



OUR MEMBERS ARE EVERYTHING!





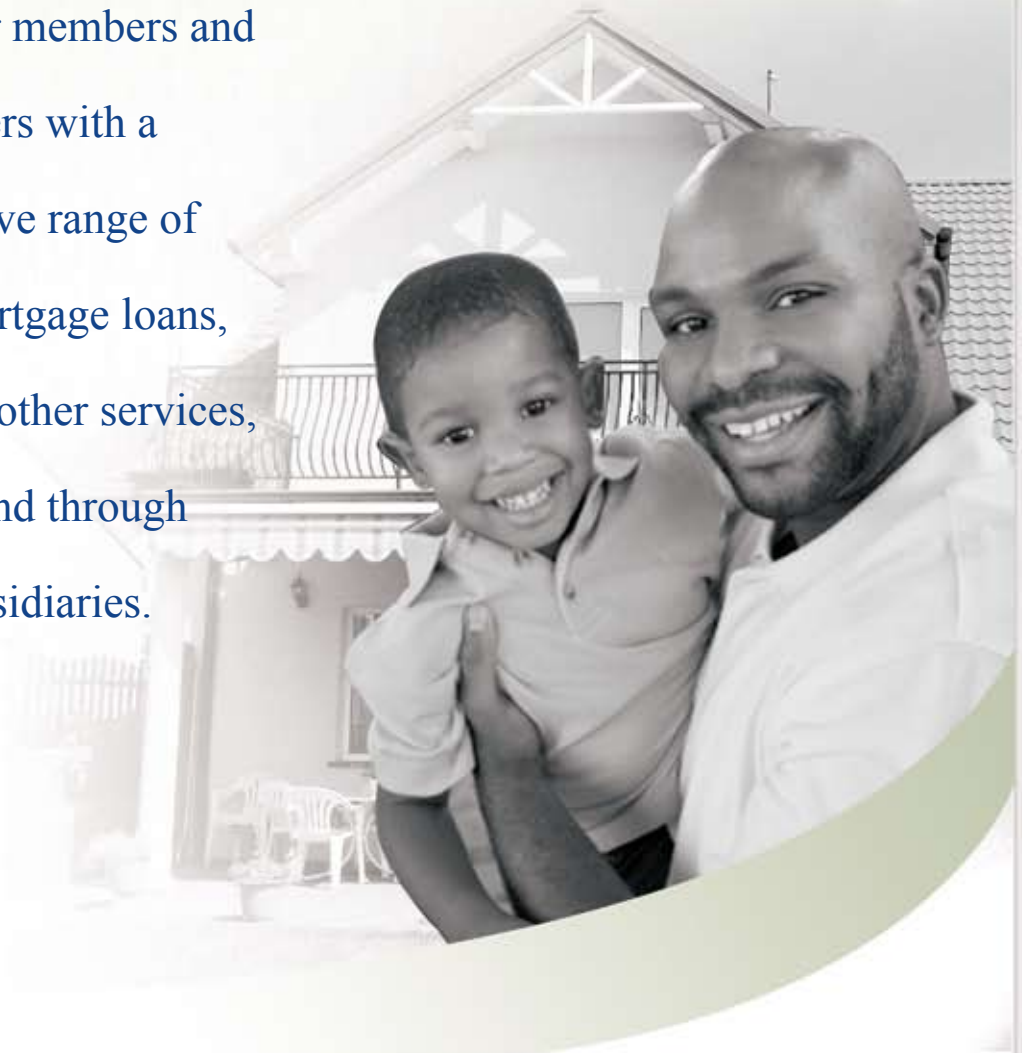
## TABLE OF CONTENTS

2	MISSION STATEMENT
3	NOTICE OF ANNUAL GENERAL MEETING
4	VOTING PROCEDURES
5	MERGERS, ACQUISITIONS & FOUNDERS
6	CHAIRPERSONS & GENERAL MANAGERS
7	MEMBERSHIP PICTORIAL
10	BOARD OF DIRECTORS
16	TRIBUTE
18	CORPORATE GOVERNANCE STATEMENT
19	CHAIRMAN'S REPORT 2007/2008
22	GENERAL MANAGER'S REPORT 2007/2008
26	VALUES STATEMENT
27	VISION STATEMENT
28	EXCLUSIVE JN MEMBER BENEFITS
29	BUSINESS REVIEW
29	JAMAICA NATIONAL BUILDING SOCIETY
28	JN SMALL BUSINESS LOANS LTD.
31	JN FUND MANAGERS LTD.
31	NATIONAL BUILDING SOCIETY OF CAYMAN
32	JN MONEY SERVICES LTD.
33	THE CREATIVE UNIT LTD.
34	MANAGEMENT CONTROL SYSTEMS LTD.
34	MANUFACTURERS CREDIT & INFORMATION SERVICES LTD.
35	JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LTD.
36	NEM INSURANCE CO. (JAMAICA) LTD.
36	JN FINANCE LTD.
37	TOP PERFORMANCE
38	CORPORATE SOCIAL RESPONSIBILITY
42	FINANCIAL HIGHLIGHTS
43	EXECUTIVES
46	GENERAL AND SENIOR MANAGERS
47	SENIOR MANAGERS
48	REGIONAL MANAGERS
49	JNBS OVERSEAS OFFICERS
50	CHIEF OFFICE & OVERSEAS MANAGERS
51	BRANCHES, TEAM LEADERS & MEMBER AMBASSADORS
52	DIRECTORY LISTINGS
54	SUBSIDIARIES & ASSOCIATED COMPANIES
55	MEMBERSHIP OF BOARDS & COMMITTEES
56	ATTORNEYS-AT-LAW, AUDITORS & BANKERS
57	AUDITORS' REPORT
59	FINANCIAL STATEMENTS



# *Mission Statement*

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 134th Annual General Meeting of Shareholders 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 o'clock in the afternoon of Wednesday, November 19, 2008.

The following items of business will be considered:

1. To receive, consider and adopt the following:
  - i) The Directors' Report for the year ended March 31, 2008
  - ii) The Statement of Accounts for the year ended March 31, 2008
  - iii) The Auditors' Report for the year ended March 31, 2008
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 14th day of October, 2008

Byron Ward  
Secretary

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



ANNUAL GENERAL MEETING 2007



## VOTING PROCEDURES

### 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 & FOUNDERS

### 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



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



ERNEST CLARKE  
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)



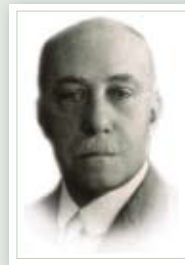
JOHN GERRARD  
MARCHALLECK, JP  
One of the two persons spearheading  
the move from the  
St. Thomas Mutual Building Society,  
which had its first meeting on June 1, 1897



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 Building Society (1893)



## CHAIRPERSONS & GENERAL MANAGERS

### CHAIRPERSONS



REVEREND HENRY CLARKE  
1874 - 1907



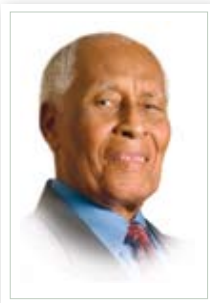
HUGH CLARKE  
1907 - 1944



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, CD, JP  
1999 - PRESENT





## MEMBERSHIP PICTORIAL



Prime Minister, the Hon. Bruce Golding, and former Prime Minister, the Most Hon. Portia Simpson Miller, both signed the JAA/FIA Make Roads Safe petition, which calls for United Nations action to recognise road fatalities as a constraint to development, and to fund initiatives to improve road safety, especially in developing countries.



Pat Austin, Senior Manager, Insurance Services, Jamaica National Building Society (JNBS), discusses insurance with members of the national senior football team, the Reggae Boyz. Occasion was a financial seminar hosted for the Reggae Boyz by JNBS and three of its subsidiaries: NEM Insurance, JN Money Services and the Jamaica Automobile Association, at the Society's Learning and Development Centre. JNBS is a platinum sponsor of the Reggae Boyz 'Back to Africa' Campaign.



Philip Bernard, General Manager for Community Banking and ATM Services, listens intently to Winnifred Anderson, JNBS Member, at the official opening of JN Financial Services Centre, Loshusan Supermarket in Barbican, on September 29, 2007. The cashless location provides referrals for loan applications and payments, investment advice and general services.



The Hon. Oliver Clarke, Chairman of JN Small Business Loans Limited (JNSBL), has the rapt attention of students of St. Neva's Day Care and Preparatory School, located on Barnett Street in Montego Bay. Yolanda Vernon, principal of St. Neva's, has been a client of JNSBL since 2002.



A keen Earl Jarrett, Jamaica National Building Society's General Manager (right), converses with David Hall, then CEO of Digicel (Jamaica) Limited. They were at the MCS Technology Day Expo on March 5. The event highlighted products and services of MCS and its clients, including Digicel.





## MEMBERSHIP PICTORIAL



Earl Jarrett (right), General Manager of Jamaica National Building Society (JNBS) in conversation with Damian Obiglio, President and CEO of Jamaica Public Service Company Limited (JPS). JN Money Services Limited (JNMS), a JNBS subsidiary, commenced management of the bill collection operations at 16 JPS commercial locations under the brand JN Money Shop Xpress.



Coniel Codner and Winston Wong, JNBS Spanish Town Team Members, demonstrate CPR techniques on a replica of the human body. They were participating in a public awareness event in support of the JNBS Foundation's Public Access to Defibrillation Programme in association with the Heart Foundation of Jamaica in February 2008 at the Spanish Town Branch.



The Hon. Dr. Horace Chang (left), Water and Housing Minister, discusses plans for the 800-house development Meadows of Irwin with Joseph Lincoln (centre), Can-Cara Development Limited's CEO, and Leslie Williams, Jamaica National Building Society's Senior Regional Manager. The men were at the opening of the 143-acre \$4 billion housing project in Irwin, St. James on March 14. The Society partnered to market the houses on behalf of Can-Cara through an exclusive mortgage arrangement.



Returned resident and JN Member since 1989, Michael Darby, registers on arrival at the May Pen Branch for the Members' Meeting held on April 10. Taking his registration details is Yvonne Williams, CSR at the Branch. Mr. Darby was one of 21 guests who attended the meeting to share their feedback and receive updates about the Society's progress.



Earl Jarrett (left), General Manager of Jamaica National Building Society, the Hon. Andrew Holness (centre), Education Minister, and Nadine Malloy, President of the Jamaica Association of Principals of Secondary Schools (JAPSS), discuss the education partnership between the nation's two mutual building societies, JNBS and VMBS. The Mutual Building Societies Foundation, was launched on February 14, to support educational projects such as Centres of Excellence.



## MEMBERSHIP PICTORIAL



Governor-General, His Excellency the Most Hon. Prof. Sir Kenneth Hall (left) and the Most Hon. Lady Rheima Hall pay close attention to David Thomas, Customer Service Representative at the Half-Way-Tree Branch, as he demonstrates the procedure for opening a new savings account. Observing is Janice Mills, Manager of the Branch. The occasion was a tour of the Chief Office by Their Excellencies on December 14.



Alan Beckford, General Manager of the Jamaica Automobile Association (JAA), hands over the keys of a Mitsubishi Cantor truck to Assistant Commissioner of Police, Owen Ellington (right). The truck was donated to the Jamaica Constabulary Force (JCF) by the JAA and its parent company, Jamaica National Building Society, for use in the JCF Road Safety in Schools Programme. Witnessing the handing over are: Earl Jarrett (left), General Manager of JNBS; SSP Ealon Powell (centre), Head of the Traffic Division; and, Mrs. Esmie Lawrence, Principal of the Osbourne Store Primary and Junior High School, where the presentation took place.



Three-year-old Oneika McAnuff proudly displays the JN gift certificate presented to her by Llewelyn Bailey, Assistant General Manager of the Jamaica National Building Society. She was the top saver in the basic/infant category in the 2006/2007 JN School Savers' Programme.



Margaret Ramsay (left), Regional Manager, Region 5, embraces Jessica Hines, a member of Jamaica National since 1965. Leesa Kow, Marketing, Promotions and Sales Executive, shares in the welcome. They were attending the JN Mortgage for Her parish launch at the JNBS Ocho Rios Branch in May 2007.



## BOARD OF DIRECTORS



**HON. OLIVER F. CLARKE, OJ, JP**  
FCA, B.SC. (ECON)  
CHAIRMAN

The Hon. Oliver Clarke worked with the Society as Assistant General Manager and then as General Manager from 1971 to 1976. He held the position of Chairman of the JNBS for 20 years from 1977 to 1997; and he served as Deputy Chairman from 1997 until 2002 when he was reappointed Chairman.

Mr. Clarke is the Chairman of JN Small Business Loans Limited and the JNBS Foundation. He is a Director of JN Fund Managers Limited and a member of the JNBS Investment Committee. He is also Chairman of JN Money Services Limited, the parent company of Jamaica National Overseas companies in the United States of America, Canada and the 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 (PSOJ) and Chairman of Sangster's Book Stores Limited. He is President of the Commonwealth Press Union (CPU) and former President of the 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 PSOJ inducted him into its Hall of Fame. In 2004 he was recognised as a Caribbean Luminary by 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.



**EARL JARRETT, CD, JP**  
FCA, MSC (ACCOUNTING)  
GENERAL MANAGER

Mr. Earl 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 graduate of The University of the West Indies, Mr. Jarrett is Deputy Chairman of the Jamaica Tourist Board (JTB). He is the Honorary Secretary of the Private Sector Organisation of Jamaica, 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. 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.

Mr. Jarrett is a Member of the National Council of Jamaica, Order of St John; and The University of the West Indies Mona Campus Council. In February 2008, he received the Pelican Award given by The University of the West Indies Alumni, Florida Chapter for outstanding work in business development among Jamaicans in the Diaspora. In October 2008, he was conferred with the Order of Distinction in the rank of Commander.





## BOARD OF DIRECTORS



**DR. HENRY A. A. P. BROWN, CD**

MD, LRCP, LRCS

Dr. Henry 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**

BASC, MBA

Mr. Cunningham has been a member of the Board since September 1999. He has considerable experience in business, information technology, marketing and finance. He serves as a Director of the

JNBS Foundation and NEM Insurance Company (Ja.) Limited. 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.

He is the Managing Director of Pioneer Chocolate Company Ltd. and sits on the Board of the Belair School in Mandeville, Manchester.



**PARRIS LYEW-AYEE, CD**

BSC, M.ENG

Mr. Parris A. Lyew-Ayee joined the Board of Directors in June 2007, having previously served as a Director of NEM Insurance Company (Ja.) Limited, a subsidiary of JNBS. He is also a member of the Boards of Directors of the Jamaica Bauxite Institute, St. Ann Jamaica Bauxite Partners Ltd., the Water Resources Authority, the National Resources Conservation Authority and Caribbean Cement Co. Ltd.

He 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; a member of the International Committee for Studies of





## BOARD OF DIRECTORS

Bauxites, Alumina and Aluminium (ICSOPA), and the Society of Mining Engineers of the American Institute of Mining, Metallurgical & 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. He is acknowledged as an expert on Jamaican bauxite and the industry in general; and he has more than 24 papers published on bauxite, 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.

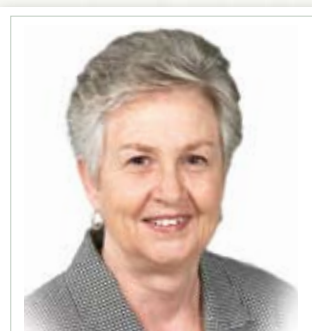


**WILLIAM MAHFOOD**

B.SC

Mr. William 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, JP**

Mrs. Jennifer Alayne Martin, an Attorney-at-Law, has been a Director of the Board since the merger of the Jamaica Savings & Loan Building Society and the JNBS 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 Contributory Pension Fund for JNBS and Subsidiary Companies. 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.



## BOARD OF DIRECTORS



**HON. DOROTHY PINE-MCLARTY, OJ**

The Hon. Dorothy Pine-McLarty has been a member of the Board since September 1998. She is the Chairperson of the Contributory Pension Fund for JNBS and Subsidiary Companies and a Director of JN Money Services Ltd.

A practicing Attorney-at-law for some 37 years, she retired from partnership of 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. She 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**

BSC (HONS) MBA

Mr. Peter Morris was appointed to the JNBS Board in January 1993. He is a Director of JN Fund Managers Ltd., NEM Insurance Company (Jamaica) Ltd. and JN 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 seven years as Chief Operating Officer of Jamaica Producers Group Limited.



**JOHN SMALL**

BA (HONS), CQSW, FBMI

Mr. John 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.



## BOARD OF DIRECTORS

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**

BSC (ECON), MA, PHD

Dr. Dhiru 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 USA, Puerto Rico and several organisations in Jamaica, and other CARICOM states. Some of these entities include Neal & Massy Holdings Ltd., The 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 manufactures soap.



**RANSFORD DAVIDSON**

STAFF DIRECTOR

Mr. Ransford Davidson joined the Society in November 1999. He served in the capacity of Teller at the St. Ann's Bay Branch from 1999 to 2002, and Foreign Exchange/Savings Supervisor at the May Pen Branch from 2002 to 2006. He is currently the Branch Operations Manager at the Brown's Town location, and is the Regional Sports Representative of the JN Sports Club. He is also the Ambassador of the JN Group, having been crowned Mr. JN in 2005.

Mr. Davidson is currently completing a Bachelor of Science Degree in Business Administration at the Northern Caribbean University. He majors in Finance and has earned a Certificate of Excellence for his academic achievement in the area.

Mr. Davidson also holds a Diploma in accounting from the Association of Accounting Technicians body in London, and a Certificate in Jamaican Securities from the Jamaica Institute of Management.



## BOARD OF DIRECTORS

### RETIRED DIRECTOR



**BYRON WARD**

CORPORATE SECRETARY AND LEGAL COUNSEL

Mr. Ward joined the Society in 1995. He functions as Corporate Secretary and Legal Counsel to the Society and a number of its subsidiaries, and is the Trust Secretary of the Contributory Pension Fund for JNBS and Subsidiary Companies.

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.



**CLARENCE T. BROWN MA, BA**

Mr. Clarence T. Brown was a member the Board of the Jamaica National Building Society for 23 years, retiring in 2008. He joined the Society in 1985 as Deputy General Manager and retired from that position in 1997, but remained as a Director. He was also a Director of JN Fund Managers Limited 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 FM) and Trafalgar Commercial Bank. Mr. Brown has also served as Chairman of the Building Societies Association (BSAJ) and the Jamaica Institute of Bankers.





## TRIBUTE

In July 2008 the Board, Management and Staff of the Society and its Subsidiaries paid tribute to two stalwarts— Mr. George Ivanhoe Magnus, former Deputy Chairman of Jamaica National, and Chairman of NEM Insurance Company (Ja.) Limited and Mr. Lancelot “Lanny” Fitzgerald Reynolds, former Director and General Manager who died on the 30<sup>th</sup> and 10<sup>th</sup>, respectively.



*George Ivanhoe Magnus, JP*  
December 5, 1941 – July 30, 2008

Mr. George Ivanhoe Magnus, one of the longest serving Directors of JNBS, was an integral part of the Society for in excess of two decades. He was previously a Director of the St. Mary Benefit Building Society and was elected a Member of the JNBS Board following the merger of the organisations in 1983. He was also appointed Deputy Chairman of the St. Mary Regional Board of the Society.

Throughout his 25 years of service to Jamaica National, the organisation benefitted immensely from his erudite legal mind, sharp wit, and keen insight. This led to his appointment as Chairman of NEM when the company became a subsidiary of JNBS in December 2000, and Deputy Chairman of JNBS in 2002.

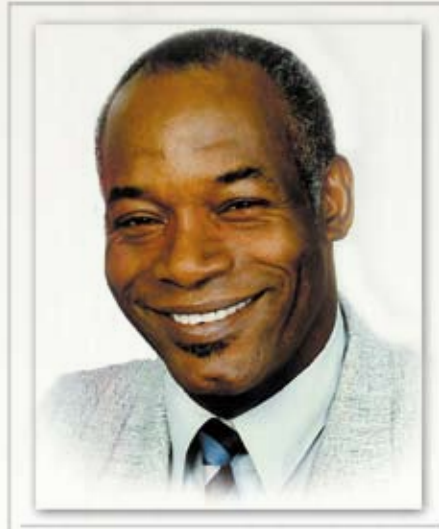
His motto ... always do your best ... characterised his approach to tasks and the successes he experienced. Under his steady, guiding hand and excellent leadership, NEM has maintained a position of financial strength in the general insurance industry.

An Attorney-at-Law and Senior Partner in the law firm Abendana & Abendana since 1975, Mr. Magnus was also a member of the Jamaican Bar Association, the General Legal Council, the Commonwealth Lawyers Association, and a Director of Midland Insurance Agents Limited and Farmcrest Limited.

We extend to his widow Carol; children, Christopher, Patrick and Yolande; daughter-in-law Lisa; granddaughter Sidney; sisters and other relatives and friends comfort, strength, and cherished memories.



## TRIBUTE



*Lancelot Fitzgerald Reynolds, OD, JP*  
FCA, FTII  
October 6, 1934 – July 10, 2008

Mr. Lancelot ‘Lanny’ Fitzgerald Reynolds served the Jamaica National Building Society for some 26 years and has left an indelible mark on its style of operation and the stature of the Society in Jamaica, the region and the world. Under his dynamic leadership, the Society grew exponentially, and gained international recognition as the first Jamaican-based financial institution to offer remittance services in the United Kingdom.

His passion and devotion to propel Jamaica National into greater spheres of service to Jamaicans locally and in the Diaspora were well known; and his selfless contribution to the growth and success of JNBS will long be remembered by those persons whose lives he touched. His climb to the leadership of JNBS was swift. He held the positions of Financial Controller, Assistant General Manager and Acting General Manager before being appointed General Manager and a Director of the JNBS Board in 1976.

His associates maintain that “Lanny was a charismatic leader.” He was highly influenced by the lyrics of Frank Sinatra’s epic, I Did It My Way. And, he was one to make “personal commitments” as those who knew him will attest. His management style was open and welcoming, and he was a champion among employees and members alike.

A Chartered Accountant, he joined the Society in April 1973. Prior to that, he was a Partner in the Accounting Firm Deloitte and Touche, then known as Touche Ross & Company. We extend to his widow Elsa, his children and other relatives and friends, comfort, strength, and cherished memories of a giant among men.



## CORPORATE GOVERNANCE STATEMENT

The JNBS Board 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 JN 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 financial institution 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 who grant licences for the Society to operate Representative Offices in the United Kingdom, 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.

The JNBS Board of Directors met 11 times during the last financial year. The Boards of the subsidiary companies met as scheduled.

### 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 as well as an Investment Committee which handles investment and finance-related matters. The names of the members of these committees are listed in this annual report on page 55.

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 and entities in the JN Group.



## CHAIRMAN'S REPORT 2007/2008



**HON. OLIVER F. CLARKE, OJ, JP**  
FCA, BSC (ECON)  
CHAIRMAN

In the year under review, despite the adverse global and local economic conditions, your Society remained competitive, yielding positive results to the benefit of its members. Our range of attractive products coupled with the quality of our service as well as our reputation for prudent management, have contributed to our achievements for the year.

### FINANCIAL RANKING

JNBS maintained its position as the third largest financial institution regulated by the Bank of Jamaica in terms of its assets, capital base and savings among commercial banks, building societies and licensees under the Financial Institutions Act, for the financial year ended March 31, 2008. Amid strong competition the Society remained the leading building society, holding the largest portfolio of loans valued at \$28.6 billion as at March 31, 2008.

### FINANCIAL PERFORMANCE

The JN Group experienced commendable financial growth during the period, with assets strengthening by 22 percent. The Group's net surplus stood at \$4.9 billion, underpinned by the sale of Lascelles shares, which was the major

contributor to the gains on disposal of investments of \$3.9 billion. Operating surplus also showed marked improvement closing at \$1.35 billion reflecting a 34 percent increase over the previous year, and is indicative of the fundamental strength of JNBS and its subsidiaries. Another transaction to be completed in June 2008 is the acquisition by the Society's subsidiary, Management Control Systems Ltd. of the remaining shares (25 percent) in Manufacturers Credit and Information Services Ltd. (MCIS) which were formerly held by Pan Caribbean Financial Services Ltd. This is expected to positively influence the future performance of the Group and its ability to better serve Advance Card customers.

The Society has remained committed to introducing products that offer stability and the highest possible return with the lowest risk. These products included the JN Premium Club, High Yield and Direct Gain accounts. The overwhelming support from our members resulted in significant growth in Net Savings Intake of 71 percent over the prior year, contributing an additional \$5.7 billion to the savings fund.

The Society continued to focus on providing the best option for its members to own a home, offering rates as low as 12.99 percent on residential mortgages. Despite growing competition, the Society disbursed \$7 billion, a 50 percent growth over the prior year, resulting in a loan balance of \$28.6 billion as at March 31, 2008.

Future improvement in the Society's performance is projected with the transformation to a sales-oriented culture, which will result in the building of a strong framework to support growth in core areas of business.

### ENHANCING MEMBER BENEFITS

As a mutual organisation, the Society is owned and operated for the benefit of our members; as such the range of direct member benefits continued to increase. These provided an expanding spectrum of discount services, adding value to membership.





## CHAIRMAN'S REPORT

Of particular significance was the establishment of JN Money Shop Xpress, a local bill payment service, which took over the operation of 16 Jamaica Public Service Company (JPS) bill payment locations, making it easier for more members and clients across the island to pay their utility and other bills, at no cost.

In addition, the synergies within the JN Group were enhanced with additional services being made available to members at no additional cost, such as insurance discounts from NEM Insurance Company (Ja.) Limited, as well as annual membership in the Jamaica Automobile Association (JAA) for NEM customers, and free ATM and Point of Sale transactions.

Throughout the year, quarterly members' meetings were held across the branch network facilitating regular and structured dialogue with our members. These meetings afforded us the opportunity to discuss the direction of the Society and issues of interest to our members, and facilitated their valuable feedback on products and services offered by the Society.

During the past year, the customer satisfaction survey carried out by noted pollster, Bill Johnson, indicated that the strong tenets of quality customer service endure, as customers rated the service delivery and care by the Society at 97 percent.

The Society encourages active involvement of members in the decision-making process, and as such all members are eligible to vote and should participate in the re-election of Directors and vote on resolutions proposed at the Annual General Meeting.

### CORPORATE SOCIAL RESPONSIBILITY

Embedded in the JNBS psyche is an appreciation for Corporate Social Responsibility, reflected in the fact that as early as 40 years after emancipation in Jamaica, the Society was formed, thereby providing an avenue for Jamaican savers to become homeowners. The Society has maintained this resolve to help Jamaicans achieve financial independence by

promoting financial literacy so as to improve their understanding and appreciation of the need to save.

An integral part of being a mutual organisation is playing an active role in the building and support of communities, fostering a sustainable environment for strong economic performance to the benefit of our country. The Society recognises that its continued growth and development are intricately linked to that of our country and people. JNBS has, therefore, sought to commit its resources in the community, particularly rural communities, through social engagement initiatives at various levels. In recognition of the Society's work in the community, we were awarded the Jamaica Chamber of Commerce's 2007 Community Service Award.

Through the work of the JNBS Foundation, our Branch Advisory Councils (BAC), and the newly established entity, The Source, a community resource centre, the Society focused on several outreach initiatives during the year.

The Foundation was instrumental in sustaining several rural regeneration projects; fostering the socialisation of rural high school students through "Youth Zoom", a photography and advocacy project; economic empowerment, and increased road safety awareness. In addition, the Branch Advisory Councils played a pivotal role in enhancing life in their respective communities through the implementation of social projects, which impact schools, community centres and playgrounds. The Source, which was first opened in August Town, St. Andrew, fosters inner-city development by providing services that are not easily accessible in these communities. These services include a business information centre, job placement and loans for micro and small enterprises. It also features an internet café and a resource library.

The Society also extended its social outreach to Jamaicans in the Diaspora, hosting several forums including a series of immigration seminars for Jamaicans residing in the United Kingdom. This engendered positive change in the lives of hundreds of our members.



## CHAIRMAN'S REPORT

We continued to dialogue with Jamaicans in North America—the USA and Canada—setting up Wealth Creation Roundtables in the USA; and meetings with young Jamaicans in Canada, to strengthen their ties with their homeland.

JNBS has maintained a strong focus on building social capital while operating a viable organisation of which each member and, indeed, all Jamaicans can be justly proud. We have a strong commitment to Jamaicans, here and abroad, and at the very core of our operations is a devotion to building this country. This is a resolve we will continue to honour.

### REGULATORY COMPLIANCE

The Society observes the compliance regulations established by the Bank of Jamaica (BOJ). As at the end of the 2007/2008 financial year, the Society was compliant with the BOJ's provisioning guidelines that require 50 percent provisioning for the principal balance of loans which are in arrears for 12 to 18 months and full provisioning for loans in arrears for over 18 months. Loans and advances on which interest is no longer accrued amounted to \$3.5 billion at March 31, 2008, representing 12.19 percent of the gross mortgage loan portfolio compared to 14.67 percent at the end of March 2007.

The risk-based capital ratio ended positively at 22 percent this year, in comparison to 21 percent at March 31, 2007. The Bank of Jamaica's requirement is set at 10 percent.

### RETIRING DIRECTORS

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

1. Mr. Peter Morris, BSc. (Hons), MBA. Mr. Morris was appointed to the JNBS Board in January 1993.
2. Mr. John Small, BA (Hons), CQSW, FBMI. Mr. Small has been a Director since September 1998.
3. Dr. Dhiru Tanna, BSc (Econ), MA, PhD. Dr. Tanna has been a member of the Board since 1981.

These three Directors, being eligible, offer themselves for re-election.

During the last financial year, the Board of Directors said farewell to Mr. Clarence Brown who retired from the Board after serving the organisation for 23 years. Mr. Brown joined the Society in 1985, serving as Deputy General Manager for 12 years, and subsequently contributed his expertise as an Economist to the Board. He was a Director of JN Fund Managers Limited and a member of the Finance & Investment Committee. We applaud him for his dedication to the business of the organisation and wish him continued blessings.

### GRATITUDE TO EMPLOYEES

We recognise our employees, whose dedication and commitment have greatly influenced the positive achievements recorded this year. On behalf of our members and Board, we sincerely thank them for their priceless contribution.

### AUDITORS

The firm of KPMG, Chartered Accountants and Auditors of the Society, retires in accordance with the Rules of the Society, and being eligible offers itself for re-appointment.

The Hon. Oliver Clarke, OJ, JP  
Chairman



## GENERAL MANAGER'S REPORT 2007/2008



**EARL JARRETT, CD, JP**  
FCA, MSC (ACCOUNTING),  
GENERAL MANAGER

### OVERVIEW OF ECONOMIC AND SOCIAL ENVIRONMENT

In large measure, 2007/2008 was a successful year for the Jamaica National Building Society (JNBS). In the face of sharp increases in the cost of living and inflation, it was also a challenging year for the entire financial services sector. This was exacerbated by the impact of increased energy costs and high inflation.

As a mutual society, Jamaica National remained largely unscathed by most of these financial uncertainties, and I give my reassurance that, by remaining true to the principles of mutuality and sound management, the Society will continue to offer members the security and stability that are the result of shared ownership.

### EXTERNAL AND INTERNAL EVENTS

During the year under review, several events, external to the organisation, made significant impact on the Society's operations. Some of these events included Hurricane Dean in August 2007. The mega storm had tremendous implications for many of our members and mortgagors in respect of property damage, the massive bills for reconstruction and ultimately, their ability to meet financial obligations. There was further devastation, later in the year, as severe flooding

in sections of the island, including the business districts of Port Maria and Ocho Rios, affected entrepreneurs in the micro and small enterprises sector, especially in the timely repayment of loans.

The political uncertainty that accompanied the general and local government elections that were held in September and December, respectively, also stymied national economic activity.

Internationally, increases in the price of crude oil on the global market, rising food prices and the economic decline in the United States of America, precipitated by the crisis in the housing market, were also felt here in Jamaica. However, remittances remained relatively strong with our subsidiary, JN Money Services Limited, accounting for approximately 12 percent of the inflows to the country.

Despite turbulence in the local market during the second half of the fiscal year, the Society showed real progress in all areas of its core member-based savings and lending activities. Jamaica National was successful in its key objective to extend sources of income to support the delivery of competitive products to members and to further strengthen the level of capital held to protect them.

### FINANCIAL RESULTS - RETAIL MORTGAGE AND SAVINGS

The value the Society generates is distributed either through significant member benefits, or is retained to strengthen the capital base of the organisation. This, in turn, facilitates reinvestment in the business, to solidify its financial position; and it allows the organisation to forge ahead with new product and service offerings.

Our financial results reflected growth and profitability with the Net Savings Intake (NSI) increasing to \$5.7 billion. While this was less than the set target, it was approximately 71 percent more than the NSI of the previous year. Despite the competitive



## GENERAL MANAGER'S REPORT

market in which we operate, the Society also recorded a strong performance in its core operation, mortgage lending. At the end of the financial year, we achieved an overall market share of 45 percent. Approximately 1,767 loans valued at \$7.7 billion were approved, just short of the target of \$8.5 billion.

Residential mortgages accounted for two-thirds or \$5.3 billion of the value of loans disbursed in this financial year. Of note, is the fact that, our new mortgage product, JN Mortgage for Her, which was introduced in March 2007, accounted for 17 percent of this sum.

The Society also standardised its mortgage operations to enhance efficiency in the delivery of related services. The new initiatives included intensive mortgage training for staff; closer monitoring of loans with attorneys; reduction in the overall loan processing time; more stringent administration of the arrears portfolio; and improved communication with customers regarding the loan process.

### ENHANCED SERVICE DELIVERY

Our membership thrust during the year reaped rich rewards with the results of a Customer Satisfaction Survey reflecting a 97 percent satisfaction level among our members. A December 2007 poll showed that, when compared to other financial institutions, JNBS attained the highest customer satisfaction rating, and was ranked 4<sup>th</sup> of 12 corporate organisations in overall customer service.

While we are pleased with the consistent level of output by our staff, the Society is committed to upgrading its training programmes, to correct existing deficiencies to enable us to achieve maximum customer satisfaction levels.

One major membership initiative for the year was the launch of the Premium Club accounts in July to provide additional options for low risk, but highly competitive investment opportunities for members. There were also reductions in the

percentage of upkeep savings on mortgages and in the internal attorneys' fees associated with processing the loans.

The service distribution channels to members were improved with the islandwide branch refurbishment exercise. Members and customers are transacting business in a more comfortable environment in the Half-Way-Tree, Duke Street, Ocho Rios, and St. Ann's Bay branches, as well as in the relocated Christiana Branch, which now occupies more spacious quarters. Our community banking concept, through JN Money Shops, which were established in several communities, also continued to attract positive customer response.

And, in keeping with the renewed focus on mortgage operations and the increased demands for assistance with real estate transactions, a Real Estate Referral Unit was established in the JN Group Marketing Department. The Unit is a reference point for members who need real estate related services, and provides direct links to a network of professionals in all areas of the industry.

Overseas, the Society held two immigration seminars in the United Kingdom to provide members and the Jamaican community-at-large with an opportunity to engage in dialogue with civic and community leaders. The meetings were well-received with more than 1,500 Jamaican UK residents in attendance.

### PERFORMANCE HIGHLIGHTS

I am particularly pleased to report that the Society's improved performance extended to its subsidiaries and the main pillars of operations – financial, information technology, insurance, and automobile services.

### FINANCIAL SERVICES

In the area of banking and lending, the Society continued to expand and diversify its offerings in the face of increased competition as we are committed to growing our core member business.





## GENERAL MANAGER'S REPORT

Several changes were implemented to strengthen the Society's financial capabilities. Among them was the establishment of a Treasury Management Unit to pursue aggressive investment opportunities on behalf of the Society and achieve competitiveness and improved profitability for members. We continue to work towards reducing operating and staff costs which, in spite of the objective of decreasing the 2006/2007 figure by 50 percent or more, increased instead, by 37.5 percent.

The drive to bring financial services to underserved communities was expanded during the year through the JN Money Shops, which continued to improve their services. Our innovative work in community banking was further enhanced with the opening of JN Financial Services, a cashless facility at the Loshusan Supermarket in Barbican, St. Andrew.

The Society also increased its commercial lending capabilities with the formal establishment of JN Finance Limited, previously Pelican Finance, to promote another aspect of real estate financing, particularly in the area of housing developments.

Our status as providers of financial advice was also significantly strengthened, with JN Fund Managers Limited maintaining its position as one of the country's leading money market and brokerage service companies. This was evidenced by a 94.8 percent increase in the pre-tax profit compared with 2006/2007.

JN Small Business Loans Limited was instrumental in assisting the government in providing much-needed financing to the small hotel sector, which was adversely affected by Hurricane Dean and previous hurricanes. This was facilitated through the Tourism Enhancement Fund, and is indicative of our continued focus on increasing financial opportunities for entrepreneurs in the micro and small enterprises sector.

In May 2007, the company also sponsored the Sixth Annual Roundtable on Microfinance in the Caribbean in Montego Bay, which attracted delegates from 36 microfinance organisations, representing eleven countries. This event also coincided with the Opportunities for Majority Conference hosted in Jamaica by the Inter-American Development Bank, during that same month.

The Society, through the subsidiary, JN Money Services Limited, also experienced significant growth in the area of remittance and bill payment services. In keeping with the goal of building communities through increased access to financial services, JNMS entered into partnership with the Jamaica Public Service Company Limited (JPS) to provide free bill payment services in its 16 commercial offices across the island, under the brand JN Money Shop Xpress.

### INFORMATION TECHNOLOGY SERVICES

Our information technology solutions subsidiary, Management Control Systems Ltd., continued to distinguish itself as a premier technology solutions provider and trainer. This was reinforced by its Gold Certification from Microsoft as one of the leading technology and software solution providers in the Caribbean.

### INSURANCE SERVICES

NEM Insurance Company (Ja) Limited, with an endorsement from the Building Society and in partnership with Caribbean Title Limited, launched a Title Insurance policy, which is expected to facilitate greater ease and speed in purchasing property.

### AUTOMOBILE SERVICES

The Jamaica Automobile Association continued to make significant impact on roadside assistance and road safety education in schools and communities across the island. And through its affiliation with the FIA, the JAA introduced the Make Roads Safe campaign in Jamaica to help create greater awareness globally of the need for funding to promote road safety.



## GENERAL MANAGER'S REPORT

In relation to the provision of vehicle management services, Manufacturers Credit and Information Services Limited continued to consolidate its performance, further improving its service levels to corporate and individual clients.

### CORPORATE SOCIAL RESPONSIBILITY

A groundbreaking and gratifying project undertaken during the year was the launch of the Mutual Building Societies Foundation, a collaborative venture between JNBS and the Victoria Mutual Building Society (VMBS). Through the Foundation, upgraded secondary schools are being targeted to become educational Centres of Excellence with the provision of technical and financial assistance to improve teacher quality, student achievement, and organisational efficiency. During the first phase of the project, which is expected to last three years, the programme will provide assistance to two schools annually.

There was a high level of response to the establishment of The Source, a multi-resource centre, which offers students and adults access to Information Communication Technologies, job training and small business loans, at Bryce Hill Plaza in August Town. Based on its overwhelming success, we will expand "The Source" concept to other communities during the next fiscal year.

### OUR STAFF

I thank our employees, locally and overseas, for their contribution to the continued creditable performance of Jamaica National. They go to great lengths to deliver excellent service to members and customers, and the positive results are reflected in the customer satisfaction surveys.

Internally, the past year was not without challenges, including two periods of industrial unrest in June 2007 and March 2008, due to salary negotiations and organisational restructuring. This contributed, in part, to the overall low staff satisfaction survey figures. However, it should be noted that the concerns highlighted in the staff survey are being addressed; and projects have already been implemented to improve satisfaction levels.

### LOOKING AHEAD

We are proud of the work accomplished by the Society during the past year, and the positive impact of our contribution is reinforced by the response of our members, customers and the wider community, both locally and overseas.

The publication of our 2008 Historic Stamps of Jamaica calendar, which is a keepsake portraying the rich heritage of our people and several memorable places and events, received numerous commendations. In addition, Jamaica National was ranked "the tenth most recognised Jamaican brand in the world" by the internationally-circulated magazine, the Jamaica Business Journal. These responses reinforce our determination to offer expert leadership in mortgage and savings, and to strategically position the Society in key markets around the world.

We remain committed to being an organisation which operates solely for the benefit of our members through the consistent delivery of competitively-priced products, services and rates. Already, we have created considerable momentum in this regard; and we intend to continue to grow and deliver more value to our current and future members and customers.

While we expect that the next financial year will prove challenging, we are confident that the Society is strategically positioned to maintain its ranking as the largest building society in Jamaica and the Caribbean.

Earl Jarrett, CD, JP  
General Manager



## VALUES STATEMENT

THE SUCCESS OF THE JAMAICA NATIONAL BUILDING SOCIETY IS DEPENDENT ON A SET OF CORE VALUES, WHICH RELATE 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.

### 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.

### 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.

### 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.

### 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.

### 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.





## VISION STATEMENT



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.





## EXCLUSIVE JN MEMBER BENEFITS

- **Free** transactions at any JNBS or Multilink ATM
- **Free** Point of Sale transactions
- **Free** Internet Banking, LIVE by JN
- **Free** Utility Bill payment at JNBS branches, JN Money Shop Xpress, JN Money Shops, JN Financial Services and via LIVE by JN
- **Free** Money Transfer Card (*collect your remittance at your convenience*)
- Up to \$200,000 free on contents insurance if member insures contents for a minimum of \$1M and has peril (*homeowners*) insurance with NEM Insurance Company
- Merchant discounts linked to JN Teller 24/7 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 (JN Health)
- Discounts at NEM Insurance Company
- **Twenty percent discount** on JAA membership fees

### PENSION EXPEDITER BENEFITS:

- **No fees** for cheque withdrawals
- **Free** JAA membership for one year
- **Twenty percent discount** on motor insurance from NEM Insurance Company (*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 NEM Insurance Company
- Financial advice from JN Fund Managers

### HIGH YIELD SAVINGS ACCOUNT BENEFITS:

- **Ten percent discount** on motor insurance at NEM Insurance Company
- **Free** health insurance (JN Health) for one year
- **Free** JAA membership for one year (roadside assistance)
- **Free** financial advice from JN Fund Managers (Annual Women's Seminar)

### WOMEN'S MORTGAGE PRODUCT

- No processing fees
- Discount coupons for select home décor companies and spas
- Discount on home security system
- **Free** mammogram at Jamaica Cancer Society



## BUSINESS REVIEW

### GROUP OVERVIEW

During the 2007/2008 financial year, the entities within the JN Group continued to grow, further expanding the Society's asset base and providing a comprehensive suite of financial, professional and personal services to members and clients.

Through the Society's Representative Offices in the United Kingdom, Canada and the United States of America, Jamaicans in the Diaspora accessed information about products and services offered within the JN Group. These locations also facilitated mortgage brokerage and refinancing in accordance with the stated regulations in each country.

In the period under review, the total assets of the JN Group increased from approximately \$74 billion to \$91 billion and collectively, the companies amassed a surplus of some \$4.9 billion after taxation.

The JN Group operates in four main sectors, namely:

- **Financial:** Jamaica National Building Society, JN Small Business Loans Limited, JN Fund Managers Limited, National Building Society of Cayman; and, the newly-established JN Finance Limited, formerly Pelican Finance
- **Remittances:** JN Money Services Limited
- **Services:** Management Control Systems, and its subsidiaries Manufacturers Credit and Information Services Limited and the Jamaica Automobile Association; Total Credit Services and The Creative Unit Limited
- **General Insurance:** NEM Insurance Company (Ja.) Limited

Central to the successful operation of these entities is a strong focus on providing unparalleled customer service and support to members and clients, as well as helping to improve the social capital of Jamaica.

Highlights of the financial performance of these entities are outlined below:



### THE JAMAICA NATIONAL BUILDING SOCIETY

In the 2007/2008 financial year, the Jamaica National Building Society (JNBS) continued to perform well in its core business in a swiftly changing economic environment. The Society experienced solid financial growth, as it widened the range of financial services provided to members.

During the period, JNBS recorded a net surplus of \$2.14 billion a 75 percent increase over the previous year. The total interest revenue generated during 2007/2008 increased by 21 percent, moving from \$4.8 billion to \$5.8 billion with interest on loans improving by 31 percent, up from \$2.51 billion to \$3.29 billion.

#### CORE BUSINESS

In 2007/2008, JNBS also experienced admirable growth in its core business, achieving increases in Net Savings Intake and Mortgage Disbursement.

As at March 31, 2008, the Society had under management, some \$52.2 billion in depositors' savings, 22.5 percent more than the reported \$42.6 billion for the previous year.

In the 2007/2008 financial year, the mortgage portfolio comprising some 20,000 loans, increased by approximately \$6 billion, and at the end of the period, stood at \$28.1 billion. Some 1,714 new mortgages, valued at approximately \$7 billion were disbursed in the period, representing a 49 percent increase over the previous year.

#### ASSET BASE

The asset base of the organisation also grew during the last financial year. At the end of March 2008, records indicated that assets valued



## BUSINESS REVIEW

at some \$66 billion were held by JNBS. This represented a 20 percent increase in value when compared to the previous year's standing of \$55 billion.

### COMPLIANCE

The Society is fully compliant with the Bank of Jamaica's provisioning guidelines which require 50 percent provisioning for the principal balance of loans which are in arrears for more than 18 months. Debt provisions accounted for 2 percent of the total loan portfolio in the amount of \$581 million at the end of March 2008.

The organisation also ensures compliance with the requirements of the Jamaica Deposit Insurance Corporation in a bid to provide enhanced financial security for its members.



**FRANK WHYLLIE**  
GENERAL MANAGER



### JN SMALL BUSINESS LOANS LIMITED

JN Small Business Loans Limited (JNSBL) has maintained its position as Jamaica's leading microfinance provider, with 34,197 loans disbursed, at a value of \$1.4 billion. The current loan portfolio consists of 15,747 loans, valued at \$375.6 million. The average size of a loan to customers is \$22,795.

During the financial year 2007/2008, the organisation successfully:

- Increased the number and value of BizGrow loans disbursed by 7.3 percent and 21 percent, respectively
- Grew the number and value of loans in the BizStart portfolio by 9.5 percent and 89.8 percent, respectively, over the previous year
- Maintained the portfolio at risk over 30 days at 1.72 percent

The organisation continues to serve clients at 30 locations across the island and to maintain a strong field presence. Through our efforts, we are pleased to have contributed to the creation and maintenance of an estimated 19,697 jobs. After the passage of Hurricane Dean, we were able to provide emergency financing to assist customers to restore their business operations to pre-hurricane state.

During the year, two new loan products were introduced— BizBoost, which was offered to small businesses for expansion; and, the Tourism Enhancement Fund, which offered relief to small hoteliers whose properties were damaged as a result of Hurricane Dean.

A survey conducted by pollster, Bill Johnson, indicated that JN Small Business Loans Limited was the preferred choice for micro-financing, with 88 percent of those interviewed stating that they had recommended the organisation to a friend or family member.

JNSBL continued its relationship with the Jamaica Business Development Centre (JBDC) to provide training for BizGrow customers in the area of small business management. The programme content was modified to ensure relevance to customers in the context of our changing economic environment.

In the year ahead, JN Small Business Loans will continue to uphold its tradition of innovation, with the introduction of several new products, as it seeks to meet the financing needs of the country's micro-entrepreneurs.



## BUSINESS REVIEW



**KEITH SENIOR**  
GENERAL MANAGER



### JN FUND MANAGERS LIMITED

JN Fund Managers Limited (JNFM) closed the financial year 2008 with funds under management at \$13.2 billion, up \$1.3 billion or 11.2 percent over the previous year. During 2007/2008 the company grew its off-balance sheet funds under management from \$19.8 million to \$399.6 million. In less than a year of having been appointed an Agent for CI Mutual Funds, JNFM quickly moved up five places in a field of eleven authorised selling Agents, to being included in the top five performing companies.

These positive changes were accompanied by a \$46.6 million increase in pre-tax profits which rose to \$95.8 million, up 94.8 percent from last year. The results were achieved while maintaining high levels of customer satisfaction, an expanded range of products and services as well as a commitment to an aggressive yet disciplined approach to wealth creation.

Towards the end of the financial year, JNFM embarked on a programme to offer internet banking to customers. This facility, when completed, will allow clients to view accounts online, print statements and tax certificates, and make requests for several of the services which would normally require a visit to a JNFM office.

The management and staff of JNFM are highly appreciative of the support from their customers. The company re-commits to continuously reviewing product offerings to ensure market expectations are exceeded. Having established a strong capital base, sound corporate governance policies and strict adherence to regulatory standards, JNFM will continue to strive to be the investment company of choice.



**DUNBAR MCFARLANE**  
GENERAL MANAGER



### NATIONAL BUILDING SOCIETY OF CAYMAN

The 2007/2008 Financial Year was a productive one for the National Building Society of Cayman (NBSC). The Society returned net income of CI\$3.1 million (J\$263M), which compares very favourably with the net income of CI\$1.1 million (J\$94M) recorded in 2007. Primarily as a result of reductions in mortgage interest rates, Interest Income was marginally less than the previous year, while Operating Expenses escalated mainly because of insurance costs incurred in relation to mortgaged properties when "Hurricane Dean" threatened in August 2007. Efforts will be made to recover some of the latter costs.

The staff complement increased to twelve during the year, accounting for an increase of some 68 percent in Staff Costs.

The money transfer business increased by 20 percent; contributing some CI\$707,000



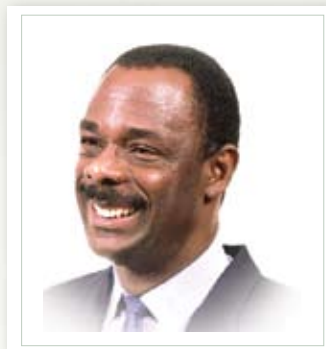


## BUSINESS REVIEW

(J\$60M) of total income, compared to CI\$589,000 (J\$50M) in the previous year. NBSC benefited further from the write back of an amount previously owed to fellow subsidiary, JN Money Services Limited. Significant income was also earned from JNBS for management services provided in relation to the block of mortgages sold to the Society in the previous year.

NBSC's net worth has now grown to CI\$5.4 million (J\$459M). Based on this positive development, the Board of Directors, with the blessing of the JNBS, has subsequently agreed to purchase the office premises now occupied at Trinity Square, Eastern Avenue, Grand Cayman, as well as two residences which will be occupied by employees. Given the success in the past year, NBSC is now more firmly placed to assert itself as the only Building Society operating in the Cayman Islands.

We wish to thank the Board of Directors, management, and staff of JNBS, as well as fellow subsidiaries, for continued assistance and support. We also thank our own staff, and the Management and staff of the Money Transfer Agencies for the role they continue to play in the development and growth of the NBSC.



EMILE SPENCE  
GENERAL MANAGER



### JN MONEY SERVICES LIMITED

The last financial year was successful for JN Money Services Limited (JNMS) in its remittance and bill payments services. This, despite changes in the macroeconomic conditions and regulatory controls in Jamaica and source countries.

JNMS continued to experience sustained growth in existing markets while increasing transfer penetration growth in new markets. In addition to markets in the United States of America, Canada and the United Kingdom, JNMS increased its presence in the Caribbean by launching operations in Dominica, having previously commenced operations in the Cayman Islands, and St. Vincent & The Grenadines.

The company has a network of 150 agents and 20 branches in the overseas markets which provided remittance services to Jamaicans in the Diaspora. The JN Money Transfer brand achieved growth of 14 percent over last year from the overseas markets.

JNMS Caribbean and Latin American network extends across CARICOM states, the Dutch Caribbean, the French West Indies and Bermuda



## BUSINESS REVIEW

as a result of our partnership with MoneyGram. On outbound remittances, JNMS offers the service through the JN Money Transfer brand and MoneyGram. JN Money Transfer grew by about 20 percent for financial year 2007/2008. The intra-island remittances transactions experienced a growth of 44 percent as our branches maintained great service quality to our customers and a better priced product.

We set out to expand the bill payments facility during the year. One major move was the agreement between JNMS and Jamaica Public Service to operate the bill collection facility at 16 JPS locations across the island. These locations are operated under the JN Money Shop Xpress brand managed by the JN Community Banking Unit.

Since taking over these JPS locations, a survey done by pollster Bill Johnson showed that there was a 98 percent customer satisfaction rate based on their experience at the JN Money Shop Xpress locations. The survey also pointed out that 55 percent of customers have a more favourable opinion of JNBS and 40 percent of JPS.

With the addition of JPS, we also signed on new companies such as Guardian Life and Blue Cross. We now collect bill payments for some 20 companies under our Bill Pay facility. Our bill payment transactions increased by 32 percent over financial year 2006/2007.

JNMS has remained a good corporate citizen by providing assistance to the education, health and sports sectors.

The remittance market worldwide is predicted to grow at a much slower rate due to the issues of migration, economic conditions and increased regulatory and compliance requirements. However, JNMS is committed to contributing to the growth of the JN Group and the benefits of its members. We intend to sustain growth opportunities in existing markets while picking up momentum in new markets. We will continue to put our customers first by offering them better value, world class customer service, new technology innovations and an attractive product based on our network.



**DONNA CARROLL**  
GENERAL MANAGER



### THE CREATIVE UNIT LIMITED

The artistic input of The Creative Unit Limited (TCU) continues to add value to the marketing and corporate image of the JN Group.

TCU is extremely proud of the development and execution of the JN Group 2008 calendar "Historic Stamps of Jamaica", which received favourable feedback locally and from the overseas markets.

Over the past year, the Event Planning section has conceptualised and implemented a number of memorable events using novel ideas which have generated interest from many persons outside the JN Group. Among the list of stellar staging have been the JN Professional Administrators' and Secretaries' Luncheon, the PSJO Economic Forum Breakfast and the Launch of Young Professionals Network of Jamaica. TCU extended its services overseas with the execution of the JN Florida Annual Customer Appreciation Day.

The printing services implemented in 2007 have been expanded and TCU now has the capacity to take on more in this area.

As we continue to grow our business, Digital Editing is targeted to come onstream in July 2008. TCU will be responsible for the production of engaging and informative JN-related video clips for broadcast on the LCD screens mounted in JN locations.



## BUSINESS REVIEW



SHEREEN JONES  
GENERAL MANAGER



### MANAGEMENT CONTROL SYSTEMS AND SUBSIDIARIES JAA AND MCIS

The financial year 2007/2008 was a good one for Management Control Systems (MCS), characterised by pre-tax profit of some \$90 million, increasing efficiencies and innovative new offerings. Chief among the company's achievements were:

- A 75 percent increase in net profits before tax due primarily to higher rates for Transaction Processing and the return of Corporate Sales & Services to profitability
- Achievement of Microsoft Gold Certified Partner, HP Platinum Partner and Verifone VIP Partner certification
- The launch of an IT Consulting Practice
- The introduction of mobile terminals by the Transaction Processing Division, and
- The expansion of the Transaction Processing Division into new regional markets

The pending sale of the Transaction Processing (TP) Division had the positive impact of forcing the organisation to focus on increasing efficiencies elsewhere, and leveraging our existing technology base to accommodate other areas of endeavour. This included the creation of parking solutions, enhancing the ADVANCE product offered by MCIS, and upgrading our

payment processing application to maintain its relevance in this local market and throughout the region.

In the coming year, MCS efforts will be driven by the following principles:

- Focus on value-added solutions for the small and medium business sector
- Focus on deepening relationships with key customers, especially across the JN Group
- Focus on strengthening the Verifone and Microsoft relationships, as these represent niche solution areas for MCS
- Providing holistic solutions that combine the services of the JN Group in a seamless way to our customers, and
- Increasing internal efficiencies

MCS will acquire the remaining 25 percent of our subsidiary, Manufacturers Credit and Information Services Ltd., thus making that company a fully-owned subsidiary.

Even as we refocus, we will also promote new solutions and launch several which are already in the pipeline, thereby restoring the spirit of innovation for which the company is well-known.

## MCIS

### MANUFACTURERS CREDIT AND INFORMATION SERVICES LIMITED

During the 2007/2008 financial year Manufacturers Credit and Information Services Limited (MCIS) maintained its market dominance of the local vehicle-expense management market, in spite of the entrance of new competition. Ongoing enhancements to the newly-added vendor and corporate customer portals continue to increase the flexibility of the system and the value of the data provided to all ADVANCE partners. MCIS also provided the highest level of customer service and has increased its customer base both locally and overseas.

During the year, in response to customer demand,

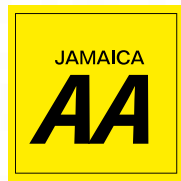


## BUSINESS REVIEW

MCIS commenced critical projects to improve processing speed at the pumps and operational efficiency. Pilot projects for these enhancements are in place and will be implemented in the new financial year.

The company continues to increase its technology infrastructure, service delivery to partners and faster transaction processing speeds. Additionally, MCIS and MCS will add fully integrated fuel and convenience store management solutions for gas station retailers to its suite of solutions.

Working with MCS and JAA, MCIS will provide innovative solutions to the motoring public to the both corporate and retail markets.



### JAMAICA AUTOMOBILE ASSOCIATION

During the last financial year, the Jamaica Automobile Association (JAA), experienced significant growth in the provision of services to corporate clients. The organisation continues to be the leading motoring club in Jamaica offering services to four major insurance companies, several car rental companies and other corporate entities.

### PRODUCT DEVELOPMENT

The JAA has introduced GPS based tracking and navigation devices to chart travel routes. The Association is now the exclusive dealers for Tramigo T22 tracking devices, partnering with Mona GeoInformatics Institute to offer navigation.

Last year the JAA introduced its new website using new e-commerce technologies to facilitate on-line sign up. The site also provides critical road safety information to members, details of the Show Your Card & Save (SYC&S) discount programme, and provides links to partner websites locally and overseas.

New technologies to improve membership

database management were also introduced. The software, MConnect, will result in faster turn-around-times to produce membership cards.

Given the global appeal to tourists, the JAA joined the Jamaica Hotel and Tourist Association to develop strategic partnerships with tourism interests.

### MEMBER DISCOUNTS

Some of the major achievements during the financial year were:

- Expansion of the SYC&S programme. Merchant partners increased from 50 to more than 150.
- Signing of reciprocity agreement with the AAA to bolster the SYC&S programme, placing it on par with automobile clubs internationally
- Integration of discounts under the SYC&S programme with JNBS member benefits

### ROAD SAFETY EDUCATION

Key accomplishments during the period included:

- Road Safety Advocacy Forum in May Pen, Clarendon in October 2007, to facilitate discourse about the impact of road fatalities
- Road Safety Expo as part of Road Safety Week Celebrations, May 2007
- Some 11,000 signatures gathered in support of the FIA Make Roads Safe global campaign. Prime Minister the Hon. Bruce Golding signed the "Make Roads Safe" Petition in March 2008 joining former Prime Minister, the Most Hon. Portia Miller Simpson in support for the campaign.

During the 2008/2009 financial year, the JAA will implement a local campaign in support of the FIA Make Cars Green global environmental initiative. This campaign aims to reduce the negative impact of cars on the environment. The JAA will also collaborate with the National Road Safety Council to sponsor the "Save 300 Lives" road safety education project in May 2008.





## BUSINESS REVIEW



**CHRIS HIND**  
ACTING GENERAL MANAGER



### **NEM INSURANCE COMPANY (JA.) LIMITED**

NEM Insurance Company (Ja.) Limited is one of the largest and most profitable general insurers, with premium growth of approximately 28 percent in the financial year ended December 2007. This growth translated into gross revenues of more than \$3.2 billion for the year. As a result, NEM maintained the industry's largest capital base, even as it continued to reduce the company's loss ratios in comparison to previous years.

In spite of the impact of Hurricane Dean in 2007, NEM remarkably improved its core profitability and its overall pre-tax profitability.

During 2007, the company continued the roll-out of Sirius, the new operating technology platform and other major initiatives, which equipped NEM to conduct business more efficiently.

The streamlining of back office operations assisted the company to improve service to intermediaries; and the focus on technical underwriting has enabled more effective risk management. The expansion of operations in JNBS branches and increased presence of the broker management team established new synergies for the direct and indirect lines of business.

The emphasis on major operational initiatives in 2007 has enabled the organisation to focus on the expectations of its shareholders, mainly, in the areas of operational efficiency, profitable underwriting and the delivery of key business initiatives through improved relationship management with its intermediaries.



**ARNIE FRANCIS**  
GENERAL MANAGER



### **JN FINANCE LIMITED**

Following the full acquisition of Pelican Finance by the Jamaica National Building Society (JNBS) in February 2008, the company was rebranded and named JN Finance Limited. A new strategic focus was developed to expand its product line to include consumer loans. In particular, auto loans and other credit facilities such as working capital, construction, equipment and bridge financing will be among prime areas of focus.

Despite a rugged year for lending, JN Finance Limited ended the 2007/2008 financial year with a credible performance with after tax profit moving to \$9.5 million, an increase of 81 percent over last year's figure of \$5.2 million. The profits are partly attributable to some 220 new loan accounts, which moved its portfolio to \$378 million in 2008, up from last year's \$352 million. Net interest income grew by 30 percent to \$37.8 million at the end of the financial year compared to \$29.1 million at the end of 2007.

In keeping with the company's mission statement, JN Finance Limited will continue to deliver tailored financial solutions to meet the specific needs of its customers.



## TOP PERFORMANCE



**SACHA NEIL,**  
SANTA CRUZ BRANCH  
EMPLOYEE OF THE YEAR 2007/2008

### SHOWING MEMBERS A GLIMPSE OF PERFECTION

"With zealous diligence, she performs her duties as Member Ambassador at the Santa Cruz Branch," Alethia Peart, Branch Manager, says as she describes Sacha Neil, Jamaica National Building Society's top employee for the 2007/2008 financial year.

Serving JNBS since April 2006 when she joined the Society as a HEART Trainee, "Sacha's charismatic and dedicated attitude towards her daily work, made her an instant hit with members and customers who still customarily make a beeline to her work station each time they visit the branch," Mrs. Peart relates. In fact, she was Employee of the Fourth Quarter in 2006.

"She is good with people and this makes her challenging work appear much easier than it really is," Mrs. Peart points out, adding that Sacha's hidden talent is her ability to pinpoint issues before they escalate into negative experiences for members. "And her ability to identify member needs is highly commendable," the Manager adds.

"I believe it is employees like Sacha who complement the enviable JNBS track record of good customer satisfaction."

At 28 years old, it was not long after she was employed to JNBS that Sacha Neil progressed through the ranks of part-time teller and then full-time teller to eventually become the person of initial reference at the Santa Cruz Branch.

The Operations Manager at the branch is delighted that Sacha understands the important role she plays in advancing the Society's business, "as it is the frontline staff members who either make or break the Society's good name. Indeed, training has gone a far way in honing Sacha's latent skills and now she is one of the stars among us."

"I believe that if you look at the big picture as being perfect, when you add the human element to that perspective, the result is always a win-win; both for the member and the Society," comments Miss Neil, who notes that her service philosophy is not an overly optimistic one.

"Members do not expect anything but satisfaction when they come to JNBS, so if their expectations are met, then that's perfect. As a matter of fact, JNBS members are realistic and know the constraints of financial transactions, so although they acknowledge that ultimate perfection is not always possible, my job boils down to my showing members a glimpse of the perfection they expect," she says.

Miss Neil, who was recognised by the Branch's management, both in October and November 2007 as Employee of the Month, habitually demonstrates a willingness to go the extra mile, and says, "the fact that St. Elizabethans are warm and friendly by nature, affords me the ability to recall the unique traits of each member, and then give them special recognition each time they do business with us."

"It is always easier to relate to a friend than to a stranger, so I treat each member as though they are special to me," continues Miss Neil who emphasises that in her style of customer service, "unconditional, positive regard plays a major role in making members feel comfortable in discussing their financial matters or simply asking for information."

Born and raised in Santa Cruz, Sacha says that although she sometimes knows her members personally, she never assumes.

"I operate from the simple basis that one cannot obtain information other than by asking and not only that, listening keenly to what the member says in reply," Miss Neil remarks.



## COPORATE SOCIAL RESPONSIBILITY

The Jamaica National Building Society, based on its principle of “mutuality” continues to make significant contributions to national development through its support for education, health, culture, sports and infrastructural developments in communities where members reside.

During the past year, the Society, through its Foundation, demonstrated its Corporate Social Responsibility supporting projects that stimulated change and enhanced the lives of a wide cross section of people in rural and urban sections of the country. A majority of these projects are sustainable, and in the medium and long term, will improve the social focus and well-being of our citizens.



### JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION

The philanthropic arm of JNBS the Jamaica National Building Society Foundation was successful in fulfilling its mantra of ‘building partnerships...changing lives’ for yet another year, with continuing focus on rural regeneration, health, housing, education, youth and community, crime and safety, and sports and culture.

This was accomplished through an allocation of more than J\$58 million for community projects, and by strengthening and widening partnerships with JN Group employees, as well as private and public sector entities. More than 65 initiatives benefited from financial and technical assistance during the year, with a ten percent increase in the available pool of funds over the previous year.

In 2007/2008, the JNBS Foundation addressed a wide range of social issues, fostering greater consciousness and increased self-sufficiency in communities across the island.

### RURAL REGENERATION

Since 2003, the H. A. ‘Tony’ Clarke Rural Development Programme has provided direct technical and financial support to fuel development in rural Jamaica. Assistance is provided in four main areas: job creation and health promotion; development of productive livelihoods; challenge grants to facilitate the work of community-based organisations; and annual postgraduate grants for solution-oriented research on rural issues.

In 2007, the Point Hill Diagnostic Centre (PHDRC) in St. Catherine was awarded a \$3 million challenge grant, disbursed over three years, to sustain its remedial literacy and numeracy programme and testing for under-performing primary school students in that community. The school in the community serves seven neighbouring settlements and only achieved 51 percent mastery in the 2005 Grade Four Literacy Test. The Centre is focussing on rebuilding the foundation for a solid education to pave the way for social and economic mobility.

### YOUTH ZOOM

Partnering with the United Nations Population Fund (UNFPA) and the Jamaica Library Service, the Foundation sponsored the 2007/2008 Youth Zoom High School Photography Competition. More than 234 photo-essays were submitted by 44 rural schools; and students demonstrated increased skill, a superior understanding of advocacy, as well as awareness of the critical issues affecting their communities. This was the fifth year of the competition, which was won by Spanish Town High School student, Chevon Stachwell, whose entry titled, “Who Cares?”, depicted the hopelessness of a teenage boy who left school to work in a market and provide for his family.

### HURRICANE DEAN RECOVERY

As part of the recovery effort, following the passing of Hurricane Dean on August 19, 2007, the Foundation hosted a series of consultative meetings across the island. These included Old Harbour Bay, Morant Bay, Treasure Beach





## CORPORATE SOCIAL RESPONSIBILITY

and Portland Cottage. Held in concert with the Adventist Development and Relief Agency (ADRA), the meetings involved Jamaicans in the Diaspora, through internet streaming of live broadcasts and facilitated the design of response programmes. The Foundation also financed a school feeding programme for students whose lives were disrupted by the hurricane.

### PUBLIC ACCESS TO DEFIBRILLATION

The October 2007 launch of a \$2 million Public Access to Defibrillation programme, in collaboration with the Heart Foundation of Jamaica, has provided the Jamaican public with access to live-saving equipment for use in heart-related emergencies. Ten defibrillators have been placed in public areas across the island. They include the Percy Junor Hospital, Montego Bay Civic Centre, the National Stadium and Arena as well as select JNBS branches: Half-Way-Tree, Spanish Town, May Pen, Savanna-La-Mar, Linstead, Morant Bay and Brown's Town. Twenty-four volunteers including JNBS staff were trained and certified in the use of the defibrillators and CPR techniques, and are now equipped to offer first aid to heart attack victims.

### OPERATION LIFE

During the year, the Foundation also provided financial support to persons who were in need of medical operations including facial reconstruction, cancer treatment and surgery. Support was also given to the National AIDS Committee to fund the back-to-school expenses for children from rural parishes who are infected and affected by HIV/AIDS.

### 'ROAD SAFETY IS NO ACCIDENT' FORUM

Following on the Jamaica Automobile Association's (JAA) support of the first United Nations Global Road Safety Week in April 2007, the JNBS Foundation joined forces with the JAA to host an advocacy forum to educate the public about the importance of proper road safety practices. The 'Road Safety is No Accident' Advocacy forum was held in May Pen in October 2007.



Leesa Kow (2nd right), Marketing, Promotions, and Sales Executive, chats with track and field athlete Kaydon Davis (left) of St. Mary's College; and Kerri-Kaye Lamb and Steven Kerr of Oberlin High School during a media launch of the 2008 ESSSA Championship at the Terra Nova All-Suite Hotel on January 23.



The 2007 JNBS GSAT scholarship recipients visited the Chief Office for a Reception hosted in their honour in September 2007.



Earl Jarrett (left), JNBS GM, and Paulette Simpson (right), Chief Representative Officer, JNO U.K., listen intently to a point made by Amy McFarlane of the Returned Residents' Association of Mandeville. The Group was at a Pension Expediter Seminar hosted by JNBS at the Association's Headquarters on October 16.





## CORPORATE SOCIAL RESPONSIBILITY

### VIOLENCE PREVENTION ALLIANCE

To encourage enhanced community relations with a view to quelling the increasing level of crime affecting Jamaicans, the Foundation also pledged \$3 million to the Violence Prevention Alliance (VPA) in September 2007 for distribution over three years. The funds are assisting the VPA in implementing extensive work plans to increase the success of violence prevention programmes in the areas of research and development, education and reporting, technical assistance for associated programmes, funding acquisition, policy development, and advocacy.

### EMPLOYMENT OPPORTUNITIES FORUM

Minister of State in the Ministry of Labour and Social Security, Hon. Andrew Gallimore, was among the presenters who identified a number of solutions for the growth of employment in the parish of Hanover at the 'Opportunities for Employment' advocacy forum hosted by the Foundation in collaboration with the Hanover Chamber of Commerce in Lucea during October 2007. Residents were presented with numerous opportunities for direct and indirect employment in the parish, and explored prospects in the areas of tourism, manufacturing, agriculture and construction. The forum was successful in forging greater linkages towards increased sustainable development.

### BRANCH ADVISORY COUNCILS

In carrying out the corporate social responsibility of the JN Group, employees continued the work of the JNBS Branch Advisory Councils (BAC), established in most of the Society's 24 locations across its branch network. The Councils were convened to provide an avenue for further involvement of staff in enhancing the facilities in the communities where they live and work. In 2007, more than 50 projects were undertaken; approximately 94 percent of the projects have been completed to date.

Recipients of larger projects undertaken by the Branch Advisory Councils (BAC) in 2007 included:

- The Dallas Castle Community Project, which received \$230,000 to boost literacy and numeracy in five communities in St. Andrew

- The Ginger Ridge Community of St. Catherine benefited from \$400,000 for its water supply project
- The Sydenham Community Centre was granted \$200,000 to build a water tank, and
- The Hinds Town Humble Lion Youth Club Community Project received \$700,000 for the partial construction of a Community Centre.

Other BAC projects included:

- Support for a geriatric clinic through the Lions Club of North St. Catherine
- Re-establishing a chicken-rearing project at Garvey Maceo High School
- Purchase of motor cycles for the Prospect and Ocho Rios Police Stations
- Provision of garbage disposal bins for a clean up campaign by the Montego Bay Chamber of Commerce, and
- Purchase of a welding plant for HEART/ NTA's Broadgate Training Centre

The Councils also placed much emphasis on providing a safe and comfortable learning environment for primary and secondary students by:

- Constructing a shed at the RJR Basic School, and a perimeter wall at Lacovia Basic School
- Building a staff room and sick bay for Hamstead All Age School
- Providing play equipment for the Martha Brae Basic School
- Erecting flashing lights for the Port Antonio Primary School in association with the Jamaica Public Service Company (JPS)

The JNBS Foundation continues its work in supporting projects and programmes that contribute to national development in line with Vision 2030, for the improvement of Jamaicans and Jamaica.



## CORPORATE SOCIAL RESPONSIBILITY



### THE SOURCE: A SOCIAL ENTERPRISE FRANCHISE

The Source, in August Town opened on April 16, 2007, became the pilot for a Social Enterprise Franchise established by Jamaica National to promote sustainable economic and social development in under-served communities across Jamaica.

An all-inclusive community resource centre, The Source quickly ushered residents of August Town into a new era of financial services and personal development programmes. The Source houses an Internet Café, resource library and meeting room, as well as computer classes, and offers a career and job placement programme administered by the University Township Project. To date, more than 100 August Town residents have been successfully employed through the job placement programme.

In September 2007, The Source collaborated with the Jamaica Business Development Centre (JBDC) to launch its Business Information Centre (BIC). The BIC provides personalised consultation for micro and small business entrepreneurs, including business plan development and writing, administrative services, marketing, industry research, and loan funding through JN Small Business Loans Limited.

Plans are well-advanced to replicate the concept of The Source in three communities. These include Boucher Park and Marverly in St. Andrew and Ocho Rios in St. Ann. The Source Boucher Park is expected to open in late 2008, and will serve the surrounding communities of Hagley Park and Maxfield; while The Source Marverly will benefit residents of Drewsland, Waterhouse, Hughenden, Patrick City, Molyne's Gardens, Pembroke Hall and Washington Gardens. The Source St. Ann is being established in association with the St. Ann Chamber of Commerce.



Llewelyn Bailey (left), Assistant General Manager, Jamaica National Building Society (JNBS), listens attentively to Ronnie Miller-Brown (right), Sales Manager at Appliance Traders Ltd, as she explains the features of the Maytag industrial washing machine which was donated by both organisations to the Best Care Children's Home. Examining the machine is Jean Barrett of the JNBS HR Department and Orville Johnson, Chairman of the Home.



More than 260 staff members of the JN Group participated in the Relay For Life event on June 9, 2007 at the Police Officers' Club in Kingston. The event, which attracts more than 3,000 persons yearly, is organised by the Jamaica Cancer Society to raise funds to support its cancer awareness education programme. The Group raised approximately \$460,000.



Marvin Douglas (centre), Customer Service Representative at the Papine Branch, shares the joy of Christmas with two residents of the Golden Age Home (Cluster H), in Vineyard Town, Kingston. Occasion was the annual JNBS Christmas Treat held on December 14. A total of 66 senior citizens received gift packages.



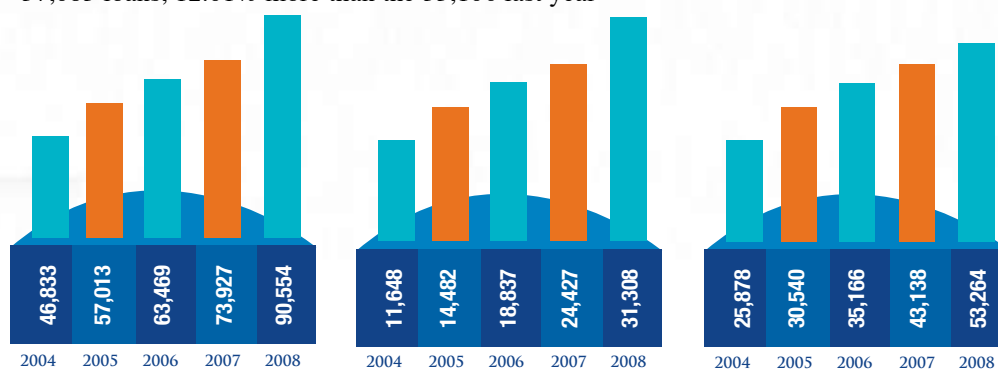
Representatives of the Member Care Centre with Ricardo Francis (in wheelchair), a resident of Sophie's Place operated by the Mustard Seed Communities. From left are: Treena Jackson, Agent; Carol Madden, Manager, and Giselle Johns, Agent. Partially hidden is another resident of the home.



## FINANCIAL HIGHLIGHTS

JNBS GROUP	2004	2005	2006	2007	2008
TOTAL ASSETS (J\$ M)	46,833	57,013	63,469	73,927	90,554
CAPITAL & RESERVES (J\$ M)	10,471	13,691	12,792	14,101	17,649
LOAN BALANCES (J\$ M)	11,648	14,482	18,837	24,427	31,308
TOTAL SAVINGS FUND J\$ M)	25,878	30,540	35,166	43,138	53,264
LIQUID FUNDS (J\$ M)	32,672	39,381	40,179	44,922	50,937
REVENUES (J\$ M)	8,868	9,206	9,483	10,595	15,578
SURPLUS BEFORE TAXES (J\$M)	2,817	2,410	1,745	1,998	5,366
NUMBER OF LOANS	21,784	25,832	28,239	33,106	37,083

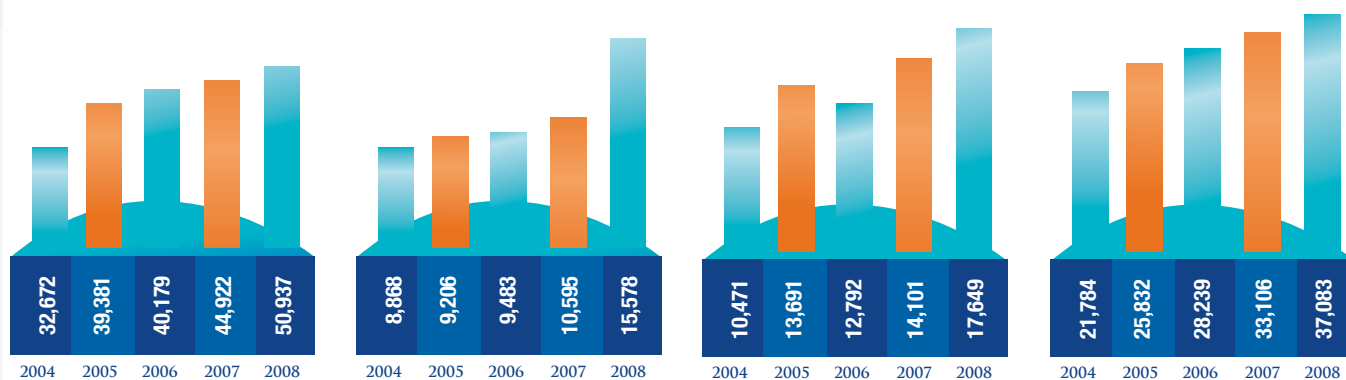
- Total assets up 22.49 % from \$73.93 billion to \$90.55 billion
- Surplus before tax \$5.37 billion, up 168.57% from \$1.99 billion last year
- Capital & Reserves up 25.16% from \$14.10 billion to \$17.65 billion
- Member savings balances up 23.47% from \$43.14 billion to \$53.26 billion
- Loans to members up 28.17% from \$24.43 billion to \$31.31 billion
- Liquid Funds up by 13.39% from \$44.92 billion to \$50.94 billion
- Total Revenues up 47.02% from \$10.59 billion to \$15.58 billion
- 37,083 loans, 12.01% more than the 33,106 last year



TOTAL ASSETS ( J\$ M)

LOAN BALANCE ( J\$ M)

TOTAL SAVINGS FUND ( J\$ M)



LIQUID FUNDS ( J\$ M)

TOTAL REVENUES( J\$ M)

CAPITAL AND RESERVES( J\$ M)

NO. OF LOANS ( J\$ M)



## EXECUTIVES



**LLEWELYN BAILEY**  
ASSISTANT GENERAL MANAGER

A 39-year veteran of the Society, Llewelyn Bailey is the Assistant General Manager providing executive resource support in several areas, including business continuity planning, process improvement, human resources, and industrial relations.

Mr. Bailey has also served in the capacity of Branch Manager, head of the Human Resources and Administration Departments and Chief Information Officer.

He is a Trustee of the Contributory Pension Fund for JNBS and Subsidiary Companies and a Director of JETS Limited, Management Control Systems and the Best Care Foundation; he is also a Junior Chamber International Senator.



**CARLTON BARCLAY**  
ASSISTANT GENERAL MANAGER  
FINANCE, ADMINISTRATION & PLANNING

Carlton Barclay is a Chartered Accountant with responsibility for Treasury, Finance, Foreign Exchange, Administration and Corporate Planning. Mr. Barclay is mandated to lead the financial management of the JN Group. He also represents the Society in the capacity of Director on the Boards of a number of companies.

He is Chairman of the Current Affairs Committee of the Institute of Chartered Accountants of Jamaica (ICAJ) and a Director of the Road Maintenance Fund of the Ministry of Transport & Works.



**WENDELL SMITH**  
ASSISTANT GENERAL MANAGER  
MANAGEMENT INFORMATION  
SYSTEMS & OPERATIONS

Wendell Smith joined JNBS in April 2003 as Chief Information Officer with responsibility for Management Information Systems/ Information Technology. He was appointed Assistant General Manager in 2005 with added oversight of the Society's operational processes.

Mr. Smith is Chairman of MCS, and previously held the position of General Manager. He has served on several technology committees advising both the private and public sectors on IT strategy and policy.





## EXECUTIVES



**DELROY BOWEN**  
COMPLIANCE & SECURITY

A 36-year veteran of the Society, Delroy Bowen is the Group Compliance & Security Executive with responsibility for monitoring operational compliance and adherence to industry regulations and best practices; and ensuring the organisation's overall efficiency and security of the Society's assets, its members and staff.

Mr. Bowen is a former president of the Jamaica National Managers' Association (JANMAS), and the Building Societies Cooperative Credit Union (BSCCU). He is a Director of the BSCCU and a member of the International Association of Financial Crimes Investigation.



**LEESA KOW**  
MARKETING, PROMOTIONS AND SALES

Leesa Kow is the Group Marketing, Promotions & Sales Executive with responsibility for planning, coordinating and managing the marketing, promotions and sales functions of the Society and companies within the JN Group.

Miss Kow also spent three years as a Senior Manager spearheading remittance operations, with responsibility for three fast moving services namely, JN Money Transfer, JN Bill Pay and JN FX.

Her professional experience includes business development, research, sales and marketing in various industries including financial services, insurance, remittance and telecommunications. She is the Principal Dancer with the Movements Dance Company of Jamaica.



**LEON MITCHELL**  
BUSINESS DEVELOPMENT

Leon Mitchell is the Group Business Development Executive with responsibility for identifying and implementing strategic business opportunities locally and overseas. Since joining the Society in 1999, he has been appointed to several positions including Chief Executive Officer, Corporate Secretary and Overseas Business Development Executive for Jamaica National Overseas (USA) Inc, Jamaica National Overseas (UK) Limited and Jamaica National Overseas (Canada) Ltd.

Mr. Mitchell is a member of the Kiwanis Club Kingston; Kingston Cricket Club; President of the Kingston Commissioner football team, and Technical Director of the Shortwood United football team for the 2008-2009 season.



## EXECUTIVES



**WANICA PURKISS**  
MORTGAGE & OPERATIONS

Wanica Purkiss, who has been with the Society for 35 years, is the Executive with responsibility for Mortgage and Operations.

She is mandated to lead the development of JNBS's core business, mortgages, and to ensure that operational structures support the delivery of initiatives which stimulate expansion, and position JNBS as Jamaica's leading mortgage provider.

Mrs. Purkiss has earned a reputation as one of Jamaica's leading authorities on mortgages.



**MARY SMITH**  
CHIEF RISK OFFICER, RMU

Mary Smith is the Executive with responsibility for the JN Group's Risk Management function, which involves establishing, cascading and maintaining an enterprise-wide risk management framework in the organisation for the management of credit, market, operational, business and strategic risk.

Mrs. Smith previously held the position of Executive with responsibility for Corporate Planning, Budgeting & Special Projects.

She is a Director of JN Small Business Loans Limited and the JNBS Foundation; member of the Global Association of Risk Professionals and the International Association of Investment Management & Research; a mentor on the UWI Mentorship Programme for the past ten years; and serves as an Associate in several departments of the Andrews Memorial Seventh-day Adventist Church.



**CARMEN E. TIPLING**  
CORPORATE COMMUNICATIONS

Carmen E. Tipling is the Group Communications Executive with responsibility for shaping and guiding the communication strategies and programmes of the Building Society and its subsidiaries. She is also charged with developing and implementing initiatives to ensure the effective operations of the JN Member Care Centre.

Prior to assuming her position at JNBS, Mrs. Tipling was the Chief Executive Officer at the Jamaica Information Service (JIS), an Executive Agency of the Government of Jamaica. She has a record of sterling contribution to the development of Public Relations in Jamaica; and as a Lecturer at the Institute of Management and Production, now part of the University College of the Caribbean (UCC), worked to develop the craft among aspiring communicators.

She is a Director of Power 106 FM; a Lifetime Member of the Press Association of Jamaica (PAJ); and a member of the Public Relations Society of Jamaica (PRSJ).



## GENERAL AND SENIOR MANAGERS



**PHILIP BERNARD**  
GENERAL MANAGER,  
COMMUNITY BANKING AND  
ATM SERVICES



**PATRICIA AUSTIN**  
INSURANCE SERVICES



**JOY BRADY**  
GROUP FINANCE



**JOSCELYN CAMPBELL**  
COMPLIANCE AND SECURITY



**PAUL COLE**  
GROUP CONSULTANCY  
& RESEARCH



**MICHAEL EVELYN**  
DATABASE AND  
DIRECT MARKETING



**MICHELE POLLARD GONZALEZ**  
CUSTOMER SERVICE &  
QUALITY ASSURANCE



**TIFFANY GORDON**  
GROUP SENIOR MANAGER



## SENIOR MANAGERS



**TONYA GRANT**  
GROUP AUDIT



**CHERYL LEVY**  
RISK



**DEIKA MORRISON**  
CHIEF RESEARCH OFFICER



**ELAINE RIETTIE-PITT**  
GROUP INVESTMENT  
ADVISOR



**ANTHONY ROBINSON**  
INTERNAL PROCESSING CENTRE



**TAMARA SILVERA**  
TREASURY



**ERROL STAIR**  
OPERATIONS AND INTERNAL  
PROCESSING CENTRE



**ANTHONY WALTER**  
ADMINISTRATION





## REGIONAL MANAGERS



**CATHERINE BROWN**  
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



## JNBS OVERSEAS OFFICERS



### JNBS REPRESENTATIVE OFFICE, USA

#### MARGARET BARRETT

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

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

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



## CHIEF OFFICE & OVERSEAS MANAGERS

**PAULA ATKINSON**  
Performance Management Specialist

**GEORGE BAKER**  
Internal Processing Centre

**OBINNA BLAKE**  
Enterprise Project Management Office

**CAROL BARRETT**  
HR Business Partner

**PATRICK BARRETT**  
Security

**JUDY BENJAMIN**  
Sales

**DAVIA BROWN**  
Finance

**RICHARD BROWNE**  
Product & Business Development  
Internet Websites

**BEVERLY BURNETT**  
Customer Service and Quality  
Assurance

**MAXIMILIAN CAMPBELL**  
Learning & Development

**SIMONE CHAMBERS**  
Business Planner

**SHERON CHUNG**  
Assistant Treasurer

**MAXIEN DAVIS**  
Mortgage

**MICHELLE DINALD**  
Employee Benefits

**ESTHER FRANCIS HILL**  
HR Business Partner

**TAWANA GRAY**  
Finance

**JANICE HENLIN**  
Marketing & Advertising

**JEROME HENRY**  
Mortgage Credit Analyst

**CARLA HENRY-FARQUHARSON**  
Internal Audit

**GILLIAN HYDE**  
Financial Planner

**GAIL KAMICKA**  
HR Business Partner (NEM Insurance)

**KATHLEEN LYN**  
IT Testing

**CAROL MADDEN**  
Member Care Centre

**KEISHA MELHADO**  
Mortgage Centre

**JENNIFER NUNES**  
Market Penetration Representative

**CHERYL GARDNER MORANT**  
Finance

**JANICE MCINTOSH**  
Promotions

**ROSE MILLER**  
Mail & Courier Services Unit

**PHILLIP POWE**  
Applications & Database Management

**MITZIE SAMUELS**  
HR Business Partner

**WESLEY SCOTT**  
National Mortgage Sales Coordinator

**LAURA CLAIRE STEWART**  
Special Projects

**MARIE STEWART**  
Corporate Communications

**BEVERLEY SUDINE**  
Compliance

**SHELLY-ANN WALKER**  
Compliance

**ELAINE WILLIAMS**  
Legal & Securities

**JENNIFER WILLIAMS**  
HR Business Partner

**MARIE WILLIAMS**  
Office Services

**NIGEL THOMAS**  
Technical Services

**MICHAEL WHYTE**  
IT Incident & Problem Management

### 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

**RHODA LEE**  
Jamaica National Overseas  
(U.K.) Ltd.



## BRANCHES, TEAM LEADERS & MEMBER AMBASSADORS

### REGION 1

#### HALF-WAY-TREE

2-4 Constant Spring Rd  
Kingston 10  
Tel: 929-8052-3, 968-1290,  
Fax: 968-6595  
Team Leader - Janice Mills  
Ambassador - Anna Hutchinson

#### NEW KINGSTON

10-12 Grenada Crescent  
Kingston 5  
Tel: 929-3734-7, 926-6871  
Fax: 906-8720  
Team Leader - Catherine Brown  
Ambassador - Tanya Lindo

#### DOWNTOWN KGN.

32 Duke Street, Kingston  
Tel: 922-3905/6, 922-3366/7  
Fax: 922-2869, 948-334  
Team Leader - Sharon Spence  
Ambassador - Andrea Wright-Anderson

#### MORANT BAY

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

### REGION 2

#### CHRISTIANA

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

#### JUNCTION

Shop #7, Roye's Shopping Centre  
Junction P.O., St. Elizabeth  
Tel: 965-5387, 965-5959  
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 - Michelle Boothe-Hall

#### SANTA CRUZ

85 Main Street  
Santa Cruz, St. Elizabeth  
Tel: 966-2231, 966-2742,  
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  
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 - Tanesha Lewis

#### SPANISH TOWN

26-28 Wellington Street  
Spanish Town, St. Catherine  
Tel: 984-2473, 984-2637,  
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 - Dwight Griffiths

#### LUCEA

Moseley Drive  
Lucea, Hanover  
Tel: 956-2344  
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  
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  
Brown's 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 - Bernard Comrie  
Ambassador - Cheri Powell-Henry

#### 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

Shop #11, Hudson's Plaza  
Gayle, 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  
Fax: 993-9670  
Team Leader - Edison Taylor  
Ambassador - Charlene Watson

#### PORT MARIA

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

#### JN FINANCIAL CENTER

Barbican Square (Loshusan)  
29 East Kings House Road,  
Kingston 6  
Tel: 978-2253; 927-6221  
927-3853  
Team Leader & Member  
Ambassador - Shani Maxwell

#### MONEY SHOPS

Barbican, AZMart,  
34 East King's House Road,  
Kingston 6  
Tel: 978-5484  
Fax: 927-8519

Spanish Town Road  
45 Spanish Town Rd.  
Kingston  
Tel: 948-6745, 948-7427  
Fax: 948-7038

Whitehouse  
Shop #5 Lawrence Plaza  
Whitehouse, Westmoreland  
Tel: 963-5902, 963-5693  
Fax: 963-5797

Knutsford Boulevard  
New Kingston  
75 Knutsford Boulevard  
Kingston 5  
Tel: 501-7023, 501-7024  
501-7025  
Fax: 920-4112  
Team Leader - Philip Bernard  
Ambassador - Jason Jackson





## DIRECTORY LISTINGS

### 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: 121-643-0077  
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: 207-703-8003

##### 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, 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,  
London N17 9SY  
Tel: 208-885-3807  
Fax: 208-885-3209

#### CANADA

Toll Free - Tel: 1-866-353-7778  
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: 1-800-322-3773

##### NEW YORK

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

##### Toll Free Number

Tel: 1-877-338-3700  
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:

1-800-918-8299  
4158 White Plains Road,  
Bronx, N.Y. 10466  
Tel: 718-882-5776  
Fax: 718-882-6937  
email: info@jnousa.com

##### Toll Free Number

1-800-828-9291  
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 ATM LOCATIONS

##### KINGSTON & ST ANDREW

- Customs Hall, Norman Manley International Airport
- JNBS Money Shop  
45 Spanish Town Rd.
- Mico Teachers College  
1a Marescaux Road, Kingston
- Cross Roads Post Office
- JNBS Money Shop  
75 Knutsford Boulevard, Kgn 5
- JNBS Papine  
17c Gordon Town Road, Kgn 7
- Azmart Superstore, Barbican
- Constant Spring Post Office
- JNBS Downtown Kingston  
32 ½ Duke Street
- JNBS Half-Way-Tree  
2-4 Consant Spring Rd., Kgn. 10

##### CLARENDON

- JNBS May Pen, 45 Main Street

##### MANCHESTER

- JNBS Mandeville, Mandeville Plaza



## DIRECTORY LISTINGS

### ATM LOCATIONS, OVERSEAS OFFICES AND LOCAL SUBSIDIARIES & ASSOCIATED COMPANIES

#### JNBS ATM LOCATIONS (CONTINUED)

##### PORTLAND

- JNBS Port Antonio  
21 Harbour Street

##### ST ANN

- JNBS Ocho Rios  
Corner of Graham St  
and DaCosta Drive

##### ST CATHERINE

- Rapid Sheffield Super Centre,  
Port Henderson Road
- JNBS Portmore  
Portmore Pines Plaza
- JNBS Spanish Town  
26 Wellington Street

##### ST ELIZABETH

- JNBS Junction  
Royer's Shopping Centre
- JNBS Santa Cruz, Main Street

##### ST JAMES

- JNBS Montego Bay  
2 Market Street

##### ST MARY

- JNBS Annotto Bay, Main Street
- JNBS Port Maria  
1 Stennett Street
- JNBS Gayle, Main Street

##### ST THOMAS

- JNBS, 10 Queen Street,  
Morant Bay

##### TRELAWNY

- JNBS, 1 Officer Alley, Falmouth

##### WESTMORELAND

- JNBS Savanna-La-Mar  
Hendon Corner
- JNBS Money Shop,  
Lawrence Plaza, Whitehouse

#### JAMAICA

##### CHIEF OFFICE

2-4 Constant Spring Road,  
Kingston 10  
Tel: 926-1344-9, 926-1364  
Fax: 926-7661, 968-6596  
S/Board 926-1344-9  
(Ext. 2346,2408)  
Email: info@jnbs.com  
Toll Free Numbers  
Ja: 1-888-991-4065/4066  
1-888-GET-JNBS  
(438-5627)

#### JNBS REPRESENTATIVE OFFICES LOCATIONS

##### CANADA

###### TORONTO

Toll Free: 1-800-565-2632  
1390 Eglinton Avenue West,  
Toronto, Ontario M6C 2E4  
Canada  
Tel: 416-784-2074  
416-784-9434  
Fax: 416-784-4388  
email: jnbstoronto@jnbs.com  
www.jnbs.ca

##### UNITED KINGDOM

Toll Free: 0-800-328-0387

###### LONDON

Unit #235, Elephant & Castle  
Shopping Centre  
London SE1 6TE,  
England  
Tel: 207-708-2442-3  
Fax: 207-708-5040  
Toll Free: 0-800-328-1622

###### BIRMINGHAM

Toll Free: 0-800-085-6302

###### SHEPHERD'S BUSH

Unit #3, 5 Uxbridge Road,  
Shepherds Bush  
London W12 8LG  
England  
Tel: 208-743-2358  
208-743-9056  
Fax: 208-735-2896

###### HANDSWORTH

Toll Free: 0-800-085-6302  
311A Soho Road,  
Birmingham B21 9SD  
England  
Tel: 121-551-5569  
Fax: 121-551-5592

##### UNITED STATES OF AMERICA

Toll Free: 1-800-462-9003

###### FLORIDA

Toll Free: 1-800-390-7850  
5039 North State Road 7  
Tamarac, Florida 33319, USA  
Tel: 954-485-0444  
Fax: 954-485-0300

4510 Inverrary Boulevard  
Lauderhill, FL. 33319  
Toll Free: 1-800-735-6002

#### LOCAL SUBSIDIARIES & ASSOCIATED COMPANIES

##### JN FUND MANAGERS LIMITED

17 Belmont Road, Kingston 5  
Tel: 929-7159, 929-2289  
Fax: 926-4375  
email: info@jnfunds.com

##### JN SMALL BUSINESS LOANS LIMITED

32 1/2 Duke Street, Kingston  
Tel: 948-7454/5  
Fax: 948-7452  
email: fwhylye@jnbs.com

##### JN MONEY SERVICES LIMITED

26 Trafalgar Road, Kingston 5  
Tel: 920-7530  
Fax: 920-4768  
email: egspence@jnbs.com

##### MANAGEMENT CONTROL SYSTEMS LIMITED

10-12 Grenada Crescent  
Kingston 5  
Tel: 929-8661, 926-0104  
Fax: 929-5678  
email: sjones@mcsystems.com

##### NEM INSURANCE COMPANY (JA) LIMITED

9 King Street, Kingston  
Tel: 922-1460-5  
Fax: 922-4045  
email: nemjam@infochan.com  
Website: www.nemjam.com

##### THE CREATIVE UNIT LIMITED

1 Holborn Road, Kingston 10  
Tel: 926-4414  
Fax: 960-0501  
email: dcarroll@jnbs.com

##### JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LIMITED

7 Central Avenue, Kingston 5  
Tel: 929-1200, 968-6007  
Fax: 929-4377  
Website: www.calljaa.com  
Toll Free Number  
Tel: 1-888-225-5522

##### MANUFACTURERS CREDIT & INFORMATION SERVICES LIMITED

8 Grenada Crescent, Kingston 5  
Tel: 926-1939  
Fax: 929-1535  
Islandwide Tel: 663-MCIS (6247)  
email: mciscustomerservice@mcsystems.com



## SUBSIDIARIES & ASSOCIATED COMPANIES

NAME OF COMPANY	OWNERSHIP	NAME OF COMPANY	OWNERSHIP
<b>JN FUND MANAGERS LIMITED</b>	100%	<b>NEM INSURANCE COMPANY (JAMAICA) LIMITED</b>	99%
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		General Insurance services 9 King Street, Kingston Tel: 922-1460-5 Fax: 922-4045 email: nemjam@infochan.com Website: www.nemjam.com	
<b>JAMAICA POPULAR INVESTMENT CO. LIMITED</b>	100%	<b>JN FINANCE LIMITED</b>	100%
Owners of commercial buildings		Insurance premium financing, consumer loans, bridge financing and other credit facilities. 3 Barbados Avenue, Kingston 5 Tel: 929-6604/968-2038 email: nemjam@infochan.com	
<b>JN SMALL BUSINESS LOANS LIMITED</b>	100%	<b>THE CREATIVE UNIT LIMITED</b>	100%
Operates microfinance programmes for the benefit and assistance of micro entrepreneurs. 32 1/2 Duke Street, Kingston Tel: 948-7454-5 Fax: 948-7452 email: fwhylye@jnbs.com		Provision of advertising, event planning and other creative services. 1 Holborn Road, Kingston 10 Tel: 926-4414 Fax: 960-0501 email: dcarroll@jnbs.com	
<b>JN MONEY SERVICES LIMITED</b>	100%	<b>NATIONAL BUILDING SOCIETY OF CAYMAN</b>	96.7%
Money transmission and bill payment services. 26 Trafalgar Road, Kingston 5 Tel: 920-7530 Fax: 920-4768 email: egspence@jnbs.com		Provides savings and lending on residential real estate in the Cayman Islands; licensed money transmission services from the Cayman Islands.	
<b>MANAGEMENT CONTROL SYSTEMS LIMITED</b>	94.5%	<b>KNUTSFORD HOLDINGS LIMITED</b>	40%
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		Owners of commercial buildings.	
<b>MANUFACTURERS CREDIT &amp; INFORMATION SERVICES LTD.</b>		<b>JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION</b>	100%
Provision of vehicle management services. 8 Grenada Crescent, Kingston 5 Tel: 929-1939, 663-6247 Fax: 929-1535		An approved charitable organisation funded by contributions from JNBS.	
		<b>JAMAICA AUTOMOBILE ASSOCIATION SERVICES LIMITED</b>	
		Provision of roadside assistance and related services. 7 Central Ave. Kingston 5 Toll Free: 1-888-225-5522 Tel: 929-1200, 968-6007 Fax: 929-4377 www.calljaa.com	



## MEMBERSHIP OF BOARDS & COMMITTEES

### JN FUND MANAGERS LIMITED

Dr. Dhiru Tanna *Chairman*  
Hon. Oliver F. Clarke, OJ, JP  
Earl Jarrett, CD, JP  
Monica Ladd  
Peter Morris  
Christopher Roberts  
Keith Senior

### JN MONEY SERVICES LIMITED

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
Earl Jarrett, CD, JP  
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, JP *Chairman*  
John Cunningham  
Earl Jarrett, CD, JP  
Roy Megarry  
Mary Smith  
Frank Whylie

### MANAGEMENT CONTROL SYSTEMS LIMITED

Wendell Smith *Chairman*  
Llewelyn A. Bailey  
Earl Jarrett, CD, JP  
Dr. Parris Lyew-Ayee, Jr.  
Molly Rhone, OD

### NEM INSURANCE COMPANY (JAMAICA) LIMITED

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
John Cunningham  
Earl Jarrett, CD, JP  
Dr. Parris Lyew-Ayee, Jr.  
Peter Morris  
Kathleen Moss  
Christopher Roberts  
Errol Ziadie

### THE CREATIVE UNIT LIMITED

Earl Jarrett, CD, JP *Chairman*  
Carlton Barclay  
Emile Spence  
Donna Carroll

### NATIONAL BUILDING SOCIETY OF CAYMAN

Earl Jarrett, CD, JP *Chairman (Acting)*  
Robert Hamaty  
A. Spencer Marshall  
Dr. Dhiru Tanna  
Dunbar McFarlane

### JNBS FOUNDATION

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
John Cunningham  
Earl Jarrett, CD, JP  
Jennifer Martin, JP

### JN FINANCE LTD.

Dr. Dhiru Tanna *Chairman*  
Hon. Oliver F. Clarke, OJ, JP  
Earl Jarrett, CD, JP  
Monica Ladd  
Peter Morris  
Christopher Roberts  
Keith Senior

### COMMITTEES OF THE JNBS BOARD

#### AUDIT COMMITTEE

Lloyd G. Gooden *Chairman*  
Llewelyn A. Bailey  
Earl Jarrett, CD, JP  
S. Kumaraswamy  
Kathleen Moss

#### FINANCE & INVESTMENT COMMITTEE

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
Earl Jarrett, CD, JP  
Peter Morris  
Dr. Dhiru Tanna

#### PROXY COMMITTEE

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
Dr. Henry A. A. P. Brown, CD  
Earl Jarrett, CD, JP  
Hon. Dorothy Pine-McLarty, OJ  
Jennifer Martin, JP

#### COMPENSATION COMMITTEE

Hon. Oliver F. Clarke, OJ, JP *Chairman*  
Earl Jarrett, CD, JP  
Peter Morris  
Dr. Dhiru Tanna





## ATTORNEYS-AT-LAW, AUDITORS & BANKERS

### ATTORNEYS-AT-LAW

ABENDANA & ABENDANA  
CLARK, ROBB & CO.  
CLINTON HART & CO.  
CRAFTON MILLER & CO.  
DABDOUB DABDOUB & CO.  
DELOY CHUCK & CO.  
DUNNCOX  
EDWARD HANNA & CO.  
FRATER ENNIS & GORDON  
G ANTHONY LEVY & CO.  
GENTLES & WILLIS  
GRANT, STEWART, PHILLIPS & CO.  
IAN PHILLIPSON & CO.  
JENNIFER MESSADO & CO.  
KEITH SMITH & CO.  
L HOWARD FACEY & CO.  
LANGRIN, PARRIS-WOODSTOCK  
LEX CARIBBEAN  
LIVINGSTON, ALEXANDER & LEVY  
MN HAMATY & CO.  
MYERS, FLETCHER & GORDON  
NAYLOR & TURNQUEST  
NICHOLSON, PHILLIPS  
NUNES, SCHOLEFIELD, DELEON & CO.  
OG HARDING & CO.  
PALOMINO, GORDON-PALOMINO  
PHILLIPS, MALCOLM, MORGAN & MATTHIES  
RATTRAY, PATTERSON & RATTRAY  
ROBERTSON, SMITH, LEDGISTER & CO.  
ROBINSON, PHILLIPS & WHITEHORNE  
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.



## AUDITOR'S REPORT



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

P.O. Box 76  
Kingston  
Jamaica, W.I.  
Telephone +1 (876) 922-6640  
Fax +1 (876) 922-7198  
+1 (876) 922-4500  
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 59 to 127, which comprise the Group's and the Society's balance sheets as at March 31, 2008, 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, 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



## AUDITOR'S REPORT



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

P.O. Box 76  
Kingston  
Jamaica, W.I.  
Telephone +1 (876) 922-6640  
Fax +1 (876) 922-7198  
+1 (876) 922-4500  
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 ordinary 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 for 2007 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, 2008, 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.

KPMG

July 16, 2008

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

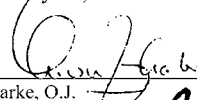
### THE JAMAICA NATIONAL BUILDING SOCIETY

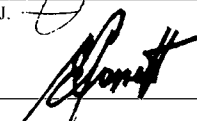
#### Balance sheets

March 31, 2008

		Group		Society	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>ASSETS</b>					
Cash and cash equivalents	7	4,470,140	4,033,222	3,061,334	2,319,989
Securities purchased under resale agreements	8	15,260,574	12,824,616	4,836,069	1,633,984
Investments	9	31,205,860	28,064,308	23,310,278	23,139,662
Taxation recoverable		533,864	364,659	291,653	173,871
Interest in subsidiaries	11	-	-	1,723,304	3,778,779
Interest in associates	12	142,341	120,059	735	735
Loans	13	31,307,906	24,427,129	28,644,680	22,456,402
Other assets	14	5,370,178	2,270,127	2,703,539	276,267
Investment properties	15	256,942	166,028	86,647	89,066
Property, plant and equipment	16	1,753,885	1,409,794	1,298,943	1,077,029
Intangible assets	17	182,554	196,819	75,266	64,461
Deferred tax assets	18	69,360	50,026	27,745	-
Total assets		<u>90,553,604</u>	<u>73,926,787</u>	<u>66,060,193</u>	<u>55,010,245</u>
<b>LIABILITIES, CAPITAL AND RESERVES</b>					
<b>SAVINGS FUND</b>					
Shareholders' savings	19	53,262,107	43,135,324	52,198,555	42,630,852
Depositors' savings	20	<u>2,300</u>	<u>2,480</u>	<u>23</u>	<u>94</u>
		<u>53,264,407</u>	<u>43,137,804</u>	<u>52,198,578</u>	<u>42,630,946</u>
<b>LIABILITIES</b>					
Bank overdraft	7(d)	224,020	168,731	169,155	138,068
Securities sold under repurchase agreements	21	12,137,662	11,066,774	-	-
Taxation payable		116,854	109,861	36,987	91,703
Other payables		3,090,468	1,878,750	1,312,573	531,900
Deferred tax liabilities	18	47,785	65,800	-	40,200
Employee benefit obligation	22[(ii)(a)]	181,292	145,688	136,039	106,055
Insurance contract provisions	23	3,671,853	3,092,211	-	-
Long-term loans	24	<u>98,325</u>	<u>112,363</u>	<u>25,000</u>	<u>25,000</u>
Total liabilities		<u>19,568,259</u>	<u>16,640,178</u>	<u>1,679,754</u>	<u>932,926</u>
<b>CAPITAL AND RESERVES</b>					
Permanent capital fund	25	3,960,000	3,249,567	3,960,000	3,249,567
Reserve fund	26	<u>5,210,000</u>	<u>4,860,433</u>	<u>5,210,000</u>	<u>4,860,433</u>
Capital base		9,170,000	8,110,000	9,170,000	8,110,000
Capital reserve		116,438	104,896	-	-
Contractual savings reserve	27	14,223	14,223	14,223	14,223
Other reserves	28	491,542	1,798,252	186,448	1,551,086
Retained earnings		<u>7,856,343</u>	<u>4,074,038</u>	<u>2,811,190</u>	<u>1,771,064</u>
Total equity attributable to equity holders of the parent		17,648,546	14,101,409	12,181,861	11,446,373
Minority interest		<u>72,392</u>	<u>47,396</u>	-	-
Total capital and reserves		<u>17,720,938</u>	<u>14,148,805</u>	<u>12,181,861</u>	<u>11,446,373</u>
		<u>90,553,604</u>	<u>73,926,787</u>	<u>66,060,193</u>	<u>55,010,245</u>

The financial statements on pages 3 to 72 were approved for issue by the Board of Directors on July 16, 2008 and signed on its behalf by:

 Chairman  
Hon. O. F. Clarke, O.J.

 Director  
E. W. Jarrett

 Director  
Dr. Dhuru Tanna

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





## FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Statement of Revenue and Expenses

Year ended March 31, 2008

	Notes	Group		Society	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest revenue:					
Interest on loans		3,862,649	3,002,061	3,290,450	2,515,209
Interest on investments		<u>4,662,402</u>	<u>4,051,947</u>	<u>2,547,351</u>	<u>2,313,091</u>
		8,525,051	7,054,008	5,837,801	4,828,300
Interest expense	29	( 3,440,112)	(3,283,014)	(2,169,833)	(1,974,158)
Net interest revenue		5,084,939	3,770,994	3,667,968	2,854,142
Other operating income	30	3,039,183	2,550,297	1,069,895	904,003
Operating expenses	31	( 6,771,397)	(5,313,948)	(4,169,477)	(3,221,834)
Operating surplus		1,352,725	1,007,343	568,386	536,311
Unrealised foreign exchange gains		74,278	119,499	12,942	85,236
Gains on disposal of investments		3,918,534	866,647	3,618,927	829,666
Restructuring costs	34	-	-	(1,904,061)	-
Share of profit of associates		<u>20,581</u>	<u>4,780</u>	-	-
Surplus before taxation		5,366,118	1,998,269	2,296,194	1,451,213
Taxation	32	( 464,296)	( 317,256)	( 159,270)	( 229,206)
Surplus after taxation		<u>4,901,822</u>	<u>1,681,013</u>	<u>2,136,924</u>	<u>1,222,007</u>
Attributable to:					
The society		4,883,250	1,670,589	2,136,924	1,222,007
Minority interest		<u>18,572</u>	<u>10,424</u>	-	-
		<u>4,901,822</u>	<u>1,681,013</u>	<u>2,136,924</u>	<u>1,222,007</u>
Dealt with in the financial statements of:					
The Society		2,136,924	1,222,007	2,136,924	1,222,007
Subsidiaries		2,725,745	443,802	-	-
Associates		<u>20,581</u>	<u>4,780</u>	-	-
		<u>4,883,250</u>	<u>1,670,589</u>	<u>2,136,924</u>	<u>1,222,007</u>

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



## FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Statement of Changes in Capital and Reserves

Year ended March 31, 2008

	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
<b>The Group:</b>									
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	3,249,567	4,860,433	104,896	14,223	1,798,252	4,074,038	14,101,409	47,396	14,148,805
Transfers	710,433	349,567	-	-	-	(1,060,000)	-	-	-
Transfer to credit loss reserve	-	-	-	-	40,945	( 40,945)	-	-	-
Translation of foreign subsidiaries' balances	-	-	-	-	( 45,766)	-	( 45,766)	( 338)	( 46,104)*
Movement in share of reserves in associates and subsidiaries	-	-	11,542	-	-	-	11,542	6,762	18,304*
Increase in fair value of investments	-	-	-	-	2,453,455	-	2,453,455	-	2,453,455*
Impairment of available-for-sale investment	-	-	-	-	163,190	-	163,190	-	163,190*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(3,918,534)	-	(3,918,534)	-	(3,918,534)*
Surplus for the year	-	-	-	-	-	4,883,250	4,883,250	18,572	4,901,822*
Balances at March 31, 2008	3,960,000	5,210,000	116,438	14,223	491,542	7,856,343	17,648,546	72,392	17,720,938

\* Total recognised gains attributable to the parent society are \$3,547,137,000 (2007: \$1,309,905,000) and total recognised gains attributable to the minority interest are \$ 24,996,000 {2006: losses (\$95,615,000)}.

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



## FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Statement of Changes in Capital and Reserves (Continued)

Year ended March 31, 2008

	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
<b>The Society:</b>						
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	-	-	-	-	1,222,007	1,222,007*
Balances at March 31, 2007	3,249,567	4,860,433	14,223	1,551,086	1,771,064	11,446,373
Transfers	710,433	349,567	-	-	(1,060,000)	-
Transfer to credit loss reserve	-	-	-	36,798	( 36,798)	-
Increase in fair value of investments	-	-	-	2,054,301	-	2,054,301*
Impairment of available-for- sale investment	-	-	-	163,190	-	163,190*
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(3,618,927)	-	( 3,618,927)*
Surplus for the year	-	-	-	-	2,136,924	2,136,924*
Balances at March 31, 2008	<u>3,960,000</u>	<u>5,210,000</u>	<u>14,223</u>	<u>186,448</u>	<u>2,811,190</u>	<u>12,181,861</u>

\*Total recognised gains are \$735,488,000 (2007: \$849,133,000) for the Society.

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



## FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Consolidated Statement of Cash Flows

Year ended March 31, 2008

	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>		
Surplus for the year	4,883,250	1,670,589
Adjustments to reconcile net surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment property	294,893	221,261
Amortisation of intangible asset	78,709	53,021
Goodwill impaired	-	50,535
Gain on disposal of property, plant and equipment and investment property	( 8,725)	( 6,985)
Gain on disposal of investments	(3,918,534)	( 866,647)
Gains from foreign exchange rate changes	( 71,822)	( 161,694)
Impairment loss on investment	163,190	-
Translation differences	( 45,766)	1,984
Dividend income	( 85,913)	( 51,441)
Share of profit of associates	( 20,581)	( 4,780)
Interest income	(8,525,051)	(7,054,008)
Interest expense	3,440,112	3,283,014
Tax expense	501,645	319,978
Net decrease in provision for loan losses	( 25,656)	( 10,266)
Minority interest	26,291	4,441
Deferred taxation, net	( 37,349)	( 2,722)
Employee benefit	35,604	24,724
Insurance contract provisions	<u>579,642</u>	<u>175,915</u>
	(2,736,061)	(2,353,081)
Changes in operating assets and liabilities:		
Addition to loans	(6,671,511)	(5,550,923)
Taxation recoverable	( 169,206)	15,377
Other assets	(3,041,296)	131,826
Other payable	1,169,516	358,308
Net receipts from savings	9,250,942	6,807,637
Securities purchased under resale agreements	(2,398,531)	(2,590,450)
Securities sold under repurchase agreements	<u>923,493</u>	<u>612,945</u>
	(3,672,654)	(2,568,361)
Interest paid	(3,473,509)	(3,237,112)
Interest received	3,833,231	4,373,329
Income tax paid	<u>( 494,651)</u>	<u>( 452,355)</u>
Net cash used by operating activities	<u>(3,807,583)</u>	<u>(1,884,499)</u>
<b>Cash flows from investing activities</b>		
Investments	(4,218,143)	( 299,309)
Interest received	4,600,575	2,723,424
Dividend received	85,913	51,441
Investment in joint venture	( 1,701)	-
Intangible asset	( 64,444)	( 79,051)
Acquisition of minority interest	( 1,295)	( 148,545)
Purchase of property, plant and equipment and investment property	( 734,059)	( 451,012)
Proceeds from disposal of property, plant and equipment	24,428	11,849
Proceeds from disposal of investments	<u>4,386,491</u>	<u>1,054,490</u>
Net cash provided by investing activities	<u>4,077,765</u>	<u>2,863,287</u>
<b>Cash flows from financing activities</b>		
Increase in bank overdraft	55,289	82,499
Long-term loans	( 14,038)	( 9,119)
Net cash provided by financing activities	<u>41,251</u>	<u>73,380</u>
Net increase in cash and cash equivalents	311,433	1,052,168
Effects of exchange rate changes on cash & cash equivalents	125,485	133,850
Cash and cash equivalents at beginning of the year	<u>4,033,222</u>	<u>2,847,204</u>
Cash and cash equivalents at end of the year	<u>4,470,140</u>	<u>4,033,222</u>

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





## FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Society's Statement of Cash Flows

Year ended March 31, 2008

	<u>2008</u> \$'000	<u>2007</u> \$'000
<b>Cash flows from operating activities</b>		
Surplus for the year	2,136,924	1,222,007
Depreciation on property, plant and equipment, investment properties and intangible asset	216,773	174,352
Gain on disposal of property, plant & equipment and investment properties	( 6,426)	( 5,178)
Gain on disposal of investments	(3,618,927)	( 829,666)
Impairment loss on investment	163,190	-
Gains from foreign exchange rate changes	( 76,339)	( 84,816)
Dividend income	( 85,913)	( 51,441)
Interest income	(5,837,801)	(4,828,300)
Interest expense	2,169,833	1,974,158
Tax expense	227,215	211,074
Net decrease in provision for loan losses	( 46,384)	( 6,014)
Deferred taxation, net	( 67,945)	18,132
Employee benefit	<u>29,984</u>	<u>18,780</u>
	(4,795,816)	(2,186,912)
Changes in operating assets and liabilities:		
Additions to loans	(6,093,132)	(4,757,448)
Taxation recoverable	( 117,782)	75,061
Other assets	(2,387,873)	21,015
Other payables	771,105	97,690
Net receipts from savings	8,734,243	6,599,218
Securities purchased under resale agreements	<u>(3,188,418)</u>	<u>( 501,523)</u>
	(7,077,673)	( 652,899)
Interest paid	(2,141,122)	(1,945,447)
Interest received	3,258,327	2,545,140
Income tax paid	<u>( 281,930)</u>	<u>( 358,886)</u>
Net cash used by operating activities	(6,242,398)	( 412,092)
<b>Cash flows from investing activities</b>		
Investments and securities purchased under resale agreement	(1,368,156)	(1,013,086)
Interest received	2,491,644	2,327,499
Interest in subsidiaries	2,056,770	(1,420,611)
Acquisition of minority interest in subsidiary	( 1,295)	-
Dividend received	85,913	51,441
Purchase of property, plant & equipment and intangible asset	( 466,734)	( 294,406)
Proceeds from disposal of property, plant & equipment	26,087	7,566
Proceeds from disposal of investments	<u>4,055,221</u>	<u>928,478</u>
Net cash provided by investing activities	<u>6,879,450</u>	<u>586,881</u>
<b>Cash flows from financing activities</b>		
Increase in bank overdraft, being net cash provided by investing activities	<u>31,087</u>	<u>59,758</u>
Net increase in cash and cash equivalents	668,139	234,547
Effects of exchange rate changes on cash and cash equivalents	73,206	97,130
Cash and cash equivalents at beginning of the year	<u>2,319,989</u>	<u>1,988,312</u>
Cash and cash equivalents at end of the year	<u>3,061,334</u>	<u>2,319,989</u>

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



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements

March 31, 2008

#### 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>
		<b>2008</b>	<b>2007</b>	
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.
J.N. Properties Limited	Jamaica	100	100	Development and rental of real estate property.
J.N. 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 1. THE SOCIETY (cont'd)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2008</u>	<u>Percentage ownership 2007</u>	<u>Nature of business</u>
NEM Insurance Company (Jamaica) Limited	Jamaica	99	99	General insurance services
Management Control Systems Limited and its wholly-owned subsidiaries:	Jamaica	95.67	94.5	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 (note 41)	Jamaica	75	75	Fleet management services
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro business 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
JN Finance Limited (formerly Pelican Finance Limited)	Jamaica	100	100	Insurance premium financing

During the previous year, a decision was taken to wind down the operations of JN Real Estate Company Limited.

We have begun the process of merging the remaining depositors of First Metropolitan Building Society into the Society and have applied to the Minister of Finance for approval for the merger.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 1. THE SOCIETY (cont'd)

<u>Associates and Joint Ventures</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2008</u>	<u>Percentage ownership 2007</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.
GKJNO Inc.	U.S.A.	40	-	Money transmission services.

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 organization 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.

During October 2007, a subsidiary, JN Overseas USA Inc. commenced activities under a joint venture agreement with GK Financial Services Inc. and formed GKJNO Inc. JN Overseas USA Inc. has an ownership interest in GKJNO Inc. of 40%.

#### 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.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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).

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year. The only standards relevant to and adopted by the Society in preparing these financial statements are *IFRS 7 Financial Instruments: Disclosures* and the *Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* which require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. The amendment to IAS 1, introduces disclosures about the level of an entity's capital and how it manages capital.

The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements in respect of financial instruments, but had no impact on the reported loss or financial position of the Society.

New standards, and interpretations of and amendments to existing standards, that are not yet effective:

At the date of authorization of the financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective and which the Society has not early-adopted. The Society has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- *IFRS 8 – Operating Segments* requires segment disclosure by listed groups of companies based on the components that management monitors in making decisions about operating matters, as well as qualitative disclosures on segments. Segments will be reportable based on threshold tests related to revenues, results and assets. IFRS 8, which is effective from January 1, 2009, will not affect the Society's financial statements.
- *IFRIC 11, IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation. IFRIC 11, which is effective from March 1, 2007, becomes mandatory for the Society's 2009 financial statements and is not expected to have any impact thereon.
- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12, which is effective from January 1, 2008, becomes mandatory for the Society's 2009 financial statements and is not expected to have any impact thereon.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

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

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

- *IFRIC 13 Accounting for Customer Loyalty Programmes*, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). IFRIC 13, which is effective from July 1, 2008, becomes mandatory for the Society's 2009 financial statements and is not expected to have any impact thereon.
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14, which is effective from January 1, 2008, becomes mandatory for the Society's 2009 financial statements. The Society has not yet completed the assessment of the impact of adopting this IFRIC.
- *IAS 1 (Revised) Presentation of Financial Statements*, requires the presentation of all non-owners' changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. IAS 1 (revised), which is effective from January 1, 2009, becomes mandatory for the Society's 2009 financial statements and is not expected to have any significant impact thereon.
- *IAS 23(Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. IAS 23, which is effective from January 1, 2009, becomes mandatory for the Society's 2010 financial statements and is not expected to have any significant impact thereon.
- *Amendments to IFRS 2 Share-based payment – Vesting Conditions and Cancellations* is effective for annual periods beginning on or after January 1, 2009. Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no adjustment for differences between expected and actual outcomes. This amendment is not expected to have any significant impact on the Society's financial statements.
- *Revised IFRS 3 Business Combinations* and *amended IAS 27 Consolidated and Separate Financial Statements* are effective for annual periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions are not expected to have any significant impact on the Society's financial statements.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

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

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

- Amendments to *IAS 32 Financial instruments: Presentation* and *IAS 1, Presentation of Financial Statements* is effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The revisions are not expected to have any significant impact on the Society's financial statements.

#### (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 Society. Control exists when the Society 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 Society and its subsidiaries are collectively referred to as "the group". The consolidated financial statements comprise the financial results of the Society 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, 2007 (2007: December 31, 2006), updated for significant transactions to March 31, 2008 (2007: March 31, 2007).



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

### 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

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group 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 comprises 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.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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(k)]. 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 life.

The depreciation rates are as follows:

Freehold buildings	2½%
Leasehold buildings	shorter of lease term and useful life
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\$70.79(2007: J\$67.56), UK£1.00 = J\$139.88 (2007: J\$130.84) and Cdn\$1.00 = J\$68.17 (2007: J\$57.75), 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\$111.70 (2007: J\$88.20) and Cayman Dollar 1.00 = J\$85.06 (2007: 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)].



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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 for 2007. In 2008, interest received on such loans was recognised in income and the difference in revenue recognised between the two policies is immaterial.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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 recognized 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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) Insurance contract recognition and measurement:

(i) Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

*Gross written premiums*

Gross premiums reflect business written during the year, and includes adjustments to premiums written in previous years. The earned portion of premiums is recognized as revenue. Premiums are earned from the effective date of the policy.

*Unearned premiums*

Unearned premiums represent that proportion of the premiums written up to the accounting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

*Unexpired risks*

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by the company under contracts of insurance entered into before the end of the financial year and is actuarially determined.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- (i) Insurance contract recognition and measurement (cont'd):
  - (i) Insurance contracts (cont'd)

##### *Outstanding claims*

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 company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

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.

##### *Deferred acquisition cost and deferred commission income*

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

- (ii) Reinsurance assets

In the normal course of business the company 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 (see note 38). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance 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.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in the income statement.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Insurance contract recognition and measurement (cont'd):

(iii) Insurance receivable and insurance payable

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(j) 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.

(k) Impairment:

(i) Identification and measurement

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is objective evidence that financial instruments are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows on the asset that can be estimated reliably. 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.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risks.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, the disappearance of an active market for a security, or other observable data related to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment (cont'd):

(i) Identification and measurement (cont'd)

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

(ii) 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. Losses are recognised in the statement of revenue and expenses and reflected in an allowance account against loans and receivables. 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.

(iii) Reversals of impairment:

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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment (cont'd):

(iii) Reversals of impairment:

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.

(l) 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.

(iii) Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Financial instruments (cont'd):

(iv) 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 assets, loans and receivables and held-to-maturity securities are measured at amortised cost, less impairment losses [see note 4(k)]. 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.

(m) 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.

(n) Investment properties:

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



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) 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.

(p) 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.

(q) Other assets:

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

(r) Cash and cash equivalents:

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

(s) Operating leases:

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

(t) 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) 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(k)]. 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(k)].

(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
------------	---------

#### 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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 loans in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. 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.

##### (c) Held-to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity may be classified as held-to-maturity if an entity has the positive intent and ability to hold these instruments to maturity. In classifying financial assets as held-to-maturity, the company has determined that it has both the positive intention and ability to hold the assets until maturity date.

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 2001. 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.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 7. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Cash reserve with Bank of Jamaica [see (a)]	473,328	395,642	473,328	395,642
Cash and bank balances				
[see (b), (c), (d) and note 37(i)]	<u>3,996,812</u>	<u>3,637,580</u>	<u>2,588,006</u>	<u>1,924,347</u>
Total cash and cash equivalents [see (e)]	<u>4,470,140</u>	<u>4,033,222</u>	<u>3,061,334</u>	<u>2,319,989</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, 2008, the stipulated percentage was 40% (2007: 40%) compared to the Society's holding of qualifying assets of 48.83% (2007: 48.32%).

- (b) Cash and bank balances include deposits held on behalf of clients totalling \$725,000 (2007: \$109,000) 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, Florida and Washington D.C. The regulations require a minimum total net worth of US\$1,655,001 in lieu of a surety bond in favour of the Superintendent. As at March 31, 2008, the subsidiary had US\$4,048,817 (2007: US\$2,752,479) 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 2013/14 Series As.

A subsidiary has a \$25,000,000 overdraft facility with a commercial bank, which is secured by a lien on a fixed deposit account in the amount of US\$87,800 and hypothecation of certain deposits in the amount of US\$109,672. Another subsidiary has an unsecured overdraft facility in the amount of \$5,000,000 with uncleared cheque facility for \$5,100,000.

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

#### 8. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Principal	15,038,897	12,640,367	4,793,941	1,605,523
Interest receivable	<u>221,677</u>	<u>184,249</u>	<u>42,128</u>	<u>28,461</u>
	<u>15,260,574</u>	<u>12,824,616</u>	<u>4,836,069</u>	<u>1,633,984</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

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

At March 31, 2008, securities obtained and held under resale agreements had a fair value of \$15,439,428,000 (2007: \$12,914,779,000) for the Group and \$4,870,802,000 (2007: \$1,674,773,000) for the Society.

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

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	12,713,917	9,929,944	4,299,302	1,573,531
3 months to 1 year	<u>2,546,657</u>	<u>2,894,672</u>	<u>536,767</u>	<u>60,453</u>
	<u>15,260,574</u>	<u>12,824,616</u>	<u>4,836,069</u>	<u>1,633,984</u>

#### 9. INVESTMENTS

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
<b>Held-to-maturity</b>				
Government of Jamaica securities	8,961,575	6,651,297	5,777,222	4,946,758
Debenture	<u>2,070,000</u>	<u>1,227,000</u>	-	-
	<u>11,031,575</u>	<u>7,878,297</u>	<u>5,777,222</u>	<u>4,946,758</u>
<b>Loans and receivables:</b>				
Debentures	2,240	1,174	2,240	1,174
Corporate bonds	1,155,000	505,000	1,155,000	505,000
Secured notes	35,398	33,782	35,398	33,782
Certificates of deposit	5,526,050	7,515,706	3,902,050	7,024,706
Foreign currency certificates of deposit	<u>11,120,124</u>	<u>8,546,745</u>	<u>10,809,927</u>	<u>7,542,516</u>
	<u>17,838,812</u>	<u>16,602,407</u>	<u>15,904,615</u>	<u>15,107,178</u>
<b>Available-for-sale securities:</b>				
Quoted equities [see (i)]	1,790,770	3,064,176	1,244,695	2,744,895
Unquoted equities [see (ii)]	<u>7,405</u>	<u>6,530</u>	<u>7,405</u>	<u>6,530</u>
	<u>1,798,175</u>	<u>3,070,706</u>	<u>1,252,100</u>	<u>2,751,425</u>
Interest receivable	<u>537,298</u>	<u>512,898</u>	<u>376,341</u>	<u>334,301</u>
	<u>31,205,860</u>	<u>28,064,308</u>	<u>23,310,278</u>	<u>23,139,662</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 9. INVESTMENTS (cont'd)

At March 31, 2008, the fair value of held-to-maturity securities aggregated for the Group \$12,794,476,470 (2007: \$8,421,838,000) and for the Society \$5,763,060,748 (2007: \$5,408,407,000). The fair value of loans and receivables approximated their carrying value due to their short-term nature, except for corporate bonds which had a fair value of \$1,152,567,000 (2007: \$506,840,000).

- (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 \$5,600,702 (2007: \$5,377,000).
- (iii) Investments are due from the date of the balance sheet, excluding interest receivable, as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
No specific maturity	1,798,175	3,070,706	1,252,100	2,751,425
Within 3 months	11,912,444	11,818,060	10,708,393	10,737,607
3 months to 1 year	6,463,145	4,898,928	4,261,370	3,966,965
1 year to 5 years	8,847,843	6,027,468	5,072,178	4,224,942
5 years and over	<u>1,646,955</u>	<u>1,736,248</u>	<u>1,639,896</u>	<u>1,124,422</u>
	<u>30,668,562</u>	<u>27,551,410</u>	<u>22,933,937</u>	<u>22,805,361</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 \$16,583,895,000 (2007: \$19,363,048,000) represent:

- (i) 25.17% (2007: 35.20%) of the Society's total assets; and
- (ii) 31.77% (2007: 45.42%) of the Society's total savings fund.

#### 11. INTEREST IN SUBSIDIARIES

	<b>Society</b>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Shares, at cost or written down value (see note 1)	421,531	420,236
Debentures, loans, advances and deposits	979,644	3,126,686
Current accounts	<u>322,129</u>	<u>231,857</u>
	<u>1,723,304</u>	<u>3,778,779</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 12. INTEREST IN ASSOCIATES

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Shares, at cost (see note 1)	1,854	153	153	153
Group's share of reserves	126,318	105,737	-	-
Debentures	<u>14,169</u>	<u>14,169</u>	<u>582</u>	<u>582</u>
	<u>142,341</u>	<u>120,059</u>	<u>735</u>	<u>735</u>

#### 13. LOANS

Loans, less provision for losses, are as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Mortgage loans - principal	29,817,190	23,256,630	28,049,479	22,073,277
- accrued interest	<u>95,448</u>	<u>66,030</u>	<u>73,347</u>	<u>41,224</u>
	29,912,638	23,322,660	28,122,826	22,114,501
Share loans	519,915	339,961	519,914	339,961
Other loans	<u>875,353</u>	<u>764,508</u>	<u>1,940</u>	<u>1,940</u>
	<u>31,307,906</u>	<u>24,427,129</u>	<u>28,644,680</u>	<u>22,456,402</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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	520,209	431,768	21,915	16,730
3 months to 1 year	820,609	381,582	229,618	93,310
1 year to 5 years	1,282,124	1,029,372	1,163,469	891,223
5 years and over	<u>28,684,964</u>	<u>22,584,407</u>	<u>27,229,678</u>	<u>21,455,139</u>
	<u>31,307,906</u>	<u>24,427,129</u>	<u>28,644,680</u>	<u>22,456,402</u>

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

	<b>Number of Accounts</b>		<b>Group</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			\$'000	\$'000
Professional & other services	59	35	193,750	65,768
Individuals	36,550	32,682	30,252,869	23,526,422
Corporations	471	385	822,501	792,974
Tourism	<u>3</u>	<u>4</u>	<u>38,786</u>	<u>41,965</u>
	<u>37,083</u>	<u>33,106</u>	<u>31,307,906</u>	<u>24,427,129</u>





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 13. LOANS (cont'd)

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

	<b>Number of Accounts</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			\$'000	\$'000
Professional & other services	55	35	175,483	65,768
Individuals	19,425	17,903	27,982,535	21,920,842
Corporations	128	128	447,876	427,828
Tourism	<u>3</u>	<u>4</u>	<u>38,786</u>	<u>41,964</u>
	<u>19,611</u>	<u>18,070</u>	<u>28,644,680</u>	<u>22,456,402</u>

Loans and advances on which interest is no longer accrued [see note 4(f)] amounted to \$3,537,293,000, (2007: \$3,312,243,000) and represent 12.19% (2007: 14.67%) 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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	545,559	555,825	502,550	508,564
Additional provision made during the year	30,431	34,464	9,704	34,464
Written back during the year	( 56,087)	( 44,730)	( 56,087)	( 40,478)
At end of the year	<u>519,903</u>	<u>545,559</u>	<u>456,167</u>	<u>502,550</u>

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

Specific provision	519,903	545,559	456,167	502,550
General provisions [note 28(c)]	<u>142,602</u>	<u>101,657</u>	<u>125,009</u>	<u>88,211</u>
	<u>662,505</u>	<u>647,216</u>	<u>581,176</u>	<u>590,761</u>

Included in mortgage loans for the Society are balances due from directors and companies controlled by directors amounting to \$5,486,000 (2007: \$8,180,000) and interest due on these loans of \$Nil (2007: \$Nil).

#### 14. OTHER ASSETS

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	4,425,543	1,421,121	2,686,019	260,629
Reinsurance assets	697,332	610,818	-	-
Development in progress	41,796	41,319	-	-
Inventories	<u>205,507</u>	<u>196,869</u>	<u>17,520</u>	<u>15,638</u>
	<u>5,370,178</u>	<u>2,270,127</u>	<u>2,703,539</u>	<u>276,267</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 14. OTHER ASSETS (cont'd)

Accounts receivable for 2008 includes an amount of \$2,293,508,000 in respect of the Group and \$2,162,108,000 in respect of the Society in regards to sale of shares previously held in Lascelles deMercado.

#### 15. INVESTMENT PROPERTIES

	<u>Group</u> \$'000	<u>Society</u> \$'000
At cost:		
March 31, 2006	168,928	111,670
Addition	48,324	-
Disposals	( 12)	-
March 31, 2007	217,240	111,670
Addition	97,513	-
March 31, 2008	314,753	111,670
Depreciation:		
March 31, 2006	44,692	20,217
Charge for the year	6,532	2,387
Eliminated on disposals	( 12)	-
March 31, 2007	51,212	22,604
Charge for the year	6,599	2,419
March 31, 2008	57,811	25,023
Carrying value		
March 31, 2008	256,942	86,647
March 31, 2007	166,028	89,066
March 31, 2006	124,236	91,453

	<u>Group</u>		<u>Society</u>	
	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000
Fair value of investment properties	853,039	847,226	614,500	614,500
Income earned from the properties	68,214	53,093	32,193	33,851
Expenses incurred by the properties	75,077	67,911	31,845	42,124

Investment properties include property held by a subsidiary, which was revalued on December 19, 2002 at open market value by J. N. 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 16. PROPERTY, PLANT AND EQUIPMENT

##### Group

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Computers and office equipment \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
At cost:						
March 31, 2006	677,743	35,031	1,228,446	314,329	14,211	2,269,760
Additions	11,210	22,777	188,840	96,537	83,324	402,688
Transfers	5,360	-	-	-	( 5,360)	-
Disposals	( 1,127)	-	( 3,228)	( 26,888)	-	( 31,243)
March 31, 2007	693,186	57,808	1,414,058	383,978	92,175	2,641,205
Additions	37,708	63,922	382,662	50,494	101,760	636,546
Adjustment	11,542	-	( 37,858)	-	-	( 26,316)
Transfers	73,057	-	43,696	-	(116,753)	-
Disposals	-	-	( 9,676)	( 81,156)	-	( 90,832)
March 31, 2008	815,493	121,730	1,792,882	353,316	77,182	3,160,603
Depreciation:						
March 31, 2006	121,807	13,947	762,394	144,914	-	1,043,062
Charge for the year	4,761	21,228	125,100	63,640	-	214,729
Eliminated on disposals	( 1,127)	-	( 2,600)	( 22,653)	-	( 26,380)
March 31, 2007	125,441	35,175	884,894	185,901	-	1,231,411
Charge for the year	17,211	26,764	180,094	64,225	-	288,294
Adjustment	-	-	( 37,858)	-	-	( 37,858)
Eliminated on disposals	-	-	( 15,343)	( 59,786)	-	( 75,129)
March 31, 2008	142,652	61,939	1,011,787	190,340	-	1,406,718
Net book values:						
March 31, 2008	672,841	59,791	781,095	162,976	77,182	1,753,885
March 31, 2007	567,745	22,633	529,164	198,077	92,175	1,409,794
March 31, 2006	555,936	21,084	466,052	169,415	14,211	1,226,698



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 16. PROPERTY, PLANT AND EQUIPMENT

##### Society

	Freehold land and buildings \$'000	Computers and office equipment \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
At cost:						
March 31, 2006	579,100	799,383	-	238,177	13,028	1,629,688
Additions	2,410	124,185	-	75,167	84,507	286,269
Transfers	5,360	-	-	-	( 5,360)	-
Disposals	-	-	-	( 18,693)	-	( 18,693)
March 31, 2007	586,870	923,568	-	294,651	92,175	1,897,264
Additions	49,250	163,005	58,089	42,340	92,090	404,774
Adjustment	-	( 37,858)	-	-	-	( 37,858)
Transfers	73,057	43,696	-	-	(116,753)	-
Disposals	-	( 154)	-	( 66,863)	-	( 67,017)
March 31, 2008	709,177	1,092,257	58,089	270,128	67,512	2,197,163
Depreciation:						
March 31, 2006	90,641	511,270	-	108,201	-	710,112
Charge for the year	13,665	65,554	-	47,223	-	126,442
Eliminated on disposals	-	-	-	( 16,319)	-	( 16,319)
March 31, 2007	104,306	576,824	-	139,105	-	820,235
Charge for the year	14,752	87,507	11,406	49,534	-	163,199
Adjustment	-	( 37,858)	-	-	-	( 37,858)
Eliminated on disposals	-	( 62)	-	( 47,294)	-	( 47,356)
March 31, 2008	119,058	626,411	11,406	141,345	-	898,220
Net book values:						
March 31, 2008	590,119	465,846	46,683	128,783	67,512	1,298,943
March 31, 2007	482,564	346,744	-	155,546	92,175	1,077,029
March 31, 2006	488,459	288,113	-	129,976	13,028	919,576



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2008

#### 17. INTANGIBLE ASSETS

Group	<u>Trademarks</u> \$'000	<u>Goodwill</u> \$'000	<u>Licence</u> \$'000	<u>Software</u> \$'000	<u>Total</u> \$'000
At cost:					
March 31, 2006	389	63,406	271	229,078	293,144
Additions	-	2,267	-	76,784	79,051
Acquired goodwill	-	48,490	-	-	48,490
March 31, 2007	389	114,163	271	305,862	420,685
Additions	-	-	-	64,444	64,444
March 31, 2008	389	114,163	271	370,306	485,129
Depreciation:					
March 31, 2006	233	-	-	120,077	120,310
Charge for the year	86	-	-	52,935	53,021
Goodwill impairment	-	50,535	-	-	50,535
March 31, 2007	319	50,535	-	173,012	223,866
Charge for the year	70	2,743	-	75,896	78,709
March 31, 2008	389	53,278	-	248,908	302,575
Net book values:					
March 31, 2008	-	60,885	271	121,398	182,554
March 31, 2007	70	63,628	271	132,850	196,819
March 31, 2006	156	63,406	271	109,001	172,834





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 17. INTANGIBLE ASSETS (cont'd)

<b>Society</b>	<u>Goodwill</u> \$'000	<u>Software</u> \$'000
At cost:		
March 31, 2006	-	176,192
Additions	-	8,137
Acquired goodwill	<u>48,490</u>	<u>-</u>
March 31, 2007	48,490	184,329
Additions	<u>-</u>	<u>61,960</u>
March 31, 2008	<u>48,490</u>	<u>246,289</u>
Depreciation:		
March 31, 2006	-	74,330
Charge for the year	-	45,538
Goodwill impairment	<u>48,490</u>	<u>-</u>
March 31, 2007	48,490	119,868
Charge for the year	<u>-</u>	<u>51,155</u>
March 31, 2008	<u>48,490</u>	<u>171,023</u>
Net book values:		
March 31, 2008	<u>-</u>	<u>75,266</u>
March 31, 2007	<u>-</u>	<u>64,461</u>
March 31, 2006	<u>-</u>	<u>101,862</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

##### Group

	Assets		Liabilities		Net	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other assets	16,660	26,327	(32,122)	(105,226)	(15,462)	( 78,899)
Property, plant and equipment	( 13,252)	( 74)	(35,870)	( 56,115)	(49,122)	( 56,189)
Employee benefits	40,812	-	15,083	45,027	55,895	45,027
Other payables	11,907	19	5,124	78,506	17,031	78,525
Contractual savings reserve	( 4,267)	-	-	( 4,267)	( 4,267)	( 4,267)
Tax losses carried forward	21,383	23,754	-	-	21,383	23,754
Unrealised foreign exchange gains	( 3,883)	-	-	( 23,725)	( 3,883)	( 23,725)
Net tax assets/(liabilities)	<u>69,360</u>	<u>50,026</u>	<u>(47,785)</u>	<u>( 65,800)</u>	<u>21,575</u>	<u>( 15,774)</u>

##### Society

	Assets		Liabilities		Net	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Property, plant and equipment	-	-	( 10,377)	(46,273)	( 10,377)	(46,273)
Employee benefits	40,812	31,817	-	-	40,812	31,817
Other payables	5,460	-	-	-	5,460	-
Contractual savings reserve	-	-	( 4,267)	( 4,267)	( 4,267)	( 4,267)
Unrealised foreign exchange gains	-	-	( 3,883)	(21,477)	( 3,883)	(21,477)
	<u>46,272</u>	<u>31,817</u>	<u>18,527</u>	<u>(72,017)</u>	<u>27,745</u>	<u>(40,200)</u>

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

	Group		Society	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net deferred tax liabilities at beginning of year	(15,774)	(18,496)	(40,200)	(22,068)
Recognised in statement of revenue and expenses [note 32(a)(ii)]	<u>37,349</u>	<u>2,722</u>	<u>67,945</u>	<u>(18,132)</u>
Net deferred tax assets/(liabilities) at end of year	<u>21,575</u>	<u>(15,774)</u>	<u>27,745</u>	<u>(40,200)</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 19. SHAREHOLDERS' SAVINGS

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Paid-up investment shares	45,980,969	38,189,116	45,897,652	37,870,844
General investment and subscription shares	2,817,471	1,650,014	1,837,236	1,463,814
NHT share account	3,975,049	2,795,877	3,975,049	2,795,877
Accrued interest	<u>488,618</u>	<u>500,317</u>	<u>488,618</u>	<u>500,317</u>
	<u>53,262,107</u>	<u>43,135,324</u>	<u>52,198,555</u>	<u>42,630,852</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	45,747,140	37,613,174	45,679,834	37,641,661
From 3 months to 1 year	3,300,146	2,455,890	2,303,900	1,922,931
Over 1 year	<u>4,214,821</u>	<u>3,066,260</u>	<u>4,214,821</u>	<u>3,066,260</u>
	<u>53,262,107</u>	<u>43,135,324</u>	<u>52,198,555</u>	<u>42,630,852</u>

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

	<b>Number of Accounts</b>		<b>Group</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			\$'000	\$'000
Public authorities	60	66	3,981,575	2,920,117
Financial institutions	71	64	231,247	102,285
Commercial and business	1,269	840	661,811	204,772
Individuals	<u>805,320</u>	<u>751,475</u>	<u>47,387,474</u>	<u>39,908,149</u>
	<u>806,720</u>	<u>752,445</u>	<u>53,262,107</u>	<u>42,135,323</u>

	<b>Number of Accounts</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			\$'000	\$'000
Public authorities	60	66	3,981,575	2,920,117
Financial institutions	71	64	231,247	102,285
Commercial and business	1,269	840	661,811	204,772
Individuals	<u>803,214</u>	<u>749,890</u>	<u>47,323,922</u>	<u>39,403,678</u>
	<u>804,614</u>	<u>750,860</u>	<u>52,198,555</u>	<u>42,630,852</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 20. DEPOSITORS' SAVINGS

Depositors' savings are time deposits with certain preferential rights and for the Group represent 0.0073% (2007: 0.01%) and for the Society represent 0.00008% (2007: 0.0004%) of loan balances outstanding (see note 13).

#### 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Due from the date of the balance sheet as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	9,433,289	8,566,467	-	-
From 3 months to 1 year	2,327,085	2,034,139	-	-
Over 1 year	<u>377,288</u>	<u>466,168</u>	<u>-</u>	<u>-</u>
	<u>12,137,662</u>	<u>11,066,774</u>	<u>-</u>	<u>-</u>

At March 31, 2008, 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 \$13,144,822,000 (2007: \$11,246,092,000)

#### 22. EMPLOYEE BENEFIT ASSET AND OBLIGATION

The Group provides for post-retirement pension benefits through a defined-contribution scheme which replaced a prior defined-benefit pension scheme. The pensioners in the defined benefit scheme were transferred to the defined contribution scheme with the guarantee of their pension payments and active members started to contribute on a defined contribution basis. The scheme is funded by contributions from the Group and employees in accordance with the rules of the scheme.

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 pension benefits. During the period, the trustees of the scheme purchased annuities for the transferring pensioners in the scheme, thereby removing the liabilities of the guarantee of the pension payments from the Fund.

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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Present value of obligations	-	(1,643,972)	-	(1,643,972)
Fair value of plan assets	<u>-</u>	<u>1,837,673</u>	<u>-</u>	<u>1,837,673</u>
Net asset	-	193,701	-	193,701
Unrecognised actuarial gains	-	26,530	-	26,530
Unrecognised asset due to limit in economic benefit	<u>-</u>	<u>( 220,231)</u>	<u>-</u>	<u>( 220,231)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

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

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

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

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	1,643,972	1,286,174	1,643,972	1,286,174
Benefits paid	-	(141,299)	-	(141,299)
Service and interest costs	-	168,047	-	168,047
Actuarial gain/loss	-	331,050	-	331,050
Reallocation to full defined contribution scheme	(1,643,972)	-	(1,643,972)	-
	<u>-</u>	<u>1,643,972</u>	<u>-</u>	<u>1,643,972</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets at April 1	1,837,673	1,488,445	1,837,673	1,488,445
Contributions paid, net	-	100,515	-	100,515
Expected return on plan assets	-	176,166	-	176,166
Benefits paid	-	(141,299)	-	(141,299)
Actuarial gain/loss	-	213,846	-	213,846
Reallocation to full defined contribution scheme	(1,837,673)	-	(1,837,673)	-
Fair value of plan assets at March 31	<u>-</u>	<u>1,837,673</u>	<u>-</u>	<u>1,837,673</u>

Plan assets consist of the following:

	<b>Group and Society</b>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Equities	-	38,943
Securities fixed income securities	-	1,428,672
Real estate and real estate funds	-	161,810
Other	-	208,248
	<u>-</u>	<u>1,837,673</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Interest on obligation	-	153,730	-	153,730
Expected return on plan assets	-	(176,166)	-	(176,166)
Net actuarial loss recognised in year	-	45,337	-	45,337
	<u>-</u>	<u>22,901</u>	<u>-</u>	<u>22,901</u>
Actual return on plan assets	-	23.45%	-	23.45%





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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):

	<u>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	%	%	%	%
Discount rate at March 31	-	12.5	-	12.5
Expected return on plan assets at March 31	<u>-</u>	<u>12.0</u>	<u>-</u>	<u>12.0</u>

(f) Historical information	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan assets	74,220	64,459	280,887	213,846	-
Experience adjustment arising on the plan liabilities	78,472	65,110	225,778	335,870	-
Present value of defined benefit obligation	(771,854)	( 960,115)	(1,286,174)	(1,643,972)	-
Fair value of plan assets	<u>845,241</u>	<u>1,034,411</u>	<u>1,488,445</u>	<u>1,837,673</u>	<u>-</u>
Surplus in the plan	<u>73,387</u>	<u>74,296</u>	<u>202,271</u>	<u>193,701</u>	<u>-</u>

##### (ii) Group life and health plans:

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

	<u>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	104,703	127,754	72,499	96,830
Unrecognised actuarial losses	68,207	8,940	63,540	9,225
Supplementary benefit	<u>8,382</u>	<u>8,994</u>	<u>-</u>	<u>-</u>
	<u>181,292</u>	<u>145,688</u>	<u>136,039</u>	<u>106,055</u>

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

	<u>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	127,754	96,601	96,830	71,849
Benefits paid	( 2,120)	( 2,045)	( 1,512)	(1,465)
Service and interest costs	38,743	27,048	31,903	20,655
Actuarial (gains)/losses	<u>( 59,674)</u>	<u>6,150</u>	<u>(54,722)</u>	<u>5,791</u>
	<u>104,703</u>	<u>127,754</u>	<u>72,499</u>	<u>96,830</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	21,017	13,253	18,191	10,458
Interest on obligation	17,726	13,795	13,712	10,197
Net actuarial gains recognised	( 407)	( 484)	( 407)	( 410)
	<u>38,336</u>	<u>26,564</u>	<u>31,496</u>	<u>20,245</u>

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

	<u>2008</u>	<u>2007</u>
	%	%
Discount rate at March 31	13.00	12.00
Medical claims growth	<u>10.00</u>	<u>10.00</u>

##### (e) Historical information

##### Society

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	( 1,394)	6,252	(16,995)	( 3,882)	(34,522)
Present value of defined benefit obligation	55,093	72,655	71,849	96,830	72,499
Deficit in the plan	55,093	72,655	71,849	96,830	72,499

##### Group

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	( 638)	10,898	( 20,572)	( 2,821)	( 29,569)
Present value of defined benefit obligation	73,429	93,089	100,923	127,754	104,703
Deficit in the plan	73,429	93,089	100,923	127,754	104,703

##### (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>Group</u>		<u>Society</u>	
	1%	1%	1%	1%
	<u>increase</u>	<u>decrease</u>	<u>increase</u>	<u>decrease</u>
	\$'000	\$'000	\$'000	\$'000
Effect on the aggregate service and interest cost	10,440	( 7,585)	8,360	( 6,089)
Effect on the defined benefit obligation	25,986	(19,258)	17,836	(13,231)



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

### 23. INSURANCE CONTRACT PROVISIONS

(a)

	2008			2007		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims outstanding	2,198,535	269,795	1,928,740	1,882,604	242,203	1,640,401
Provision for unexpired risks	60,682	-	60,682	59,943	-	59,943
Unearned premiums	1,412,636	427,537	985,099	1,149,664	368,614	781,050
	<u>\$3,671,853</u>	<u>697,332</u>	<u>2,974,521</u>	<u>3,092,211</u>	<u>610,817</u>	<u>2,481,394</u>

(b) Analysis of movements in insurance contract provisions

#### Claims outstanding

	2008			2007		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims notified	1,518,437	227,047	1,291,390	1,408,684	280,051	1,128,633
Claims incurred but not reported	364,167	15,156	349,011	291,806	2,986	288,820
Balance at April 1	<u>1,882,604</u>	<u>242,203</u>	<u>1,640,401</u>	<u>1,700,490</u>	<u>283,037</u>	<u>1,417,453</u>
Claims incurred	1,772,690	299,226	1,473,464	1,432,198	178,624	1,253,574
Claims paid in year	(1,456,759)	(271,634)	(1,185,125)	(1,250,084)	(219,458)	(1,030,626)
Change in outstanding claims provision	<u>315,931</u>	<u>27,592</u>	<u>288,339</u>	<u>182,114</u>	<u>(40,834)</u>	<u>222,948</u>
Balance at March 31	<u>2,198,535</u>	<u>269,795</u>	<u>1,928,740</u>	<u>1,882,604</u>	<u>242,203</u>	<u>1,640,401</u>
Claims notified	1,803,488	266,073	1,537,415	1,518,437	227,046	1,291,391
Claims incurred but not reported	395,047	3,722	391,325	364,167	15,157	349,010
Balance March 31	<u>2,198,535</u>	<u>269,795</u>	<u>1,928,740</u>	<u>1,882,604</u>	<u>242,203</u>	<u>1,640,401</u>

Outstanding claims included claims payable of \$4,733,000 (2007: \$4,883,000) under policies issued to related parties.

(c) Unearned premiums:

	2008			2007		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	1,149,664	368,614	781,050	1,125,534	366,941	758,593
Premiums written during the year	3,244,062	1,088,857	2,155,205	2,537,830	930,313	1,607,517
Premiums earned during the year	(2,981,090)	(1,029,934)	(1,951,156)	(2,513,700)	(928,640)	(1,585,060)
Balance March 31	<u>\$1,412,636</u>	<u>427,537</u>	<u>985,099</u>	<u>1,149,664</u>	<u>368,614</u>	<u>781,050</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

### 23. INSURANCE CONTRACT PROVISIONS (cont'd)

(d) Gross unearned premiums are analysed as follows:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Liability	39,896	39,763
Motor	887,897	693,079
Pecuniary loss	24,372	23,664
Pecuniary Accident	892	1,316
Marine	3,259	3,602
Property	445,711	379,534
Engineering	<u>10,609</u>	<u>8,706</u>
	<u>1,412,636</u>	<u>1,149,664</u>

(e) Provision for unexpired risks:

	<u>2008</u>			<u>2007</u>		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance April 1	59,943	-	59,943	90,272	-	90,272
New provisions established in the year	<u>739</u>	<u>-</u>	<u>739</u>	<u>(30,329)</u>	<u>-</u>	<u>(30,329)</u>
Balance March 31	<u>60,682</u>	<u>-</u>	<u>60,682</u>	<u>59,943</u>	<u>-</u>	<u>59,943</u>

### 24. LONG-TERM LOANS

	<u>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Development Bank of Jamaica (i)	25,000	25,000	25,000	25,000
Pan Caribbean Financial Services Limited (ii)	25,000	44,997	-	-
Unsecured bonds (iii)	56,487	58,300	-	-
National Investment Fund (iv)	17,321	5,000	-	-
Less: current maturity (included in other payables)	<u>(25,483)</u>	<u>( 20,934)</u>	<u>-</u>	<u>-</u>
	<u>98,325</u>	<u>112,363</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 commenced 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 24. LONG-TERM LOANS (cont'd)

- (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, issued on April 30, 2004, bears interest at 3% (2007: 16.58%) per annum and is for a period of 10 years. Series B is for \$18.3 million was issued on April 30, 2004, and bears interest at 4.8% (2007: 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.

#### 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 \$3,960,000,000 (2007: \$3,249,567,000) 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, 2008, the Society's reserve fund aggregated \$5,210,000,000 (2007: \$4,860,433,000).

#### 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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Exchange equalisation reserve [see (a)]	57,010	102,776	-	-
Investment revaluation reserve [see (b)]	291,930	1,593,819	61,439	1,462,875
Credit loss reserve (note 13)/[see (c)]	<u>142,602</u>	<u>101,657</u>	<u>125,009</u>	<u>88,211</u>
	<u>491,542</u>	<u>1,798,252</u>	<u>186,448</u>	<u>1,551,086</u>





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 28. OTHER RESERVES (cont'd)

- (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.

#### 29. INTEREST EXPENSE

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
On shareholders' savings	2,173,161	2,090,003	2,169,831	1,974,062
On depositors' savings	2	96	2	96
Other	<u>1,266,949</u>	<u>1,192,915</u>	<u>-</u>	<u>-</u>
	<u>3,440,112</u>	<u>3,283,014</u>	<u>2,169,833</u>	<u>1,974,158</u>

#### 30. OTHER OPERATING INCOME

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Realised foreign exchange gain on trading	971,679	873,395	498,202	474,262
Management fees	-	-	134,995	65,957
Fee and commission income	846,695	864,101	179,003	173,026
Underwriting income before operating expenses	422,695	323,463	-	-
Other	<u>793,494</u>	<u>489,338</u>	<u>257,695</u>	<u>190,758</u>
	<u>3,039,183</u>	<u>2,550,297</u>	<u>1,069,895</u>	<u>904,003</u>

#### 31. OPERATING EXPENSES

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Administration, including staff costs (note 33)	6,156,150	4,898,867	3,699,999	2,980,990
Directors' fees	20,758	16,838	15,041	10,410
Directors' remuneration	34,080	26,588	34,080	26,060
Audit fees: current year	44,723	33,950	12,000	8,625
prior year	13,123	3,171	9,199	1,801
Depreciation and amortisation	373,602	274,282	216,773	174,352
Impairment loss on available-for-sale investment	163,190	-	163,190	-
Bad debts written-off for loans and other receivables	<u>65,771</u>	<u>60,252</u>	<u>19,195</u>	<u>19,596</u>
	<u>6,771,397</u>	<u>5,313,948</u>	<u>4,169,477</u>	<u>3,221,834</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

### 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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax expense:				
Income tax on the Society	227,215	211,074	227,215	211,074
Taxation on subsidiaries	<u>274,430</u>	<u>108,904</u>	-	-
	501,645	319,978	227,215	211,074
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 18)	( 37,349)	( 2,722)	( 67,945)	<u>18,132</u>
Total taxation in statement of revenue and expenses	<u>464,296</u>	<u>317,256</u>	<u>159,270</u>	<u>229,206</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 2008 was 8.65% (2007: 15.88%) of \$5,366,118,000 (2007: \$1,998,269,000) pre-tax surplus for the Group and 6.94% (2007: 15.79%) of \$2,296,194,000 (2007: \$1,451,213,000) for the Society. The actual charge differs from the "expected" tax charge for the year as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Surplus before taxation	<u>5,366,118</u>	<u>1,998,269</u>	<u>2,296,194</u>	<u>1,451,213</u>
Computed "expected" tax expense at 30%	688,858	435,364	688,858	435,364
Computed "expected" tax expense at 33½%	<u>1,048,601</u>	<u>147,218</u>	-	-
	1,737,459	582,582	688,858	435,364
Difference between surplus for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	( 17,987)	17,319	( 33,768)	16,862
Profit on disposal of property, plant and equipment	( 1,928)	( 1,460)	( 1,928)	( 1,460)
Unfranked and exempt income	( 61,490)	( 11,049)	( 57,520)	( 10,084)
Gain on disposal of investments	(1,189,539)	(265,540)	(1,092,844)	(248,719)
Employee benefit	-	-	-	-
Prior year (over)/under provision	( 3,927)	154	-	-
Other expenses	<u>1,708</u>	<u>( 4,750)</u>	<u>656,472</u>	<u>37,243</u>
Actual tax expense	<u>464,296</u>	<u>317,256</u>	<u>159,270</u>	<u>229,206</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 32. TAXATION (cont'd)

- (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 \$64,212,000 (2007: \$71,336,000). At the balance sheet date also, tax losses available to overseas subsidiaries, for relief against future taxable profits amounted to \$272,534,000 (2007: \$360,938,000).
- (d) At March 31, 2008, a deferred tax liability of approximately \$1,388,624,000 (2007: \$841,926,000) 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:

	Group		Society	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Salaries	2,230,254	1,887,151	1,196,555	907,642
Pension, group life and health contributions	183,905	121,721	131,651	82,296
Statutory contributions	226,111	154,509	132,048	97,167
Other	<u>616,953</u>	<u>536,179</u>	<u>397,337</u>	<u>380,486</u>
	<u>3,257,223</u>	<u>2,699,560</u>	<u>1,857,591</u>	<u>1,467,591</u>

#### 34. RELATED PARTY TRANSACTIONS

Identity of related parties:

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

	Group		Society	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Loans				
Directors	5,486	8,180	5,486	8,180
Key management personnel	66,434	49,676	61,967	44,384
Other related parties	31,778	28,600	31,778	28,600
Other assets				
Subsidiaries	-	-	-	39,024
Key management personnel	-	517	-	517
Shareholders' savings				
Directors	16,858	21,614	15,662	21,614
Subsidiaries	-	-	140,266	173,912
Key management personnel	30,173	24,430	30,173	17,946
Other related parties	26,564	30,534	16,260	30,534
Securities sold under repurchase agreements				
Directors	182,324	140,400	-	-
Other related parties	1,648,442	1,470,743	-	-
Long term loans				
Subsidiaries	56,487	58,300	-	-
Other liabilities				
Other related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,625</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
<u>Subsidiaries</u>				
Dividends	-	-	( 5,876)	( 5,876)
Interest income	-	-	( 143,218)	(90,770)
Management fees	-	-	( 134,995)	(65,957)
Other income	-	-	( 10,559)	(14,431)
Commission	-	-	( 9,920)	-
Maintenance expenses	-	-	15,052	17,282
Management fees	-	-	39,264	-
Computer development expenses	-	-	76,598	73,874
Marketing	-	-	122,431	84,569
Commission	-	-	63,265	49,205
Insurance	-	-	43,264	52,149
Other expenses	-	-	50,924	36,442
Restructuring costs	-	-	1,904,061*	-
<u>Other related parties</u>				
Interest expense	201,177	209,617	-	-
Contribution (in Foundation)	20,001	26,102	20,001	26,102
Other expenses	<u>29,118</u>	<u>28,452</u>	<u>-</u>	<u>-</u>

\* Restructuring costs relate to advances in subsidiaries written off to meet regulatory requirement. Their write-off has no effect on the Group's profitability.

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

	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	214,675	224,671	110,037	103,828
Post-employment benefits	<u>3,082</u>	<u>3,489</u>	<u>3,082</u>	<u>3,489</u>
	<u>217,757</u>	<u>228,160</u>	<u>113,119</u>	<u>107,317</u>

#### 35. FINANCIAL RISK MANAGEMENT

- (a) Introduction and overview

The Group and the Society have exposure to the following financial risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (a) Introduction and overview (cont'd)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

##### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Society's financial risk management framework. The Board has established the Finance and Investment Committee and Audit Committee, which are responsible for developing and monitoring risk management policies in their specified area. These Board committees have both executive and non-executive members and report to the Board of Directors on their activities.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Society is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities. The goal of the investment management process is to optimise the net of taxes, investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect in the management of the company's financial risk is through matching the timing of cash flows from assets and liabilities. The Society actively manages its investments using an approach that balances quality, diversification, liquidity and return. 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 Society's internal and regulatory capital requirements.

The Audit Committee is responsible for monitoring compliance with the Society's risk management policies and procedures. The Audit Committee is assisted by Internal Audit which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the Board of Directors.

##### (b) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and investment securities. There has been no significant change to the Group's exposure to credit risk or the manner in which it manages and measures the risk during the year.





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (b) Credit risk (cont'd):

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 administration 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.

##### **Credits to customers**

Credit facilities to customers comprise mortgage loans. The management of credit risk in respect of credits to customers is executed by a Credit Committee which evaluates the decision for each advance and formally approves those commitments. The Board of Directors has the responsibility for the oversight of the Society's credit risk and the development of credit policies.

##### **Collateral**

The Society holds collateral against credits to customers in the form of mortgage interests over property. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to customers are individually assessed as impaired.

##### **Impaired credits to customers**

Impaired credits to customers are credits for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit.

##### **Past due but unimpaired credits to customers**

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed to the company.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (b) Credit risk (cont'd):

##### Allowances for impairment

The Society has established an allowance for impairment losses that represents its estimate of incurred losses on loans. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a portfolio basis, based on requirements of the Bank of Jamaica (Building Societies) Regulations, 1995.

##### Write-off policy

The Society writes off credits to customers (and any related allowances for impairment losses) when it determines that the balances are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Credits to customers for write-off must be submitted to The Board of Directors for approval.

##### Concentration by class and geographical area

The Society limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Society has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The Society's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's and Society's significant concentration of credit exposure by geographic area (based on the entity's country of ownership) were as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Jamaica	37,075,668	34,658,604	18,301,878	18,258,685
United States of America	2,402,817	1,545,603	1,961,280	775,422
United Kingdom	10,492,215	8,173,879	10,160,332	7,704,858
Canada	829,936	479,839	784,191	354,670
Cayman Islands	<u>135,938</u>	<u>64,221</u>	<u>-</u>	<u>-</u>
	<u>50,936,574</u>	<u>44,922,146</u>	<u>31,207,681</u>	<u>27,093,635</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (b) Credit risk (cont'd):

##### Credit quality of loans

The credit quality of the Group's and Society's loans are summarised as follows:

	<b>2008</b>	
	<b>Group</b>	<b>Society</b>
	<b>\$'000</b>	<b>\$'000</b>
Neither past due nor impaired	27,013,859	24,563,746
Past due but not impaired:		
30 to 60 days	2,488,017	2,414,735
60 to 90 days	1,139,567	1,082,095
Individually impaired:		
90-180 days	630,538	544,501
180-365 days	376,090	353,088
12-18 months	38,894	38,894
18 months and over	140,844	103,788
Less provision for losses	( 519,903)	( 456,167)
	<u>31,307,906</u>	<u>28,644,680</u>
Estimated fair value of collateral held	<u>32,356,097</u>	<u>29,115,711</u>
Value of renegotiated loans	<u>1,285,625</u>	<u>922,061</u>
	<b>2007</b>	
	<b>Group</b>	<b>Society</b>
	<b>\$'000</b>	<b>\$'000</b>
Neither past due nor impaired	21,297,435	19,294,381
Past due but not impaired:		
30 to 60 days	2,122,563	2,121,458
60 to 90 days	658,272	658,272
Individually impaired:		
90-180 days	552,398	552,398
180-365 days	133,346	133,346
12-18 months	64,835	64,835
18 months and over	143,839	134,262
Less provision for losses	( 545,559)	( 502,550)
	<u>24,427,129</u>	<u>22,456,402</u>
Estimated fair value of collateral held	<u>25,986,926</u>	<u>23,481,148</u>
Value of renegotiated loans	<u>417,663</u>	<u>194,715</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (b) Credit risk (cont'd):

##### Exposure to credit risk

Credit risk exposure is the amount of loss that the Society would suffer if all counterparties to which the Society was exposed were to default at once; this is represented substantially by the carrying amount of financial assets shown on the balance sheet, without taking account of the value of any collateral held.

The carrying amount of financial assets recorded in the financial statements, (net of impairment losses) which represents the Society's maximum exposure to credit risk, without taking account of the value of any collateral held, was:

	<u>Group</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Cash and cash equivalents	4,470,140	4,033,222
Securities purchased under resale agreements	15,260,574	12,824,616
Investments	29,407,685	24,993,602
Loans	31,307,906	24,427,129
Other assets	<u>5,122,875</u>	<u>2,031,939</u>
	<u>Society</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Cash and cash equivalents	3,061,334	2,319,989
Securities purchased under resale agreements	4,836,069	1,633,984
Investments	22,058,178	20,388,237
Loans	28,644,680	22,456,402
Other assets	<u>2,686,019</u>	<u>260,629</u>

There are no off-balance-sheet assets; the Group's maximum exposure to credit risk is represented by the balance sheet amount of financial assets.

##### (c) 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

### 35. FINANCIAL RISK MANAGEMENT (cont'd)

#### Management of liquidity risk

The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. The liquidity ratios at the balance sheet date for the society are as follows:

	Requirement		Actual	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	%	%	%	%
Jamaica Dollar	5	5	16	34
United States of America Dollar	5	5	30	17
Canadian Dollar	5	5	26	21
Pound Sterling	5	5	116	106

An analysis of the undiscounted cash flows of the Group's and the Society's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of the amounts recognised in the balance sheet.

Group	Group Contractual Undiscounted Cash Flows								
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5 -10 years \$'000	More than 10 years \$'000	No specific maturity \$'000
<b>March 31, 2008</b>									
Savings fund	53,264,407	53,264,407	50,752,405	2,275,555	236,447	-	-	-	-
Bank overdraft	224,020	224,020	224,020	-	-	-	-	-	-
Other payables	3,090,468	3,092,178	1,959,649	1,095,129	12,843	-	-	-	24,557
Securities sold under repurchase agreements	12,137,662	12,204,479	9,433,290	2,355,720	415,469	-	-	-	-
Long-term loans	<u>98,325</u>	<u>105,603</u>	<u>61,325</u>	<u>-</u>	<u>44,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	68,814,882	68,890,687	62,430,689	5,726,404	709,037	-	-	-	24,557
Unrecognised loan commitments	-	2,246,192	2,246,192	-	-	-	-	-	-
Insurance contract liabilities	<u>1,803,487</u>	<u>1,803,487</u>	<u>-</u>	<u>628,530</u>	<u>580,490</u>	<u>465,555</u>	<u>120,920</u>	<u>7,992</u>	<u>-</u>
	<u>70,618,369</u>	<u>72,940,366</u>	<u>64,676,881</u>	<u>6,354,934</u>	<u>1,289,527</u>	<u>465,555</u>	<u>120,920</u>	<u>7,992</u>	<u>24,557</u>
<b>March 31, 2007</b>									
Savings fund	43,137,804	43,137,804	40,837,754	2,054,881	245,169	-	-	-	-
Bank overdraft	168,731	168,731	168,731	-	-	-	-	-	-
Other payables	1,878,750	1,880,144	665,927	1,198,275	9,145	-	-	-	6,797
Securities sold under repurchase agreements	11,066,774	11,149,087	8,566,467	2,069,416	513,204	-	-	-	-
Long-term loans	<u>112,363</u>	<u>132,440</u>	<u>-</u>	<u>62,582</u>	<u>-</u>	<u>69,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
	56,364,422	56,468,206	50,238,879	5,385,154	767,518	69,858	-	-	6,797
Unrecognised loan commitments	-	2,451,210	2,451,210	-	-	-	-	-	-
Insurance contract liabilities	<u>1,518,436</u>	<u>1,518,436</u>	<u>-</u>	<u>519,155</u>	<u>479,011</u>	<u>408,105</u>	<u>106,649</u>	<u>5,516</u>	<u>-</u>
	<u>57,882,858</u>	<u>60,437,852</u>	<u>52,690,089</u>	<u>5,904,309</u>	<u>1,246,529</u>	<u>477,963</u>	<u>106,649</u>	<u>5,516</u>	<u>6,797</u>





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### Management of liquidity risk (cont'd)

##### Society

	Contractual undiscounted cash flows			
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	1-2 years \$'000
<b>March 31, 2008</b>				
Savings fund	52,198,578	52,198,578	51,962,131	236,447
Bank overdraft	169,155	169,155	169,155	-
Other payables	1,312,573	1,312,573	1,312,573	-
Long-term loans	25,000	25,000	-	25,000
	53,705,306	53,705,306	53,443,859	261,447
Unrecognised loan commitments	-	2,099,253	2,099,253	-
	<u>53,705,306</u>	<u>55,804,559</u>	<u>55,543,112</u>	<u>261,447</u>

	Contractual undiscounted cash flows				
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	1-2 years \$'000	2-5 years \$'000
<b>March 31, 2007</b>					
Savings fund	42,630,946	42,630,946	42,385,777	245,169	-
Bank overdraft	138,068	138,068	138,068	-	-
Other payables	531,900	531,900	531,900	-	-
Long-term loans	25,000	25,000	-	-	25,000
	43,325,914	43,325,914	43,055,745	245,169	25,000
Unrecognised loan commitments	-	2,372,396	2,372,396	-	-
	<u>43,325,914</u>	<u>45,698,310</u>	<u>45,428,141</u>	<u>245,169</u>	<u>25,000</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Society's assets, the amount of its liabilities and/or the Society's income. Market risk arises in the Society due to fluctuations in the value of liabilities and the value of investments held. The Society is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Society's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Management of market risk:

The Finance and Investment Committee manages market risks in accordance with its Investment Policy. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of risk and the exposure of the Society at the reporting date to each major risk are addressed below.

(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. The Society may, provided that 1 month's notice is given, change the interest rates on their mortgages. In addition, 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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risks (cont'd):

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

##### Group

	2008						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	
<b>Assets</b>							
Cash and cash equivalents	835,913	1,420,709	30,928	-	2,182,590	4,470,140	3.59
Securities purchased under resale agreement	-	11,387,786	2,963,828	687,283	221,677	15,260,574	10.73
Investments	-	13,023,521	10,648,614	5,198,251	2,335,474	31,205,860	10.65
Taxation recoverable	-	-	-	-	533,864	533,864	-
Interest in associates	-	-	-	-	142,341	142,341	-
Loans	11,614	31,200,845	-	-	95,447	31,307,906	11.00
Other assets	-	-	-	-	5,370,178	5,370,178	-
Investment properties	-	-	-	-	256,942	256,942	-
Property, plant and equipment	-	-	-	-	1,753,885	1,753,885	-
Intangible asset	-	-	-	-	182,554	182,554	-
Deferred tax asset	-	-	-	-	69,360	69,360	-
<b>Total assets</b>	<b>847,527</b>	<b>57,032,861</b>	<b>13,643,370</b>	<b>5,885,534</b>	<b>13,144,312</b>	<b>90,553,604</b>	<b>-</b>
<b>Liabilities, capital and reserves</b>							
Savings fund	42,547,268	7,689,535	2,275,555	236,447	515,602	53,264,407	4.74
Bank overdraft	224,020	-	-	-	-	224,020	8.81
Securities sold under repurchase agreement	-	9,232,902	2,327,084	377,288	200,388	12,137,662	10.12
Taxation payable	-	-	-	-	116,854	116,854	-
Other payables	-	250	-	9,700	3,080,518	3,090,468	9.00
Deferred tax liabilities	-	-	-	-	47,785	47,785	-
Employee benefit obligation	-	-	-	-	181,292	181,292	-
Minority interest	-	-	-	-	72,392	72,392	-
Insurance funds	-	-	-	-	3,671,853	3,671,853	-
Long-term loans	24,224	-	-	74,101	-	98,325	8.62
Capital and reserves	-	-	-	-	17,648,546	17,648,546	-
<b>Total liabilities, capital and reserves</b>	<b>42,795,512</b>	<b>16,922,687</b>	<b>4,602,639</b>	<b>697,536</b>	<b>25,535,230</b>	<b>90,553,604</b>	<b>-</b>
On-balance sheet gap being total interest rate sensitivity gap	(41,947,985)	40,110,174	9,040,731	5,187,998	(12,390,918)	-	-
Cumulative gap	(41,947,985)	(1,837,811)	7,202,920	12,390,918	-	-	-



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd):

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

##### Group (cont'd)

	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 %
<b>Assets</b>							
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	14,332	24,346,767	-	-	66,030	24,427,129	14.05
Other assets	-	-	-	-	2,270,127	2,270,127	-
Investment properties	-	-	-	-	166,028	166,028	-
Property, plant and equipment	-	-	-	-	1,409,794	1,409,794	-
Intangible asset	-	-	-	-	196,819	196,819	-
Deferred tax assets	-	-	-	-	50,026	50,026	-
<b>Total assets</b>	<b>783,706</b>	<b>48,141,011</b>	<b>9,523,263</b>	<b>4,540,316</b>	<b>10,938,491</b>	<b>73,926,787</b>	<b>-</b>
<b>Liabilities, capital and reserves</b>							
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	-
<b>Total liabilities, capital and reserves</b>	<b>28,591,551</b>	<b>20,555,365</b>	<b>4,091,270</b>	<b>741,087</b>	<b>19,947,514</b>	<b>73,926,787</b>	<b>-</b>
On-balance sheet gap being total interest rate sensitivity gap	(27,807,845)	27,585,646	5,431,993	3,799,229	( 9,009,023)	-	-
Cumulative gap	(27,807,845)	( 222,199)	5,209,794	9,009,023	-	-	-



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risks (cont'd):

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

##### Society

	2008						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	
<b>Assets</b>							
Cash and cash equivalents	830,283	938,328	-	-	1,292,723	3,061,334	3.87
Securities purchased under resale agreement	-	4,257,174	536,767	-	42,128	4,836,069	10.16
Investments	-	11,935,562	7,464,201	2,282,074	1,628,441	23,310,278	9.92
Taxation recoverable	-	-	-	-	291,653	291,653	-
Interest in subsidiaries	199,851	-	-	-	1,523,453	1,723,304	4.27
Interest in associates	-	-	-	-	735	735	-
Loans	-	28,571,333	-	-	73,347	28,644,680	12.80
Other assets	-	-	-	-	2,703,539	2,703,539	-
Investment properties	-	-	-	-	86,647	86,647	-
Property, plant and equipment	-	-	-	-	1,298,943	1,298,943	-
Intangible asset	-	-	-	-	75,266	75,266	-
Deferred tax assets	-	-	-	-	27,745	27,745	-
<b>Total assets</b>	<u>1,030,134</u>	<u>45,702,397</u>	<u>8,000,968</u>	<u>2,282,074</u>	<u>9,044,620</u>	<u>66,060,193</u>	-
<b>Liabilities, capital and reserves</b>							
Savings fund	42,477,714	6,693,259	2,275,555	236,447	515,603	52,198,578	4.80
Bank overdraft	169,155	-	-	-	-	169,155	4.35
Taxation	-	-	-	-	36,987	36,987	-
Other payables	-	-	-	-	1,312,573	1,312,573	-
Employee benefit obligation	-	-	-	-	136,039	136,039	-
Long-term loans	-	-	-	-	25,000	25,000	5.00
Capital and reserves	-	-	-	-	12,181,861	12,181,861	-
<b>Total liabilities, capital and reserves</b>	<u>42,646,869</u>	<u>6,693,259</u>	<u>2,275,555</u>	<u>236,447</u>	<u>14,208,063</u>	<u>66,060,193</u>	-
On-balance sheet gap being total interest rate sensitivity gap	(41,616,735)	39,009,138	5,725,413	2,045,627	( 5,163,443)	-	
Cumulative gap	<u>(41,616,735)</u>	<u>( 2,607,597)</u>	<u>3,117,816</u>	<u>5,163,443</u>	<u>-</u>	<u>-</u>	





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risks (cont'd):

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

##### Society (cont'd)

	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
<b>Assets:</b>						
Cash and cash equivalents	703,051	123,632	-	-	1,493,306	2,319,989
Securities purchased under resale agreements	-	1,573,531	60,453	-	-	1,633,984
Investments	-	12,834,526	5,531,154	1,688,256	3,085,726	23,139,662
Taxation recoverable	-	-	-	-	173,871	173,871
Interest in subsidiaries	1,554,737	-	-	-	2,224,042	3,778,779
Interest in associates	-	-	-	-	735	735
Loans	-	22,415,178	-	-	41,224	22,456,402
Other assets	-	-	-	-	276,267	276,267
Investment properties	-	-	-	-	89,066	89,066
Property, plant and equipment	-	-	-	-	1,077,029	1,077,029
Intangible asset	-	-	-	-	64,461	64,461
<b>Total assets</b>	<b>2,257,788</b>	<b>36,946,867</b>	<b>5,591,607</b>	<b>1,688,256</b>	<b>8,525,727</b>	<b>55,010,245</b>
<b>Liabilities, capital and reserves</b>						
Savings fund	28,506,984	11,465,006	1,899,640	245,169	514,147	42,630,946
Bank overdraft	138,068	-	-	-	-	138,068
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
Capital and reserves	-	-	-	-	11,446,373	11,446,373
<b>Total liabilities, capital and reserves</b>	<b>28,645,052</b>	<b>11,465,006</b>	<b>1,899,640</b>	<b>270,169</b>	<b>12,730,378</b>	<b>55,010,245</b>
On- balance sheet gap being total interest rate sensitivity gap	(26,387,264)	25,481,861	3,691,967	1,418,087	( 4,204,651)	-
Cumulative gap	(26,387,264)	( 905,403)	2,786,564	4,204,651	-	-



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (d) Market risks (cont'd):

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

Fair value sensitivity analysis for fixed rate instruments:

The Group and the Society does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Effect on Group Profit	
	100bp Increase \$'000	100bp decrease \$'000
March 31, 2008		
Variable rate instruments	<u>52,866</u>	<u>(52,866)</u>
March 31, 2007		
Variable rate instruments	<u>38,474</u>	<u>(38,474)</u>
	Effect on Society Profit	
	100bp Increase \$'000	100bp decrease \$'000
March 31, 2008		
Variable rate instruments	<u>40,200</u>	<u>(40,200)</u>
March 31, 2007		
Variable rate instruments	<u>30,453</u>	<u>(30,453)</u>

##### (ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Society as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Society's investment strategy is to maximise risk-adjusted investment returns.

A 5% increase or decrease in the market price at the balance sheet date would result in an increase and an equal decrease respectively in equity for the Group of \$89,702,000 (2007: \$153,432,000) and \$62,235,000 (2007: \$137,245,000) for the Society.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

##### (d) Market 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:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
United States dollars	39,832	15,514	24,497	9,576
Canadian dollars	3,395	( 19)	3,474	( 76)
Pounds sterling	5,235	3,810	3,508	3,545
Euro	1,384	590	1,384	590
Cayman Dollars	<u>27,717</u>	<u>103</u>	<u>27,717</u>	<u>103</u>

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

##### Sensitivity analysis:

A 5 percent weakening of the Jamaican dollar against the following currencies at March 31 would have increased profit or loss by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2007.

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
United States dollar	140,785	94,257	86,712	32,348
Canadian dollars	11,840	( 219)	11,840	( 219)
Pounds sterling	24,536	23,193	24,536	23,193
Euro	7,729	2,602	7,729	2,602
Cayman Dollars	<u>117,879</u>	<u>390</u>	<u>117,879</u>	<u>390</u>

A 5 percent strengthening of the Jamaican dollar against these currencies at March 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by the Internal-Audit unit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit committee, followed by the Board of Directors.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 35. FINANCIAL RISK MANAGEMENT (cont'd)

- (f) Capital management

##### Regulatory capital

The Group's main regulator is the Bank of Jamaica, which monitors the capital requirements for the Society, and the Group as a whole. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the Society and its subsidiaries.

In implementing current capital requirements, the Bank of Jamaica requires the Society to maintain a prescribed ratio of total capital to total risk weighted assets of 10%. The total regulatory capital expressed as a percentage of the total risk weighted assets was 22% for 2008 (2007: 21%).

The Financial Services Commission requires NEM's ratio of available assets to required assets to be 120%. At December 31 2007 for the purposes of the Insurance Regulation, the company's available assets were 148.61% (2006: 146.28%) of the required assets.

#### 36. COMMITMENTS

At March 31, 2008, the Group and the Society had:

- (a) Unexpired lease commitments payable as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Within one year	52,165	36,191	31,942	18,796
Subsequent years	<u>145,559</u>	<u>121,907</u>	<u>90,872</u>	<u>64,615</u>
	<u>197,724</u>	<u>158,098</u>	<u>122,814</u>	<u>83,411</u>

- (b) Undisbursed approved mortgages amounting to approximately \$2,246,192,000 (2007: \$2,451,210,000) for the group and for the Society \$2,099,253,000 (2007: \$2,372,396,000).

- (c) Capital commitments

Commitments for capital expenditure amount to:

	<b>Group</b>		<b>Society</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
	<u>428,195</u>	<u>333,918</u>	<u>394,855</u>	<u>325,500</u>

#### 37. CONTINGENT LIABILITIES

- (i) At March 31, 2008, the Society had contingent liabilities in respect of the guarantees provided to regulators in respect of the licence of an overseas subsidiary aggregating \$70,794,000 (US\$1 million) [2007: \$67,564,000 (US\$1 million)] supported by an assignment of liquid funds held at overseas banks aggregating \$70,794,000 (US\$1 million) [2007: \$67,564,000 (US\$1 million)].





## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 37. CONTINGENT LIABILITIES (cont'd)

- (ii) The Society also pledged its commitment to provide financial support, if required, to fund the activities of three of its subsidiaries until March 31, 2009.
- (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 company has catastrophe reinsurance up to a maximum of \$2.2 billion per event, 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 \$77 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 Risks for the period January 1, 2007 to December 31, 2007.

#### 38. INSURANCE 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 subsidiary 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 subsidiary is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policies written by the subsidiary company are:

Liability insurance  
Property insurance  
Motor insurance

##### (a) Underwriting policy

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.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 38. INSURANCE RISK MANAGEMENT (cont'd)

(a) Underwriting policy (cont'd)

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

(b) 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 subsidiary 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 later in note 39.

(c) Terms and conditions of general insurance contracts

The table below provides an overview of the terms and conditions of general insurance contracts written by the subsidiary company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

Type of contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including policyholder's employees or members of the public. The main liability exposures are in relation to bodily injury.	<p>The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.</p> <p>The majority of bodily injury claims have a relatively short tail. In general, these claims involve lower estimation uncertainty.</p>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 38. INSURANCE RISK MANAGEMENT (cont'd)

##### (c) Terms and conditions of general insurance contracts (cont'd)

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	<p>The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.</p> <p>The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions.)</p> <p>The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.</p>
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	<p>In general, claims reporting lags are minor and claim complexity is relatively low.</p>

##### Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The subsidiary company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

##### Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the subsidiary company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 38. INSURANCE RISK MANAGEMENT (cont'd)

##### (c) Terms and conditions of general insurance contracts (cont'd)

###### Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The subsidiary company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

##### (d) Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of claim provisions at the reporting date) per major category of business.

	<u>Liability</u> \$	<u>Property</u> \$	<u>Motor</u> \$	<u>Other</u> \$	<u>Total</u> \$
At 31 March 2008					
Gross	237,489,983	140,288,652	1,773,009,105	47,747,161	2,198,534,901
Net of reinsurance	<u>221,341,741</u>	<u>32,324,508</u>	<u>1,655,989,888</u>	<u>19,084,148</u>	<u>1,928,740,285</u>
At 31 March 2007					
Gross	226,474,070	68,838,299	1,562,844,623	24,446,988	1,882,603,980
Net of reinsurance	<u>205,833,287</u>	<u>16,029,460</u>	<u>1,407,452,683</u>	<u>11,085,570</u>	<u>1,640,401,000</u>

##### (e) 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:

	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2005</u> \$'000	<u>Accident year</u>		<u>2008</u> \$'000	<u>Total</u> \$'000
				<u>2006</u> \$'000	<u>2007</u> \$'000		
Estimate of cumulative claims							
at end of accident year	849,917	973,224	1,188,021	1,071,824	1,321,080	1,113,692	-
- one year later	752,909	1,001,213	1,221,388	1,007,841	1,261,295	-	-
- two years later	854,782	977,147	1,224,747	1,028,638	-	-	-
- three years later	878,365	969,999	1,243,906	-	-	-	-
- four years later	878,629	983,893	-	-	-	-	-
- five years later	<u>854,330</u>	-	-	-	-	-	-
Estimate of cumulative claims	854,330	983,893	1,243,906	1,028,638	1,261,295	1,113,692	6,485,754
Cumulative payments	(679,309)	(860,322)	(1,058,427)	(817,425)	(932,653)	(600,203)	(4,948,339)
Net outstanding liabilities	<u>175,021</u>	<u>123,571</u>	<u>185,479</u>	<u>211,213</u>	<u>328,642</u>	<u>513,489</u>	<u>1,537,415</u>



## NOTES TO FINANCIAL STATEMENTS

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (cont'd)

March 31, 2008

#### 39. CONCENTRATION OF INSURANCE RISKS

A key aspect of the insurance risk faced by the subsidiary is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentrations may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which the subsidiary is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the subsidiary company because the occurrence of an event could have a significantly adverse effect on its cash flows.

The subsidiary's key methods in managing these risks are twofold:

- (a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the subsidiary's underwriting policy [note 38(a)].
- (b) Secondly, the risk is managed through the use of reinsurance [note 38(b)]. The subsidiary arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The subsidiary assesses the costs and benefits associated with the reinsurance programme on a regular basis.

#### 40. ACQUISITION OF SUBSIDIARY AND MINORITY INTEREST

##### Acquisition of minority interest

During the year, the group acquired an additional 1.17 % interest in Management Control Systems Limited (MCS) for \$1,295,000 increasing its ownership from 94.5% to 95.67%. The carrying amount of MCS's assets at the date of the acquisition was \$253,603,000. The group recognised goodwill of \$1,524,000 and a decrease in minority interests of \$2,897,000.

In the prior 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 goodwill of \$48,490,000 and a decrease in minority interests of \$103,079,000. 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 goodwill of \$140,000 and a decrease in minority interests of \$796,000.

#### 41. SUBSEQUENT EVENTS

On June 10, 2008, the Society through one of its subsidiaries, acquired the remaining 25% shareholding in Manufacturers Credit and Information Services Limited for \$78 million (note 1).

The exchange rate of the Jamaica dollar is determined daily. At July 16, 2008, the Society's exchange rate of the Jamaica dollar was US\$1.00 to J\$71.88, £1.00 to J\$143.22 and Cdn\$1.00 to J\$70.44 compared to US\$1.00 to J\$70.79, UK£1.00 to J\$139.88 and Cdn\$1.00 to J\$68.17 at March 31, 2008.





## NOTES