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 We are a mutual organisation

satisfying our members

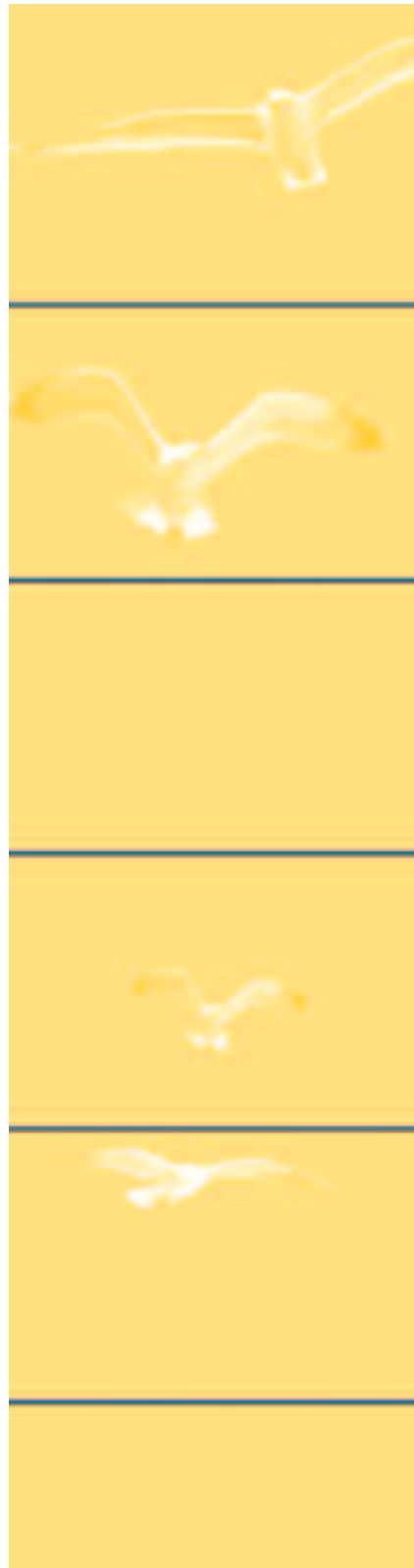
and customers with a

competitive range of savings,

mortgage loans, financial and

other services, directly

and through our subsidiaries.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the One Hundred and Thirty-Third Annual General Meeting of The Jamaica National Building Society will be held at the Society's Half-Way-Tree Branch located at 2 – 4 Constant Spring Road, Kingston 10 in the parish of Saint Andrew at 4:00 p.m. on Tuesday, October 30, 2007.

The following items of business will be considered:-

1. To receive and adopt the following:
 - (i) The Directors' Report for the year ended March 31, 2007
 - (ii) The statement of accounts for the year ended March 31, 2007
 - (iii) The Auditors' Report for the year ended March 31, 2007
2. To elect Directors
3. To appoint Auditors
4. To transact any other business permissible by the Rules at an Annual General Meeting

By Order of the Board

Dated this 19th day of September, 2007



Byron Ward
Secretary

2 – 4 Constant Spring Road
Kingston 10
Jamaica, W.I.



Annual General Meeting 2006

36(a) Qualification and Method of Voting at Meetings of Members

Every question submitted to any meeting of members shall be decided by a simple majority of votes and such votes shall be taken in the first instance by a show of hands, upon which the decision of the Chairman of the meeting shall be final. A Poll may (before or on the declaration of the result of the show of hands) be demanded by:

- i. The Chairman of the meeting or
- ii. at least ten members who are entitled to vote at the meeting and are present in person or by proxy and in the event of such a demand it shall forthwith be taken by ballot, counting or otherwise as the Chairman may decide and then every member qualified to vote shall have one vote and if there is an equality of votes the Chairman shall give the casting vote in addition to his vote as a member. In case of shares held jointly, only the person whose name appears first on the account shall be entitled to vote and all communications of any kind shall be sent to that person.

36(b) Voting by Proxy

- i. Votes may be given personally or, subject to the ensuing provisions of this paragraph, by General Proxy or Special Proxy.

36(d) Personal Interest

No member shall vote either personally or by Proxy on any question in which he shall have a personal interest distinct from the other members.

36(e) Misbehaviour of Members

In case of gross misbehaviour on the part of a member or of disobedience to the ruling of the Chairman at any meeting, the members present shall have power by their votes to deprive the offender of his right of voting at that meeting.

36(f) Counting of Votes

If on a show of hands or on a Poll:

- i) any votes are counted which ought not to have been counted, or
- ii) any votes are not counted which ought to have been counted,

the error shall not vitiate the decision arrived at unless it shall, in the opinion of the Chairman, be of sufficient magnitude so to do.

MERGERS & ACQUISITIONS

Westmoreland Building Society
(founded August 13, 1874)

1967

Manchester Mutual Building Society

1970

St. James Benefit Building Society
Brown's Town Benefit Building Society
St. Ann Benefit Building Society

December 1970

Change of name to
The Jamaica National Building Society

1976

St. Thomas Mutual Building Society

1977

Jamaica Permanent Building Society

1983

St. Mary Benefit Building Society

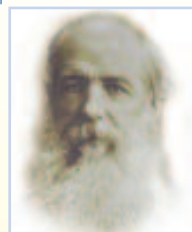
1996

Hanover Benefit Building Society

2001

Jamaica Savings & Loans Building Society

OUR FOUNDERS



REVEREND HENRY CLARKE
Founder of the
Westmoreland Building Society
(1874)



ERNEST CLARK
One of the founders and first
Chairman of the Manchester
Mutual Building Society (1955)



REVEREND JOSIAS CORK
This photograph is believed to be
that of the Reverend Josias Cork,
founder of the
St. Ann Benefit Building Society
(1874)



**JOHN GERRARD
MARCHALLECK, JP**
One of the two persons
spearheading the move from
the St. Thomas Mutual Building
Society, which had its
first meeting on June 1, 1897



JOHN E. KERR
Chairman of the St. James
Building Society from 1883 to 1903.
The Society was founded in 1874.



**REVEREND EDWIN
JAMES TOUZALIN, JP**
Founder of the
St. Mary Benefit
Building Society (1915)



J. H. ALLWOOD
Solicitor and founder of the
Brown's Town Benefit Building
Society (1893)

CHAIRPERSONS & GENERAL MANAGERS

CHAIRPERSONS



REVEREND HENRY CLARKE
1874 - 1907



HUGH CLARKE
1907 - 1944



ERIC CLARKE
1944 - 1966



J. OSMOND H. HUDSON SNR.
1966 - 1976



KEITH FRANCIS, JP
1997 - 2002



HON. OLIVER CLARKE, OJ, JP
1977 - 1997 & 2002 - PRESENT

GENERAL MANAGERS



J. OSMOND H. HUDSON SNR.
1966 - 1976



HON. OLIVER CLARKE, OJ, JP
1976



LANCELOT REYNOLDS, OD, JP
1976 - 1999



EARL JARRETT, JP
1999 - PRESENT



HON OLIVER F. CLARKE, OJ, JP
F.C.A., B.Sc. (ECON.)
CHAIRMAN

Mr Clarke worked with the Society firstly as Assistant General Manager and then General Manager from 1971 to 1976. He held the position of Chairman of JNBS for twenty years, from 1977 to 1997. He served as Deputy Chairman from 1997 until 2002 when he was reappointed Chairman. Mr Clarke is Chairman of JN Small Business Loans Ltd. and the JNBS Foundation. He is a Director of JN Fund Managers Ltd. and a member of the JNBS Investment Committee. He is Chairman of JN Money Services Ltd., the parent company of the Jamaica National Overseas companies in the USA, Canada and United Kingdom.

Mr Clarke, a Chartered Accountant, is Chairman and Managing Director of The Gleaner Company Ltd., Past President of the Private Sector Organisation of Jamaica and Chairman of Sangster's Book Stores Limited. He is President of the Commonwealth Press Union (CPU) and former President, Inter American Press Association (IAPA). He is a Board Member of several organisations and also served as Chairman of National Commercial

Bank Jamaica Limited. In 1990, he received the Americas Award from the Americas Foundation, and in 1996 the Private Sector Organisation of Jamaica inducted him into its Hall of Fame. In 1998 Mr Clarke was conferred with the Order of Jamaica for distinguished service in the area of business. In 2004 he was recognised as a Caribbean Luminary of the American Foundation for the University of the West Indies. The American Friends of Jamaica awarded Mr Clarke its International Humanitarian Award in April 2006.



GEORGE I. MAGNUS, JP
DEPUTY CHAIRMAN

Mr Magnus has been a Director of the Society since 1983 and Deputy Chairman since 2002. He is Chairman of N.E.M. Insurance Company (Jamaica) Ltd. and former Deputy Chairman of the St. Mary Regional Board of the Society. He is a Director of JN Fund Managers Ltd. and the JNBS Foundation, and a member of the JNBS Investment Committee.

Mr Magnus, an Attorney-at-Law, is the Senior Partner in the law firm of Abendana & Abendana, with offices in Port Maria and Ocho Rios, and is a

member of the General Legal Council. Mr Magnus has also served as a Director of several companies involved in the development of land in St. Mary and St. Ann.



EARL JARRETT, JP
F.C.A., M.Sc. (ACCOUNTING)
GENERAL MANAGER

Mr Jarrett was appointed General Manager of JNBS in October 1999. He joined the Society in May 1997 as Executive with responsibility for Compliance and Overseas Subsidiaries. Mr Jarrett is a member of the Society's Board and all its local and overseas subsidiaries, as well as the JNBS Foundation. He is the Chairman of the Jamaica Automobile Association (Services) Ltd. (JAA), and the Jamaica National Overseas companies.

A Chartered Accountant and a graduate of the University of the West Indies, Mr Jarrett is a Vice-President of the Private Sector Organisation of Jamaica (PSOJ) and a member of the Executive Board of the Caribbean Association of Housing Finance Institutions (CASHFI). He is also the Chairman of the Jamaica Cancer Society and a Trustee of the Dudley Grant Memorial Trust

and the YWCA Trust. He is a Director of The Gleaner Company's (UK) and North American Boards. He is a former Council Member of the Institute of Chartered Accountants of Jamaica and past President of the Rotary Club of New Kingston. He also served as a member of the National Task Force on Political Tribalism.



CLARENCE T. BROWN
B.A., M.A.

Mr Brown serves as a Director of the Society and several of its subsidiaries. He joined JNBS in January 1985 as Deputy General Manager and retired from that position in December 1997 but has remained a Director of the Society. Mr Brown is a Director of JN Fund Managers Ltd. and a member of the JNBS Investment Committee.

An Economist by profession, Mr Brown is a former Deputy Governor of the Bank of Jamaica, and a former Director of the Institute of Jamaica (Publications), Independent Radio Company Limited (Power 106) and Trafalgar Commercial Bank. Mr Brown has also served as Chairman of the Building Societies Association (BSAJ) and the Jamaica Institute of Bankers.



DR HENRY A. A. P. BROWN, C.D., JP
M.D., L.R.C.P., L.R.C.S.

Dr Brown became a member of the Board in 1970 on the merger of the St. James Benefit Building Society with JNBS. He later resigned from the Board to pursue activities in representational politics. In 1989, following his retirement from active politics, he rejoined the JNBS Board. He has been recognised for his contribution to national life by the award of the Order of Distinction (Commander Class). Dr Brown is a medical practitioner in Montego Bay, St. James.



JOHN CUNNINGHAM, JP
B.A.Sc., M.B.A.

Mr Cunningham has been a member of the Board since September 1999. He has considerable experience in business, information technology, marketing and finance. He is a Trustee of the JNBS Group Pension Plan, a Director of the

JNBS Foundation and N.E.M. Insurance Company (Jamaica) Ltd. Mr Cunningham holds a Bachelor of Applied Science degree and a Masters in Business Administration with specialisation in Marketing and Finance from the University of Toronto.

Mr Cunningham is the Managing Director of Pioneer Chocolate Company Ltd. and sits on the Board of the Belair School in Mandeville.



PARRIS LYEW-AYEE, CD
B.Sc., M.Eng.

Mr Parris A. Lyew-Ayee joined the Board of Directors in June 2007, having previously served as a Director of N.E.M. Insurance Co. (Jamaica) Ltd., a subsidiary of the Society. He is a member of the Boards of Directors of the Jamaica Bauxite Institute, St. Ann Jamaica Bauxite Partners Ltd., the Water Resources Authority and the National Resources Conservation Authority and Caribbean Cement Co. Ltd. He also serves on the Board of the King's House Foundation and on the Campus Council and the Finance and General Purposes Committee of the Mona Campus of the University of the West Indies.

Mr Lyew-Ayee is a member (and current President) of the Geological Society of Jamaica, the International Committee for Studies of Bauxites, Alumina and Aluminium (ICSOBA), and the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers. He is currently the Deputy Chairman of the Stella Maris Church Council.

A geologist and mineral engineer, Mr Lyew-Ayee is the Executive Director of the Jamaica Bauxite Institute, where he has spent almost his entire working life. He is acknowledged as an expert on Jamaican bauxites and the bauxite industry in general, on which he has had more than two dozen papers published, both locally and internationally. He is also known for his work on the management of local and regional geological and mineral resources for development and environmental sustainability.

Mr Lyew-Ayee's many years of service in the public sector, as well as his engagement in the private sector and national development, will be of great value to the Society.



WILLIAM MAHFOOD
B.Sc.

Mr Mahfood was appointed to the Board in July 2006. He holds the degree of Bachelor of Science in Industrial Engineering & Management Information Systems from Northeastern University, Boston, Massachusetts. Prior to joining the JNBS Board, Mr Mahfood was a Director of JN Small Business Loans Ltd.

Mr Mahfood joined the family business in 1988 and has been the Managing Director of Wisynco Group Ltd. since 1994. He is very active in outreach efforts in Spanish Town and its environs.



JENNIFER MARTIN

Mrs Jennifer Alayne Martin, an Attorney-at-Law, has been a Director of the Board since the merger of the Jamaica Savings

& Loans Building Society and the Society in 2001.

She served as Director of the Jamaica Savings & Loan Building Society from 1996 to 2001. Mrs Martin is also a Trustee of the JNBS Group Pension Plan. A partner with the law firm Robinson, Phillips & Whitehorne with offices in Ocho Rios, St Ann, Mrs Martin was admitted to practice as a Solicitor in Jamaica in 1970 and has extensive experience in conveyancing. She is a member of the Jamaican Bar Association and the Northern Jamaica Law Society.



HON DOROTHY PINE-McLARTY, OJ

Mrs Dorothy Pine-McLarty has been a member of the Board since September 1998. She is the Chairperson of the Board of Trustees of the JNBS Group Pension Plan and a Director of JN Money Services Ltd.

A practising Attorney-at-Law for some thirty-six years, she retired from the partnership of the law firm Myers, Fletcher & Gordon, but remains a Consultant. She served as the Head of that firm's Property Department from 1992 to 1995 and was

Managing Partner of the firm's London office from its inception in 1995 until June 1998. Admitted as a Solicitor of the Supreme Court of the United Kingdom in 1995, Mrs Pine-McLarty serves on the Boards of several organisations including the Jamaica Basic Schools' Foundation (United Kingdom) Limited. Mrs Pine-McLarty is a member of the Board of Governors of the St. Andrew High School for Girls, the Chancellor's appointee to the Council of the University of Technology, Chairperson of the Access to Information Tribunal and an independent member of the Electoral Commission of Jamaica (formerly the Electoral Advisory Committee).

Mrs Pine-McLarty was awarded the Order of Jamaica in October 2007 for outstanding public service.



PETER MORRIS
B.Sc. (HONS.), M.B.A.

Mr Morris was appointed to the JNBS Board in January 1993. He is a Director of JN Fund Managers Ltd., N.E.M. Insurance Company (Jamaica) Ltd. and Pelican Finance Ltd., and a member of the JNBS Investment Committee.

Mr Morris has a Bachelor's Degree in Economics from the University of the West Indies and an MBA in Finance from the Columbia University Graduate School of Business. He has extensive management and Board experience, including 7 years as Chief Operating Officer of Jamaica Producers Group Limited.



JOHN SMALL
BA (HONS.), CQSW, FBMI

Mr Small has been a Director of the Society since September 1998. He is a former Deputy Director of Social Services for the London Borough of Hackney, England, and a former non-executive Director of North London University.

Mr Small is a member of the Board of Governors of United Way of Jamaica and is a Lecturer in the Department of Sociology, Psychology and Social Work at the University of the West Indies, where he specialises in Human Services Management and International Migration. He was Chairman of the Planning Institute of Jamaica's "Working Group on International Migration" and founder and President of the International Returning Residents' Association.



DR DHIRU TANNA
B.Sc. (ECON.), M.A., PH.D.

Dr Tanna has been a member of the JNBS Board since 1981, Chairman of JN Fund Managers Ltd. since 2005 and a long standing member of the Society's Investment Committee. He is also a Director of the Society's subsidiary, the National Building Society of Cayman.

A graduate of the University of London and the University of California, Berkeley, Dr Tanna is an Economist. He is a former Director and Chairman of a number of Jamaican and West Indian companies. His career spans assignments in Uganda, the U.S.A., Puerto Rico and several organisations in Jamaica as well as the rest of Caricom, including Neal & Massy Holdings Ltd., University of the West Indies, Jamaica National Investment Co. Ltd. (JNIC) and Capital Development Fund. He is the Managing Director of Lumber Depot, a building materials outlet in Kingston and Blue Power Ltd. which is a soap manufacturer.



MAXIMILIAN CAMPBELL

M.Sc.

STAFF DIRECTOR

Mr Maximilian Campbell joined the Society in 1998. He has served in the areas of branch operations and human resource development. He is presently the Performance Management Specialist in the Human Resource Division. He is currently the Chairman of the Daisy Thompson Early Childhood Institution and past Executive Director of the Clarendon Association of Street People (CLASP).

A graduate of the University College of the Caribbean, Mr Campbell recently completed a Master of Science in Workforce Education and Development at the University of Technology. He also holds a diploma in teacher education from Church Teachers' College and a certificate in Jamaican Securities from the Jamaica Institute of Management.



BYRON WARD

CORPORATE SECRETARY
& LEGAL COUNSEL

Mr Ward joined the Society in 1995. He functions as Corporate Secretary & Legal Counsel to the Society and a number of its subsidiaries and the Trust Secretary of the JNBS Group Pension Plan.

He is a graduate of the University of the West Indies and the Norman Manley Law School. He was admitted to practice as an Attorney-at-Law in 1983. Mr Ward is a member of the Jamaican Bar Association.



DR NOEL JOHNSON, O.D., JP
B.Sc., D.D.S.

Dr Johnson was a member of the Board of JNBS since 1983 when the St. Mary Benefit Building Society merged with JNBS. He was the Chairman of the St. Mary Regional Board of the Society, a Past President of the St. Mary Chamber of Commerce and former Chairman of the St. Mary Boys' Scouts Local Association. He has been recognised for his contribution to national life by the award of the Order of Distinction (Officer Class). Dr Johnson is a Dentist in Highgate, St. Mary.

Dr Johnson retired from the Board on December 31, 2006.



KEITH FRANCIS, JP

Mr Francis served as Chairman of JNBS between November 1997 and September 2002. Prior to that, he was Deputy Chairman of the Board from 1976 when he became a member of the Board following on the merger of the former St. Thomas Mutual Building Society (of which he was a Director) with JNBS.

Mr Francis was the Chairman of the Regional Board for St. Thomas and was a Director of JN Fund Managers Ltd., JN Small Business Loans Ltd., JN Real Estate Company Ltd. and JN Properties Ltd. He was also a member of the JNBS Investment Committee.

A retired Agriculturalist, Mr Francis is a former Chairman of the All Island Banana Growers' Association and the Banana Board. For many years he also served on a number of Government Boards and Committees related to Agriculture. He is a former Director of the National Commercial Bank Jamaica Ltd. Mr Francis also acted as Custos of St. Thomas on a number of occasions.

Mr Francis retired from the Board on December 31, 2006.



Ms Karen Turner, former Mission Director for the United States Agency for International Development (USAID) has the rapt attention of Mr Earl Jarrett, (2nd left) General Manager, Jamaica National Building Society, Mr Frank Whyllie, (2nd right) General Manager, JN Small Business Loans Limited, and Mr James Burrowes, USAID Business Development Specialist. The occasion was a farewell breakfast, hosted by JNBS in her honour at the Terra Nova All-Suite Hotel in May 2007.



German Ambassador, and Mr Earl Jarrett, General Manager of the Jamaica National Building Society. Mrs Hanson was one of twelve JNSBL clients whose products were displayed at the company's annual board luncheon held at Alhambra Inn in November 2006.



Then Prime Minister, the Most Hon. Portia Simpson Miller and Mr Earl Jarrett, General Manager, JNBS, exchange copies of the Memorandum of Understanding, signed in November 2006, to provide financing for obtaining land titles under the government's Land Administration & Management Programme (LAMP).

Dr Ruth Potopsingh (right), Group Managing Director of Petroleum Corporation of Jamaica, accepts a JGRA ADVANCE card from Mrs Enola Beharie-Williams, General Manager of Manufacturers Credit & Information Services Limited (MCIS), a member of the JN Group. Dr Potopsingh was guest speaker at the launch of the JGRA ADVANCE card in November 2006.



Ms Paulette Simpson (seated), JNBS Chief Representative Officer in the United Kingdom, notes information from a pensioner at the May Pen leg of the JNBS Pension Expediter Seminar. The seminars were held to promote the JN Pensioner Expediter Service to Members and non-members who receive pension payments from the UK.



Mrs Valerie Holness, Manager of the Morant Bay Branch who has served the Society for more than 40 years, receives a long service award from Mr Earl Jarrett, General Manager, JNBS. Mrs Holness was among 108 JN Group staff members honoured at the Staff Long Service Awards ceremony held at the Sunset Jamaica Grande Hotel in September 2006.



Mr Michael Evelyn, JNBS Regional Manager, presents a gift to a Member of the Half-Way-Tree Branch at the annual Members' Appreciation Day on December 13, 2006. The event provided an avenue for the promotion of products within the JN Group.





Deputy Commissioner of Police, Jevene Bent (right), shares a light moment with Ms Ava-Daughn Sinclair, JNBS Promotions and Sales Representative. DCP Bent was introduced to the JNBS Women's Mortgage Product at the Annual International Women's Day Conference hosted by the Bureau of Women's Affairs at the Jamaica Conference Centre on March 8, 2007.



Ms Janice Henlin (left) greets a delegate at the JN-sponsored Jamaica Diaspora Conference held at the Jamaica Conference Centre in June 2006. The event was attended by some 700 Jamaicans who reside overseas.



Khadean Moncrieffe (centre), JNBS GSAT Scholarship recipient for St. Catherine, smiles as she accepts her scholarship award from Mrs Mary Smith (left) Executive, Corporate Planning, Budgeting and Special Projects and Mrs Janice Mills, Branch Manager, JNBS Half-Way-Tree.



Mr Jason Taylor, Customer Service Representative, assists a Member at the newest addition to the JN Overseas family, the Miramar Money Shop in Florida. The unique combination of services offered at the facility makes it a one-stop centre for a wide range of financial and business services.

With the December 9, 2006 launch of the JNBS Mobile Unit, the Society is the first Caribbean entity to offer mobile financial services to several communities in the United Kingdom. The Mobile Unit facilitates access to account information and the sending of remittances.



Members of the JN Football Team show off their awards received in the 2006 Inter-Bank Football league. Several sectional prizes went to members of the Team: Kirk White, Coach of the Year; Richard Forrest, Goal Keeper of the Year; and, Andrew Gill, Most Valuable Player.

His Excellency Dr Volker Schlegel (left), German Ambassador, presents a certificate of excellence to Anthony and Donnalee Douglas, clients of the JN Small Business Loans Limited (JNSBL). Mr and Mrs Douglas were commended for their creativity and professionalism in operating their craft production business. Witnessing the award is Mr Omar Cooper, Field Officer at JNSBL.



The JNBS Board of Directors is committed to upholding high standards of governance in all areas of the Society and the Group. Through a well established governance framework, the Board provides leadership and monitors the business affairs of the JNBS Group on behalf of the members and other stakeholders to whom they are accountable.

EXTERNAL REGULATORS

JNBS, which is established under the Building Societies Act, is licensed as a building society under the Bank of Jamaica (Building Societies) Regulations 1995 and is, therefore, regulated by the Bank of Jamaica. JNBS is also accountable to the relevant financial authorities overseas which grant licences for the Society to operate Representative Offices in the United Kingdom, Florida in the United States of America and Canada. All of these external bodies have established regulations and timelines for compliance, and these requirements are adhered to by the Society and all entities within the Group.

THE BOARD

The JNBS Board is comprised mainly of independent directors who bring characteristics that allow for a balance of qualifications, skills, expertise and experience. The mandate of the Directors is to ensure that the Society operates within stipulated ethical and legal guidelines, and that proper records and accountability standards are established, maintained, documented and audited.

The Board reviews its composition on an annual basis in order to maintain the appropriate mix of experience and competence. Where it is considered that the Board would benefit from the services of a new director with particular skills, the Board conducts critical assessment of qualified candidates and selects the most suitable individual.

INTERNAL CONTROLS

The Board reviews the business risks to which the Society may be exposed through integrated risk management programmes, which ensure that risks are identified, assessed and appropriately managed. Mechanisms are put in place to facilitate effective implementation of these programmes. Some of these systems include the Audit Committee that oversees internal audit matters, and the recently established Risk Management Unit, which consistently reviews the adequacy of strategies and policies for risk management. These internal control systems enable the Society to achieve its corporate objectives within a managed environment of research, analysis and prudent decision making in the best interest of members and in compliance with all regulatory requirements.

BOARD COMMITTEES

In addition to the Audit Committee, the Board has three committees through which it ensures that good governance is achieved. These include the *Proxy Committee*, which authorises the Chairman of the Board to carry, if necessary, the votes of members in absentia, at the Annual General Meeting and the *Compensation Committee*, responsible for reviewing and setting the compensation levels for senior officers of the Society. An *Investment Committee* oversees investment and finance-related matters. The names of the members of these committees are listed in this annual report.

Good corporate governance is fundamental to the Society's culture and business practices. The Board of Directors remains committed to these principles, as it seeks to protect its members and maintain the integrity of the Jamaica National Building Society.



HON. OLIVER F. CLARKE, OJ

CHAIRMAN

The Jamaica National Building Society (JNBS) is a mutual organisation which means that the Society is owned by its members and is run for the benefit of its members. Our members are automatically eligible to vote, unlike the banks where, to have a voting right, the customer also has to be a shareholder. As a member of JNBS you come first, and our aim is to continuously improve our financial strength so that we can enhance the services and the benefits we provide to our members, as well as the customers and clients of our subsidiaries. The achievements for Financial Year 2006/2007 show that the Society and the Group were successful in meeting these aims.

FINANCIAL RANKING

JNBS is the leading Building Society in Jamaica and the Caribbean, and maintains an enviable position as one of the most successful providers of financial services in Jamaica. It

holds the largest savings and loan portfolio among building societies and licensees under the Financial Institutions Act. The unaudited financial results released by the Bank of Jamaica once again reflect that our Society remains the third largest financial institution in terms of its assets, capital base and savings among local commercial banks, building societies and licensees under the Financial Institutions Act, for the financial year ended March 31, 2007.

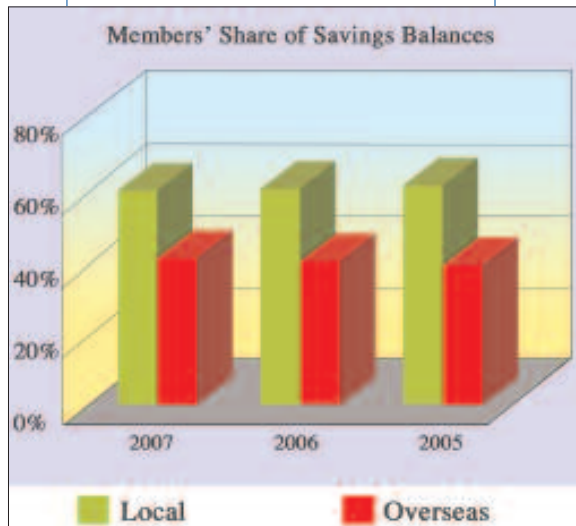
FINANCIAL RESULTS

During the reporting period, our Group's assets strengthened by 17.5% from \$63 billion to \$74 billion. The Group's net surplus after tax was good, moving from \$1.46 billion last year to \$1.68 billion at the end of March 31, 2007. The closing net surplus was underpinned by the strong contribution from JNBS of \$1.22 billion, evidencing that the Society continued to perform well in the face of a tight interest rate environment.

SAVINGS MOBILISATION

The Society's savings fund grew by 23% moving from \$35 billion to \$43 billion in the 2006/2007 financial year. This growth reflected the faithful and overwhelming support given by our members to the new savings products introduced during the year. These included the Solid Growth and High Yield products which were offered to members in Jamaica, Canada, the United States of America and the United Kingdom. The High Yield savings account is a contractual savings instrument which rewards regular savings with better rates guaranteed over a twelve-month period. The High Yield instrument is ongoing while the Solid Growth product was part of a one-month promotional campaign which offered competitive rates for five-year long term tax-free savings and one year short term savings.

The following chart shows the support given by our overseas members in relation to our savings fund for the last three years.



LOAN GROWTH

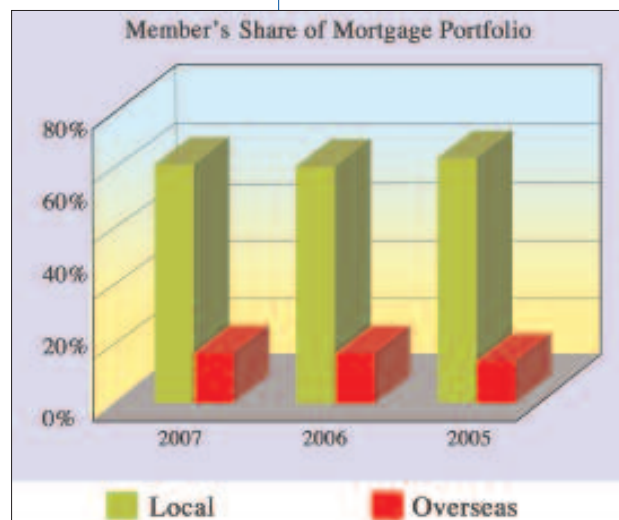
Despite strong competition in the mortgage market the Society remained committed to its mandate to help members to own their homes. This saw us offering rates as low as 11.99% on residential home loans. As such the Society was able to increase its loan portfolio value by 27% achieving a loan book value at the end of March 2007 of \$23 billion. As at March 31, 2007, the number of loans in the portfolio stood at 18,070 compared to 16,954 loans at March 31, 2006.

REGULATORY COMPLIANCE

The Society is fully compliant with the Bank of Jamaica's provisioning guidelines that require 50% provisioning for the principal balance of loans which are in arrears for twelve to eighteen months, and full provisioning for loans in arrears

for over eighteen months. Loans and advances on which interest is no longer accrued amounted to \$3.3 billion at March 31, 2007, compared to \$2.5 billion at the end of March 2006. We also report that the Society's risk-based capital ratio ended positively at 21.69% this year, as against 25.5% at March 31, 2006 and 14.1% at March 31, 2005. The Bank of Jamaica's requirement is set at 10%.

The graph below shows the support given by our overseas members to the Society's loan business with respect to the last three years.



GROUP SYNERGY FOR MEMBER BENEFITS

We made membership real for our members during the year. Members got real value for their investments and our business decisions were taken with members in mind. The Society worked with members to ensure that they obtained benefits across the JNBS Group by way of several strategic initiatives.

Synergies among companies (within the Group) were strengthened to make it easier for members to access benefits within the Group. For example, N.E.M. Insurance Company now offers general insurance services in ten JNBS branches and shortly these will be provided in three other branches across the island. In addition, N.E.M. offers up to \$200,000 free on contents insurance for policies

valued at a minimum of \$1M and including peril (homeowners) insurance coverage. The company also provides roadside assistance and wrecker services through the Jamaica Automobile Association,

which offers a 20% discount on its fees to JNBS members.

Our members and customers continue to enjoy benefits not provided by other financial institutions. In particular, holders of the JN Teller 24/7 ATM debit card are able to use these cards at any JNBS or Multilink Automated Teller Machine without incurring transaction fees. In addition, JNBS remains one of the few institutions that do not charge members or customers a transaction fee for bill payments. The value of these benefits, which accrue to our members and customers, is estimated at \$61 million as against \$45 million for the year ended March 2006.

Benefits to JNBS members have also been enhanced through reduced interest rates on mortgages. This includes the Women's Mortgage product geared primarily at assisting single women in acquiring a home. Information on these and other member benefits are outlined in this Annual Report.

The varied means by which JNBS Members can conduct business have also been expanded with the introduction of Live by JN, the Society's internet banking service. This was officially launched to the public on Tuesday, May 1, 2007 under the mantra '*Have more! Be more! Do more!*' Members of the public are now able to access JNBS' internet banking to pay utility bills, transfer funds and top up on call credit.

Members have also been enjoying improved service delivery in the United Kingdom. In an effort to take our services to Jamaicans across the United Kingdom, the Mobile Unit was introduced in December 2006. This Unit is a fully functional office from which members are able to access the services which are provided in Jamaica by JNBS and its subsidiaries.

To better serve our overseas members and friends of the JNBS family, our access network and services in the United States of America were also improved with the opening of our community friendly money shop, in Miramar, Florida.

COMMUNITY BANKING

The focus of the community banking concept is on building and maintaining close relationships at the community level. This has been achieved over the last three years with the opening of five Money Shops locally at 45 Spanish Town Road, Kingston; Whitehouse, Westmoreland; AZ Mart in Barbican, St. Andrew; Knutsford Boulevard, St. Andrew; and the most recent, a cash-less facility at the Loshusan Shopping Centre in Barbican, St. Andrew.

In order to maintain a close link with various communities, the Community Banking Unit continues to support community-based projects which foster social and economic growth. One such project is the establishment of 'The Source' which was opened in

April 2007. 'The Source' provides services such as computer and Internet access, small business development and support, employment information and computer literacy classes. 'The Source' is located at the Bryce Hill Plaza in August Town, St. Andrew, and provides these services to persons from various communities in and around August Town.

AWARDS TO JNBS

We are proud to report that your Society received two prestigious awards during the year, namely: the Bureau of Standards/Ministry of Commerce, Science & Technology's National Quality Award for Human Resource Focus, and the Jamaica Chamber of Commerce Entrepreneurial (Large) Award.

The National Quality Award is defined by the Bureau as a results-driven award which recognises and rewards Jamaican companies which adopt excellent quality systems and apply these systems in their operations. The awards were created to motivate companies to achieve and maintain high standards.

The Jamaica Chamber of Commerce Entrepreneurial (Large) Award is presented in recognition of entrepreneurial leadership and innovation. In addition, awardees must demonstrate successful marketing, business expansion, fiscal management and good corporate citizenship. JNBS won this award ahead of four other strong nominees.

COMMUNITY AND MEMBER INVOLVEMENT

We continue to ensure that our members are involved in the activities of the Society, and we intensified our efforts in this regard during the year under review. Many of these initiatives are highlighted in the Community Outreach as well as the JNBS Foundation segments in this Directors' Report.

Members, in exercising their right to vote and assist in the decision making process at the last Annual General Meeting, chose to have the Society contribute to three projects being undertaken by communities in Trelawny and St. Ann. We are pleased to report that two of the projects selected have been completed, while the third has been aborted as plans for the receiving entity have changed, rendering the proposed renovations unnecessary. The two projects completed were the upgrading of the sanitation system at the Martha Brae Basic School in Trelawny and the construction of a perimeter fence which has helped to improve security at the Eltham Basic School in St. Ann.

OUR STAFF

We are grateful for the commitment and professional service given by all our staff during the year, in enabling the achievements presented. The 2006/2007 financial year was one of successful transition, accomplishment and building for the future. On behalf of our members and the Board, we wholeheartedly thank our staff, past and present, for their contribution to our Society's steady growth over the past year.

RETIRING DIRECTORS

Pursuant to Rules 24 (a) and (b) of the Society's Rules, the retiring Directors by rotation are:

- a) Hon. Oliver F Clarke, OJ
- b) Hon. Dorothy Pine-McLarty, OJ
- c) John Cunningham
- d) Parris Lyew-Ayee, CD who having been appointed in June of this year, subsequent to our last Annual General Meeting, comes up for re-election.

These four Directors being eligible offer themselves for re-election.

In January 2007, the JNBS Board of Directors bade farewell to two of its members: Dr Noel Johnson, and Mr Keith Francis, a former Chairman of the Board. Dr Johnson and Mr Francis served for twenty three years and thirty years, respectively. We salute them for their sterling contribution and wish for them continued blessings.

AUDITORS

The firm of KPMG Peat Marwick, auditors of the Society, retires in accordance with the Rules of the Society and being eligible, offers itself for re-appointment.



Hon. Oliver Clarke, OJ
Chairman



EARL JARRETT, JP
GENERAL MANAGER

The Jamaica National Building Society (JNBS) is justly proud of its 133 year history as a proactive financial organisation serving Jamaicans at home and abroad. Our record of success was bolstered by the confidence and support of our Members, and this was most evident during the past financial year.

During the year, your Society achieved profit of \$1.22 billion compared to \$1.31 billion in 2005/2006. This was impacted by lowering interest rates and increased costs in areas such as staff remuneration. However, given the variables involved, our commitment was to achieve optimistic results in key performance indicators. As such, the Society's financial performance moved in a positive direction with a net savings inflow of \$9 billion and a total savings fund of \$43 billion; member growth evidenced by the opening of approximately 50,000 savings accounts; and mortgage growth resulting in new loans with a value of \$4.4 billion being written, accounting for a loan book of \$23 billion. Our investment income totalled \$2.31 billion and foreign exchange gain on trading

was at \$0.47 billion. Data from the Bank of Jamaica indicates that we outpaced other building societies in market share and mortgage growth, with Jamaica National's assets accounting for approximately half of the reported \$108.7 billion asset base.

MEMBER PRODUCT & SERVICES

These achievements were underpinned by the creation of innovative savings and mortgage products in response to, and in anticipation of, the needs of Members, as well as the competitive marketplace. Our aim is to offer an extensive range of competitive and attractive great-value mortgages and savings. We believe in giving Members great rates and excellent service.

In response to market trends, the Solid Growth Account was introduced to offer Members more creative avenues to achieve growth on funds and to obtain high market rates on long and short term lump-sum deposits. The revised High Yield Contractual Saving Account in Jamaican, US and Canadian

dollars and Pounds Sterling did so well that we have incorporated it into our suite of savings products. We also branded our Term Share Account with the name "Direct Gain", which speaks to the benefits of investing in this account.

Our 12.99% mortgage sale, solidified our position as pace setters in the market - by offering low, competitive rates; the rest of the market had no choice, but to respond. The Foreign Currency Mortgage loan was also a welcomed addition to our range of mortgage products.

On the service side, overseas Members and customers in the United Kingdom were pleased with the introduction of our JN Mobile Unit, which offers services equivalent to that of any JNBS Representative Office in the UK or branch in Jamaica. This enabled us to take our products and services to Members who reside or work far from our established United Kingdom locations. Already, we have seen an overwhelming response to the Mobile Unit and the convenience that it offers to our Members.

Approval was also given by the Bank of Jamaica for the implementation of LIVE by JN, our e-banking channel, which now provides service to more than 4,000 persons. Since its public launch, customers have conducted in excess of 4,500 transactions each month.

Our refurbishing and expansion project continued as we worked to increase the number and improve the look of our locations. We undertook the physical restructuring of the New Kingston and Portmore Pines branches to introduce a consistent look and level of service across the JN network, while ensuring that the facilities are more conducive to doing business with a greater sense of privacy.

One location of which we are very proud is the Falmouth branch, which opened its doors in May 2006 to meet the growing demand for service in that parish. Since then, the branch has performed exceptionally well, with a membership base of approximately 3,900 persons.

Plans are far advanced for the opening of the JN Mortgage Centre which will offer exclusive service to mortgage applicants and Members who will benefit from specialised assistance by a select management team.

This comes on the heels of an insightful Bill Johnson survey, which assessed the satisfaction levels among members. While

more than half of our members come to us because they are satisfied customers, many are not happy with the experience they have doing business with us.

The satisfaction levels among mortgage customers ranged from 59% to 78% for new customers, and 63% to 83% for all customers. Among the areas for improvement cited was the need for more detailed information when applying for a mortgage loan; regular updates on the status of their mortgages; and a contact person to call for information at any time during the mortgage process. We have taken these suggestions on board and have implemented programmes to address these areas.

MEMBERSHIP

Given these concerns, and our desire to highlight the benefits of being a Member of the Jamaica National Building Society, we have employed some dynamic strategies to strengthen our membership. Through the Membership programme, we continued with methods previously introduced to improve our communication with you. Members' meetings were held at all locations, and, our quarterly Member Newsletter was welcomed and praised by many persons. We have also renewed our effort to locate members who have not kept their accounts active, so that we can introduce innovative measures to ensure that they have access to their funds.

One major project undertaken during the year was the expansion of the Member Care Centre from 14 to 31 Member Care Agents to improve our ability to connect with members via direct calls and email, and we are also exploring other avenues to provide added communication channels to them. The Member Care Centre is now handling an average 35,000 inbound and outbound calls monthly, thereby providing Members with increased access to information from both the building society and the subsidiary companies.

Our Representative Offices have also sought to improve our level of output to the 115,000 members in the Jamaican Diaspora who we serve. One of the chief activities which we undertake annually is a series of meetings, entitled: ***Outlook for the Future***. These meetings provide a comprehensive perspective on Jamaica and highlight opportunities for investment; as well as, outline programmes and policies to improve the quality of life in Jamaica. Our services to Jamaicans overseas also extend to the bi-annual Diaspora Conference held here in Jamaica. At the last conference in 2006, we gave the visiting delegates a taste of Jamaican theatre as well as a tour of famous landmarks in Kingston.

Another important avenue through which we have been boosting membership in the Society is the School Savers'

Programme. This has brought immense pride and a sense of fulfillment when the work to instill the importance of managing their finances in children from a very early age, bears fruit. Over the past year, 11,900 new savings accounts were opened which increased the Programme's membership to some 79,650 students. The students, whose ages range from three to eighteen, are drawn from 626 infant/basic; primary/preparatory and secondary/all-age schools across the island.

Our overall membership roster grew by some eight percent, representing more than 50,000 new accounts which were opened during the year. This is a direct result of the competitive, timely, quality products and services provided for Members.

This growth path is symbiotic of our mantra: ***"Our Members are Everything,"*** and, therefore, our activities were geared to reinforce this belief. Coupled with this was the tangible demonstration of benefits such as free ATM services, and discount programmes from the Society and its subsidiary companies. Since 2005, the value of these 'mutual' benefits has surpassed \$100 million.

CORPORATE RESTRUCTURING AND OPERATIONAL CHANGE

The year was also one of significant change as the Society and several subsidiary companies were structurally adjusted to

enable tighter, more efficient levels of service delivery. A review was conducted of our branches, looking specifically at their levels of profitability. This led to Regional Managers being aligned to branches and given responsibility for their day-to-day operations to ensure that the locations deliver quality service. The Regional Managers were also given greater autonomy to make decisions in the best interest of the local Member.

Staff rationalisation in the Society also resulted in changes at the managerial level in some branches, while selected functions were incorporated into our community banking concept. The outcome resulted in a roll out of several Money Shops, which are semi-branches, thus creating greater focus on savings and services, as against mortgage origination.

There was also corporate restructuring at the Group level. The decision was taken to wind up the operations of **JN Real Estate Company Limited**, and to incorporate aspects of its activities into the services provided by the Building Society. Consequently, JNBS no longer competes with its important real estate brokers, valuers and other real estate partners; instead, we have developed strategic partnerships to ensure that our members' real estate objectives are achieved through a network of committed service providers.

Pelican Finance Limited, a subsidiary of N.E.M. Insurance, was acquired by JNBS to align its lending functions to the needs of the membership. The objective is to expand lending from premium financing to consumer loans, as well as development and commercial lending. Therefore, Members can now borrow for purposes in addition to real estate acquisition.

The process to change the name of **N.E.M. Insurance Company (Jamaica) Limited** to reflect its association with the JN Group was consolidated and the new name will be announced in the next financial year. In the interim, substantial changes were effected in the operation of the company, to increase focus on providing the highest level of customer service to clients. Departments were restructured to centralise their operations and increase the level of service efficiency.

To support the change, SIRIUS, a computer software for insurance companies, was installed. Despite the challenges, SIRIUS has allowed staff to operate more efficiently in accessing customer information and underwriting policies. Additionally, representatives of N.E.M. were placed in several JNBS Branches to offer greater ease and convenience to customers interested in obtaining insurance services, as well as to increase awareness that N.E.M. Insurance is a member of the JN Group.

JN Money Services Limited

was established as a subsidiary company to coordinate our thriving remittance service. During the financial year, the company has expanded its operations and continues to do well, not only in the overseas market, but also locally, with the recent commissioning of its first local agent in May Pen, Clarendon to promote its services to rural Members and customers alike.

JN Fund Managers Limited

broadened its product offerings with the introduction of the JNFM Portfolio Management product, designed to guide its existing and prospective clients through the process of realising their financial independence. This came closely on the heels of the launch of the Pension Fund Management service, which involves the set up and maintenance of pension schemes. A further addition to JNFM's range of products and services was the introduction of a Canadian Mutual Fund (CI Funds), which is tailored to suit the client's needs; this has led to an increase in profitability levels over the past year.

The **Jamaica Automobile Association (JAA)** was relocated to new offices to facilitate an expansion of its services, which now include a comprehensive emergency roadside assistance and recovery programme. Membership grew from 2,270 members at the end of December

2006 to a current membership of approximately 22,241 persons, which is due, in part, to the cross-selling of services to Members across the JN Group.

The subsidiaries are all aligned to provide support to the Society's broad-based membership through cross-selling the diverse, yet connected, range of products and services, thus making the JN Group offerings an inclusive and complete experience.

One key element that supports this approach is the recognition of the risks involved in our range of business, and, in that regard, a Risk Management Assessment Unit was established to assess the levels of exposure of the Society and its subsidiaries, and to implement measures to mitigate and prevent them.

CORPORATE SOCIAL RESPONSIBILITY

The Society continues to recognise that its continued growth and development are intricately linked to that of our country and people. We have, therefore, sought to commit our resources in the community, particularly rural communities, through social engagement initiatives at various levels.

Our financial development strategies in these areas remain solid, because we are mindful of the strong community foundation on which our Society was built, and the mandate we follow which is - to help others find a way. As

such, we responded to the needs of pensioners from the United Kingdom by encouraging them to retain their pension payments in Pounds Sterling by availing themselves of the JN Pension Expediter Service. This awareness campaign was conducted through meetings in six towns across the island.

There was also the first in a series of hurricane preparedness meetings to sensitise the public about important tips on 'weathering the storm' during and after a hurricane, and ways in which JNBS and N.E.M. Insurance could assist through the provision of financial solutions and insurance services.

The Jamaica Automobile Association was integrally associated with the launch of the United Nation's first Global Road Safety Week, here in Jamaica. This is reported on extensively in the Business Review section of this Annual Report.

From a community-based perspective, residents of August Town, St Andrew welcomed **The Source**, a facility which provides a cyber cafe, computer literacy classes, small business development and support, as well as career and job-placement opportunities. It also provides the resources to transform the social and economic activities in that community. Since its opening, The Source has provided employment for approximately 30 residents.

Another important corporate initiative was the partnership with the Land Administration and Management Project (LAMP) to provide financing, through JN Small Business Loans Limited, for persons to obtain registered land titles under the government's land regularisation programme.

Through Branch Advisory Councils, established last year under the aegis of the JNBS Foundation, our social outreach arm, we have undertaken social development projects in all parishes. I am pleased to note that, through these Councils, the lives of thousands of Jamaicans have been touched.

The flashing traffic signal, erected at the pedestrian crossing near the Port Antonio Primary school, to alert motorists to reduce their speed in the zone, has improved road safety. The new bathroom and recreational facilities for the children of Martha Brae Basic School in Trelawny were most welcomed. The medical equipment and medication for residents of Linstead and its environs in St Catherine to access improved health care... are but a few of the ways that the interventions of Branch Advisory Councils have made a difference in the lives of rural Jamaicans.

Additionally, through the work of the JNBS Foundation, we have implemented several intervention strategies which have had a lasting impact on the lives of

many persons. A joint project was undertaken with the Rotary Club of St. Andrew, to provide wheelchairs for 280 persons as well as infirmaries, churches, and police personnel who were injured in the line of duty, as well as other persons who are incapacitated.

Another important social intervention project was the collaborative effort with Food for the Poor to replace pit latrines with new sanitary facilities in schools across the island. A Challenge Grant was offered by the JNBS Foundation to match funds obtained by Food for the Poor to develop and improve sanitary facilities in schools with pit latrines.

We have also partnered with the Private Sector Organisation of Jamaica in trade meetings to give persons an opportunity to dialogue on the country's trade challenges and the opportunities that exist to stimulate growth in our economy.

STAFF INVOLVEMENT

I could not speak of the achievements of the JN Group without acknowledging the sterling contribution that the employees have given to the organisation, as well as to community-based programmes, and their commitment to national development.

Our staff numbers declined in some areas while there was a growth in salaries and benefits

due to an increase in personnel in the branches and the expansion of the Member Care Centre. Mindful of the need to assess the satisfaction levels of staff, we conducted a series of internal surveys on our organisation and the perceptions of customer service. The results indicated that more work needs to be done to improve staff satisfaction on a year-by-year basis, and we have sought to improve in the communication flow through the introduction of staff newsletters: the *JN Weekly Voice* and *NEM Link*; and a series of staff meetings, as well as regularly scheduled staff training sessions.

However, in spite of the challenges given our staff relations, we are proud of the staff stock we have, and the loyalty displayed to the organisation. Both the long service awards event in September 2006, and the five-year awards in December of that year, at which approximately 200 members of staff were recognised for service to the Group, indicate the level of employee commitment to the organisation. Approximately 25 per cent of employees have served the Society for five years or more. This attests to the solid foundation of the Group, the commitment of staff, and the general positive work environment.

Even as we celebrated the longevity and commitment of some, we said goodbye to others who moved on to give service elsewhere; and, we welcomed

more who have decided to make the JN Group an important part of their lives' experience. Among them are our Group Communications Executive, Carmen Tipling; Group Business Development Senior Managers, Gavin Beckford and Anthony Robinson.

OUTLOOK

In the face of the changing economic landscape in which we operate with reducing interest margins, cost reserves, and more highly sophisticated globally connected competition, the

Management and staff of the Society and subsidiaries are committed to remaining relevant.

There is the need to adopt an approach to sustainability, and the success of the Jamaica National Building Society lies in the professional operation of our business, to meet the needs of our current Members, even as we plan for future generations. Our more than a century of expertise and experience as a building society, and maintaining the interests of our members is

evidence of the success of this strategy. And, we are indeed determined to continue to deliver great value to our members - as a modern, mutual building society for many years to come.



Earl W. Jarrett
General Manager

VALUES STATEMENT

The success of the Jamaica National Building Society is dependent on a set of core values, which relates to our dealings with our customers, colleagues, members, suppliers, regulators and the communities that we serve.

We are committed to the highest ethical standards, integrity, respect for all and excellence in all we do.

Customers

We will provide innovative, high value products and services delivered in a courteous, swift, accurate and personalised manner that meet or exceed our customers' needs.

Suppliers

We will honour our agreements and treat our suppliers fairly and will ensure that mutually rewarding relationships are fostered as we seek to obtain the best competitive advantage.

Staff

We will create a safe working environment that fosters opportunities for meaningful, challenging and rewarding work, and the empowerment of all staff. We will encourage open communication and teamwork throughout the organisation. We are committed to being an equal opportunity employer and to staff advancement and competitive compensation, which is based on consistently excellent performance.

Communities

We will be a good corporate citizen, respected and admired as much for our integrity, insight and progressiveness, as for our financial success. We will take an active interest in the communities in which we serve and will encourage our staff to do likewise.

Members

We are committed to preserving capital, providing competitive returns and representing the interests of members. We will seek opportunities to provide services and benefits that are exclusive to our members and will encourage their participation in charting the direction of their Building Society.

Regulators

We will know and comply with the letter and spirit of all relevant laws and regulations governing our operations in those countries in which we operate and keep the regulators informed about key issues relating to our business.



- **Free** ATM transactions at any Multilink location
- **Free** Point of Sale transactions
- **Free** Bill payment
- **Free** Money Transfer card
(collect your remittance at your convenience)
- **Free** Internet banking
- Up to \$200,000 free on contents insurance if member insures contents for a minimum of \$1M and has peril (*homeowners*) insurance with N.E.M. Insurance
- Merchant discounts linked to ATM card
- Low money transfer fees
- Expansive network of money transfer agents overseas
- Saturday opening at most Jamaican locations with extended hours on Fridays
- Low mortgage rates
- Convenient access to NHT benefits
- Access to an affordable health plan
- Discounts at N.E.M. Insurance and Jamaica Automobile Association
- 20% discount on JAA Membership fees



PENSION EXPEDITER BENEFITS:

- No fees for cheque withdrawals
- Free JAA membership for one year
- 20% discount on motor insurance from N.E.M. Insurance (*subject to normal underwriting guidelines*)
- Up to \$200,000 free on contents insurance if member insures contents for a minimum of \$1M and has peril (*homeowners*) insurance with N.E.M.
- Financial advice from JNFM (*this could take the form of discounts*)



HIGH YIELD SAVINGS ACCOUNT BENEFITS:

- 10% discount on motor insurance at N.E.M.



WOMEN'S MORTGAGE PRODUCT

- Free Health Insurance (*JN Health*) for one year
- Free JAA membership for one year (*roadside assistance*)
- Free financial advice from JNFM (*Annual Women's Seminar*)
- Discount coupons for select home décor companies and spas
- Discount on Home Security System
- Free Mammogram – Jamaica Cancer Society
- No processing fees

GROUP OVERVIEW

The JNBS Group operates in four main business sectors to provide a wide range of financial services and other personal and professional services to our members. These are:

- **Financial:** The Jamaica National Building Society, JN Small Business Loans, JN Fund Managers and National Building Society of Cayman.
- **Money Transfer:** JN Money Services
- **Service:** The Creative Unit and Management Control Systems
- **Insurance:** N.E.M. Insurance Co.

In providing our services, the Group's strategy is to recognise the members of the Society as the most critical part of our business, and to invest resources to create an enduring relationship through courteous, fast, and valuable one-stop knowledgeable service throughout all delivery channels in the organisation. The activities and focus of our subsidiaries are outlined in the following sections.

FINANCIAL SECTOR



NET INCOME

The Jamaica National Building Society generated net surplus of \$1.22 billion for the financial year ended March 2007. The Society continued to perform well in its core business in a tight interest rate environment. This

saw interest income from loans increasing from \$2.2 billion in the prior year, by 14% to \$2.5 billion. Total interest revenue for the review period amounted to \$4.8 billion representing an 8.8% increase over the \$4.4 billion level in 2005/2006.

MEMBER SAVINGS

The Society's savings fund grew by 23% up from \$34.9 billion in 2005/2006 to \$42.6 billion in the 2006/2007 financial year. The asset base also strengthened, recording an 18.6% increase in total assets in 2006/2007, closing the year at \$55 billion.

LENDING

The Society remained committed to helping its members to become homeowners, and so achieved an increase in the value of its loan portfolio of 26.8% or \$4.8 billion to end the financial year at \$22.5 billion.

As at March 31, 2007 the number of loans in the portfolio stood at 18,070 being 6.6% higher than at March 31, 2006.

The Society is fully compliant with the Bank of Jamaica's provisioning guidelines which require 50% provisioning for the principal balance of loans which are in arrears for twelve to eighteen months, and full provisioning for loans in arrears for over eighteen months. Debt provisions amounted to 2.6% of the total loan portfolio in the amount of \$590.8 million at the end of March 2007.



FRANK WHYLLIE
GENERAL MANAGER



During the year under review *JN Small Business Loans Limited (JNSBL)* extended its resources to deliver innovative and accessible credit in a timely and profitable manner to small business people. The company also positioned itself to contribute to the sustained growth and development of Jamaica's micro, small and medium business sector, by increasing its clients' productivity and improving their economic and social status.

In 2006/2007, JNSBL disbursed more than 31,000 loans for a value of \$1.128 billion; representing increases of 33% and 44%, respectively, over the previous year, 2005/2006. Importantly, the company was able to maintain its portfolio at risk over 30 days at 1.15%, better than the international benchmark.

At March 31, 2007, the combined portfolio of JNSBL had 13,119 loans with a principal balance of \$271.79 million, representing increases over March 31, 2006 of 36% and 48%, respectively.

Interestingly, women account for 74% of the borrowers. In addition, approximately 17,000 persons were employed as a result of the loans disbursed by the company.

JNSBL offers four loan products branded “BizGrow”, “Biz Start”, “BizEvents” and “BizBoost”. “BizGrow” assists persons who have been in business for at least one year by providing funds to expand their operation. “BizStart” provides start-up capital for micro entrepreneurs, while “BizEvents” offers loans to micro entrepreneurs seeking to capitalise on seasonal opportunities, such as Valentine’s Day.

JNSBL introduced “BizBoost” in March 2007. This loan product offers small and medium-sized enterprises in the productive sector loans between \$300,000 and \$3 million at an interest rate of 10% per annum. The programme, which is funded under the National Insurance Fund’s Small and Medium Enterprises Credit Facility, supports the production of craft items, light manufacturing, agriculture, agro-processing, tourism, mining and professional services.

The company currently operates from 30 locations in JNBS branches, JN Money Shops and Post Offices across the island. The most recent location was opened in Albert Town, South Trelawny. In the past year, JNSBL maintained its partnerships with the United

States Agency for International Development (USAID) and the Jamaica Business Development Centre (JBDC). The company’s relationship with USAID involves the management of various portfolio risks under the Development Credit Authority (DCA) Guarantee Programme. JNSBL, in conjunction with the JBDC, also provided business training to 1,018 clients island-wide, 78% of whom were women. The training programme introduced participants to record keeping, basic accounting, marketing, as well as, the skills to manage and grow their businesses.

JNSBL approaches the future confident that it will continue to overcome challenges in the aggressive market environment, supported by its committed and dedicated staff.



KEITH SENIOR
GENERAL MANAGER



JN Fund Managers Limited (JNFM) prudent management of its comprehensive and innovative financial and investment portfolios resulted in the company closing the financial year, March 31, 2007 on a

successful note with funds under management rising to J\$11.9 billion, up 8.03% from the preceding twelve months.

Bolstered by its superior products and customer-centric service, its untarnished business reputation, integrity, and credibility, the company continued to expand its financial base, achieving growth of 55.64% over the last three years.

During the 2006/2007 financial year, JNFM expanded its suite of services to include pension administration and pension management, having successfully implemented a state-of-the-art software system that facilitates convenient, online access to member accounts and timely delivery of statements.

Today, JNFM’s Pension Administration Services are among the recognised market leaders, offering clients professional planning and counselling, as well as value-added complementary services.

During the year, JNFM also launched its Portfolio Management product, and expanded its suite of investment solutions to include mutual funds. The company was appointed a local agent for the Canadian Mutual Fund company, CI Investments, which is one of the largest and most respected entities in the North American financial service industry. The partnership with CI Investments is consistent with JNFM’s initiatives

to diversify its product offerings and place members of the public in a position to access the investment opportunities that exist in the overseas markets of North America, Europe, Asia and Latin America.

JN Fund Managers remains committed to creating wealth for its valued clients through capital preservation, and by crafting customised portfolios that will assist them in meeting their investment objectives.



DUNBAR MCFARLANE
GENERAL MANAGER



The year ended March 31, 2007 was a very productive one for the *National Building Society of Cayman (NBSC)*. In the area of mortgages, NBSC wrote more loans than it did previously with the support of its parent, Jamaica National Building Society (JNBS). Approximately J\$1.5 billion of new mortgages were recorded during the year, thus allowing NBSC to benefit from management of this portfolio.

On the income side, NBSC enjoyed substantial increases in

interest earned from mortgage loans, fees from the remittance business, as well as, from foreign exchange transactions. While total expenses were twice as high over the past year, total income moved from J\$114M in March 2006 to J\$280M in March 2007, an increase of some 145%.

By developing a more meaningful deposit portfolio, NBSC's vision is to become the financial institution of choice in the Cayman Islands. This is assured, given the continued commitment of staff, the loyalty of its expanding customer base, the co-operation of business partners and suppliers, as well as the support of its principals.

We take this opportunity to express our thanks and appreciation to all our stakeholders.

MONEY TRANSFER SECTOR



EMILE SPENCE
GENERAL MANAGER



JN Money Services Ltd. (JNMS) is one of the newer subsidiaries of JNBS. JNMS provides money transfer services locally and internationally, as well as a local bill payment facility. It has responsibility for the JN Money Transfer and JN Bill Pay brands, and is a licensed agent for MoneyGram in Jamaica.

Through its network of more than 165 agents and 23 branches in the overseas markets, JNMS provides money transfer services in the United Kingdom, United States of America, Cayman Islands and St. Vincent and the Grenadines. During the 2006/2007 financial year, remittances from these countries through JNMS grew by 15% over the previous year.

For customers in the local market, JNMS offers remittance services to any country in the world as an Agent of MoneyGram,

as well as, through its own brand, JN Money Transfer. This area performed well, achieving up to 32% growth in outbound remittances for the 2006/2007 financial year. The intra-island facility also grew by 42.6% in 2006, as more persons took advantage of this facility to send person-to-person funds within Jamaica.

The **Bill Pay facility** of JNMS continues its steady growth. In 2006/2007, there was a 55% increase in transactions over the previous year. Collections are done through all JNBS locations, and the new internet channel, LIVE by JN.

JNMS is about connecting lives of Jamaicans throughout the Diaspora, and, in particular, the United Kingdom, the United States of America and Canada. In this regard, funds transmitted support families in Jamaica; educate children, provide health care for elderly parents and housing for loved ones.

As the remittance market worldwide continues to grow, new challenges related to migration and regulatory controls come to the fore. JNMS, in managing its business, ensures that it has the requisite systems in place to facilitate full compliance in host and home countries, safeguarding the interests of all its stakeholders. As JNMS

continues to expand, it is employing strategies geared towards greater efficiency and profitability, while improving the service it provides for its customers.

SERVICE SECTOR



DONNA CARROLL
GENERAL MANAGER



During the year 2006/2007, **The Creative Unit Limited (TCU)** continued to improve its service, and strengthen its business to achieve growth. TCU's performance was underpinned by its renewed focus on increasing efficiency, as stated in its mantra "**Paving the way through Creative Excellence**".

In an effort to be fully in-tune with its clients' needs and expectations, TCU has implemented a feedback system which provides an effective barometer for assessment of its service delivery.

During the year under review, the company's computer network infrastructure was enhanced to

handle the movement of large electronic data files. An updated Agency Management software system was also installed to facilitate the implementation of improved internal controls. With these technological upgrades, TCU now has the ability to respond to its clients in a more timely manner, and produce indepth analysis for tracking financial performance and trends.

TCU is widening its menu of services to provide more cost effective solutions for the Group. It is anticipated that the company's future growth will be driven by the non-traditional services now being included in its portfolio.

TCU is proud of its involvement in the many exciting launches of new products and services within the Group and the creative flair it has added to these events.



SHEREEN JONES
GENERAL MANAGER



Founded in 1973, **Management Control Systems (MCS)** continues on a growth path, ending another profitable and innovative year of operation. In

the 2006/2007 financial year, MCS posted an increase of more than 100% in profit over the previous year.

The Transaction Processing Division remains the strongest performer, as MCS continues to be the dominant provider of technology that delivers electronic phone top-up for all the major cellular phone providers. MCS continues to expand its network of partners, both locally and regionally, and further growth is expected in this vital area of its business.

Over the year, MCS also increased its delivery of IT products and services to the corporate market. Revenues in this area rose 200% over the previous year and continue to grow. A renewed focus on appropriate training, and enhancing key partner relationships has resulted in the achievement of many significant goals including: Platinum Partnership with Hewlett Packard; Gold Partnership with Microsoft, Verifone VIP Partnership and the attainment of five (5) Microsoft competencies, such as– Networking Infrastructure, Advanced Infrastructure, Microsoft Business Solutions, Independent Software Vendor and Information Worker.

MCIS

Manufacturers Credit and Information Services Ltd. (MCIS), a 75%-owned subsidiary, also remained profitable over the year – with the introduction of new products and service offerings, including the JGRA ADVANCE card and the ADVANCE corporate and vendor portals. These products have brought the convenience of vehicle-expense management to the retail consumer. They have facilitated more timely oversight and management of corporate fleets, as well as, increased information gathering and data mining for all our partners – cardholders, corporate administrators and vendors.

ADVANCE customers are also able to access the value-added services of the *Jamaica Automobile Association (JAA)* through the direct link between ADVANCE and the JAA. The ADVANCE card continues to be the most widely-used, flexible and comprehensive fuel and vehicle management card on the market; and planned enhancements to the benefits associated with the ADVANCE card are expected to increase its dominance in this sector.

All in all, the 2006/2007 financial year saw both MCS and MCIS undergoing significant change to more effectively position the companies to attain their goals of providing innovative, value-added technology solutions to the regional corporate market through a cadre of

highly skilled, motivated employees and partners employing efficient, effective and flexible processes. In the coming year, these companies will continue to provide innovative and diversified product and service offerings.

Customers can also look forward to the establishment of a full service IT Solutions company, as we seek to become the undisputed provider of choice for information technology solutions, and vehicle management services regionally.



The past year was one in which the *Jamaica Automobile (Services) Limited (JAA)* experienced significant change and growth.

JAA has now established corporate offices at a beautiful yellow and black complex, strategically located across from the Swallowfield Examination Depot on Central Avenue, in St Andrew. This will allow the JAA to more effectively deliver its various services to its members.

During the year, the JAA undertook several initiatives which moved its membership base to the highest point since 1924. JAA membership now stands at more than 25,000 and this figure is projected to continue climbing in the short and medium term.

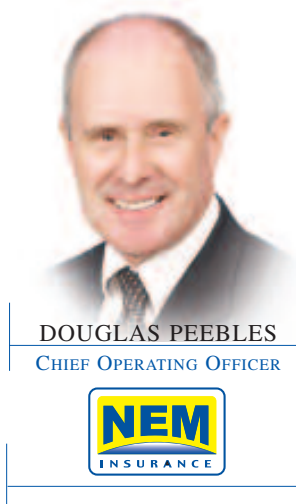
Supported by its re-branded image, the JAA has garnered several coveted contracts, enabling the company to provide emergency roadside assistance to motorists on Jamaica's most used highways. In keeping with its slogan "*The Key to Safe Motoring*", JAA has spearheaded several campaigns to encourage road safety. These include the "Think Before You Drive" promotion through which more than 100,000 tyre pressure gauges and booklets were distributed to assist motorists to observe road safety precautions, and think before they drive.

In April 2007, the JAA was a major participant in the "Global Road Safety Week" programme, which marked the launch of the United Nations' "Make Roads Safe" campaign. During that week, a petition, encouraging leaders to keep our roads safe was signed by thousands of Jamaicans led by former Prime Minister, the Most Honourable Portia Simpson Miller. At the "Global Road Safety Expo", held at Emancipation Park on May 3, patrons who signed the petition signalled their commitment to strengthen the lobby to make our roads safe.

In its drive to provide tangible support to national initiatives, the JAA has donated a Mitsubishi Cantor Truck, equipped with props for road safety demonstrations, to the Traffic Division of the Jamaica Constabulary Force (JCF). The truck and its equipment will become an integral part of the JCF's Road Safety in Schools Programme.

The JAA's activities have propelled the Association into the international arena, as it was invited to make a presentation at the working conference of the Federation Internationale De L'Automobile (FIA), held in Cape Town, South Africa, from May 28 through June 1, 2007. At this conference, the General Manager spoke about the work of the Automobile Association in Jamaica and highlighted recent developments in the country's road safety programmes.

INSURANCE SECTOR



N.E.M. Insurance Company (Jamaica) Ltd. (N.E.M.) is one of Jamaica's largest and most profitable general insurers, with premium growth of approximately 18% in the financial year ended December 2006. This growth translated into gross revenues of more than \$2.5 billion for the year. As a result, N.E.M. maintained the industry's largest capital base, even as it continued to reduce the company's loss ratios in comparison to previous years.

During 2006 the company successfully introduced its new operating technology platform, SIRIUS, while embarking on several other major initiatives, which equipped N.E.M. to do business more efficiently in Jamaica's increasingly competitive general insurance market.

In the area of back office processing, initiatives were undertaken to improve the service to intermediaries, and enable expert underwriters to focus on risk management to significantly increase underwriting levels. In relation to business acquisition, a "broker management team" has been established to better serve N.E.M.'s key partners, while direct access is being expanded to include strategic branches within the JNBS islandwide network.

These major programmes will be completed in 2007, as N.E.M. strengthens its reservoir of technical expertise and aligns the organisation more closely with the JNBS Group. In addition to consolidating its branch network with that of the Building Society, the company will be changing its name to identify more effectively with its parent's powerful brand.

These initiatives place N.E.M. in a position to fulfill its shareholders' desire for operational efficiency and profitable underwriting, while delivering on its key business objectives of achieving excellence in processing and intermediary relationship management.



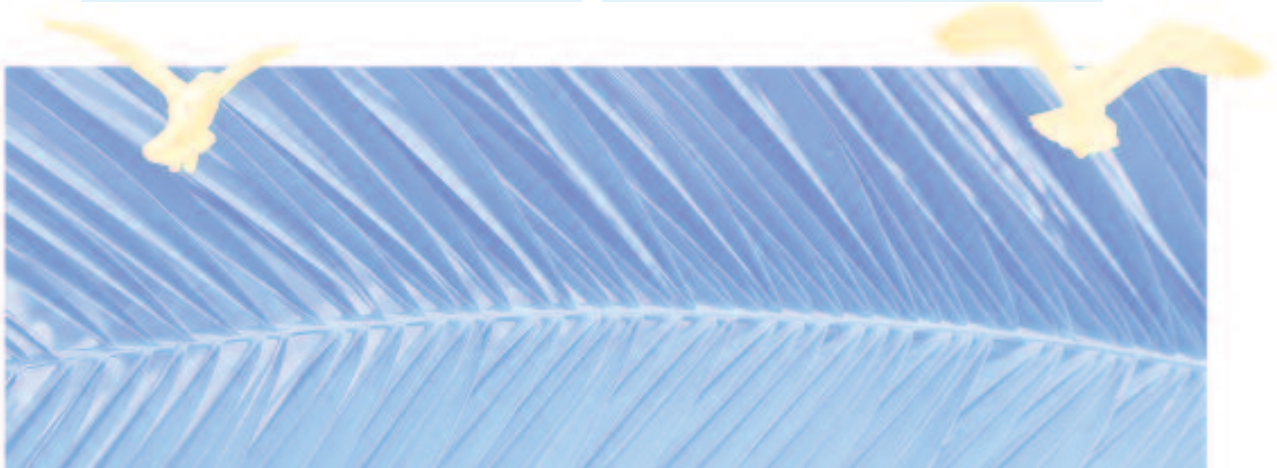
We are the premier provider of financial and other services, not only in Jamaica, but with certain products internationally. We are the institution of first choice against which other financial institutions in Jamaica are benchmarked.

Our image of excellence, trustworthiness and high standards is clearly etched in our philosophy and values, and reflected in the treatment of members, customers and the community. We have attained full mission, vision and goal congruence within JNBS and its subsidiaries.

We are an organisation enabled by cutting-edge technology, which allows us to deliver superior products and excellent service quickly and efficiently resulting in true customer satisfaction. Our products and services are delivered through all channels.

We have a working environment, which keeps staff happy and motivated. All the members of our team are knowledgeable and well qualified. Our staff members understand the JNBS philosophy and are committed to excellence in all areas of their work especially in the delivery of customer service.

We have established a clear understanding of the value of membership in the Society. The many special benefits that accrue to our ever-expanding group of loyal members have validated the concept of mutuality. We are well positioned to approach the future with confidence and continue to be vigorous participants in the development of Jamaica.





KENDAL SMITH

EMPLOYEE OF THE YEAR 2006/2007

For the second time in three years, Kendal Smith, a Customer Service Representative, is the Jamaica National Building Society's (JNBS) Employee of the Year.

He joined the Society in 1997, and in the past decade has maintained a record of sterling performance in customer service, working at the St. Ann's Bay, Spanish Town, and Linstead branches.

"Kendal is a one-of-a-kind employee. He is proactive, self-motivated and is an honest, respectful individual. He takes great pride in performing at the highest level at all times," observed Zola Miller, Linstead Branch Supervisor.

She pointed out that he maintains good relationships with Members at the Linstead Branch, and ensures that he keeps them informed about the Society's products and services.

"Kendal is skilled at cross-selling. He refers Members to investment

products offered by JN Fund Managers, and goes the extra mile by setting up appointments to visit persons who can benefit from specific investment options offered by the Society and its subsidiaries," she explained.

Miss Miller said that Kendal gets feedback from customers who send in their suggestions on ways to improve service, and he pursues each customer's suggestion to ensure that something can be done.

"He has received written letters of commendation from customers on several occasions, and is generally very pleasant, warm, and exceptionally proficient. Most times, customers ask for him by name," she added.

Kendal explains that he has grown tremendously since he started working at the Society.

"I enjoy my job, and thrive in the environment because of the excellent team spirit. I have developed my presentation skills and I take every opportunity to speak with the Members in the banking hall, telling them about the products and services that are available," he said.

"I have a strong passion for my work, and I always try to do my very best. I maintain that the very first encounter with me should be superb, and each encounter must improve as the relationship builds," the St. Jago High School graduate pointed out.

Mr Smith also stated that he keeps Members happy by tailoring his approach to suit the Member he is serving.

"I communicate in the language of the Member in a bid to nurture the open, friendly environment that members of the Linstead community enjoy. Name recognition is critical; and, it is important to make sure that banking and investment terms are clearly explained. This makes the business relationship much more productive as Members are a part of the family, and they always want to be adequately informed." He advised staff members to continue to perfect their craft by learning about the industry, and equipping themselves with skills to improve their performance.

"We should all know about the financial sector, and read as much as possible about the best practices in customer service, and the areas that complement our individual functions," Mr Smith advised. "That way, we will not only improve JNBS; but, we will also project ourselves as knowledgeable and marketable professionals."

Kendal is looking forward to meeting new challenges within the JN Group.

"I welcome the diversity that JNBS offers, and I anticipate growing even further with the organisation."



Since 2003, the Jamaica National Building Society (JNBS) and The Gleaner Company Limited have been hosting a series of economic forums dubbed “Outlook for the Future.” These fora have given thousands of Jamaicans in the Diaspora in the United Kingdom, United States of America and Canada, an opportunity to receive first-hand information on current developments in Jamaica as well as investment opportunities. The fora also provide an avenue for members of the Jamaican Diaspora to have open dialogue with government and sector leaders.

The theme for the 2006 Outlook for the Future series was “Doing Business in Jamaica” and featured the Hon. Dr Carlton Davis, Cabinet Secretary and Head of the Civil Service, as the main guest presenter. Other presenters included senior government officials such as: Dr Patricia Holness, Chief Executive Officer of the Registrar General’s Department; Mrs Elizabeth Stair, Chief Executive Officer of the National Land Agency; Ms Carol Charlton, Senior Director of the Passport and Immigration Office; Mr Robert Bryan, Executive Director of the World Cup Cricket 2007 and Mr Melvin Smith, Regional Manager of JAMPRO New York.

Key Jamaican decision makers who have participated in previous fora included the then Leader of the then Opposition, Mr Bruce Golding; Hon. Dr Peter Phillips, former Minister of National Security; and the Hon. Dr Omar Davies, former Minister of Finance and Planning.



RUTH JANKEE
GENERAL MANAGER



During the year the Foundation changed its logo and added a tag line which captures the image that the Foundation wishes to convey: ***Building Partnerships...Changing Lives.***

Some of the programmes and projects funded during the year include:

H.A. Clarke Rural Regeneration Programme:

This programme which is in its 5th year continues to benefit many persons and groups within rural communities. The primary projects under this programme are:

Youth Zoom Competition:

Training workshops were held in the parishes of Portland, Manchester, St. Catherine, St. James, St. Elizabeth, and Clarendon.

With an average of 6-8 schools attending each workshop with 10 students each, the programme has trained almost 500 high school students. Each school also sent a teacher representative who has the responsibility to support the student teams in identifying their issues and also liaising with the Foundation to ensure entries are submitted. Sessions were taught by renowned artist and photographer Howard Moo Young and other professional photographers. Althea Buchanan, Advocacy and Communications Advisor from United Nations Population Fund (UNFPA) participated in a number of the workshops providing a well received session on Advocacy. In addition, UNFPA has committed to providing approximately J\$450,000 to assist in costs related to workshops and the awards function.

Advocacy Fora: Working in collaboration with the Parish Development Committees, Chambers of Commerce and the Social Development Commission, four fora were held. At each event community members were asked to identify key issues affecting them in their communities, what was being done, and what should

be done. Follow up is being done by the Regional Managers to help to develop, where possible, projects that can be assisted by the Foundation.

Computers in Schools: The wrap up ceremony for the project was held on March 7 at Orangefield Primary in instead, St. Catherine. Presentations were made by Mr. Llewelyn Bailey on behalf of Mr. Jarrett and Ms Karen Turner of USAID as well as a number of principals and board members from schools who had received computers. Most of them noted that they were using the computers to not only teach academic subjects to the students, but they were also saving money by doing their own programmes and other graphics, services for which they would normally have paid. In addition, many of the schools were offering a service to the wider community for persons to use the computer labs at a cost.

Food for the Poor:

A challenge grant of \$5 million offered in 2005 was matched by contributions of other private sector organisations. The project is to replace pit toilets with flush water closets and was launched at the Mina Carr Basic School in the hills of St. Thomas. The Build Jamaica Foundation will collaborate on the distribution process.

Tools for Development:

The Foundation purchased a number of table saws at the ending of this project and these were distributed to technical schools across the island at a brief function held at the Tools for Development office.

Rotary Club:

A second contribution of just over \$300,000 was used to purchase 250 wheelchairs. These continue to be distributed to needy persons across the island, with 30 being distributed through JNBS branches and subsidiaries.

Marlie Mount Community Project:

The Foundation helped the Marlie Mount Citizens Association to get funding of approximately \$1.5 M from the Sports Development Foundation for the building of a netball court. In order to ensure safety and security however, they requested additional funding for fencing at a cost of \$422,675.00 which was approved and funded by the Foundation.

JNBS Branch Advisory Councils Programme:

The Foundation's Regional Managers endeavored to work closely with the Branch Advisory Councils of the Society in the identification and selection of projects. Efforts have been made to support projects that impact on the communities. A summary on the projects supported under this programme and the projects which were approved at the 2005/2006 Annual General

Meeting of the Society is carried in the following segment.

COMMUNITY OUTREACH Community and AGM Projects

The Society continues to be heavily involved in the community with active participation of Members in the decision making and implementation process. At the Annual General Meeting in September 2006, members voted for the Society to provide support for three (3) community projects in the parishes of Trelawny and St. Ann. A total of \$1 million was allocated to these projects.

Two of the three selected projects have now been completed. They are the sanitation programme at the Martha Brae Basic School in Trelawny to which \$250,000 was allotted, and the security and upgrading programme at the Eltham Basic School in St. Ann for which \$500,000 was allocated. The sanitation programme at the Martha Brae Basic School has resulted in the provision of suitable bathrooms and a recreation area for the children at the school. Perimeter fencing has been provided for the Eltham Basic School and provision made for the installation of ceiling fans in classrooms, as well as roof repairs and painting.

The third project was for the construction of a waiting area at the Ocho Rios Health Centre. This project has since been aborted as the projected plans for the Health Centre involve

relocation of the facility in the relatively near future. The JN Ocho Rios Branch Advisory Council has however identified a replacement project. This is to assist the Grierfield Basic School with the construction of kitchen facilities and the supply of equipment as well as the installation of windows in classrooms to ensure that children have a secure and wholesome environment in

which learning can be facilitated.

In addition to the three mentioned community projects selected at the last Annual General Meeting, each JN Branch is involved in various projects within their communities under the advisement of their respective Advisory Councils, which is primarily made up of JN Members from within the community. As a result, during the financial year,

the Society supported more than thirty community projects which have included contributions to schools, skills training programmes, health centres, agricultural and environmental initiatives, boys' and girls' clubs, children's homes, sporting programmes and the Jamaica Constabulary Force.



Towards Improving Sanitary Facilities In Schools

Mr Earl Jarrett, (left), General Manager, Jamaica National Building Society (JNBS), presents the JNBS Foundation's Challenge Grant to Mr Bradley Finzi-Smith, (right), Executive Director, Food For The Poor. The Grant was provided to match funds obtained by Food For The Poor to develop and improve sanitary facilities in schools with pit latrines. Witnessing the occasion is Mrs Ruth Jankee, General Manager, JNBS Foundation. The Sanitation Programme was officially launched recently at the Mina Carr Basic School in Bull Bay, St. Andrew, which is the first beneficiary of the Programme.



Renowned photographer, Mr Howard Moo-Young, showed students an

example of a human-interest photograph. The occasion was 'Youth Zoom' High School Photography Workshop held March 22 at the Dinthill Technical High School. The workshop, sponsored by the Jamaica National Building Society (JNBS) Foundation, was one in a series held in rural parishes to prepare students for the 'Youth Zoom' High School Photography Competition. Contestants were required to submit photo-journalistic pieces which highlighted an issue or achievement in their communities. A camera was presented to each participating school.

New Traffic Safety Feature on Allan Avenue

An elated Mrs Ruth Jankee (left), General Manager of the Jamaica National Building Society (JNBS) Foundation, prepares to cut the ribbon marking the switching on of two new flashing traffic signals installed on Allan Avenue in Pt. Antonio. Sharing the occasion are Ms Winsome Callum, Head of Communications, Jamaica Public Service; Tianna Valentine, student of the Port Antonio Primary School, and



Mr Locksley Johnson, Principal of the school. The lights were installed to alert motorists that they are entering a school zone.

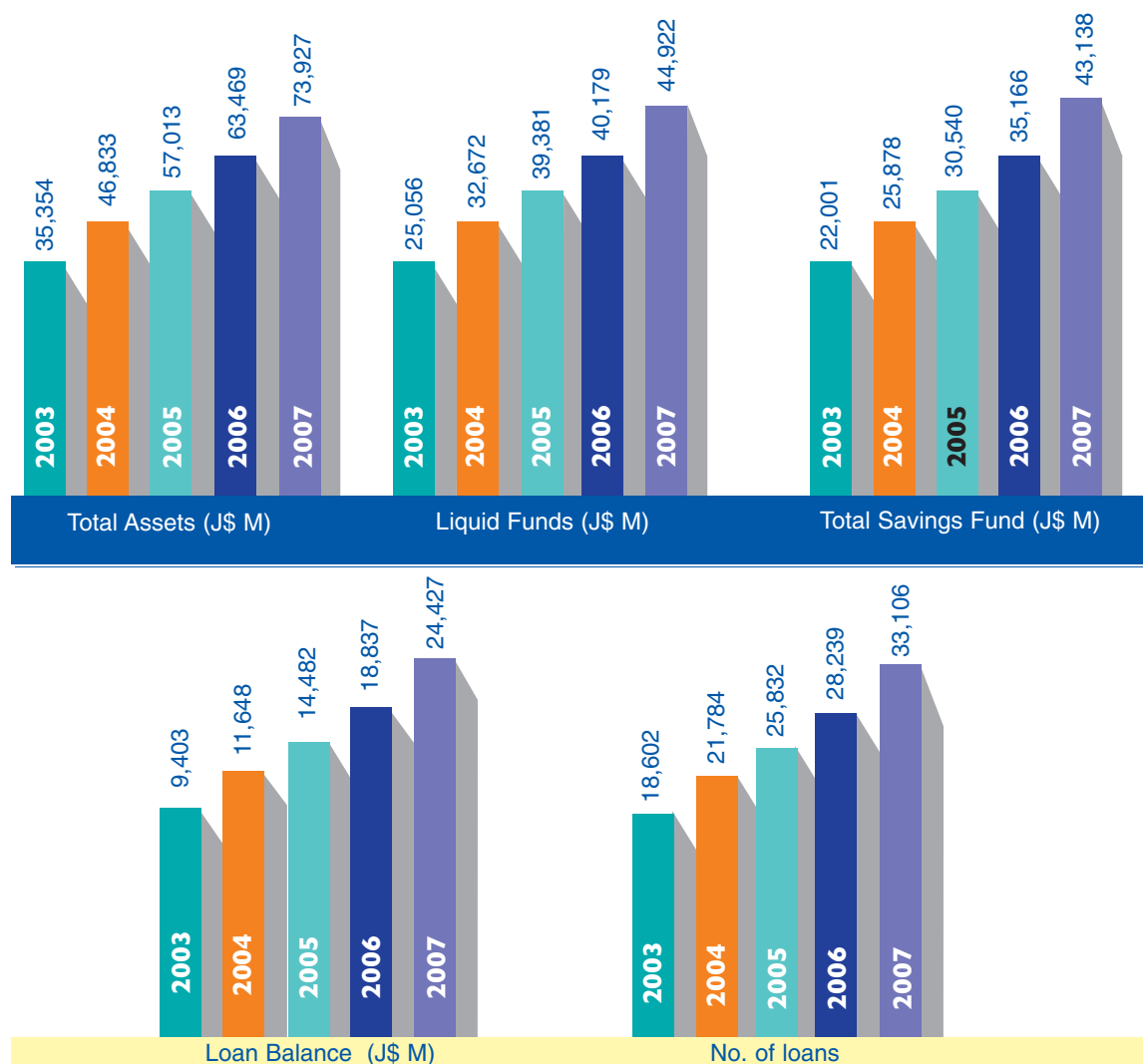


Two enthusiastic students of Orangefield Primary School paid close attention to an interactive lesson on the computer. Observing are Mrs Ruth Jankee (right), General Manager, Jamaica National Building Society (JNBS) Foundation; Mrs Mary Smith (left), Executive, Corporate Planning, Budgeting & Special Projects, JNBS; and Ms Christine Long (partly hidden), Regional Manager, Region 3, JNBS. Occasion was a tour of the school's computer lab following the Closing Ceremony for the Computers in Schools Project held on March 7 at the school. Under the Project, the JNBS Foundation and the United States Agency for International Development (USAID) provided 65 schools, including Orangefield Primary, with 314 new computers and relevant software.

FINANCIAL HIGHLIGHTS

JNBS GROUP	2003	2004	2005	2006	2007
Total Assets (J\$ M)	35,354	46,833	57,013	63,469	73,927
Capital & Reserves (J\$ M)	6,868	10,471	13,691	12,792	14,101
Loan balances (J\$ M)	9,403	11,648	14,482	18,837	24,427
Total Savings Fund J\$ M)	22,001	25,878	30,540	35,166	43,138
Liquid Funds (J\$ M)	25,056	32,672	39,381	40,179	44,922
Revenues (J\$ M)	6,285	8,868	9,206	9,483	10,595
Surplus before taxes (J\$M)	1,786	2,817	2,410	1,745	1,998
Number of Loans	18,602	21,784	25,832	28,239	33,106

- Total assets up 16.48 % from \$63.47 billion to \$73.93 billion
- Capital & Reserves up 10.23% from \$12.79 billion to \$14.10 billion
- Member savings balances up 22.67% from \$35.17 billion to \$43.14 billion
- Loans to members up 29.68% from \$18.84 billion to \$24.43 billion
- Liquid Funds up by 11.80% from \$40.18 billion to \$ 44.92 billion
- Total Revenues up 11.73% from \$9.48 billion to \$10.59 billion
- Surplus before tax \$1.99 billion, up 19.26% from \$1.74 billion last year
- 33,106 loans, 17.24% more than 28,239 last year



JNBS REPRESENTATIVE OFFICE FLORIDA, USA



MARGARET BARRETT
CHIEF REPRESENTATIVE OFFICER
JNBS REPRESENTATIVE OFFICE
FT. LAUDERDALE, FLORIDA

Miss Margaret Barrett has been with the Society since 1987 and was appointed the Chief Representative Officer of the Representative Office in Florida in 2003.

JNBS REPRESENTATIVE OFFICE UK



PAULETTE SIMPSON
CHIEF REPRESENTATIVE OFFICER
JNBS REPRESENTATIVE OFFICE
UNITED KINGDOM

Miss Paulette Simpson joined the Jamaica National Building Society family in November 2002. She is the Chief Representative Officer for the Representative Offices in the United Kingdom.

JNBS REPRESENTATIVE OFFICE CANADA



ALISON MARTIN
CHIEF REPRESENTATIVE OFFICER
JNBS TORONTO REPRESENTATIVE OFFICE
CANADA

Mrs Alison Martin joined the Society in October 2004 as Chief Representative Officer for the Toronto Representative Office in Canada.

EXECUTIVES



LLEWELYN BAILEY
ASSISTANT GENERAL MANAGER



CARLTON BARCLAY
ASSISTANT GENERAL MANAGER
FINANCE, ADMINISTRATION &
PLANNING



WENDELL SMITH
ASSISTANT GENERAL MANAGER
MANAGEMENT INFORMATION
SYSTEMS & OPERATIONS



CARL BLISS
HUMAN RESOURCES



DELROY BOWEN
COMPLIANCE & SECURITY



DR HOWARD HAUGHTON
CHIEF RISK OFFICER



LEESA KOW
MARKETING, PROMOTIONS
AND SALES (ACTING)



LEON MITCHELL
BUSINESS DEVELOPMENT



WANICA PURKISS
MORTGAGE & OPERATIONS



MARY SMITH
CORPORATE PLANNING, BUDGETING
& SPECIAL PROJECTS



CARMEN TIPLING
CORPORATE COMMUNICATIONS

SENIOR & REGIONAL MANAGERS



PAT AUSTIN
INSURANCE SERVICES



GAVIN BECKFORD
BUSINESS DEVELOPMENT



JOY BRADY
FINANCE



PHILIP BERNARD
COMMUNITY BANKING, ATM SERVICES
& REGION 6



PAUL COLE
CONSULTANT



TONYA GRANT
INTERNAL AUDIT



MICHELE POLLARD-GONZALEZ
QUALITY ASSURANCE



ELAINE RIETTIE-PITT
EXECUTIVE INVESTMENT ADVISOR



ANTHONY ROBINSON
BUSINESS DEVELOPMENT

SENIOR & REGIONAL MANAGERS



ERROL STAIR
OPERATIONS



ANTHONY WALTER
ADMINISTRATION & SPECIAL PROJECTS



MICHAEL EVELYN
REGIONAL MANAGER,
REGION 1



HILRET HANSON
REGIONAL MANAGER,
REGION 2



CHRISTINE LONG
REGIONAL MANAGER,
REGION 3



LESLIE 'TED' WILLIAMS
SENIOR REGIONAL MANAGER,
REGION 4



MARGARET RAMSAY
REGIONAL MANAGER,
REGION 5

GEORGE BAKER

Process Analysis & Improvement

PATRICK BARRETT

Security

OBINNA BLAKE

Projects

DAVIA BROWN

Finance

RICHARD BROWNE

Product & Business Development & Internet Websites

BEVERLEY BURNETT

General Manager's Office

JOSCELYN CAMPBELL

Compliance

DIANE CHAMBERS

Finance

SIMONE CHAMBERS

Business Planner

NADIA CHONG

Risk Management

SHERON CHUNG

Foreign Exchange

MAXIEN DAVIS

Mortgage

DAHLIA DAWN

FULLER-PHILIPS
Learning & Development

MITSY GRAY

Foreign Exchange

JANICE HENLIN

Marketing & Advertising

JEROME HENRY

Mortgage, Credit Analyst

CARLA HENRY-FARQUHARSON

Internal Audit

GILLIAN HYDE

Financial Planner

KATHLEEN LYN

IT Testing & Release Management

CAROL MADDEN

Member Care Centre

JANICE McINTOSH

Promotions

KEISHA MELHADO

Mortgage Centre

ROSE MILLER

Mail & Courier Services

PHILLIP POWE

Applications & Database Management

WESLEY SCOTT

National Mortgage Sales Coordinator

MARIE STEWART

Corporate Communications

BEVERLEY SUDINE

Internal Processing Centre

NIGEL THOMAS

Technical Services

SHELLY-ANN WALKER

Compliance

MICHAEL WHYTE

IT Incident & Problem Management

ELAINE WILLIAMS

Legal & Securities

MARIE WILLIAMS

Administration

OVERSEAS

CARMEN BARTLETT

Jamaica National Overseas (U.S.A.) Inc., Florida, U.S.A.

HARRY BHOORASINGH

Jamaica National Overseas (U.S.A.) Inc., New York U.S.A.

JULIA NEMBARD

Compliance, North America

ROBERT OSBOURNE

Jamaica National Overseas (Canada) Ltd.

HOPE SORTIE

Compliance and Internal Audit, United Kingdom

REGION 1

HALF-WAY-TREE

2-4 Constant Spring Rd
St. Andrew
Tel: 929-8052-3, 968-1290,
960-5708
Fax: 968-6595
Team Leader - Janice Mills
Ambassadors - Maria Clarke &
Anna Hutchinson

NEW KINGSTON

10-12 Grenada Crescent
St. Andrew
Tel: 929-3734-7, 926-6871
Fax: 906-8720
Team Leader - Catherine Brown
Ambassador - Tanya Lindo

DOWNTOWN KGN.

32¹/₂ Duke Street, Kingston
Tel: 924-9366, 922-3905/6,
922-3366/7, 922-5432
Fax: 922-2869, 948-334
Team Leader - Sharon Spence
Ambassador - Jason Martin

MORANT BAY

10 Queen Street
Morant Bay, St. Thomas
Tel: 982-2226, 982-1231
Fax: 982-2588
Team Leader - Valerie Holness
Ambassador - Terrian Evans

REGION 2

CHRISTIANA

Main Street
Christiana, Manchester
Tel: 964-2529, 964-4672/3
Fax: 964-4674
Team Leader - Orett Douglas
Ambassador - Takeese Turner

JUNCTION

Shop #7, Roye's Shopping
Centre
Junction, St. Elizabeth
Tel: 965-5387, 965-5959,
965-8742
Fax: 965-8243
Team Leader - Troy Bygrave
Ambassador - Stacey Marshall

MANDEVILLE

Mandeville Plaza
Mandeville, Manchester
Tel: 962-2179, 962-2724
Fax: 962-0204
Team Leader - Doreen
Alexander
Ambassador - Etern Daley

SANTA CRUZ

85 Main Street
Santa Cruz, St. Elizabeth
Tel: 966-2231, 966-2742,
966-9446
Fax: 966-2741
Team Leader - Alethia
Carpenter-Peart
Ambassador - Sacha Neil

REGION 3

LINSTEAD

27 King Street
Linstead, St. Catherine
Tel: 985-7749, 985-2525,
985-6602, 985-6380
Fax: 985-2506
Team Leader - Jennifer Twiddle
Ambassador - Dorcia Williams

MAY PEN

45A Main Street
May Pen, Clarendon
Tel: 986-2551, 986-4759
Fax: 986-9764

Team Leader - Paulette
Chambers
Ambassador - Joel Burke

PORTMORE PINES

Shop #29
Portmore Pines, Shopping
Centre St. Catherine
Tel: 949-2196, 949-3350,
949-2221, 949-9233

Fax: 949-1690
Team Leader - Marcia Lettman
Ambassador - Chaneen Walker

SPANISH TOWN

26-28 Wellington Street
Spanish Town, St. Catherine
Tel: 984-2473, 984-2637,
984-7908, 943-9987

Fax: 984-7798
Team Leader - Michelle Hines
Ambassador - Winston Wong

REGION 4

FALMOUTH

1 Officer's Alley
Falmouth, Trelawny
Tel: 954-4421-2, 954-4961
Fax: 954-5992
Team Leader - Claude
Thompson
Ambassador - Junior Campbell

LUCEA

Moseley Drive
Lucea, Hanover
Tel: 956-2344, 956-9828
Fax: 956-3323
Team Leader - Angella Hines
Ambassador - Michelle Simms

MONTEGO BAY

2 Market Street
Montego Bay, St. James
Tel: 952-4561-3, 952-7180-2
Fax: 952-8307/8308
Team Leader - Shernette
Callam
Ambassador - Deletha
Rosewell

SAVANNA-LA-MAR

Hendon Corner
Savanna-La-Mar,
Westmoreland
Tel: 955-2525, 955-2843
Fax: 955-2774
Team Leader - Canute Simpson
Ambassador - Orlando
Lewinson

REGION 5

BROWN'S TOWN

Musgrave Square
Browns Town, St. Ann
Tel: 975-2243, 917-8272/3
Fax: 917-8322
Team Leader - Ransford
Davidson
Ambassador - Samantha
Newby

OCHO RIOS

Corner of Graham Street &
DaCosta Drive Ocho Rios,
St. Ann
Tel: 974-5537, 974-4723
Fax: 974-4724
Team Leader - Ena Bryant
Ambassador - Cheri Powell

ST ANN'S BAY

10 Bravo Street
St. Ann's Bay, St. Ann
Tel: 972-2235, 972-9191
Fax: 972-2657
Team Leader - Winsome
Ricketts
Ambassador - Oraine Thompson

REGION 6

ANNOTTO BAY

Main Street
Annotto Bay, St. Mary
Tel: 996-2215, 996-2350
Fax: 996-9732
Team Leader - Omar Haye
Ambassador - Annika Hyman

GAYLE

P.O. Box 1
Main Street, St. Mary
Tel: 975-8103, 975-8406
Fax: 975-8214
Team Leader - Alverine
Moodie-Davis
Ambassador - Rose Campbell

PAPINE

17C Gordon Town Road
St. Andrew
Tel: 970-0774, 977-5758
Fax: 702-4286
Team Leader - Jacqueline
Robotham

Ambassador - Althea Edwards

PORT ANTONIO

21 Harbour Street
Port Antonio, Portland
Tel: 993-3006, 993-2339,
993-9151, 993-9652
Fax: 993-9670

Team Leader - Edison Taylor
Ambassador - Charlene Watson

PORT MARIA

1 Stennett Street
Port Maria, St. Mary
Tel: 994-2471, 994-2671,
994-2123
Team Leader - Karen Marsh
Ambassador - Laura Plunkett

JN FINANCIAL CENTER

Barbican Square (Loshusan)
29 East Kings House Road,
Kingston 6
978-2253; 927-6221
927-3853

Team Leader & Member
Ambassador - Shani Maxwell

MONEY SHOPS

Barbican, AZMart,
Knutsford Blvd., New Kingston,
Tivoli, Spanish Town Road,
Whitehouse, Westmoreland
Team Leader - Philip Bernard
Ambassador - Ariel Sinclair

**OVERSEAS MONEY TRANSFER LOCATIONS
& LOCAL JNBS ATMS**

UNITED KINGDOM

Toll Free - Tel: 1-800-328-0387

BALHAM

5 Hildreth Street
Balham, London SW12 9RQ
Tel: 208-675-4951
Fax: 208-675-4932

BIRMINGHAM

6 Suffolk Street
(near Alexander Theatre)
Queensway,
Birmingham B1 1LT
Tel: 121-600-7461
Fax: 121-643-3010

BRISTOL

248 Stapleton Road, Easton,
Bristol, BS5 0NT
Tel: 117-939-5895
Fax: 117-939-5547

BRIXTON

389-391 Brixton Road
London SW9 7DE
Tel: 207-737-7244
Fax: 207-737-6951

ELEPHANT & CASTLE

Unit #234,
Elephant & Castle Shopping Centre,
London SE1 6TE
Tel: 207-708-6621-23
Fax: 207-701-9374

HANDSWORTH

311A Soho Road,
Birmingham, B21 9SD
Tel: 121-551-5362
Fax: 121-554-7553

HORNSEY

8 Turnpike Lane, Hornsey
London N8 0PT
Tel: 208-888-8882
Fax: 208-889-3219

PECKHAM

175 Rye Lane, Peckham,
London, SE15 4TL
Tel: 207-639-3149
Fax: 207-639-4983

PERRY BARR

Unit #1, Inshops
One Stop Shopping Centre Perry
Barr, Birmingham, London B42 1SF
Tel: 121-344-3630
Fax: 121-344-4256

SHEPHERD'S BUSH

Unit #4, 5 Uxbridge Road,
Shepherds Bush, London W12 8LG
Tel: 208-743-5940
Fax: 208-743-6771

STRATFORD

Unit 13, 70-73
The Mall, Stratford Shopping Centre,
London E15 1XQ
Tel: 208-522-1093
Fax: 208-519-8416

TOTTENHAM

550-552 High Road, Tottenham,
London N17 9SY
Tel: 208-885-3807
Fax: 208-885-3209

CANADA

Toll Free - Tel: 1-800-462-9003

TORONTO

1672 Eglinton Avenue
West Toronto
Ontario M6E 2H2, Canada
Tel: 416-784-2075,
416-784-9611
Fax: 416-784-2076
email: info@jnocanada.com

GRAND CAYMAN

**NATIONAL BUILDING SOCIETY
OF CAYMAN**

71 Eastern Avenue, Trinity Square,
P.O. Box 504 G.T., Grand Cayman
Tel: 345-945-2014
Fax: 345-945-2015
email: nbs@candw.ky

U.S.A.

Toll Free - Tel: 1-800-462-9003

NEW YORK

690-700 Utica Avenue, Brooklyn,
New York, N.Y. 11203, USA
Tel: 718-756-2355
718-756-2810
718-756-2827
Fax: 718-756-6674
email: info@ny.jnousa.com

TOLL FREE NUMBER

Tel: 1-800-322-3773

404 Utica Avenue, Brooklyn,
New York, N.Y. 11213, USA
Tel: 718-804-1925
Fax: 718-756-3929
email: info@ny.jnousa.com

TOLL FREE NUMBER

Tel: 1-877-338-3700

4158 White Plains Road,
Bronx, N.Y. 10466
Tel: 718-882-5776
Fax: 718-882-6937
email: info@jnousa.com

TOLL FREE NUMBER

Tel: 1-800-918-8299

FLORIDA

3895 NW 24th Street
Lauderdale Lakes, Florida 33311
Tel: 954-676-5755-6
Fax: 954-676-5571
email: info@fl.jnousa.com

TOLL FREE NUMBER

Tel: 1-800-828-9291

6905 Miramar Parkway,
Miramar, Florida 33311
Tel: 954-983-6480
email: info@jnousa.com

TOLL FREE NUMBER

Tel: 1-800-828-9291

**JNBS ATMS, OFFICES
& OVERSEAS LOCATIONS**

JNBS ATM LOCATIONS

KINGSTON & ST ANDREW

- Customs Hall, Norman Manley International Airport
- JNBS, 32 1/2 Duke Street, Kingston
- JNBS Money Shop, Spanish Town Road
- Mico Teachers College, 1A Marescaux Road, Kingston
- Cross Roads Post Office, Cross Roads
- JNBS Money Shop, 75 Knutsford Boulevard, Kgn 5
- JNBS Papine, 17C Gordon Town Road, Kgn 7
- Azmart Superstore, 34 East Kings House Road, Barbican
- JNBS, 2-4 Constant Spring Road, Kgn 10
- Constant Spring Post Office, Constant Spring Road

CLARENDON

- JNBS, 45 Main Street, May Pen

MANCHESTER

- JNBS, Mandeville Plaza, Mandeville

ATM LOCATIONS, OVERSEAS OFFICES AND LOCAL SUBSIDIARIES & ASSOCIATED COMPANIES

JNBS ATM LOCATIONS (Continued)	JNBS REPRESENTATIVE OFFICES LOCATIONS	LOCAL SUBSIDIARIES & ASSOCIATED COMPANIES
<p>PORTLAND</p> <ul style="list-style-type: none"> JNBS, Harbour Street, Port Antonio <p>St ANN</p> <ul style="list-style-type: none"> JNBS Ocho Rios, Corner of Graham St and DaCosta Drive <p>St CATHERINE</p> <ul style="list-style-type: none"> Rapid Sheffield Super Centre, Port Henderson Road JNBS, Portmore Pines Plaza JNBS, 26 Wellington Street, Spanish Town Bog Walk Post Office, Bog Walk <p>St ELIZABETH</p> <ul style="list-style-type: none"> JNBS, Junction, Roye's Shopping Centre JNBS, Santa Cruz, Main Street <p>St JAMES</p> <ul style="list-style-type: none"> JNBS, 2 Market Street, Montego Bay <p>St MARY</p> <ul style="list-style-type: none"> JNBS, Main Street, Annotto Bay JNBS, 1 Stennett Street, Port Maria JNBS, Main Street, Gayle <p>St THOMAS</p> <ul style="list-style-type: none"> JNBS, 10 Queen Street, Morant Bay <p>TRELAWNY</p> <ul style="list-style-type: none"> JNBS, 1 Officer Alley, Falmouth <p>WESTMORELAND</p> <ul style="list-style-type: none"> JNBS, Hendon Corner, Savanna-La-Mar JNBS Money Shop, Lawrence Plaza, Whitehouse Texaco Service Station, Whitehall Road, Negril 	<p>CANADA</p> <p>Toll Free: 1-800-565-2632</p> <p>TORONTO</p> <p>1390 Eglinton Avenue West, Toronto, Ontario M6C 2E4 Canada</p> <p>Tel: 416-784-2074 416-784-9434</p> <p>Fax: 416-784-9434</p> <p>email: jnbs@on.aibn.com</p> <p>UNITED KINGDOM</p> <p>LONDON</p> <p>Toll Free: 0-800-328-1622</p> <p>Unit #235, Elephant & Castle Shopping Centre London SE1 6TE, England</p> <p>Tel: 207-708-2442-3 207-708-5040</p> <p>SHEPHERDS BUSH</p> <p>Unit #3, 5 Uxbridge Road, Shepherds Bush London W12 8LG England</p> <p>Tel: 208-743-2358 208-743-9056</p> <p>Fax: 208-735-2896</p> <p>HANDSWORTH</p> <p>Toll Free: 0-800-085-6302</p> <p>311A Soho Road, Birmingham B21 9SD England</p> <p>Tel: 121-551-5569 121-551-5592</p> <p>UNITED STATES OF AMERICA</p> <p>FLORIDA</p> <p>Toll Free: 1-800-390-7850</p> <p>5039 North State Road 7 Tamarac, Florida 33319, USA</p> <p>Tel: 954-485-0444</p> <p>Fax: 954-485-0300</p>	<p>JN FUND MANAGERS LIMITED</p> <p>17 Belmont Road, Kingston 5</p> <p>Tel: 929-7159, 929-2289</p> <p>Fax: 926-4375</p> <p>email: info@jnfunds.com</p> <p>JN SMALL BUSINESS LOANS LIMITED</p> <p>32 1/2 Duke Street, Kingston</p> <p>Tel: 948-7454/5</p> <p>Fax: 948-7452</p> <p>email: fwhyllie@jnbs.com</p> <p>JN MONEY SERVICES LIMITED</p> <p>26 Trafalgar Road, Kingston 5</p> <p>Tel: 920-7530</p> <p>Fax: 920-4768</p> <p>email: egspence@jnbs.com</p> <p>MANAGEMENT CONTROL SYSTEMS LIMITED</p> <p>10-12 Grenada Crescent Kingston 5</p> <p>Tel: 929-8661, 926-0104</p> <p>Fax: 929-5678</p> <p>email: sjones@mcsystems.com</p> <p>N.E.M. INSURANCE COMPANY (JA)LIMITED</p> <p>9 King Street, Kingston</p> <p>Tel: 922-1460-5</p> <p>Fax: 922-4045</p> <p>email: nemjam@infochan.com</p> <p>Website: www.nemjam.com</p> <p>THE CREATIVE UNIT LIMITED</p> <p>1 Holborn Road, Kingston 10</p> <p>Tel: 926-4414</p> <p>Fax: 960-0501</p> <p>email: dcarroll@jnbs.com</p> <p>JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LIMITED</p> <p>7 Central Avenue, Kingston 5</p> <p>Tel: 929-1200, 968-6007</p> <p>Fax: 929-4377</p> <p>Website: www.calljaa.com</p> <p>TOLL FREE NUMBER</p> <p>Tel: 1 888 2255 522</p> <p>MANUFACTURERS CREDIT & INFORMATION SERVICES LIMITED</p> <p>8 Grenada Crescent, Kingston 5</p> <p>Tel: 926-1939</p> <p>Fax: 929-1535</p> <p>Islandwide Tel: 663-MCIS (6247)</p> <p>email: ebwilliams@mcsystems.com</p>
<p style="text-align: center;">JAMAICA</p> <p>CHIEF OFFICE</p> <p>2-4 Constant Spring Road, Kingston 10</p> <p>Tel: 926-1344-9, 926-1364 926-1600-3, 926-1643-5 926-8285, 906-5340-7</p> <p>Fax: 926-7661, 968-6596</p> <p>S/Board 926-1344-9 (Ext. 2346,2408)</p> <p>Email: info@jnbs.com</p> <p>TOLL FREE NUMBERS</p> <p>Ja: 1-888-991-4065/4066</p>		

SUBSIDIARIES & ASSOCIATED COMPANIES

NAME OF COMPANY,	OWNERSHIP	NAME OF COMPANY,	OWNERSHIP
JN FUND MANAGERS LIMITED Provision of consumer financing, money market fund management services, pension fund management and administration services. 17 Belmont Road, Kingston 5 Tel: 929-7159, 929-2289 Fax: 926-4375 email: info@jnfunds.com Website: www.jnfunds.com	100 %	N.E.M. INSURANCE COMPANY (JAMAICA) LIMITED General Insurance services. 9 King Street, Kingston Tel: 922-1460-5 Fax: 922-4045 email: nemjam@infochan.com Website: www.nemjam.com	99 %
JAMAICA POPULAR INVESTMENT CO. LIMITED Owners of commercial buildings	100 %	PELICAN FINANCE LIMITED Insurance premium financing. 3 Barbados Avenue, Kingston 5 Tel: 929-6604/968-2038 email: nemjam@infochan.com	100 %
JN SMALL BUSINESS LOANS LIMITED Operates microfinance programmes for the benefit and assistance of micro entrepreneurs. 32½ Duke Street, Kingston Tel: 948-7454-5 Fax: 948-7452 email: fwhylic@jnbs.com	100 %	THE CREATIVE UNIT LIMITED Provision of advertising and events planning services. 1 Holborn Road, Kingston 10 Tel: 926-4414 Fax: 960-0501 email: dcarroll@jnbs.com	100 %
JN MONEY SERVICES LIMITED Money transmission and bill payment services. 26 Trafalgar Road, Kingston 5 Tel: 920-7530 Fax: 920-4768	100 %	NATIONAL BUILDING SOCIETY OF CAYMAN Provides savings and lending on residential real estate in the Cayman Islands; licensed money transmission services from the Cayman Islands	96.7 %
MANAGEMENT CONTROL SYSTEMS LIMITED Provision of information and technology solutions and data entry services. 10-12 Grenada, Kingston 5 Tel: 929-8661, 926-0104 Fax: 929-5678 email: sjones@mcsystems.com	94.5 %	KNUTSFORD HOLDINGS LIMITED Owners of commercial buildings	40 %
		JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION An approved charitable organisation funded by contributions from JNBS.	100 %

JN FUND MANAGERS LIMITED

Dr Dhiru Tanna, [Chairman](#)
Keith Senior
Clarence T Brown
Hon Oliver F Clarke, OJ
Earl Jarrett
Monica Ladd
George Magnus
Peter Morris
Christopher Roberts

JN MONEY SERVICES LIMITED

Hon Oliver F Clarke, OJ, [Chairman](#)
Earl Jarrett
Lord William “Bill” Morris, OJ
Hon. Dorothy Pine-McLarty, OJ
Dr Don Robotham
Alfred Simms
J. A. Lester Spaulding, CD

JN SMALL BUSINESS LOANS LIMITED

Hon Oliver F Clarke, OJ, [Chairman](#)
Frank Whyllie
Dr Aston Barnes
Larklin Hall, OD
Earl Jarrett
Roy Megarry
Mary Smith

MANAGEMENT CONTROL SYSTEMS LIMITED

Wendell Smith, [Chairman](#)
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Earl Jarrett
Dr Parris Lyew-Ayee, Jr
Molly Rhone, O.D.

N.E.M. INSURANCE COMPANY (JAMAICA) LIMITED

George Magnus, [Chairman](#)
John Cunningham
Earl Jarrett
Dr Parris Lyew-Ayee, Jr
Peter Morris
Kathleen Moss
Christopher Roberts
Errol Ziadie

THE CREATIVE UNIT LIMITED

Earl Jarrett, [Chairman](#)
Donna Carroll
Carlton Barclay
Emile Spence

NATIONAL BUILDING SOCIETY OF CAYMAN

Earl Jarrett, [Chairman \(Acting\)](#)
Robert Hamaty
Dunbar McFarlane
A Spencer Marshall
Dr Dhiru Tanna

JNBS FOUNDATION

Hon Oliver F Clarke, OJ, [Chairman](#)
John Cunningham
Earl Jarrett
George Magnus
Jennifer Martin

COMMITTEES OF THE JNBS BOARD

AUDIT COMMITTEE

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Llewelyn A Bailey
Earl Jarrett
S Kumaraswamy
Kathleen Moss

FINANCE & INVESTMENT COMMITTEE

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Earl Jarrett
George Magnus
Peter Morris
Dr Dhiru Tanna

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Dr H A A “Marco” Brown, CD
Earl Jarrett
George Magnus
Hon. Dorothy Pine-McLarty, OJ

COMPENSATION COMMITTEE

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Earl Jarrett
George Magnus
Peter Morris
Dr Dhiru Tanna

ATTORNEYS-AT-LAW

ABENDANA & ABENDANA
 CLARK, ROBB & CO.
 CLINTON HART & CO.
 CRAFTON MILLER & CO.
 DABDOUB DABDOUB & CO.
 DELROY CHUCK & CO.
 DUNNCOX
 EDWARD HANNA & CO.
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 SCOTT, BHOORASINGH & BONNICK
 TAYLOR, DEACON & JAMES
 TENN, RUSSELL, CHIN-SANG, HAMILTON &
 RAMSAY
 VACCIANNA & WHITTINGHAM
 WATSON & WATSON
 WATT, KING & ROBINSON
 WILLIAMS, McKOY & PALMER
 ZIADIE, REID & CO.

AUDITORS

KPMG

BANKERS

BANK OF AMERICA
 BANK OF NOVA SCOTIA JAMAICA LTD.
 BANK OF NOVA SCOTIA, TORONTO, CANADA
 BARCLAYS BANK PLC
 CITIBANK, CANADA
 CITIBANK, LONDON, U.K.
 CITIBANK, WALL STREET, NEW YORK, U.S.A.
 HSBC
 LLOYD'S TSB
 NATIONAL COMMERCIAL BANK JAMAICA LTD.
 RBTT BANK JAMAICA LTD.
 WACHOVIA BANK, N.A.



KPMG
Chartered Accountants
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Jamaica, W.I.

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Jamaica, W.I.
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email: firmmail@kpmg.com.jm

To the Members of
THE JAMAICA NATIONAL BUILDING SOCIETY

Report on the Financial Statements

We have audited the financial statements of The Jamaica National Building Society ("the Society"), set out on pages 53 to 107 which comprise the Group's and the Society's balance sheets as at March 31, 2007, and the Group's and the Society's statements of revenue and expenses, changes in capital and reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
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+1 (876) 922-4500
email: firmmail@kpmg.com.jm

To the Members of
THE JAMAICA NATIONAL BUILDING SOCIETY

Report on the Financial Statements (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds held in respect of mortgage loans were produced to us and actually inspected by us and we are satisfied that deeds not inspected by us were in the hands of attorneys or elsewhere in the normal course of business of the Society.

As disclosed in note 4(f), the Bank of Jamaica (Building Societies) Regulations, 1995 requires that interest on loans that are in arrears for 90 days and over, be excluded from income. International Financial Reporting Standards (IFRS) requires that when collection of loans becomes doubtful, such loans should be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. Interest of \$175 million (2006: \$125 million) required to be recognised under IFRS is excluded from income of the Group and the Society, in compliance with the requirements of the Bank of Jamaica Building Society Regulations, 1995.

Opinion

In our opinion, the financial statements, which have been prepared in accordance with International Financial Reporting Standards, except for the resolution of the matter mentioned in the immediately preceding paragraph, give a true and fair view of the financial positions of the Group and the Society as at March 31, 2007, and of the Group's and the Society's financial performance, changes in equity and cash flows for the year then ended, so far as concerns members of the Society.

Report on additional requirements

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 kept and the financial statements are duly vouched and in accordance with law, proper returns have been received for branches not visited by us and the financial statements are in agreement with the accounting records and returns.

June 27, 2007

KPMG, a Jamaican Partnership,
is the Jamaican member firm of KPMG
International, a Swiss cooperative.

Raphael E. Gordon
Patrick A. Chin
R. Tarun Handa

Caryl A. Fenton
Patricia O. Dailey-Smith
Cynthia L. Lawrence

Elizabeth A. Jones
Linroy J. Marshall
Rajan Trehan

FINANCIAL STATEMENTS


THE JAMAICA NATIONAL BUILDING SOCIETY

Balance sheets

March 31, 2007

		Group		Society	
	Notes	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Cash and cash equivalents	7	4,033,222	2,847,204	2,319,989	1,988,312
Securities purchased under resale agreements	8	12,824,616	10,209,863	1,633,984	1,117,094
Investments	9	28,064,308	27,121,824	23,139,662	21,532,797
Taxation recoverable		364,659	380,036	173,871	248,930
Interest in subsidiaries	11	-	-	3,778,779	2,358,167
Interest in associates	12	120,059	115,279	735	735
Loans	13	24,427,129	18,836,546	22,456,402	17,709,730
Other assets	14	2,270,126	2,401,952	276,267	297,282
Investment properties	15	166,028	124,236	89,066	91,453
Property, plant and equipment	16	1,542,645	1,335,700	1,141,490	1,021,438
Intangible asset	17	63,969	63,833	-	-
Deferred tax assets	18	50,026	32,443	-	-
Total assets		<u>73,926,787</u>	<u>63,468,916</u>	<u>55,010,245</u>	<u>46,365,938</u>
LIABILITIES, CAPITAL AND RESERVES					
SAVINGS FUND					
Shareholders' savings	19	43,135,324	35,161,043	42,630,852	34,879,653
Depositors' savings	20	<u>2,480</u>	<u>5,054</u>	<u>94</u>	<u>2,667</u>
		<u>43,137,804</u>	<u>35,166,097</u>	<u>42,630,946</u>	<u>34,882,320</u>
LIABILITIES					
Bank overdraft	7(d)	168,731	86,232	138,068	78,310
Securities sold under repurchase agreements	21	11,066,774	10,309,709	-	-
Taxation payable		109,861	242,240	91,703	239,515
Other payables		1,878,750	1,520,442	531,900	434,210
Deferred tax liabilities	18	65,800	50,939	40,200	22,068
Employee benefit obligation	22[(ii)(a)]	145,688	120,964	106,055	87,275
Insurance contract provisions	23	3,092,211	2,916,296	-	-
Long-term loans	24	<u>112,363</u>	<u>121,482</u>	<u>25,000</u>	<u>25,000</u>
Total liabilities		<u>16,640,178</u>	<u>15,368,304</u>	<u>932,926</u>	<u>886,378</u>
CAPITAL AND RESERVES					
Permanent capital fund	25	3,249,567	2,799,567	3,249,567	2,799,567
Reserve fund	26	<u>4,860,433</u>	<u>4,300,433</u>	<u>4,860,433</u>	<u>4,300,433</u>
Capital base		8,110,000	7,100,000	8,110,000	7,100,000
Capital reserve		104,896	104,896	-	-
Contractual savings reserve	27	14,223	14,223	14,223	14,223
Other reserves	28	1,798,252	2,143,397	1,551,086	1,912,787
Retained earnings		<u>4,074,038</u>	<u>3,428,988</u>	<u>1,771,064</u>	<u>1,570,230</u>
Total equity attributable to equity holders of the parent		<u>14,101,409</u>	<u>12,791,504</u>	<u>11,446,373</u>	<u>10,597,240</u>
Minority interest		<u>47,396</u>	<u>143,011</u>	<u>-</u>	<u>-</u>
		<u>73,926,787</u>	<u>63,468,916</u>	<u>55,010,245</u>	<u>46,365,938</u>

The financial statements on pages 53 to 107 were approved by the Board of Directors on June 27, 2007 and signed on its behalf by:

 Dep. Chairman
G. I. Magnus

 Director
E. W. Jarrett

 Director
Dr. Dhiru Tanna

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Revenue and Expenses

Year ended March 31, 2007

	Notes	Group		Society	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		\$'000	\$'000	\$'000	\$'000
Interest revenue:					
Interest on loans		3,002,061	2,432,684	2,515,209	2,206,867
Interest on investments		<u>4,051,947</u>	<u>4,091,997</u>	<u>2,313,091</u>	<u>2,231,687</u>
		7,054,008	6,524,681	4,828,300	4,438,554
Interest expense	29	(3,283,014)	(3,322,061)	(1,974,158)	(1,916,154)
Net interest revenue		3,770,994	3,202,620	2,854,142	2,522,400
Other operating income	30	2,550,297	1,987,167	904,003	1,011,641
Operating expenses	31	(5,313,948)	(4,415,627)	(3,221,834)	(2,670,927)
Operating surplus		1,007,343	774,160	536,311	863,114
Unrealised foreign exchange gains		119,499	57,728	85,236	35,818
Gains on disposal of investments		866,647	899,526	829,666	734,702
Share of profit of associates		<u>4,780</u>	<u>13,645</u>	<u>-</u>	<u>-</u>
Surplus before taxation		1,998,269	1,745,059	1,451,213	1,633,634
Taxation	32	(317,256)	(286,668)	(229,206)	(318,971)
Surplus after taxation		<u>1,681,013</u>	<u>1,458,391</u>	<u>1,222,007</u>	<u>1,314,663</u>
Attributable to:					
The Society		1,670,589	1,432,101	1,222,007	1,314,663
Minority interest		<u>10,424</u>	<u>26,290</u>	<u>-</u>	<u>-</u>
		<u>1,681,013</u>	<u>1,458,391</u>	<u>1,222,007</u>	<u>1,314,663</u>
Dealt with in the financial statements of:					
The Society		1,222,007	1,314,663	1,222,007	1,314,663
Subsidiaries		443,802	103,793	-	-
Associates		<u>4,780</u>	<u>13,645</u>	<u>-</u>	<u>-</u>
		<u>1,670,589</u>	<u>1,432,101</u>	<u>1,222,007</u>	<u>1,314,663</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Changes in Capital and Reserves

Year ended March 31, 2007

	Permanent Capital Fund \$'000 (note 25)	Reserve Fund \$'000 (note 26)	Capital Reserve \$'000	Contractual Savings Reserve \$'000 (note 27)	Other Reserves \$'000 (note 28)	Retained Earnings \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
The Group:									
Balances at March 31, 2005	1,799,567	1,800,433	104,896	14,223	4,463,875	5,508,233	13,691,227	123,548	13,814,775
Transfers	1,000,000	2,500,000	-	-	-	(3,500,000)	-	-	-
Transfer to credit loss reserve	-	-	-	-	11,346	(11,346)	-	-	-
Translation of foreign subsidiaries' balances	-	-	-	-	5,822	-	5,822	523	6,345*
Acquired minority	-	-	-	-	-	-	-	4,949	4,949
Movement in share of reserves in associates and subsidiaries	-	-	-	-	-	-	-	(12,299)	(12,299)*
Decrease in fair value of investments	-	-	-	-	(1,438,120)	-	(1,438,120)	-	(1,438,120)*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(899,526)	-	(899,526)	-	(899,526)*
Surplus for the year	-	-	-	-	-	1,432,101	1,432,101	26,290	1,458,391*
Balances at March 31, 2006	2,799,567	4,300,433	104,896	14,223	2,143,397	3,428,988	12,791,504	143,011	12,934,515
Transfers	450,000	560,000	-	-	-	(1,010,000)	-	-	-
Transfer to credit loss reserve	-	-	-	-	15,539	(15,539)	-	-	-
Translation of foreign subsidiaries' balances	-	-	-	-	1,984	-	1,984	157	2,141*
Movement in share of reserves in associates and subsidiaries	-	-	-	-	-	-	-	(106,196)	(106,196)*
Increase in fair value of investments	-	-	-	-	503,979	-	503,979	-	503,979*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(866,647)	-	(866,647)	-	(866,647)*
Surplus for the year	-	-	-	-	-	1,670,589	1,670,589	10,424	1,681,013*
Balances at March 31, 2007	<u>3,249,567</u>	<u>4,860,433</u>	<u>104,896</u>	<u>14,223</u>	<u>1,798,252</u>	<u>4,074,038</u>	<u>14,101,409</u>	<u>47,396</u>	<u>14,148,805</u>

*Total recognised gains attributable to the parent Society are \$1,309,905,000 {2006: losses (\$899,723,000)} and total recognised losses attributable to the minority interest are \$95,615,000 {2006: gains (\$14,514,000)}.

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY
Statement of Changes in Capital and Reserves (Continued)
Year ended March 31, 2007

	Permanent capital fund \$'000 (note 25)	Reserve fund \$'000 (note 26)	Contractual savings reserve \$'000 (note 27)	Other reserves \$'000 (note 28)	Retained earnings \$'000	Total \$'000
The Society:						
Balances at March 31, 2005	1,799,567	1,800,433	14,223	4,045,632	3,766,547	11,426,402
Transfers	1,000,000	2,500,000	-	-	(3,500,000)	-
Transfer to credit loss reserve	-	-	-	10,980	(10,980)	-
Decrease in fair value of investments	-	-	-	(1,409,123)	-	(1,409,123)*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(734,702)	-	(734,702)*
Surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,314,663</u>	<u>1,314,663*</u>
Balances at March 31, 2006	2,799,567	4,300,433	14,223	1,912,787	1,570,230	10,597,240
Transfers	450,000	560,000	-	-	(1,010,000)	-
Transfer to credit loss reserve	-	-	-	11,173	(11,173)	-
Increase in fair value of investments	-	-	-	456,792	-	456,792*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(829,666)	-	(829,666)*
Surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,222,007</u>	<u>1,222,007*</u>
Balances at March 31, 2007	<u>3,249,567</u>	<u>4,860,433</u>	<u>14,223</u>	<u>1,551,086</u>	<u>1,771,064</u>	<u>11,446,373</u>

*Total recognised gains are \$849,133,000 [2006: losses (\$829,162,000)] for the Society.

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Consolidated Statement of Cash Flows

Year ended March 31, 2007

	2007 \$'000	2006 \$'000
Cash flows from operating activities		
Surplus for the year	1,670,589	1,432,101
Adjustments to reconcile net surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment property	274,196	259,846
Amortisation of intangible asset	86	78
Goodwill impaired	50,535	-
Gain on disposal of property, plant and equipment and investment property	(6,985)	(5,903)
Gain on disposal of investments	(866,647)	(899,526)
Gains from foreign exchange rate changes	(161,694)	(69,949)
Translation differences	1,984	5,822
Dividend income	(51,441)	(65,272)
Share of loss of associates	(4,780)	(13,645)
Interest income	(7,054,008)	(6,524,681)
Interest expense	3,283,014	3,322,061
Tax expense	319,978	343,701
Net (decrease)/increase in provision for loan losses	(10,266)	37,370
Minority interest	4,441	11,463
Deferred taxation, net	(2,722)	(57,033)
Employee benefit	24,724	20,250
Insurance contract provisions	<u>175,915</u>	<u>245,949</u>
Net cash provided by operating activities	(2,353,081)	(1,957,368)
Changes in operating assets and liabilities:		
Addition to loans	(5,550,923)	(4,411,929)
Taxation recoverable	15,377	(253,133)
Other assets	131,826	(677,383)
Other payable	358,308	405,114
Net receipts from savings	6,807,637	4,462,163
Securities purchased under resale agreements	(2,590,450)	(635,130)
Securities sold under repurchase agreements	<u>612,945</u>	<u>2,146,245</u>
	(2,568,361)	(921,421)
Interest paid	(3,237,112)	(3,345,137)
Interest received	4,373,329	4,053,388
Income tax paid	<u>(452,355)</u>	<u>(406,341)</u>
Net cash from operating activities	<u>(1,884,499)</u>	<u>(619,511)</u>
Cash flows from investing activities		
Investments	(299,309)	(3,008,888)
Interest received	2,723,424	3,171,778
Dividend received	51,441	65,272
Interest in associates	-	4,244
Intangible asset	(2,267)	(31)
Acquisition of minority interest	(148,545)	-
Acquisition of subsidiary, net of cash acquired	-	(83,911)
Purchase of property, plant and equipment and investment property	(527,796)	(539,726)
Proceeds from disposal of property, plant and equipment	11,849	15,822
Proceeds from disposal of investments	<u>1,054,490</u>	<u>987,638</u>
Net cash provided/(used) by investing activities	<u>2,863,287</u>	<u>612,198</u>
Cash flows from financing activities		
Increase/(decrease) in bank overdraft	82,499	(154,763)
Long-term loans	(9,119)	(6,848)
Net cash provided/(used) by financing activities	<u>73,380</u>	<u>(161,611)</u>
Net increase/(decrease) in cash and cash equivalents	1,052,168	(127,334)
Effects of exchange rate changes on cash & cash equivalents	133,850	41,590
Cash and cash equivalents at beginning of the year	<u>2,847,204</u>	<u>2,974,538</u>
Cash and cash equivalents at end of the year	<u>4,033,222</u>	<u>2,847,204</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Society's Statement of Cash Flows

Year ended March 31, 2007

	<u>2007</u> \$'000	<u>2006</u> \$'000
Cash flows from operating activities		
Surplus for the year	1,222,007	1,314,663
Depreciation on property, plant and equipment and investment properties	174,352	147,600
Gain on disposal of property, plant & equipment and investment properties	(5,178)	(3,393)
Gain on disposal of investments	(829,666)	(734,702)
Gains from foreign exchange rate changes	(84,816)	(48,595)
Dividend income	(51,441)	(71,182)
Interest income	(4,828,300)	(4,438,554)
Interest expense	1,974,158	1,916,154
Tax expense	211,074	311,995
Net (decrease)/increase in provision for loan losses	(6,014)	28,765
Deferred taxation, net	18,132	6,976
Employee benefit	<u>18,780</u>	<u>16,124</u>
Net cash used by operating activities	(2,186,912)	(1,554,149)
Changes in operating assets and liabilities:		
Additions to loans	(4,757,448)	(3,806,500)
Taxation recoverable	75,061	(222,944)
Other assets	21,015	(106,450)
Other payables	97,690	(10,548)
Net receipts from savings	6,599,218	4,425,543
Securities purchased under resale agreements	(501,523)	2,734,300
Securities sold under repurchase agreements	<u>-</u>	<u>-</u>
	(652,899)	1,459,252
Interest paid	(1,945,447)	(1,951,048)
Interest received	2,545,140	2,241,483
Income tax paid	(358,886)	(350,452)
Net cash from operating activities	(412,092)	<u>1,399,235</u>
Cash flows from investing activities		
Investments and securities purchased under resale agreement	(1,013,086)	(3,365,816)
Interest received	2,327,499	2,460,519
Interest in subsidiaries	(1,420,611)	(1,124,448)
Interest in associates	-	4,245
Dividend received	51,441	71,182
Purchase of property, plant & equipment	(294,406)	(354,841)
Proceeds from disposal of property, plant & equipment	7,566	4,869
Proceeds from disposal of investments	<u>928,478</u>	<u>734,391</u>
Net cash provided/(used) by investing activities	<u>586,881</u>	<u>(1,569,899)</u>
Cash flows from financing activities		
Decrease in bank overdraft, being net cash provided/(used) by investing activities	<u>59,758</u>	(96,861)
Net increase/(decrease) in cash and cash equivalents	234,547	(267,525)
Effects of exchange rate changes on cash & cash equivalents	97,130	32,550
Cash and cash equivalents at beginning of the year	<u>1,988,312</u>	<u>2,223,287</u>
Cash and cash equivalents at end of the year	<u>2,319,989</u>	<u>1,988,312</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements

March 31, 2007

1. THE SOCIETY

The Jamaica National Building Society (“the Society”), which commenced business in 1874 under the name of Westmoreland Building Society, is incorporated in Jamaica under the Building Societies Act, is domiciled in Jamaica, and has its registered office at 2-4 Constant Spring Road, Kingston 10. The Society is a mutual organisation in which all holders of shares have one vote, regardless of account balances.

Its principal activities are comprised of granting home loans, operating savings accounts, trading in foreign exchange and bill payments.

The Society is an authorised foreign currency dealer.

“Group” refers to the Society, its subsidiaries and its associates which are as follows:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage ownership</u>	<u>Percentage ownership</u>	<u>Nature of business</u>
		2007	2006	
JN Money Services Limited and its wholly owned subsidiaries:	Jamaica	100	100	Money transmission services
Jamaica National Overseas (UK) Limited	England	100	100	Mortgage lending on residential properties, money transfers and other financial services
Jamaica National Overseas (USA) Inc.	United States of America	100	100	Money transmission services and mortgage lending on New York State and Florida residential properties
Jamaica National Overseas (Canada) Limited	Canada	100	100	Money transmission services and mortgage lending on commercial and residential properties
JN Properties Limited	Jamaica	100	100	Development and rental of real estate property
JN Real Estate Company Limited	Jamaica	100	100	Real estate development, brokerage, appraisal and property management services
JN Fund Managers Limited	Jamaica	100	100	Provision of money market brokerage services and loan financing
First Metropolitan Building Society	Jamaica	100	100	Mortgage lending on residential properties and other financial services

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

1. THE SOCIETY (cont'd)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2007</u>	<u>Percentage ownership 2006</u>	<u>Nature of business</u>
NEM Insurance Company (Jamaica) Limited	Jamaica	99	94	General insurance services
Management Control Systems Limited and its wholly-owned subsidiaries:	Jamaica	94.5	94	Provision of information technology solutions and services, inclusive of cellular top-up services
MC Data Limited	Jamaica	100	100	Data entry
Caribbean Technology Inc.	United States of America	100	100	Provision of network solutions
Total Credit Services Limited	Jamaica	100	100	Debt management
The Jamaica Automobile Association (Services) Limited	Jamaica	100	100	Automobile related services
Manufacturers' Credit & Information Services Limited	Jamaica	75	75	Fleet management services
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro businesses for periods not exceeding 40 weeks. The Society has given a commitment not to take profits out of this company
National Building Society of Cayman	Cayman Islands	96.7	96.7	Mortgage lending on residential properties and other financial services
The Creative Unit Limited	Jamaica	100	100	Creative and ad-placement services
Jamaica Popular Investment Company Limited	Jamaica	100	100	Owners of commercial buildings
Pelican Finance Limited	Jamaica	100	94*	Insurance premium financing

* Pelican Finance Limited, in the previous year, was a wholly-owned subsidiary of NEM Insurance Company (Jamaica) Limited.

During the year, a decision was taken to wind down the operations of JN Real Estate Company Limited. This process should be completed in the next twelve (12) months.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

1. THE SOCIETY (cont'd)

<u>Associates</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2007</u>	<u>Percentage ownership 2006</u>	<u>Nature of business</u>
Knutsford Holdings Limited	Jamaica	40	40	Owners of commercial buildings
Jamaica Joint Venture Investment Company Limited	Jamaica	33⅓	33⅓	Owners of commercial buildings
Building Societies Development (Succaba Pen) Limited	Jamaica	28.1	28.1	Housing development

Tools for Development Jamaica ('the company') was incorporated in Jamaica on February 12, 2001 as a company limited by guarantee and commenced operations on February 22, 2001. Members who have subscribed to the company include The Jamaica National Building Society (JNBS). Each member's liability is limited to J\$10. The principal activity of the company is to develop and promote for the benefit of small businesspersons, enterprises and entrepreneurs the acquisition, sale and distribution of tools provided by Care Canada Limited. In December 2006, the company ceased operations.

Jamaica National Building Society Foundation was incorporated under the laws of Jamaica on July 11, 1990 as a company limited by guarantee and not having a share capital with the liability of each of the 10 members limited to \$1. It is a charitable organisation which aims at assisting with grants or otherwise the development of affordable housing throughout Jamaica and in particular rural Jamaica and to develop and promote for the benefit of the public, study and research into housing and the management of saving. It is funded principally by contributions from the Society. The company is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempted from income tax under Section 12(h) of the Income Tax Act.

2. LICENCE AND REGULATIONS

The Society is licensed, and the financial statements are delivered, under the Building Societies Act, as amended by the Building Societies (Amendment) Act, 1996 ("Act"), and the Bank of Jamaica (Building Societies) Regulations, 1995 ("Regulations"). The regulations became effective as of March 24, 1995.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION

(a) Statement of compliance:

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

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Society and are prepared on the historical cost basis, except for available-for-sale investments which are shown at fair value.

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

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

Where appropriate, comparative amounts have been reclassified and represented to facilitate comparability with current year amounts.

The significant accounting policies used in the preparation of the financial statements are summarised at note 4 and conform in all material respects to IFRS.

Judgements and critical assumptions are discussed in note 5.

(c) Basis of consolidation:

(i) Subsidiaries

A “subsidiary” is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The subsidiary companies are listed in note 1 and are referred to as “subsidiaries” or “subsidiary” in these financial statements. The company and its subsidiaries are collectively referred to as “the Group”. The consolidated financial statements comprise the financial results of the company and its subsidiaries prepared to March 31, except for NEM Insurance Company Limited (NEM) whose accounts are prepared at December 31, annually. Consequently, the consolidated results include the consolidated results of NEM for the year ended December 31, 2006, updated for significant transactions to March 31, 2007.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND CONSOLIDATION (cont'd)

(c) Basis of consolidation (cont'd):

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Taxation:

(i) Income tax:

Income tax on the surplus or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax on expected tax payable on the taxable surplus for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [see note 4(1)]. Costs include expenditures that are directly attributable to the acquisition of the assets. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society and the Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in the statement of revenue and expenses as incurred.

Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write off the assets to their residual values over their expected useful lives. Leasehold properties are amortised in equal instalments over the shorter of the lease term and the properties' estimated useful lives.

The depreciation rates are as follows:

Freehold buildings	2½%
Leasehold buildings	shorter of lease term and useful lives
Leasehold improvements	33⅓%
Computers	33⅓%
Office equipment	10%
Motor vehicles	20%

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Foreign currencies:

- (i) Foreign currency balances at the balance sheet date are translated at the Bank of Jamaica's weighted average rate of US\$1.00 = J\$67.56 (2006: J\$64.00), UK£1.00 = J\$130.84 (2006: J\$111.05) and Cdn\$1.00 = J\$57.75 (2006: J\$54.25), being the rates of exchange ruling on that date. Other foreign currency balances have been translated using indicative rates provided by the Bank of Jamaica of Euro1.00 = J\$88.20 and KYD1.00 = J\$76.09.
- (ii) Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses, except as stated in note 4(c) (iii) below.
- (iii) For the purpose of consolidating the financial statements of the Group's foreign subsidiaries, the balance sheet is translated at the closing rate and the statement of revenue and expenses at the average rate of exchange for the year. Translation differences are included in the exchange equalisation reserve [see note 28(a)].

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Joint ventures and related investments:

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Group's financial statements include the Group's proportionate share of assets, liabilities, revenue and expenses with items of a similar nature, from the date that control commences until the date that joint control ceases.

(e) Provision for credit losses:

The provision for credit losses is maintained at a level considered adequate to provide for probable credit losses and is based on management's evaluation of individual loans in the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and guidance provided by Bank of Jamaica, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

General provisions for loans are established against the portfolio where a prudent assessment by the Society of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum ½% established by the Bank of Jamaica.

IFRS only permits specific loan loss provisions and a general provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss provision required under the Bank of Jamaica (Building Societies) Regulations, 1995 that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve [note 28(c)].

(f) Interest income and expense:

Interest income and expense are recognised in the statement of revenue and expenses on the accrual basis using the effective yield method, except that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Bank of Jamaica (Building Societies) Regulations, 1995.

IFRS requires that when collection of loans becomes doubtful, such loans should be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of interest recognition under IFRS and the Bank of Jamaica (Building Societies) Regulations, 1995 amounts to \$175 million (2006: \$125 million).

THE JAMAICA NATIONAL BUILDING SOCIETY
Notes to the financial statements (cont'd)
March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Real estate and development in progress:

The cost of land acquisition and development, construction and overheads, including interest costs, are deferred, except for costs in excess of amounts recoverable from subsequent sales, which are expensed as incurred. Income from development projects is recognised upon substantial completion of each project. Development in progress is shown net of deposits received from purchasers.

(h) Employee benefits:

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

The Group provides post-retirement pension and health insurance benefits to employees who have satisfied certain minimum service requirements.

The benefits are accounted for as follows:

(i) Defined contribution pension plan:

Obligations for contributions to a defined contribution pension plan are recognised as an expense in the statement of revenue and expenses as incurred.

(ii) Defined benefit pension plans:

Employee benefits, comprising pensions and other post-employment assets and obligations included in these financial statements, have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors have relied on the actuary's report.

The Group's net obligation in respect of its defined benefit plans (note 22) is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the balance sheet date on long-term government instruments of terms approximating those of the Group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Employee benefits (cont'd):

(ii) Defined benefit pension plans (cont'd):

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Group statement of revenue and expenses on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the statement of revenue and expenses.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of revenue and expenses over a period of the average remaining working lives of staff members in the plan.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(i) Underwriting results:

The underwriting results of a subsidiary are determined after making provision for, *inter alia*, unearned premiums, outstanding claims, and unexpired risks.

(i) Unearned premiums represent that proportion of premiums, written in the period up to the accounting date, which is attributable to subsequent periods and are calculated on the twenty-fourths method on the total premiums written.

(ii) Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on the historical experience of the company. The loss and loss expense reserves have been reviewed by the subsidiary's actuary using the past loss experience of the subsidiary and industry data.

Amount recoverable in respect of claims from re-insurers are estimated in a manner consistent with the underlying liabilities.

(iii) Unexpired risks represent the amounts set aside, in addition to unearned premiums, in respect of risks to be borne by the subsidiary under contracts of insurance entered into before the end of the financial year, and are actuarially determined.

(iv) Management believes, based on the analysis completed by their actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the balance sheet date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Reinsurance ceded:

Amounts recoverable from re-insurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the twenty-fourths basis on the total premiums ceded.

(k) Provisions:

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Impairment:

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of revenue and expenses.

(i) Calculation of recoverable amount:

The recoverable amount of loans receivable is determined as indicated in note 4(e).

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of other assets is the greater of their fair value less cost 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment (cont'd):

(ii) Reversals of impairment (cont'd):

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

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

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

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

(m) Financial instruments:

(i) Classification:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were purchased. Investments are classified as loans and receivables, held-to-maturity and available-for-sale securities.

Loans and receivables are those created or purchased by the Group, with fixed or determinable payments and are not quoted in an active market.

Held-to-maturity securities are those with fixed or determinable payment and fixed maturity that the Group has the positive intent and ability to hold to maturity.

Available-for-sale securities are financial assets that are so designated by the Group. Available-for-sale instruments include certain debt and equity instruments.

(ii) Recognition:

Loans and receivables and held-to-maturity securities are recognised on the day they are transferred to the Group. Available-for-sale instruments are recognised on the day the Group purchases the assets.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Financial instruments (cont'd):

(iii) Measurement:

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial measurement, all available-for-sale assets are measured at fair value with unrealised gains and losses arising from changes in fair value included in investment revaluation reserve, except for impairment losses, and in the case of monetary items such as debt securities, foreign exchange gains and losses [see note 28(b)]. Where fair value cannot be reliably determined, they are stated at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gains or losses are included in the statement of revenue and expenses.

The fair value of available-for-sale investments is based on their quoted market bid price at the balance sheet date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

All non-trading financial liabilities, loans and receivables and held-to-maturity securities are measured at amortised cost, less impairment losses [see note 4(l)]. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(n) Securities purchased/sold under resale/repurchase agreements:

Securities purchased under resale agreements ("Reverse repo")/sold under repurchase agreements ("Repo") are short-term transactions whereby securities are bought/sold with simultaneous agreements to resell/repurchase the securities on a specified date and at a specified price. Reverse repos and repos are accounted for as short-term collateralised lending and borrowing, respectively, and are carried at cost.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income and expense.

(o) Investment properties:

Investment properties are stated at their cost, less accumulated depreciation and impairment losses [see note 4(l)]. Rental income from investment properties is accounted for on the accrual basis.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Long-term loan:

Loans payable are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost, with any difference between cost and redemption value being recognised in the statement of revenue and expenses on an effective interest rate basis.

(q) Deferred credit:

Amounts reimbursed by the United States Agency for International Development (USAID) for the purchase of property, plant and equipment are deferred. Annual transfers, equivalent to the depreciation charge on the property, plant and equipment funded by the reimbursement, are made to the statement of revenue and expenses.

(r) Other assets:

Other assets are stated at amortised cost, less impairment losses [see note 4(l)].

(s) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and cash reserve at the Bank of Jamaica.

(t) Operating leases:

Payments made under operating leases are recognised in the income statement on a straight-line basis over the life of the lease.

(u) Related party balances and transactions:

A party is related to the Society, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Society (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Society that gives it significant influence over the Society; or has joint control over the Society;
- (ii) the party is an associate of the Society;
- (iii) the party is a joint venture in which the Society is a venturer;
- (iv) the party is a member of the key management personnel of the Society or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Society, or of any company that is a related party of the Society.

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

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Intangible assets:

(i) Goodwill:

Goodwill represents amounts arising on acquisition of subsidiaries and other business ventures. It comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised, but is tested annually for impairment [see note 4(l)]. Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Other intangible assets:

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 4(l)).

(iii) Subsequent expenditure:

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation:

Amortisation is charged to the statement of revenue and expenses on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Trademarks	5 years
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5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Pension and other post-retirement benefits

The amounts recognised in the balance sheet and statement of revenue and expenses for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(a) Pension and other post-retirement benefits (cont'd)

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(b) Allowance for loan losses

In determining amounts recorded for impairment of loan losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loans portfolio with similar characteristics, such as credit risks.

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

6. ROLES OF THE ACTUARY AND AUDITORS

The actuary has been appointed by management pursuant to the requirements of IAS 19 and the Insurance Act of 1971, which was repealed by the Insurance Act 2002. With respect to preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the Group's health, group life, deferred benefit pension schemes and policy liabilities and report thereon to the members. The valuation is made in accordance with accepted actuarial practice. The actuary, in his verification of the management information provided by the Group used in valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the members pursuant to the Act to conduct an independent and objective audit of the financial statements of the Group and the Society in accordance with International Standards on Auditing, and report thereon to the members. In carrying out their audit, the auditors also make use of the work and report of the actuary. The auditors' report outlines the scope of their audit and their opinion.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

7. CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Cash reserve with Bank of Jamaica [see (a)]	395,642	327,768	395,642	327,768
Cash and bank balances				
[see (b), (c), (d) and note 37(i)]	<u>3,637,580</u>	<u>2,519,436</u>	<u>1,924,347</u>	<u>1,660,544</u>
Total cash and cash equivalents [see (e)]	<u>4,033,222</u>	<u>2,847,204</u>	<u>2,319,989</u>	<u>1,988,312</u>

- (a) Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves not available for use by the Society and are determined by the percentage of specified liabilities stipulated by Bank of Jamaica. For the rate to remain at no more than one percent of specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the specified liabilities.

At March 31, 2007, the stipulated percentage was 40% (2006: 40%) compared to the Society's holding of qualifying assets of 48.32% (2006: 50.01%).

- (b) Cash and bank balances include deposits held on behalf of clients totalling \$109,000 (2006: \$4,891,000) in the books of a subsidiary.
- (c) The Society's USA based subsidiary, as a money transmitter is licensed in the States of New York, Maryland, Connecticut, New Jersey, Georgia, Washington D.C. and Florida. The regulation requires a minimum total net worth of US\$1,863,123 in lieu of a surety bond in favour of the Superintendent. As at March 31, 2007, the subsidiary had US\$2,752,479 (2006: US\$2,618,872) invested in a certificate of deposit.
- (d) The Society has three overdraft facilities with commercial banks as follows:
- (i) \$200,000,000 - unsecured
 - (ii) US\$1,250,000 - unsecured
 - (iii) Uncleared effects limit of \$1,200,000,000 of which \$120,000,000 is secured by a lien on GOJ Variable Rate Bond 2007/8 Series E.

A subsidiary has a \$10,000,000 overdraft facility with a commercial bank, which is secured by a lien on a fixed deposit account in the amount of US\$87,700 and hypothecation of certain deposits in the amount of US\$106,138. Another subsidiary has an unsecured overdraft facility in the amount of \$5,000,000 with uncleared cheque facility for \$200,000,000.

- (e) Cash and cash equivalents are due within 3 months from the date of the balance sheet.

8. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Principal	12,640,367	10,049,917	1,605,523	1,104,000
Interest receivable	<u>184,249</u>	<u>159,946</u>	<u>28,461</u>	<u>13,094</u>
	<u>12,824,616</u>	<u>10,209,863</u>	<u>1,633,984</u>	<u>1,117,094</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

8. SECURITIES PURCHASED UNDER RESALE AGREEMENTS (cont'd)

At March 31, 2007, securities obtained and held under resale agreements had a fair value of \$12,914,779,000 (2006: \$10,299,738,000) for the Group and \$1,674,773,000 (2006: \$1,210,421,000) for the Society.

Securities purchased under resale agreements are due from the date of the balance sheet as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	9,929,945	8,636,737	1,573,531	988,186
3 months to 1 year	<u>2,894,672</u>	<u>1,573,126</u>	<u>60,453</u>	<u>128,908</u>
	<u>12,824,616</u>	<u>10,209,863</u>	<u>1,633,984</u>	<u>1,117,094</u>

9. INVESTMENTS

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Held-to-maturity				
Government of Jamaica securities	6,651,297	8,860,242	4,946,758	5,773,528
Debenture	<u>1,227,000</u>	<u>901,500</u>	<u>-</u>	<u>-</u>
	<u>7,878,297</u>	<u>9,761,742</u>	<u>4,946,758</u>	<u>5,773,528</u>
Loans and receivables:				
Debentures	1,174	2,150	1,174	2,150
Corporate bonds	505,000	755,000	505,000	755,000
Promissory notes	-	961,086	-	-
Secured notes	33,782	-	33,782	-
Certificates of deposit	7,515,706	6,982,077	7,024,706	6,982,077
Foreign currency securities	<u>8,546,745</u>	<u>5,280,468</u>	<u>7,542,516</u>	<u>5,111,571</u>
	<u>16,602,407</u>	<u>13,980,781</u>	<u>15,107,178</u>	<u>12,850,798</u>
Available-for-sale securities:				
Quoted equities [see (i)]	3,064,176	2,817,064	2,744,895	2,541,179
Unquoted equities [see (ii)]	<u>6,530</u>	<u>3,216</u>	<u>6,530</u>	<u>3,216</u>
	<u>3,070,706</u>	<u>2,820,280</u>	<u>2,751,425</u>	<u>2,544,395</u>
Interest receivable	<u>512,898</u>	<u>559,021</u>	<u>334,301</u>	<u>364,076</u>
	<u>28,064,308</u>	<u>27,121,824</u>	<u>23,139,662</u>	<u>21,532,797</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

9. INVESTMENTS (cont'd)

At March 31, 2007, the fair value of held-to-maturity securities aggregated for the Group \$8,421,838,000 (2006: \$9,979,772,000) and for the Society \$5,408,407,000 (2006: \$5,948,111,000).

- (i) Quoted equities are stated at market value. Revaluation gains and losses are included in the investment revaluation reserve [see note 28(b)].
- (ii) This is stated after deducting provision of \$5,377,000 (2006: \$8,277,000).
- (iii) Investments are due from the date of the balance sheet, excluding interest receivable, as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	11,818,060	9,900,484	10,737,607	8,001,544
3 months to 1 year	4,898,928	7,643,462	3,966,965	5,966,670
1 year to 5 years	6,027,468	5,614,341	4,224,942	3,984,819
5 years and over	<u>4,806,954</u>	<u>3,404,516</u>	<u>3,875,847</u>	<u>3,215,688</u>
	<u>27,551,410</u>	<u>26,562,803</u>	<u>22,805,361</u>	<u>21,168,721</u>

10. LIQUID ASSETS

Certain balances included in cash and cash equivalents, investments and securities purchased under resale agreements are defined as liquid assets in accordance with the Regulations.

In the books of the Society, liquid assets amounting to \$19,363,048,000 (2006: \$14,984,821,000) represent:

- (i) 35.20% (2006: 32.32%) of the Society's total assets; and
- (ii) 45.42% (2006: 42.92%) of the Society's total savings fund.

11. INTEREST IN SUBSIDIARIES

	<u>Society</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Shares, at cost or written down value (see note 1)	420,236	265,920
Debentures, loans, advances and deposits	3,126,686	1,955,508
Current accounts	<u>231,857</u>	<u>136,739</u>
	<u>3,778,779</u>	<u>2,358,167</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

12. INTEREST IN ASSOCIATES

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Shares, at cost (see note 1)	153	153	153	153
Group's share of reserves	105,737	100,957	-	-
Debentures	<u>14,169</u>	<u>14,169</u>	<u>582</u>	<u>582</u>
	<u>120,059</u>	<u>115,279</u>	<u>735</u>	<u>735</u>

13. LOANS

Loans, less provision for losses, are as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Mortgage loans - principal	23,256,630	18,130,992	22,073,277	17,335,019
- accrued interest	<u>66,030</u>	<u>86,955</u>	<u>41,224</u>	<u>71,155</u>
	23,322,660	18,217,947	22,114,501	17,406,174
Share loans	339,961	301,616	339,961	301,616
Other loans	<u>764,508</u>	<u>316,983</u>	<u>1,940</u>	<u>1,940</u>
	<u>24,427,129</u>	<u>18,836,546</u>	<u>22,456,402</u>	<u>17,709,730</u>

The Society's mortgage loan agreements include the right to call mortgages at any time with six months notice, except for new loans, which cannot be called until six months after the issue date.

Loans, less provision for losses, are due from the date of the balance sheet as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	431,768	213,900	16,730	23,906
3 months to 1 year	381,582	209,830	93,310	97,470
1 year to 5 years	1,029,372	892,490	891,223	806,585
5 years and over	<u>22,584,407</u>	<u>17,520,326</u>	<u>21,455,139</u>	<u>16,781,769</u>
	<u>24,427,129</u>	<u>18,836,546</u>	<u>22,456,402</u>	<u>17,709,730</u>

The Group's loan portfolio, less provision for losses, is concentrated as follows:

	Number of Accounts		Group	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			\$'000	\$'000
Professional & other services	35	42	65,768	80,110
Individuals	32,682	27,991	23,526,422	18,270,719
Corporations	385	202	792,974	443,620
Tourism	<u>4</u>	<u>4</u>	<u>41,965</u>	<u>42,097</u>
	<u>33,106</u>	<u>28,239</u>	<u>24,427,129</u>	<u>18,836,546</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

13. LOANS (cont'd)

The Society's loan portfolio, less provision for losses, is concentrated as follows:

	Number of Accounts		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			\$'000	\$'000
Professional & other services	35	40	65,768	72,852
Individuals	17,903	16,781	21,920,842	17,210,113
Corporations	128	129	427,828	384,670
Tourism	<u>4</u>	<u>4</u>	<u>41,964</u>	<u>42,095</u>
	<u>18,070</u>	<u>16,954</u>	<u>22,456,402</u>	<u>17,709,730</u>

Loans and advances on which interest is no longer accrued [see note 4(f)] amounted to \$3,312,243,000, (2006: \$2,500,565,000) and represent 14.67% (2006: 14.01%) of the gross mortgage loan portfolio. These loans are included in the financial statements net of provision for losses.

Loans are shown after deducting provision for loan losses. The provision is as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	555,825	518,455	508,564	479,799
Additional provision made during the year	34,464	75,469	34,464	66,844
Written back during the year	(44,730)	(38,099)	(40,478)	(38,079)
At end of the year	<u>545,559</u>	<u>555,825</u>	<u>502,550</u>	<u>508,564</u>

Provision made in accordance with Bank of Jamaica provisioning requirements is as follows:

Specific provision	545,559	555,825	502,550	508,564
General provisions [note 28(c)]	<u>101,657</u>	<u>86,116</u>	<u>88,211</u>	<u>77,038</u>
	<u>647,216</u>	<u>641,941</u>	<u>590,761</u>	<u>585,602</u>

Included in mortgage loans for the Society are balances due from directors and companies controlled by directors amounting to \$8,178,000 (2006: \$8,846,000) and interest due on these loans of \$Nil (2006: \$Nil).

14. OTHER ASSETS

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	1,421,120	1,533,143	260,629	285,395
Reinsurance assets	610,818	649,978	-	-
Development in progress	41,319	40,162	-	-
Inventories	<u>196,869</u>	<u>178,669</u>	<u>15,638</u>	<u>11,887</u>
	<u>2,270,126</u>	<u>2,401,952</u>	<u>276,267</u>	<u>297,282</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

15. INVESTMENT PROPERTIES

	<u>Group</u> \$'000	<u>Society</u> \$'000
At cost:		
March 31, 2005	172,639	111,670
Disposals	(3,711)	-
March 31, 2006	168,928	111,670
Addition	48,324	-
Disposals	(12)	-
March 31, 2007	<u>217,240</u>	<u>111,670</u>
Depreciation:		
March 31, 2005	29,844	17,847
Charge for the year	15,868	2,370
Eliminated on disposals	(1,020)	-
March 31, 2006	44,692	20,217
Charge for the year	6,532	2,387
Eliminated on disposals	(12)	-
March 31, 2007	<u>51,212</u>	<u>22,604</u>
Carrying value		
March 31, 2007	<u>166,028</u>	<u>89,066</u>
March 31, 2006	<u>124,236</u>	<u>91,453</u>
March 31, 2005	<u>142,795</u>	<u>93,823</u>

	<u>Group</u>		<u>Society</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
	\$'000	\$'000	\$'000
Fair value of investment properties	847,226	760,272	614,500
Income earned from the properties	53,093	29,706	33,851
Expenses incurred by the properties	<u>67,911</u>	<u>32,478</u>	<u>42,124</u>
			<u>21,983</u>

Investment properties include property held by a subsidiary, which was revalued on December 19, 2002 at open market value by JN Real Estate Company Limited. The revalued amount has been deemed to be the asset's cost upon first-time adoption of IFRS. The previously reported surplus arising on revaluation was transferred to retained profits.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

16. PROPERTY, PLANT AND EQUIPMENT

Group

	<u>Freehold land and buildings</u> \$'000	<u>Leasehold land and buildings</u> \$'000	<u>Computers and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
At cost:						
March 31, 2005	579,915	8,481	1,147,590	234,589	8,829	1,979,404
Additions	90,114	26,550	310,036	99,930	13,096	539,726
Acquired on acquisition	-	-	6,209	744	-	6,953
Transfers	7,714	-	-	-	(7,714)	-
Disposals	-	-	(6,310)	(20,934)	-	(27,244)
March 31, 2006	677,743	35,031	1,457,525	314,329	14,211	2,498,839
Additions	11,210	22,777	265,624	96,537	83,324	479,472
Transfers	5,360	-	-	-	(5,360)	-
Disposals	(1,127)	-	(3,228)	(26,888)	-	(31,243)
March 31, 2007	<u>693,186</u>	<u>57,808</u>	<u>1,719,921</u>	<u>383,978</u>	<u>92,175</u>	<u>2,947,068</u>
Depreciation:						
March 31, 2005	98,670	5,005	729,442	103,268	-	936,385
Charge for the year	23,137	8,942	155,683	56,216	-	243,978
Acquired on acquisition	-	-	2,715	76	-	2,791
Eliminated on disposals	-	-	(5,369)	(14,646)	-	(20,015)
March 31, 2006	121,807	13,947	882,471	144,914	-	1,163,139
Charge for the year	4,761	21,228	178,035	63,640	-	267,664
Eliminated on disposals	(1,127)	-	(2,600)	(22,653)	-	(26,380)
March 31, 2007	<u>125,441</u>	<u>35,175</u>	<u>1,057,906</u>	<u>185,901</u>	<u>-</u>	<u>1,404,423</u>
Net book values:						
March 31, 2007	<u>567,745</u>	<u>22,633</u>	<u>662,015</u>	<u>198,077</u>	<u>92,175</u>	<u>1,542,645</u>
March 31, 2006	<u>555,936</u>	<u>21,084</u>	<u>575,054</u>	<u>169,415</u>	<u>14,211</u>	<u>1,335,700</u>
March 31, 2005	<u>481,245</u>	<u>3,476</u>	<u>418,148</u>	<u>131,321</u>	<u>8,829</u>	<u>1,043,019</u>

Society

	<u>Freehold land and buildings</u> \$'000	<u>Computers and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
At cost:					
March 31, 2005	516,304	758,267	178,427	8,829	1,461,827
Additions	55,082	217,374	70,472	11,913	354,841
Transfers	7,714	-	-	(7,714)	-
Disposals	-	(66)	(10,722)	-	(10,788)
March 31, 2006	579,100	975,575	238,177	13,028	1,805,880
Additions	2,410	132,322	75,167	84,507	294,406
Transfers	5,360	-	-	(5,360)	-
Disposals	-	-	(18,693)	-	(18,693)
March 31, 2007	<u>586,870</u>	<u>1,107,897</u>	<u>294,651</u>	<u>92,175</u>	<u>2,081,593</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

16. PROPERTY, PLANT AND EQUIPMENT

Society (cont'd)

	<u>Freehold land and buildings</u> \$'000	<u>Computers and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
Depreciation:					
March 31, 2005	77,753	491,461	79,310	-	648,524
Charge for the year	12,888	94,205	38,137	-	145,230
Eliminated on disposals	-	(66)	(9,246)	-	(9,312)
March 31, 2006	90,641	585,600	108,201	-	784,442
Charge for the year	13,665	111,092	47,223	-	171,980
Eliminated on disposals	-	-	(16,319)	-	(16,319)
March 31, 2007	<u>104,306</u>	<u>696,692</u>	<u>139,105</u>	<u>-</u>	<u>940,103</u>
Net book values:					
March 31, 2007	<u>482,564</u>	<u>411,205</u>	<u>155,546</u>	<u>92,175</u>	<u>1,141,490</u>
March 31, 2006	<u>488,459</u>	<u>389,975</u>	<u>129,976</u>	<u>13,028</u>	<u>1,021,438</u>
March 31, 2005	<u>438,551</u>	<u>266,806</u>	<u>99,117</u>	<u>8,829</u>	<u>813,303</u>

17. INTANGIBLE ASSETS

	<u>Trademarks</u> \$'000	<u>Goodwill</u> \$'000	<u>Licence</u> \$'000	<u>Total</u> \$'000
At cost:				
March 31, 2005	389	1,004	240	1,633
Additions	-	<u>62,402</u>	<u>31</u>	<u>62,433</u>
March 31, 2006	389	63,406	271	64,066
Additions	-	2,267	-	2,267
Acquisition of minority interest	-	<u>48,490</u>	-	<u>48,490</u>
March 31, 2007	<u>389</u>	<u>114,163</u>	<u>271</u>	<u>114,823</u>
Amortisation and impairment				
March 31, 2005	155	-	-	155
Charge for the year	<u>78</u>	-	-	<u>78</u>
March 31, 2006	233	-	-	233
Charge for the year	86	-	-	86
Goodwill impaired	-	<u>50,535</u>	-	<u>50,535</u>
March 31, 2007	<u>319</u>	<u>50,535</u>	<u>-</u>	<u>50,854</u>
Net book values:				
March 31, 2007	<u>70</u>	<u>63,628</u>	<u>271</u>	<u>63,969</u>
March 31, 2006	<u>156</u>	<u>63,406</u>	<u>271</u>	<u>63,833</u>
March 31, 2005	<u>234</u>	<u>1,004</u>	<u>240</u>	<u>1,478</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other assets	26,327	29,773	(105,226)	(110,082)	(78,899)	(82,901)
Property, plant and equipment	(74)	(1,704)	(56,115)	(41,720)	(56,189)	(43,424)
Employee benefits	-	-	45,027	37,412	45,027	37,412
Other payables	19	1,788	78,506	73,370	78,525	75,158
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
Tax losses carried forward	23,754	3,130	-	-	23,754	3,130
Unrealised foreign exchange gains	-	(544)	(23,725)	(5,652)	(23,725)	(6,196)
Net tax assets/(liabilities)	<u>50,026</u>	<u>32,443</u>	<u>(65,800)</u>	<u>(50,939)</u>	<u>(15,774)</u>	<u>(18,496)</u>

Society

	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Property, plant and equipment	-	-	(46,273)	(38,333)	(46,273)	(38,333)
Employee benefits	31,817	26,183	-	-	31,817	26,183
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
Unrealised foreign exchange gains	-	-	(21,477)	(5,651)	(21,477)	(5,651)
	<u>31,817</u>	<u>26,183</u>	<u>(72,017)</u>	<u>(48,251)</u>	<u>(40,200)</u>	<u>(22,068)</u>

Movement in temporary differences during the year for the Group and Society:

	Group		Society	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net deferred tax liabilities at beginning of year	(18,496)	(75,529)	(22,068)	(15,092)
Recognised in statement of revenue and expenses [note 32(a)(ii)]	<u>2,722</u>	<u>57,033</u>	<u>(18,132)</u>	<u>(6,976)</u>
Net deferred tax liabilities at end of year	<u>(15,774)</u>	<u>(18,496)</u>	<u>(40,200)</u>	<u>(22,068)</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

19. SHAREHOLDERS' SAVINGS

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Paid-up investment shares	38,189,116	27,055,388	37,870,844	26,901,028
General investment and subscription shares	1,650,014	6,007,604	1,463,814	5,880,574
NHT share account	2,795,877	1,626,445	2,795,877	1,626,445
Accrued interest	<u>500,317</u>	<u>471,606</u>	<u>500,317</u>	<u>471,606</u>
	<u>43,135,324</u>	<u>35,161,043</u>	<u>42,630,852</u>	<u>34,879,653</u>

Shareholders' savings are due from the date of the balance sheet as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	37,613,174	31,828,949	37,641,661	31,787,724
From 3 months to 1 year	2,455,890	1,526,725	1,922,931	1,286,560
Over 1 year	<u>3,066,260</u>	<u>1,805,369</u>	<u>3,066,260</u>	<u>1,805,369</u>
	<u>43,135,324</u>	<u>35,161,043</u>	<u>42,630,852</u>	<u>34,879,653</u>

The shareholders' savings portfolio for the Society is concentrated as follows:

	Number of Accounts		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			\$'000	\$'000
Public authorities	66	50	2,920,117	1,803,102
Financial institutions	64	39	102,285	20,127
Commercial and business	840	353	204,772	143,507
Individuals	<u>749,890</u>	<u>771,226</u>	<u>39,403,678</u>	<u>32,912,917</u>
	<u>750,860</u>	<u>771,668</u>	<u>42,630,852</u>	<u>34,879,653</u>

20. DEPOSITORS' SAVINGS

Depositors' savings are time deposits with certain preferential rights and for the Group represent 0.01% (2006: 0.03%) and for the Society represent 0.0004% (2006: 0.02%) of loan balances outstanding (see note 13).

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Due from the date of the balance sheet as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	8,566,467	7,593,571	-	-
From 3 months to 1 year	2,034,139	2,323,883	-	-
Over 1 year	<u>466,168</u>	<u>392,255</u>	<u>-</u>	<u>-</u>
	<u>11,066,774</u>	<u>10,309,709</u>	<u>-</u>	<u>-</u>

At March 31, 2007, securities obtained under resale agreements and certain investments have been pledged by the company as collateral for repurchase agreements. These financial instruments have a carrying value of \$11,246,092,000(2006: \$10,962,000,000)

22. EMPLOYEE BENEFIT ASSET AND OBLIGATION

The Group provides for post-retirement pension benefits through a defined-contribution scheme and a defined-benefit pension scheme, administered by trustees. Both the schemes are funded by contributions from the Group and employees in accordance with the rules of the schemes.

The defined-benefit scheme is closed to new entrants and there are no further contributions. Under the defined-contribution scheme, retirement benefits are based on the Group's and employees' accumulated contributions plus interest and, therefore, the Group has no further liability to fund benefits.

The Group also provides post-retirement health insurance benefits to retirees who have met certain minimum service requirement.

The amounts recognised in the balance sheet for employee benefits in respect of the defined benefit pension scheme and group life and health insurance plans are as follows:

(i) Pension schemes:

(a) Employee benefit asset recognised in the balance sheet:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Present value of obligations	(1,643,972)	(1,286,174)	(1,643,972)	(1,286,174)
Fair value of plan assets	<u>1,837,673</u>	<u>1,488,445</u>	<u>1,837,673</u>	<u>1,488,445</u>
Net asset	193,701	202,271	193,701	202,271
Unrecognised actuarial losses	26,530	(45,337)	26,530	(45,337)
Unrecognised asset due to limit in economic benefit	<u>(220,231)</u>	<u>(156,934)</u>	<u>(220,231)</u>	<u>(156,934)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

22. EMPLOYEE BENEFIT ASSET AND OBLIGATION (cont'd)

(i) **Pension schemes (cont'd):**

(b) Movements in the liability for defined benefit obligations:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	1,286,174	960,115	1,286,174	960,115
Benefits paid	(141,299)	(31,759)	(141,299)	(31,759)
Service and interest costs	168,047	132,040	168,047	132,040
Actuarial gain/loss	<u>331,050</u>	<u>225,778</u>	<u>331,050</u>	<u>225,778</u>
	<u>1,643,972</u>	<u>1,286,174</u>	<u>1,643,972</u>	<u>1,286,174</u>

(c) Movements in the fair value of the plan assets recognised in the balance sheet:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets at April 1	1,488,445	1,034,411	1,488,445	1,034,411
Contributions paid, net	100,515	78,002	100,515	78,002
Expected return on plan assets	176,166	126,904	176,166	126,904
Benefits paid	(141,299)	(31,759)	(141,299)	(31,759)
Actuarial gain/loss	<u>213,846</u>	<u>280,887</u>	<u>213,846</u>	<u>280,887</u>
Fair value of plan assets at March 31	<u>1,837,673</u>	<u>1,488,445</u>	<u>1,837,673</u>	<u>1,488,445</u>

Plan assets consist of the following:

	Group and Society	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Equities	38,943	30,782
Securities fixed income securities	1,428,672	1,140,669
Real estate and real estate funds	161,810	77,037
Other	<u>208,248</u>	<u>239,957</u>
	<u>1,837,673</u>	<u>1,488,445</u>

(d) Expense recognised in the statement of revenue and expenses:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	-	-	-	-
Interest on obligation	153,730	119,586	153,730	119,586
Expected return on plan assets	(176,166)	(126,904)	(176,166)	(126,904)
Net actuarial loss recognised in year	<u>45,337</u>	<u>-</u>	<u>45,337</u>	<u>-</u>
	<u>22,901</u>	<u>(7,318)</u>	<u>22,901</u>	<u>(7,318)</u>
Actual return on plan assets	<u>23.45%</u>	<u>32.33%</u>	<u>23.45%</u>	<u>32.33%</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

22. EMPLOYEE BENEFIT ASSET AND OBLIGATION (cont'd)

(i) Pension schemes (cont'd):

- (e) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

		Group		Society		
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
		%	%	%	%	
	Discount rate at March 31	12.5	12.5	12.5	12.5	
	Expected return on plan assets at March 31	12.0	12.0	12.0	12.0	
	Future salary increases	-	-	-	-	
	Future pension increases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
(f)	Historical information	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
		\$'000	\$'000	\$'000	\$'000	\$'000
	Experience adjustment arising on the plan assets	43,424	74,220	64,459	280,887	213,846
	Experience adjustment arising on the plan liabilities	48,293	78,472	65,110	225,778	335,870
	Present value of defined benefit obligation	615,562	771,854	960,115	1,286,174	1,643,972
	Fair value of plan assets	689,969	845,241	1,034,411	1,488,445	1,837,673
	Deficit/(surplus) in the plan	(74,407)	(73,387)	(74,297)	(202,271)	(193,701)

(ii) Group life and health plans:

- (a) Employee benefit obligation recognised in the balance sheet:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	127,754	100,923	96,830	71,849
Unrecognised actuarial losses	8,940	11,104	9,225	15,426
Supplementary benefit	8,994	8,937	-	-
	<u>145,688</u>	<u>120,964</u>	<u>106,055</u>	<u>87,275</u>

- (b) Movements in the liability for defined benefit obligations:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	96,601	93,281	71,849	72,655
Benefits paid	(2,045)	(1,690)	(1,465)	(1,277)
Service and interest costs	27,048	22,005	20,655	17,466
Actuarial gain/(loss)	6,150	(12,673)	5,791	(16,995)
	<u>127,754</u>	<u>100,923</u>	<u>96,830</u>	<u>71,849</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

22. EMPLOYEE BENEFIT ASSET AND OBLIGATION (cont'd)

(ii) Group life and health plans: (cont'd):

(c) Expense recognised in the statement of revenue and expenses:

	<u>2007</u> \$'000	<u>2006</u> \$'000	<u>2007</u> \$'000	<u>2006</u> \$'000
Current service costs	13,253	9,534	10,458	7,524
Interest on obligation	13,795	12,472	10,197	9,942
Net actuarial gained recognised	(484)	(66)	(410)	(66)
	<u>26,564</u>	<u>21,940</u>	<u>20,245</u>	<u>17,400</u>

(d) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

	<u>2007</u> %	<u>2006</u> %
Discount rate at March 31	12.00	12.50
Medical claims growth	<u>10.00</u>	<u>10.00</u>

(e) Historical information

	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2005</u> \$'000	<u>2006</u> \$'000	<u>2007</u> \$'000
Experience adjustment arising on the plan liabilities	(3,450)	(1,394)	6,252	(16,995)	(3,882)
Present value of defined benefit obligation	47,035	55,093	72,655	71,849	96,836
Deficit/(surplus) in the plan	47,035	55,093	72,655	71,849	96,836

(f) Assumed health care cost trends have an effect on the amounts recognised in the statement of revenue and expenses. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	<u>1%</u> <u>increase</u> \$'000	<u>1%</u> <u>decrease</u> \$'000
Effect on the aggregate service and interest cost	5,783	(4,180)
Effect on the defined benefit obligation	<u>24,653</u>	<u>(18,120)</u>

23. INSURANCE CONTRACT PROVISIONS

(a)

	<u>2007</u>			<u>2006</u>		
	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000
Claims outstanding	1,882,604	242,203	1,640,401	1,700,489	283,037	1,417,452
Provision for unexpired risks	59,943	-	59,943	90,272	-	90,272
Unearned premiums	<u>1,149,664</u>	<u>368,614</u>	<u>781,050</u>	<u>1,125,535</u>	<u>366,941</u>	<u>758,594</u>
	<u>3,092,211</u>	<u>610,817</u>	<u>2,481,394</u>	<u>2,916,296</u>	<u>649,978</u>	<u>2,266,318</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

23. INSURANCE CONTRACT PROVISIONS (cont'd)

(b) Analysis of movements in insurance contract provisions

Claims outstanding

	2007			2006		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims notified	1,408,684	280,051	1,128,633	1,441,608	449,628	991,980
Claims incurred but not reported	<u>291,806</u>	<u>2,986</u>	<u>288,820</u>	<u>226,520</u>	<u>8,394</u>	<u>218,126</u>
Balance at April 1	<u>1,700,490</u>	<u>283,037</u>	<u>1,417,453</u>	<u>1,668,128</u>	<u>458,022</u>	<u>1,210,106</u>
Change in outstanding claims provision	1,432,198	178,624	1,253,574	1,398,240	379,738	1,018,502
Claims paid in year	<u>(1,250,084)</u>	<u>(219,458)</u>	<u>(1,030,626)</u>	<u>(1,365,879)</u>	<u>(554,723)</u>	<u>(811,156)</u>
	<u>182,114</u>	<u>(40,834)</u>	<u>222,948</u>	<u>32,361</u>	<u>(174,985)</u>	<u>207,346</u>
Balance at March 31	<u>1,882,604</u>	<u>242,203</u>	<u>1,640,401</u>	<u>1,700,489</u>	<u>283,037</u>	<u>1,417,452</u>
Claims notified	1,518,437	227,046	1,291,391	1,408,683	280,051	1,128,632
Claims incurred but not reported	<u>364,167</u>	<u>15,157</u>	<u>349,010</u>	<u>291,806</u>	<u>2,986</u>	<u>288,820</u>
Balance March 31	<u>1,882,604</u>	<u>242,203</u>	<u>1,640,401</u>	<u>1,700,489</u>	<u>283,037</u>	<u>1,417,452</u>

Outstanding claims included claims payable of \$4,883,000 (2006: \$4,673,000) under policies issued to related parties.

(c) Unearned premiums:

	2007			2006		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	1,125,534	366,941	758,593	926,755	258,856	667,899
Premiums written during the year	2,537,830	930,313	1,607,517	2,148,032	784,332	1,363,700
Premiums earned during the year	<u>(2,513,700)</u>	<u>(928,640)</u>	<u>(1,585,060)</u>	<u>(1,949,252)</u>	<u>(676,247)</u>	<u>(1,273,005)</u>
Balance March 31	<u>1,149,664</u>	<u>368,614</u>	<u>781,050</u>	<u>1,125,535</u>	<u>366,941</u>	<u>758,594</u>

(d) Gross unearned premiums are analysed as follows:

	2007 \$'000	2006 \$'000
Liability	39,763	39,803
Motor	693,079	663,641
Pecuniary loss	23,664	31,916
Pecuniary Accident	1,316	1,183
Marine	3,602	4,746
Property	379,534	378,987
Engineering	<u>8,706</u>	<u>5,259</u>
	<u>1,149,664</u>	<u>1,125,535</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

23. INSURANCE CONTRACT PROVISIONS (cont'd)

(e) Provision for unexpired risks:

	2007			2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance April 1	90,272	-	90,272	51,950	-	51,950
New provisions established in the year	(30,329)	-	(30,329)	38,322	-	38,322
Balance March 31	<u>59,943</u>	<u>-</u>	<u>59,943</u>	<u>90,272</u>	<u>-</u>	<u>90,272</u>

24. LONG-TERM LOANS

	Group		Society	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Development Bank of Jamaica (i)	25,000	25,000	25,000	25,000
Pan Caribbean Financial Services Limited (ii)	44,997	38,182	-	-
Unsecured bonds (iii)	58,300	58,300	-	-
National Investment Fund (iv)	5,000	-	-	-
Less: current maturity (included in other payables)	(20,934)	-	-	-
	<u>112,363</u>	<u>121,482</u>	<u>25,000</u>	<u>25,000</u>

- (i) The purpose of the loan is for on-lending to one of the subsidiaries to assist it with alleviating some of the costs associated with lending to small and micro enterprises. The subsidiary is required, under the loan agreement, to invest the loan principal and use only the interest earned therefrom. The loan bears interest at 5% per annum, is repayable on July 1, 2009 and is secured by promissory notes and guarantee of the Society.

Loans (ii) to (iv) are due by a subsidiary with the following terms and conditions:

- (ii) The purpose of this loan is for on-lending to small and micro enterprises and is repayable in eleven consecutive quarterly instalments which will commence on June 30, 2005. The loan is secured by a promissory note duly executed by the subsidiary, over its loan portfolio of an equivalent value. Interest is payable at a rate of 9% per annum.
- (iii) The subsidiary issued two unsecured bonds, Series A and B, amounting to \$70 million to a related party. Series A is for \$40 million bears interest at 16.58% per annum and is for a period of 10 years. Series B is for \$18.3 million and bears interest at 15.55% per annum. Repayment of the principal is fixed at maturity of the bonds, subject to call options exercisable by the bondholders after giving 180 days written notice. Interest payments are due quarterly.
- (iv) The purpose of this loan is for on-lending to small and medium enterprises and is repayable in sixteen consecutive quarterly instalments, commencing on September 30, 2007. The loan is secured by a promissory note duly executed by the subsidiary. Interest is payable at a rate of 4% per annum.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

25. PERMANENT CAPITAL FUND

Regulation 7 of the Bank of Jamaica (Building Societies) Regulations, 1995 requires that every building society maintains a minimum subscribed capital of \$25 million. In view of the non-applicability of "subscribed capital" to a mutual society, and in accordance with an agreement with the Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" aggregating \$3,249,567,000 (2006: \$2,799,567,000) has been established in lieu of subscribed capital.

26. RESERVE FUND

Regulation 13 of the Bank of Jamaica (Building Societies) Regulations, 1995 requires the Society to transfer at least 10% of its net surplus after income tax each year to the reserve fund until the amount at credit of the reserve fund is equal to the amount on its Permanent Capital Fund (see note 23). As at March 31, 2007, the Society's reserve fund aggregated \$4,860,433,000 (2006: \$4,300,433,000).

27. CONTRACTUAL SAVINGS RESERVE

The Society operates a special savings and loan scheme for members. Under this scheme, the members, after meeting certain criteria, including saving a contracted sum at a fixed rate of 3% per annum, become eligible to apply for a mortgage loan at a fixed rate of 5% per annum. The reserve is established in anticipation of the shortfall in interest income for future years, from the provision of this facility. Management constantly monitors the adequacy of the reserve and makes appropriate adjustments to it.

28. OTHER RESERVES

These represent the following:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Exchange equalisation reserve [see (a)]	102,776	100,793	-	-
Investment revaluation reserve [see (b)]	1,593,819	1,956,487	1,462,875	1,835,748
Credit loss reserve (note 13)/[see (c)]	<u>101,657</u>	<u>86,117</u>	<u>88,211</u>	<u>77,039</u>
	<u>1,798,252</u>	<u>2,143,397</u>	<u>1,551,086</u>	<u>1,912,787</u>

(a) This represents foreign exchange adjustments arising on the conversion of foreign subsidiaries balances.

(b) This represents unrealised gains on the revaluation of available-for-sale investments.

(c) This is a non-distributable reserve representing general provision for credit losses.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

29. INTEREST EXPENSE

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
On shareholders' savings	2,090,003	1,934,672	1,974,062	1,915,857
On depositors' savings	96	297	96	297
Other	<u>1,192,915</u>	<u>1,387,092</u>	-	-
	<u>3,283,014</u>	<u>3,322,061</u>	<u>1,974,158</u>	<u>1,916,154</u>

30. OTHER OPERATING INCOME

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Realised foreign exchange gain on trading	873,395	667,149	474,262	529,011
Management fees	-	-	65,957	24,928
Fee and commission income	864,101	724,976	173,026	265,866
Underwriting income before operating expenses	323,463	194,476	-	-
Other	<u>489,338</u>	<u>400,566</u>	<u>190,758</u>	<u>191,836</u>
	<u>2,550,297</u>	<u>1,987,167</u>	<u>904,003</u>	<u>1,011,641</u>

31. OPERATING EXPENSES

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Administration, including staff costs (note 33)	4,898,953	4,084,372	2,980,990	2,490,524
Directors' fees	16,838	15,979	10,410	11,890
Directors' remuneration	26,588	18,628	26,060	18,628
Audit fees – prior year	33,950	24,692	8,625	7,286
current year	3,171	-	1,801	-
Depreciation	274,196	259,846	174,352	147,223
Bad debts written-off/(recovered) for loans and other receivables	<u>60,252</u>	<u>12,110</u>	<u>19,596</u>	<u>(4,624)</u>
	<u>5,313,948</u>	<u>4,415,627</u>	<u>3,221,834</u>	<u>2,670,927</u>

32. TAXATION

- (a) Taxation is based on the net surplus for the year as adjusted for income tax purposes and is made up as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax expense:				
Income tax on the Society	211,074	311,995	211,074	311,995
Taxation on subsidiaries	<u>108,904</u>	<u>31,706</u>	-	-
	319,978	343,701	211,074	311,995

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

32. TAXATION (cont'd)

(a) (cont'd)

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 18)	(2,722)	(57,033)	18,132	6,976
Total taxation in statement of revenue and expenses	<u>317,256</u>	<u>286,668</u>	<u>229,206</u>	<u>318,971</u>

(b) Reconciliation of effective tax rate:

Taxation is based on the surplus for the year, as adjusted for tax purposes, and is computed at rates of 30% for the Society and two of its subsidiaries, and 33½% for local subsidiaries. The effective tax rate for 2007 was 15.88% (2006: 15.97%) of \$1,998,269,000 (2006: \$1,794,604,000) pre-tax surplus for the Group and 15.79% (2006: 19.53%) of \$1,451,213,000 (2006: \$1,633,634,000) for the Society. The actual charge differs from the "expected" tax charge for the year as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Surplus before taxation	<u>1,998,269</u>	<u>1,745,059</u>	<u>1,451,213</u>	<u>1,633,634</u>
Computed "expected" tax expense at 30%	435,364	490,090	435,364	490,090
Computed "expected" tax expense at 33½%	<u>147,218</u>	<u>103,619</u>	-	-
	582,582	593,709	435,364	490,090
Difference between surplus for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	17,319	1,737	16,862	3,742
Profit on disposal of property, plant and equipment	(1,460)	(1,018)	(1,460)	(1,018)
Unfranked and exempt income	(11,049)	(17,120)	(10,084)	(13,320)
Gain on disposal of investments	(265,540)	(244,864)	(248,719)	(165,273)
Employee benefit	-	(26,046)	-	(26,183)
Prior year (over)/under provision	154	709	-	-
Other expenses	(4,750)	(20,439)	37,243	30,933
Actual tax expense	<u>317,256</u>	<u>286,668</u>	<u>229,206</u>	<u>318,971</u>

(c) At the balance sheet date, tax losses of subsidiaries available for relief against future taxable profits of those subsidiaries, subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, aggregated approximately \$71,336,000 (2006: \$13,789,000). At the balance sheet date also, tax losses available to overseas subsidiaries, for relief against future taxable profits amounted to \$360,938,000 (2006: \$377,658,000).

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

32. TAXATION (cont'd)

- (d) In his April 1, 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of tax losses would be restricted to the five years, with effect from January 1, 2006. Up to June 27, 2007, enabling legislation has not been passed into law. The financial statements therefore, do not reflect any change in the current treatment of taxation losses.
- (e) At March 31, 2007, a deferred tax liability of approximately \$841,926,000 (2006: \$697,435,000) relating to investment in certain subsidiaries and associated companies has not been recognised, as the Society controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

33. EMPLOYEE COSTS

The aggregate staff costs were as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	1,887,151	1,434,741	907,642	723,580
Pension, group life and health contributions	121,721	112,859	82,296	90,363
Statutory contributions	154,509	134,154	97,167	76,035
Other	<u>536,179</u>	<u>459,789</u>	<u>380,486</u>	<u>339,119</u>
	<u>2,699,560</u>	<u>2,141,543</u>	<u>1,467,591</u>	<u>1,229,097</u>

34. RELATED PARTY TRANSACTIONS

Identity of related parties:

- (a) The Society has a related party relationship with its subsidiaries, associates, directors and key management personnel.
- (b) The balance sheet includes balances arising in the ordinary course of business, with related parties as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Loans				
Directors	33,808	35,029	8,180	8,846
Key management personnel	52,491	50,039	44,384	46,982
Other assets				
Subsidiaries	-	-	39,024	16,738
Key management personnel	517	-	517	-
Shareholders' savings				
Directors	34,486	32,924	21,614	12,729
Subsidiaries	-	-	173,912	64,598
Key management personnel	24,909	15,222	17,946	12,201
Other related parties	30,534	29,753	30,534	29,753
Securities sold under repurchase agreements				
Other related parties	102,190	90,868	-	-
Other liabilities				
Subsidiaries	<u>-</u>	<u>-</u>	<u>57,625</u>	<u>44,323</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

34. RELATED PARTY TRANSACTIONS (cont'd)

- (c) The surplus before taxation includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
<u>Subsidiaries</u>				
Dividends	-	-	(5,876)	(5,632)
Interest income	-	-	(90,770)	(39,187)
Management fees	-	-	(65,957)	(24,928)
Other income	-	-	(14,431)	(63,970)
Maintenance expenses	-	-	17,282	19,234
Computer development expenses	-	-	73,874	32,000
Marketing	-	-	84,569	87,770
Commission	-	-	49,205	20,243
Insurance	-	-	52,149	39,238
Other expenses	-	-	18,884	30,006
<u>Other related parties</u>				
Interest expense	23,910	20,239	-	-
Other expenses	<u>27,479</u>	<u>16,978</u>	<u>26,102</u>	<u>14,628</u>

- (d) Compensation paid to key management personnel is as follows:

	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	224,671	196,107	103,828	86,249
Post-employment benefits	<u>3,489</u>	<u>1,014</u>	<u>3,489</u>	<u>1,014</u>
	<u>228,160</u>	<u>197,121</u>	<u>107,317</u>	<u>87,263</u>

35. FINANCIAL INSTRUMENTS

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

- (a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists. Many of the Group's and Society's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

(a) Fair value of financial instruments (cont'd):

Determination of fair value:

The fair values of cash resources, securities purchased and sold under resale and repurchase agreements, other assets, and other liabilities are assumed to approximate their carrying values in view of their short-term nature.

The estimated fair values of loans are assumed to be the principal receivable less any provision for losses.

The fair values of saving funds, which are substantially payable on demand, or after notice, are assumed to be equal to their carrying values.

The estimated fair values for other financial instruments have not been computed due to the unavailability of market prices or other relevant information.

(b) Financial instrument risks:

Exposure to interest rate, credit, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the Group and the Society's business. No derivative financial instruments are presently used to manage, mitigate or eliminate exposure to financial instrument risk.

(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. The Group and Society manage this risk by constantly re-evaluating the yield on given financial instruments.

The interest rate risk analysis shows significant excess of short-term interest-bearing liabilities over short-term interest-earning assets. This is a direct consequence of the nature of the Group's and the Society's business, which involves granting long-term loans (up to 30 years) funded by savings which are withdrawable on demand or after short notice. Mortgages may be called after six months notice. The savings fund has been stable and is expected to remain so. This interest rate gap is normal within the building societies business.

The Society manages the risk by monitoring its savings fund, taking steps to ensure its stability, and by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership.

The following table summarises the carrying amounts of balance sheet assets, liabilities and equity to arrive at the Society's interest rate gap based on the earlier of contractual repricing or maturity dates.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

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

Group

	2007						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	769,374	522,742	29,761	-	2,711,345	4,033,222	4.52
Securities purchased under resale agreement	-	9,929,945	2,894,671	-	-	12,824,616	10.85
Investments	-	13,341,557	6,598,831	4,540,316	3,583,604	28,064,308	10.24
Taxation recoverable	-	-	-	-	364,659	364,659	-
Interest in associates	-	-	-	-	120,059	120,059	-
Loans	22,429,510	390,231	1,457,292	84,065	66,031	24,427,129	14.05
Other assets	-	-	-	-	2,270,126	2,270,126	-
Investment properties	-	-	-	-	166,028	166,028	-
Property, plant and equipment	-	-	-	-	1,542,645	1,542,645	-
Intangible asset	-	-	-	-	63,969	63,969	-
Deferred tax assets	-	-	-	-	50,026	50,026	-
Total assets	<u>23,198,884</u>	<u>24,184,475</u>	<u>10,980,555</u>	<u>4,624,381</u>	<u>10,938,492</u>	<u>73,926,787</u>	-
Liabilities, capital and reserves							
Savings fund	28,335,457	11,988,148	2,054,881	245,169	514,149	43,137,804	4.59
Bank overdraft	168,731	-	-	-	-	168,731	13.38
Securities sold under repurchase agreements	-	8,566,467	2,034,139	466,168	-	11,066,774	10.09
Taxation payable	-	-	-	-	109,861	109,861	-
Other payables	-	750	2,250	4,750	1,871,000	1,878,750	9.00
Deferred tax liabilities	-	-	-	-	65,800	65,800	-
Employee benefit obligation	-	-	-	-	145,688	145,688	-
Minority interest	-	-	-	-	47,396	47,396	-
Insurance contract provisions	-	-	-	-	3,092,211	3,092,211	-
Long-term loans	87,363	-	-	25,000	-	112,363	8.77
Capital and reserves	-	-	-	-	14,101,409	14,101,409	-
Total liabilities, capital and reserves	<u>28,591,551</u>	<u>20,555,365</u>	<u>4,091,270</u>	<u>741,087</u>	<u>19,947,514</u>	<u>73,926,787</u>	-
On-balance sheet gap being total interest rate sensitivity gap	(5,392,667)	3,629,110	6,889,285	3,883,294	(9,009,022)	-	
Cumulative gap	<u>(5,392,667)</u>	<u>(1,763,557)</u>	<u>5,125,728</u>	<u>9,009,022</u>	<u>-</u>	<u>-</u>	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

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

Group (cont'd)

	2006						Weighted average interest rate %
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets							
Cash and cash equivalents	23,675	1,172,052	-	-	1,651,477	2,847,204	4.27
Securities purchased under resale agreement	-	8,636,737	1,573,126	-	-	10,209,863	12.03
Investments	-	12,444,823	7,023,460	4,274,240	3,379,301	27,121,824	13.53
Taxation recoverable	-	-	-	-	380,036	380,036	-
Interest in associates	-	-	-	-	115,279	115,279	-
Loans	18,434,546	173,666	97,520	43,858	86,956	18,836,546	14.88
Other assets	-	-	-	-	2,401,952	2,401,952	-
Investment properties	-	-	-	-	124,236	124,236	-
Property, plant and equipment	-	-	-	-	1,335,700	1,335,700	-
Intangible asset	-	-	-	-	63,833	63,833	-
Deferred tax assets	-	-	-	-	32,443	32,443	-
Total assets	<u>18,458,221</u>	<u>22,427,278</u>	<u>8,694,106</u>	<u>4,318,098</u>	<u>9,571,213</u>	<u>63,468,916</u>	<u>-</u>
Liabilities, capital and reserves							
Savings fund	22,376,739	9,452,211	1,526,725	1,810,422	-	35,166,097	5.88
Bank overdraft	86,232	-	-	-	-	86,232	24.25
Securities sold under repurchase agreements	-	7,593,571	2,323,883	392,255	-	10,309,709	11.50
Taxation payable	-	-	-	-	242,240	242,240	-
Other payables	-	-	-	-	1,520,442	1,520,442	-
Deferred tax liabilities	-	-	-	-	50,939	50,939	-
Employee benefit obligation	-	-	-	-	120,964	120,964	-
Minority interest	-	-	-	-	143,011	143,011	-
Insurance contract provisions	-	-	-	-	2,916,296	2,916,296	-
Long-term loans	-	-	-	121,482	-	121,482	5.30
Capital and reserves	-	-	-	-	12,791,504	12,791,504	-
Total liabilities, capital and reserves	<u>22,462,971</u>	<u>17,045,782</u>	<u>3,850,608</u>	<u>2,324,159</u>	<u>17,785,396</u>	<u>63,468,916</u>	<u>-</u>
On-balance sheet gap being total interest rate sensitivity gap	(4,004,750)	5,381,496	4,843,498	1,993,939	(8,214,183)	-	
Cumulative gap	<u>(4,004,750)</u>	<u>1,376,746</u>	<u>6,220,244</u>	<u>8,214,183</u>	<u>-</u>	<u>-</u>	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

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

Society

	2007					Weighted average interest rate
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000 %
Cash and cash equivalents	703,051	123,632	-	-	1,493,306	2,319,989 4.43
Securities purchased under resale agreements	-	1,573,531	60,453	-	-	1,633,984 9.84
Investments	-	12,834,526	5,531,154	1,688,256	3,085,726	23,139,662 9.69
Taxation recoverable	-	-	-	-	173,871	173,871 -
Interest in subsidiaries	1,554,737	-	-	-	2,224,042	3,778,779 9.63
Interest in associates	-	-	-	-	735	735 -
Loans	22,415,178	-	-	-	41,224	22,456,402 12.85
Other assets	-	-	-	-	276,267	276,267 -
Investment properties	-	-	-	-	89,066	89,066 -
Property, plant and equipment	-	-	-	-	1,141,490	1,141,490 -
Total assets	24,672,966	14,531,689	5,591,607	1,688,256	8,525,727	55,010,245 -
Liabilities, capital and reserves						
Savings fund	28,506,984	11,465,006	1,899,640	245,169	514,147	42,630,946 4.65
Bank overdraft	138,068	-	-	-	-	138,068 11.25
Taxation payable	-	-	-	-	91,703	91,703 -
Other payables	-	-	-	-	531,900	531,900 -
Deferred tax liabilities	-	-	-	-	40,200	40,200 -
Employee benefit obligation	-	-	-	-	106,055	106,055 -
Long-term loans	-	-	-	25,000	-	25,000 5.00
Capital and reserves	-	-	-	-	11,446,373	11,446,373 -
Total liabilities, capital and reserves	28,645,052	11,465,006	1,899,640	270,169	12,730,378	55,010,245 -
On- balance sheet gap being total interest rate sensitivity gap	(3,972,086)	3,066,683	3,691,967	1,418,087	(4,204,651)	-
Cumulative gap	(3,972,086)	(905,403)	2,786,564	4,204,651	-	-

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

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

Society (cont'd)

	2006						Weighted average interest rate
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets							
Cash and cash equivalents	-	786,395	-	-	1,201,917	1,988,312	3.37
Securities purchased under resale agreements	-	988,186	128,908	-	-	1,117,094	6.80
Investments	-	10,707,198	5,480,070	2,801,734	2,543,795	21,532,797	13.13
Taxation recoverable	-	-	-	-	248,930	248,930	-
Interest in subsidiaries	955,825	-	-	-	1,402,342	2,358,167	9.25
Interest in associates	-	-	-	-	735	735	-
Loans	17,638,575	-	-	-	71,155	17,709,730	14.23
Other assets	-	-	-	-	297,282	297,282	-
Investment properties	-	-	-	-	91,453	91,453	-
Property, plant and equipment	-	-	-	-	1,021,438	1,021,438	-
Total assets	<u>18,594,400</u>	<u>12,481,779</u>	<u>5,608,978</u>	<u>2,801,734</u>	<u>6,879,047</u>	<u>46,365,938</u>	-
Liabilities, capital and reserves							
Savings fund	22,270,915	10,484,416	1,286,560	178,924	661,505	34,882,320	5.93
Bank overdraft	78,310	-	-	-	-	78,310	20.00
Taxation payable	-	-	-	-	239,515	239,515	-
Other payables	-	-	-	-	434,210	434,210	-
Deferred tax liabilities	-	-	-	-	22,068	22,068	-
Employee benefit obligation	-	-	-	-	87,275	87,275	-
Long-term loans	-	-	-	25,000	-	25,000	5.00
Capital and reserves	-	-	-	-	10,597,240	10,597,240	-
Total liabilities, capital and reserves	<u>22,349,225</u>	<u>10,484,416</u>	<u>1,286,560</u>	<u>203,924</u>	<u>12,041,813</u>	<u>46,365,938</u>	-
On- balance sheet gap being total interest rate sensitivity gap	(3,754,825)	1,997,363	4,322,418	2,597,810	(5,162,766)	-	
Cumulative gap	<u>(3,754,825)</u>	<u>(1,757,462)</u>	<u>2,564,956</u>	<u>5,162,766</u>	<u>-</u>	<u>-</u>	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Credit risk

Credit risk is the risk that one or both parties to a financial instrument will fail to discharge an obligation resulting in loss to one or both parties.

The Group and Society manage credit risk associated with loans by evaluating debtors' ability to repay loans, ensuring that –

- (i) all loans are properly collateralised and the securities insured;
- (ii) loan loss provisioning is in keeping with Bank of Jamaica (Building Societies) Regulations, 1995;
- (iii) loans are not concentrated in one individual, company or Group; and
- (iv) strong underwriting and credit collection systems are in place.

Exposure to credit risk attaching to liquid funds is monitored through credit rating and lending limits, which are regularly reviewed. Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds and amounts are held in financial institutions which management regards as strong. The Group's and Society's significant concentrations of credit exposure by geographical areas (based on the entity's country of ownership) were as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Jamaica	34,658,604	33,223,505	18,258,685	18,276,061
United States of America	1,545,603	842,558	775,422	594,890
United Kingdom	8,173,879	5,553,733	7,704,858	5,427,380
Canada	479,839	363,549	354,671	339,873
Cayman Islands	64,221	195,547	-	-
	<u>44,922,146</u>	<u>40,178,892</u>	<u>27,093,636</u>	<u>24,638,204</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

(iii) 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 Group and Society incur foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are United States dollars, Canadian dollars and Pounds sterling.

The Group and Society ensure that the net exposure is kept to an acceptable level by daily monitoring their cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the traded currencies. Foreign currency liabilities are backed by foreign currency assets resulting in net assets.

Net current foreign currency assets/(liabilities) were as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
United States dollars	15,514	26,582	9,576	20,894
Canadian dollars	(19)	(1,815)	(76)	(1,815)
Pounds sterling	3,810	3,012	3,545	2,910
Euro	590	-	590	-
Cayman Dollars	<u>103</u>	<u>97</u>	<u>103</u>	<u>97</u>

See note 4 (c) (i) for the Society's spot market exchange rates ruling at the year-end.

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group and Society manage this risk through the Investment Committee which carries out extensive research and monitors the price movement of securities on the local and international market. The Group's and Society's exposure to investments in excess of seven years is 2.57% (2006:0.8%) and they maintain 80.13% (2006: 71.64%) of investments in instruments maturing less than one year.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group and the Society 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 credit facilities. The Group and Society manage this risk by maintaining a substantial portion of their financial assets in liquid form and maintaining flexibility in funding by keeping committed lines of credit available.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

35. FINANCIAL INSTRUMENTS (cont'd)

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

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Group and Society manage this risk through budgetary and cash management measures ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

36. COMMITMENTS

At March 31, 2007, the Group and the Society had:

(a) Unexpired lease commitments payable as follows:

	Group		Society	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Within one year	36,191	29,634	18,796	18,229
Subsequent years	<u>121,907</u>	<u>102,339</u>	<u>64,615</u>	<u>64,043</u>
	<u>158,098</u>	<u>131,973</u>	<u>83,411</u>	<u>82,272</u>

(b) Undisbursed approved mortgages amounting to approximately for the Group \$2,451,210,000 (2006: \$2,765,323,000) and for the Society \$2,372,396,000 (2006: \$2,380,956,000).

37. CONTINGENT LIABILITIES

- (i) At March 31, 2007, the Society had contingent liabilities in respect of the guarantees provided to regulators in respect of the licence of an overseas subsidiary aggregating \$67,564,000 (US\$1 million) [2006: \$64,000,000 (US\$1 million)] supported by an assignment of liquid funds held at overseas banks aggregating \$67,564,000 (US\$1 million) [2006: \$64,000,000 (US\$1 million)].
- (ii) The Society also pledged its commitment to provide financial support, if required, to fund the activities of two of its subsidiaries until March 31, 2008.
- (iii) In the normal course of business, one of the subsidiaries seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. These reinsurers are chosen based on their international rating, with no one reinsurer accounting for more than 15% of the subsidiary's aggregates. Reinsurance ceded does not discharge the subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligation could result in losses to the subsidiary. Consequently, a contingent liability exists should an assuming reinsurer be unable to meet its obligations.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

37. CONTINGENT LIABILITIES (cont'd):

(iii) (cont'd)

The company has catastrophe reinsurance under which it is liable for the first \$100 million of losses in accordance with the terms of the policies. The subsidiary limits its net exposure to a maximum amount on any one loss of \$74 million (US\$1.1 million) for Property claims, \$25 million on Bonds, \$10 million on Motor, Personal Accident, Public and Employer's liability, \$5 million on Fidelity Guarantee and \$5 million on Contractors All Risk for the period January 1, 2007 to December 31, 2007.

38. INSURANCE AND FINANCIAL RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk:

The subsidiary's management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The subsidiary manages its insurance risk through its underwriting policy that includes inter alia authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The subsidiary actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and analyses.

The subsidiary seeks to underwrite a balanced portfolio of risks at rates and terms that will produce an underwriting result consistent with its long term objectives.

The subsidiary's board of directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The subsidiary reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail earlier in note 35.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

38. INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

Asset/liability matching:

A key aspect in the management of the subsidiary's financial risk is through matching the timing of cash flows from assets and liabilities.

The company actively manages its investments using an approach that balances quality, diversification, liquidity and return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits with the objective of ensuring that the company can always meet its obligations without undue cost and in accordance with the company's internal and regulatory capital requirements.

Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the balance sheet and the estimate of cumulative claims.

Analysis of net claims development:

	Accident year						
	2001	2002	2003	2004	2005	2006	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims							
at end of accident year	783,659	896,390	973,224	1,188,021	1,071,824	1,028,767	-
- one year later	736,406	845,918	1,001,213	1,221,388	965,511	-	-
- two years later	689,870	869,096	977,147	1,210,486	-	-	-
- three years later	768,562	885,391	968,039	-	-	-	-
- four years later	775,853	902,605	-	-	-	-	-
- five years later	760,757	-	-	-	-	-	-
Estimate of cumulative claims	760,757	902,605	968,039	1,210,486	965,511	1,028,767	-
Cumulative payments	(606,878)	(813,574)	(825,458)	(1,001,330)	(731,122)	(566,413)	-
Net outstanding liabilities	153,879	89,031	142,581	209,156	234,389	462,354	1,291,390

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Notes to the financial statements (cont'd)

March 31, 2007

39. ADOPTION OF NEW AND REVISED IFRS AND INTERPRETATIONS

During the year, the company adopted the following revised and new IFRS:

IFRS 6	Exploration for and Evaluating of Mineral Resources	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	March 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006

There were no changes to accounting policies arising from the adoption of the new standards and interpretations. The adoption of IAS 19 amendments resulted in additional disclosures (note 22).

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The standards and interpretations and the accounting periods beginning on or after which they become effective are as follows:

IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting	November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRS 8	Operating Segments	January 1, 2009
IFRIC 12	Service Concession Arrangement	January 1, 2008
IAS 23 (Revised)	Borrowing Costs	January 1, 2009

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

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2007

40. ACQUISITION OF SUBSIDIARY AND MINORITY INTEREST

Acquisition of subsidiary

On June 10, 2005 the Society through one of its subsidiaries, acquired 75% of Manufacturers Credit and Information Services for \$66 million. The company is involved in the management of motor vehicle fleet through the Advance Card. On November 9, 2005, another subsidiary acquired 100% of the business of a money transfer agent for \$20.4 million.

The acquisition was accounted for using the purchase method. The carrying amounts, which approximate fair value of assets and liabilities of the company recognised by the Group, at the date of acquisition, are as follows:

	<u>\$'000</u>
Property, plant and equipment	4,161
Investments	32,427
Debtors	1,089
Other assets	852
Inventories	84
Taxation recoverable	667
Cash at bank and in hand	2,491
Other payable	(8,868)
Income payable	(903)
Net identifiable assets and liabilities	<u>32,000</u>
Share of net assets 75%	24,000
Goodwill	<u>62,402</u>
	<u>86,402</u>
Consideration paid:	
Cash	86,402
Deferred consideration	<u>-</u>
	86,402
Cash acquired	<u>(2,491)</u>
Net cash (outflow)	<u>83,911</u>

Profit of the company recognised in the prior year Group's statement of revenue and expenses amounted to \$10,377,886.

Acquisition of minority interest

During the year, the Group acquired an additional 5% interest in NEM Insurance Company (Jamaica) Limited for \$147,924,000 increasing its ownership from 94 to 99 percent. The carrying amount of NEM's net assets in the consolidated financial statements on the date of acquisition was \$2,053,063,000. The Group recognised a decrease in minority interests of \$103,079,000 and goodwill of \$48,490,000. The change attributable to the minority interest on the acquisition of Pelican Limited by JNBS was immaterial. The Group also acquired an additional .5% interest in Management Control Systems Limited (MCS) for \$621,000 increasing its ownership from 94% to 94.5%. The carrying amount of MCS's assets at the date of the acquisition was \$144,937,000. The Group recognised a decrease in minority interests of \$796,000 and goodwill of \$140,000.

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Notes to the financial statements (cont'd)

March 31, 2007

41. SUBSEQUENT EVENTS

The exchange rate of the Jamaica dollar is determined daily. At June 27, 2007, the Society's exchange rate of the Jamaica dollar was US\$1.00 to J\$68.42, £1.00 to J\$134.10 and Cdn\$1.00 to J\$62.62 compared to US\$1.00 to J\$67.56, UK£1.00 to J\$130.84 and Cdn\$1.00 to J\$57.75 at March 31, 2007.