 million facility agreement. The loan commenced on September 2019 and had a six (6) month term with an interest rate of 4% per annum. The principal amount was repaid during the year. These transactions were carried out in the ordinary course of business.

8. Financial Instruments and Financial Instruments Risk Management

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

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

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

(i) Fair Value

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

Determination of Fair Value:

The carrying values of the Funds' financial instruments 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 $1.523 million in 2020 (2019: $1.455 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.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)
The risk management policies are established to identify and analyze 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.

(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

	2020 **$’000**	**2019** **$’000**
Cash and cash equivalents	9,865	6,069
Investments	1,522,682	1,455,002
Receivables	127,406	102,172
Short term loan - Due from Jamaica Mortgage Bank	54	28
	1,660,007	1,563,271

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(a) Credit Risk (continued)

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

	2020 $'000	2019 $'000
Due from Mortgage Insurance Fund	80	79
Government of Jamaica Investment Debenture	16	16
	96	95

(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 realizable and claims against the Funds would be handled in a manner which provides for careful liquidation of assets.

(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 optimizing returns.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(c) Market Risk (continued)

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 2020

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	-	-	-	-	-	9,865	9,865
Investments	4	547,795	92,176	100,000	782,711	-	1,522,682
		547,795	92,176	100,000	782,711	9,865	1,532,547

31st March 2019

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	-	-	-	-	-	6,069	6,069
Investments	7	590,765	65,582	25,188	773,467	-	1,455,002
		590,765	65,582	25,188	773,467	6,069	1,461,071

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(c) Market Risk (continued)

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 realized by trading in the securities market.

9. 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.

10. Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID 19 on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Fund's, borrowers, investments and employees, all of which are uncertain.

The Funds expect that, like the rest of the economy, a significant fallout should be experienced during the next fiscal year, with the extent depending on the duration of the pandemic.

To date there has been no material impact on the operations of the Funds.

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