





The crest of the Jamaica National Building Society symbolises the organisation's commitment to uphold the honour, values and tradition of the Society; as well as its vow to help its members "find a way".



Partnering with your community
for development





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Mission Statement

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We are a
mutual organisation
satisfying our members
and customers
with a competitive range of
savings, mortgage loans,
financial and other services,
directly and through our
subsidiaries.

Notice of Annual General Meeting

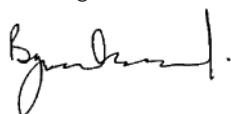


Notice is hereby given that the 137th Annual General Meeting of Shareholders of the Jamaica National Building Society will be held at the Wyndham Kingston Hotel, located at 77 Knutsford Boulevard, Kingston 5, in the parish of Saint Andrew at 4 o'clock in the afternoon of Wednesday, September 28, 2011.

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, 2011
 - ii) The Statement of Accounts for the year ended March 31, 2011
 - iii) The Auditors' Report for the year ended March 31, 2011
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
August 10, 2011



Byron Ward
Secretary

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

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.

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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.

Extracted from the Book of Rules.



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Founders



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



**Reverend
Henry Clarke**
Founder of the
Westmoreland
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



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



**Reverend
Edwin James
Touzalin, JP**
Founder of the
St Mary Benefit
Building Society
(1915)



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



Ernest Clark
One of the
founders and
first Chairman of
the Manchester
Mutual Building
Society (1955)

Mergers and 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*

Chairpersons & General Managers

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CHAIRPERSONS

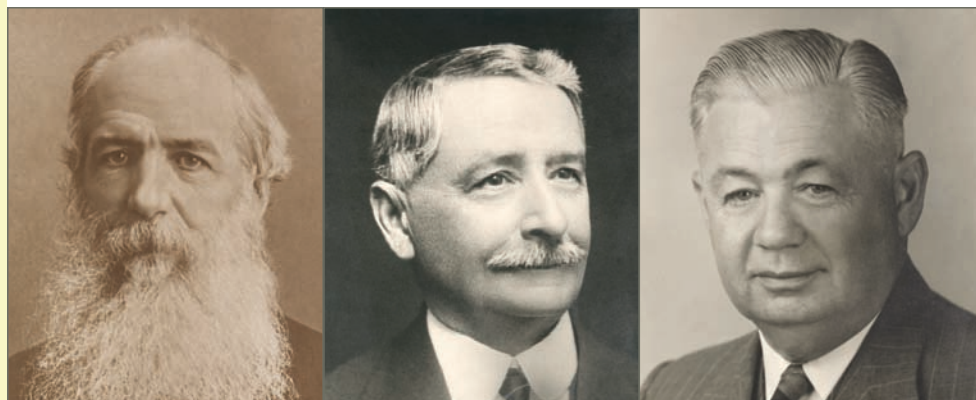


(Top Row Left - Right)

Reverend Henry Clarke 1874 -1907

Hugh Clarke 1907 -1944

Eric Clarke 1944 -1966



(Middle Row Left - Right)

J. Osmond H. Hudson Snr. 1966 -1976

Keith Francis, JP 1997 -2002

Hon. Oliver Clarke, OJ, JP 1977 -1997
& 2002 -Present



GENERAL MANAGERS



(Bottom Row Left - Right)

Lancelot Reynolds, OD, JP 1976 -1999

Earl Jarrett, CD, JP 1999 -Present

*All the Chairmen, with the exception
of Mr Keith Francis, were also
General Managers.*





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Mutuality Statement

The Jamaica National Building Society was founded on the principle of mutuality which has guided the Society's progress and conduct throughout the past 137 years.

Based on mutual trust and benefit, mutuality means that the Society is owned by its members - the people who save with it, and that the Society strives to safeguard the interests of those members.

As a mutual organisation, the Society's main goal is to increase its membership base and encourage savings among members primarily to help them to acquire homes.

The Society also strives to manage the savings of its members prudently with the interest of savers in mind. As such, it seeks to satisfy the needs of both savers and borrowers by offering attractive rates of interest on savings and loans.

The Society's business conduct is also guided by mutuality - one member, one vote - regardless of the amount of savings of each member; thus, the interest of the smallest saver is safeguarded as much as the interest of the largest. The Society also seeks to operate efficiently and profitably to the greater benefit of its members.

Board of Directors

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The Honourable Oliver Clarke worked with the Jamaica National Building Society as Assistant General Manager and then as General Manager from 1971 to 1976. He held the position of Chairman of JNBS for two decades from 1977 to 1997 and served as Deputy Chairman from 1997 until 2002 when he was reappointed Chairman.

Mr. Clarke is the Chairman of NEM Insurance Company (JA) Ltd. and JN Money Services Ltd., the parent company of the Jamaica National Overseas companies in the United States of America, Canada and the United Kingdom. He is also director of JN Small Business Loans Limited.

Mr. Clarke, a Chartered Accountant, is Chairman and former Managing Director of The Gleaner Company Limited and past President of both The Private Sector Organisation of Jamaica (PSOJ) and The Inter American Press Association.

He is a Board Member of several organisations and also served as Chairman of the National Commercial Bank (Jamaica) Limited. In 1990 he received the Americas Award from the Americas Foundation and in 1996, he was inducted into the PSOJ Hall of Fame. The American Foundation for The University of the West Indies recognised him as a Caribbean Luminary in 2004 and in April 2006 The American Friends of Jamaica awarded Mr. Clarke its International Humanitarian Award.

In 2009 he was awarded an Honorary Degree of Doctor of Laws (LL.D) from The University of the West Indies and an Honorary Degree of Doctor of Laws (Hon. LL.D) *honoris causa* from the University of Technology.

Hon. Oliver F. Clarke, OJ,
Hon. LL.D., JP, BSc (Econ), FCA
Chairman





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Dr. Dhiru Tanna has been a member of the JNBS Board since 1981 and Chairman of JN Fund Managers Limited and JN Finance Limited since 2005. He is a long standing member of the Society's Finance & 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 organizations 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.

Dr. Dhiru Tanna
BSc (Econ), MA, PhD
Deputy Chairman



Board of Directors

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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) Limited, 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. He is a Director of the Edna Manley College Arts Foundation; Chairman of the Jamaican Diaspora Foundation and Chairman of Mona GeoInformatics Institute.

In 2008 he received two major awards--he was conferred with the Order of Distinction, in the rank of Commander (CD), in the national honours awards by the Government of Jamaica in October for service in the financial sector. Mr. Jarrett also received the Pelican Award from The University of the West Indies Alumni, Florida Chapter, in February for outstanding work in business development among the Jamaican Diaspora in the USA.

In January 2010, he was recognised by the American Foundation of The University of the West Indies as a 2010 recipient of the Caribbean Luminary Awards. In February 2010, Mr Jarrett also received the Pelican Award from the Jamaican Chapter of The University of the West Indies Alumni, in recognition of his significant contribution to the development of the University and to Jamaica. In November 2010, he was conferred with the Doctor of Laws (LL.D) honoris causa by the University of Technology Jamaica.



**Earl Jarrett, CD, Hon. LL.D.,
JP, MSc (Accounting), FCA
General Manager**

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.

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. In April 2009, he was appointed Chairman, JN Small Business Loans Limited. He has also been a member of the JNBS Foundation since 2007.

He is currently a member of the Boards of Directors of the Jamaica Bauxite Institute, Noranda St Ann Bauxite Partners Ltd., Caribbean Cement Co. Ltd., and the Mona Geoinformatics Institute. Since November 2010 he has been Chairman of the Board of Directors of the Petroleum Corporation of Jamaica. He is a member of the Campus Council, the Finance and General Purposes Committee, the Campus Audit Committee, and the Strategy and Policy Committee of the Mona Campus of The University of the West Indies. He also serves on the Engineering Board of Studies and the board of the Computing and Engineering Extension Centre of the University of Technology, Jamaica.

Mr. Lyew-Ayee is a member and former President of the Geological Society of Jamaica; a member of the International Committee for Studies of Bauxites, Alumina and Aluminium (ICSABA); and the Society of Mining Engineers of the American Institute of Mining, Metallurgical & Petroleum Engineers.

A geologist and mineral engineer, Mr. Lyew-Ayee is the Executive Director of the Jamaica Bauxite Institute. For his service to the bauxite/alumina industry in Jamaica throughout his career, the Government of Jamaica awarded him the Order of Distinction (Rank of Officer) in 1988, then the Order of Distinction (Rank of Commander) in 2007.

**Dr. Henry A. A. P. Brown, CD,
MD, LRCP, LRCS**



**Parris Lyew-Ayee, CD
BSc M.Eng.**



Board of Directors

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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 Limited.

Mr. Mahfood joined the family business in 1988 and has been Managing Director of the Wisynco Group Ltd. since 1994. He is very active in outreach programmes in Spanish Town and its environs, as well as serving on boards of charitable organisations such as Food For The Poor and The Laws Street Trade Training Centre.

In August 2011, he was conferred with the Honorary Doctor of Public Service degree from the Northern Caribbean University.

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 a Director of the JNBS Foundation and a Trustee of the JNBS Group Pension Plan.

A partner with the law firm Robinson, Phillips & Whitehorne with offices in Ocho Rios, St. Ann, Mrs Martin was admitted to practice as a Solicitor in Jamaica in 1970 and has extensive experience in conveyancing. She is a member of the Jamaican Bar Association and the Northern Jamaica Law Society.

William Mahfood, Hon. LL.D., BSc

Jennifer Martin, JP



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

A practicing Attorney-at-law for some 38 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 organizations 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.

Hon. Dorothy Pine-McLarty, OJ



Mr. Peter Morris was appointed to the JNBS Board in January 1993. He is a Director of JN Fund Managers Limited, NEM Insurance Company (Jamaica) Limited and JN Finance Limited, 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 more than 20 years of business experience at the management and board level in Jamaica, the United Kingdom and the United States of America.

Peter Morris BSc (Hons.), MBA



Board of Directors

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Mr. John Small has been a Director of the Society since September 1998. He is a graduate of Bradford University, England. Mr. Small is a former Deputy Director of Social Services for the London Borough of Hackney, England, former non-executive Director of North London University and former Lecturer Department of Sociology, Psychology and Social Work, The University of the West Indies. He was Chairman of The Planning Institute of Jamaica's "Working Group on International Migration", and founder and first President of the National Association of Returning Residents. Mr. Small is a member of the Board of Governors of United Way of Jamaica and is a self-employed international consultant in the Management of Human Services.

John Small BA (Hons.), CQSW, FCMI

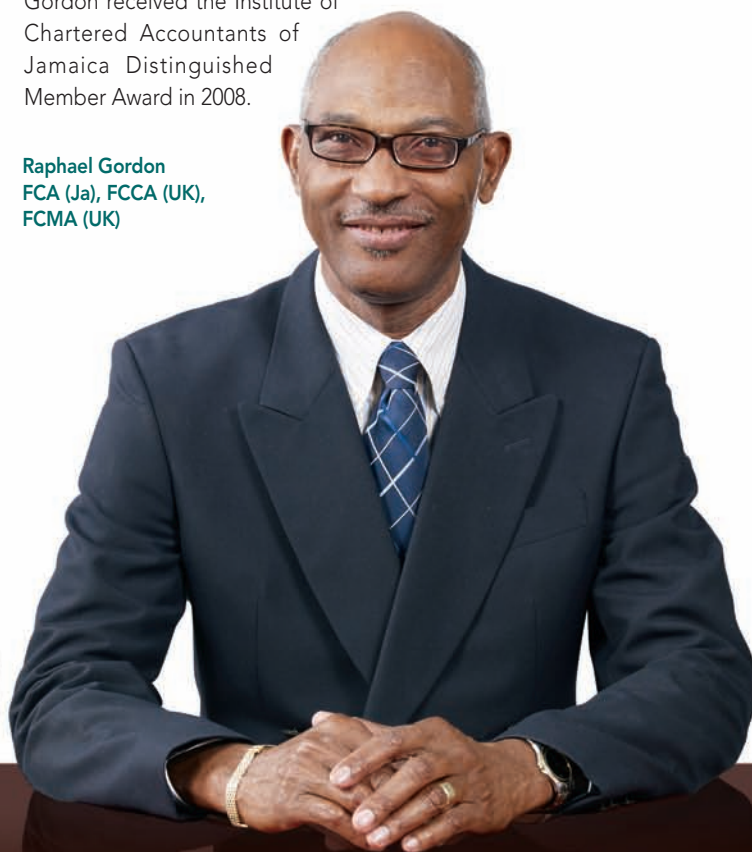


Mr. Raphael Gordon, retired Managing Partner of KPMG in Jamaica and Chairman of KPMG CARICOM, joined the Board of Directors in November 2009. A partner in KPMG from 1978 to 2008, Mr. Gordon has had responsibility for the audits of several public companies, statutory bodies, pension funds, manufacturing, distribution and agricultural businesses and financial and educational institutions. He has also served on public committees to examine money laundering, company law reform, and insolvency legislation, the Financial Administration and Audit Act and the Public Bodies Management and Accountability Act in Jamaica.

A Chartered, Certified and Cost and Management Accountant, Mr. Gordon is Deputy Chairman of Caymanas Track Limited, Commissioner, The Casino Gaming Commission; a former member of the Air Jamaica Audit and Finance Committee and the EDP Auditors Association Inc., and a member of the Public Accountancy Board; past President of the Institute of Chartered Accountants of Jamaica (ICAJ) and a former Director of the Institute of Chartered Accountants of the Caribbean. He has also served as the Jamaican representative on the Association of Chartered Certified Accountants' International Assembly.

In recognition of his outstanding contribution to the accounting profession and development of the ICAJ, Mr. Gordon received the Institute of Chartered Accountants of Jamaica Distinguished Member Award in 2008.

Raphael Gordon
FCA (Ja), FCCA (UK),
FCMA (UK)





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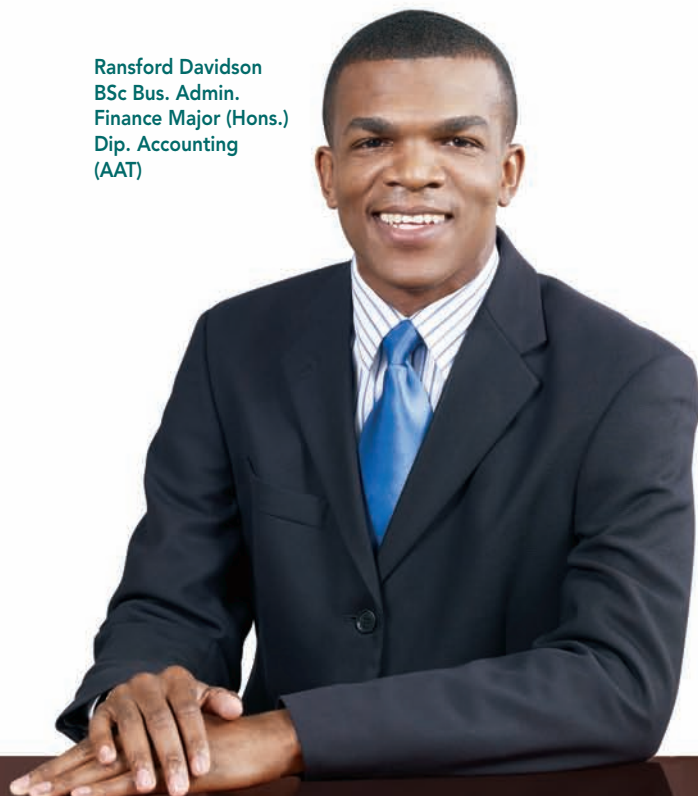
Mr. Ransford Davidson joined JNBS in 1999 as a Teller at the St. Ann's Bay branch. He worked as Foreign Exchange/Savings Supervisor at the May Pen branch from 2002 to 2006. He was elected Ambassador to the JN Group in 2005 and was appointed Branch Operations Manager at the Brown's Town Branch in 2006. He is currently Senior Branch Manager responsible for the Ocho Rios, Brown's Town and St. Ann's Bay Branches.

He attended York Castle High School, the Brown's Town Community College and pursued undergraduate studies at the Northern Caribbean University and was awarded Certificates of Academic Excellence for outstanding academic achievement in 2008, 2009 and 2010. Mr Davidson successfully completed his Bachelors of Science Degree in Business Administration, majoring in Finance, with honours. He was also appointed President, United Student Movement, Northern Caribbean University, Salem Campus, in 2009.

He 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.

Mr. Davidson is actively involved in outreach efforts, and is an Executive Member of his Church organisation. He was appointed Staff Director in November 2010, following his previous election as Staff Director for the period 2007-2008.

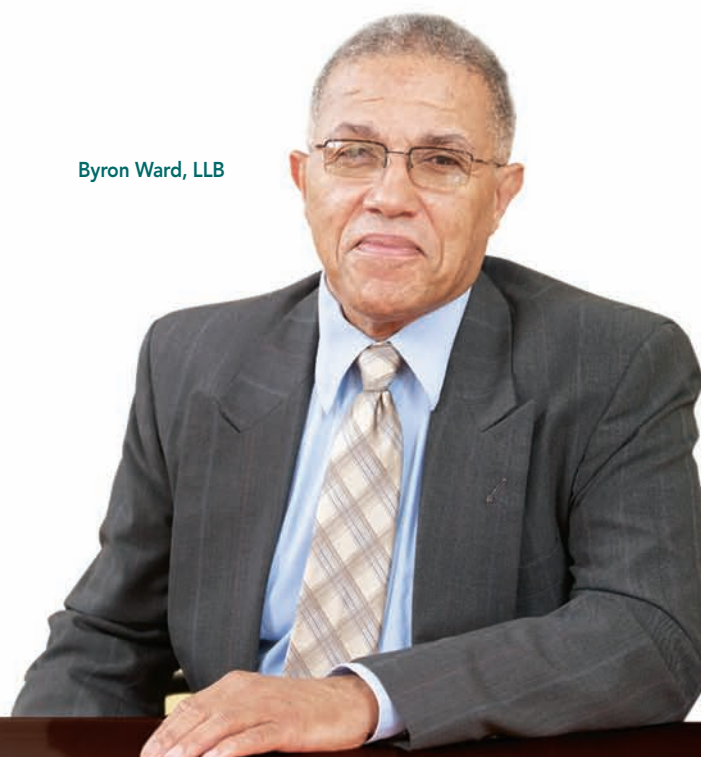
Ransford Davidson
BSc Bus. Admin.
Finance Major (Hons.)
Dip. Accounting
(AAT)



Mr. Byron Ward joined the Society in 1995. He functions as Corporate Secretary and Legal Counsel to the Society and several of its subsidiaries, and is the Trust Secretary of the JNBS Group Pension Plan.

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

Byron Ward, LLB



Corporate Governance

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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 JNBS Group on behalf of the members and other stakeholders to whom they are accountable.

External Regulators

JNBS, which is established under the Building Societies Act, is licensed as a 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 which 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.

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 Risk Management Unit, which consistently reviews the adequacy of strategies and policies for risk management. These internal control systems enable the Society to achieve its corporate objectives within a managed environment of research, analysis and prudent decision making in the best interest of members and in compliance with all regulatory requirements.

Board Committees

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

Good corporate governance is fundamental to the Society's culture and business practices; and 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.



Facebook



Comment

...I must say that I love how JNBS invests in this country. Glad to be a member for over 7 years (don't worry I am still young...LOL)

Jana "Serendipity" Chandon

Chairman's Report

Hon. Oliver F. Clarke, OJ, Hon. LL.D., JP,
BSc (Econ), FCA

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The resilient spirit of Jamaica National Building Society and its subsidiaries, as well as the responsible, measured manner in which business was conducted, resulted in positive financial performances and continued quality service to members and clients as the JN Group weathered the impact of a testing national economy during fiscal year 2010-2011.

The Group's overall performance was impacted by significant external economic factors including the implementation of the Jamaica Debt Exchange, recasting of the national supplemental budget, and the unexpected revaluation of the Jamaican currency. To offset these factors, there was increased focus on growth and improved efficiencies within the organisations, which in turn, minimized the negative impact on the surpluses generated during the year.

During fiscal year 2010-2011, the JN Group recorded \$1.3 Billion after tax surplus, representing a 5.8 percent increase of approximately \$72 Million over the previous year. Overall, Group assets moved by \$10 Billion, which reflected a good performance of its investment and savings portfolios.

Governance

The board of the Society and the boards of the subsidiaries seek to maintain the highest standards of corporate governance throughout the JN Group in the best interest of our members. This was evident in the provision of effective guidance in the delivery of new products and services; as well as the management of investment portfolios to achieve positive results at the end of the year under review, March 31, 2011.





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The Board of Directors, through the following oversight committees, has ensured that best practice management principles and practices were implemented and maintained during the financial year:

1. Audit Committee
2. Compensation Committee
3. Risk Committee
4. Finance and Investment Committee
5. Credit and Loans Committee
6. Proxy Committee

The governance process is designed to ensure that the Society achieves its goals and growth strategies through the efficient utilisation of capital, and the protection of depositors' savings by engaging in risks that are consistent with the Charters and Policies of the Society. This process cascades through to the subsidiaries resulting in a framework which is well directed and an effective mechanism for feedback.

Regulatory Compliance

Jamaica National observes the compliance regulations established by the Bank of Jamaica (BOJ). At the end of the 2010/2011 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 more than 18 months. Loans and advances on which interest is no longer accrued amounted to \$5.6 Billion at March 31, 2011, representing 13.84 percent of the gross mortgage loan portfolio, as against 13.6 percent at the end of March 2010. The Society's risk-based capital ratio ended positively at March 31, 2011, moving up from 19 percent the previous year to 22.13 percent, well above the Bank of Jamaica's requirement of 10 percent.

Increased Service Levels

During the year, the Society achieved its objective of providing increased levels of service to members through the expansion of its distribution network with the opening of a branch at The University of the West

Indies; creation of self-serve facilities branded as JN Express Centres in several branches across the island, and at the Michi Plaza on Washington Boulevard in Kingston; increased member access to ATMs; and improved services via the online portal, LIVE by JN. Also, a new JN Financial Centre is slated to be opened at Catherine Hall in Montego Bay, St. James in the next fiscal year to provide additional services for the citizens in western Jamaica.

Outlook for the Future

Even in the face of significant challenges being experienced as the Government implements the International Monetary Fund (IMF) economic management programme, the Society remains focused on supporting development initiatives which will benefit Jamaica National and Jamaica.

I wish to report that subsequent to the end of this financial year, we have received approval from the Financial Services Commission for the registration of a company to conduct life insurance business under the name JN Life Insurance Company Limited, which will provide members with access to a range of life insurance products and services.

In order to more closely integrate the marketing and service offerings within the JN Group, we have decided to rename NEM Insurance Company Limited to Jamaica National Insurance Company Limited (JNI). The name change process is expected to be completed by the end of the 2011 calendar year. It is anticipated that, by doing so, JN Insurance will benefit from the large JNBS membership base, and thereby achieve its objective of increasing the number of persons who are covered by general insurance, particularly home insurance, against the perils of hurricane and earthquake.

At our last Annual General Meeting, we reported that the Society had applied for a license to operate a commercial bank in Jamaica. I wish to report that we are still awaiting a decision from the regulators. However, we remain committed to this objective and will advise the membership of any new developments as they arise.



The Society has also been advised that the Government is contemplating the passage of a new law referred to as the Omnibus Financial Legislation that will establish a new regulatory framework for the management of financial institutions. We understand that this law will have implications for the current operations of Jamaica National, and so we await details of the Act which will be communicated to you as soon they are received. Our hope is that this new law will preserve the mutuality concept which has benefitted so many Jamaicans.

As we review the past financial year, we remain concerned about the impact of the economic downturn on the lives of many of our homeowners. Over the past two years, there has been a marked increase in the level of loan arrears. This has resulted in deep unease about the persons who are losing their homes; however, we are compelled to protect the funds of our depositors. As a consequence, the Society is concerned about the lengthy process involved in moving to recover assets under the Power of a Mortgage, and invite our regulators to examine the process in the interest of those who save with the Building Societies.

Retiring Directors

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

1. Mr. Peter Morris who was appointed to the Board in 1993.
2. Mr. John Small who has been a member of the Board for 13 years.
3. Dr. Dhiru Tanna who has been a member of the JNBS Board since 1981.

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

Our 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.

Employee Commendations

The constructive achievements across the JN Group during the past year are concomitant with positive and dedicated roles that the management and staff have played to upgrade our internal processes; and in the delivery of quality products and services to our members and clients. We commend our employees for their professionalism and the sense of purpose that they demonstrated during the past year, to help others to "find a way." Based on the acceptance of new technologies, and the need to educate others in their use, employees in the Group charted a new way forward in how we do business; and, on behalf of the Board and our members, we commend you all for the contribution to our growth.

Consolidation and Cost Containment

The proactive move by management to pursue a regime of cost containment and consolidation throughout the Society and its subsidiaries provided the JN Group with a solid platform on which it can build new synergies, as these entities move forward to the next fiscal year. We do so with confidence, knowing that fiscal discipline is an imperative, in light of current market conditions; and, that we must continue to be innovative in our search for right solutions. And, most of all, we are positive that our reorganised management team is equal to the task ahead.



The Hon. Oliver F. Clarke, OJ, Hon. LL.D., JP
Chairman



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Resilience and Partnerships Against the Odds

**Earl Jarrett, CD, Hon. LL.D., JP,
MSc (Accounting), FCA**



This past financial year was one that tested the resilience of our organisation, as well as the strength of the partnership with our members, employees, communities, and regulators on several levels. I am proud to report that the sound management principles and prudence which have guided the operations of the Society coupled with our willingness to make necessary and pragmatic decisions, proved to be a solid base for the viability of the organisation during the year.

The first six months of the fiscal year presented significant challenges as the intense effects of the global economic crisis, introduction of the Jamaica Debt Exchange (JDX), civil unrest in May 2010, low interest rate environment, and the sharp revaluation of the Jamaican currency, resulted in many businesses having to adopt extreme cost containment measures to ensure that their organisations remained viable.

Your Society was also significantly impacted. Our revenue stream declined considerably; our core mortgage and savings portfolios contracted; and the arrears portfolio escalated as persons struggled to meet their financial commitments. With the introduction of the JDX we experienced a loss of \$1.3 Billion and, subsequently, \$390 Million of additional loss in income earnings on investments. Despite this, the Society returned a reasonable financial performance on its operations. Total lending for the period amounted to \$1 Billion while the Net Savings Intake was \$3.1 Billion. Mortgage origination for the fiscal year was \$5.1 Billion while \$5 Billion was disbursed in loans. However, through the strategies implemented, the arrears ratio was held at 5.3 percent.

Overall, the Society performed creditably, delivering a profit of \$929.7 Million given the backdrop of fluctuations in the social and economic environment, uncertainty about economic growth, and the effects of the Jamaica Debt Exchange.

This performance is due to consolidation of our operations and cost containment initiatives that were adopted to minimise the negative effects on the Society. Critical partnerships were reaffirmed with our trade union partners and, through constant dialogue, the unions and the Society agreed to a formula to rationalise our numbers and reduce staff cost. This resulted in a review of our branch operation strategy; implementation of team rotations among branch managers; and combining some branches under a central manager to optimise performance and improve efficiencies such as extending opening hours at some locations and contracting hours at others.

The Society's senior management organisational structure was also reviewed and an Assistant General Manager for Treasury and Investments appointed to oversee the treasury management, foreign exchange and investment portfolios. During the year, we also strengthened our overseas management team with the appointment of new Chief Representative Officers for the offices in the USA, United Kingdom and Canada.

Member Services

From our customer service perspective, several practical measures were introduced to lessen the impact of the extraordinary market conditions on our members; to improve the quality of our service; and to provide additional access points where members can interact with us.

The Society's branch network was expanded in May 2010 with the opening of our 25th and first 'green' branch on the Mona campus of The University of the West Indies. This cashless branch is among the first of its kind. It uses mainly solar energy thereby allowing us to save on electricity costs and to move away from the traditional methods of banking to more alternative channels. It also features the new JN Express Self-Service station including full service Automated Teller Machines (ATMs), express cash dispenser machines, a cash/cheque depository, and facilities to access **LIVE by JN**, our online banking portal. The University community welcomed the opening of this branch as, within the first three months, 385 savings accounts amounting to \$13.2 Million were opened, while 7,260

transactions were conducted using the JN Express Self-Service facility.

As part of our commitment to improve member service and reduce wait time, the Society also introduced the JN Express at select locations, as well as established the first off-site JN Express Self-Service facility at the Michi Supercentre, on the Washington Boulevard corridor in the Corporate Area.

We also enhanced our member experience by consolidating all our mortgage origination operations and revamping the mortgage centres to provide more convenient service to our mortgagors. Mobile mortgage sales agents have been assigned to facilitate greater access to members, as they now travel around the island to meet with and engage members. They are equipped with tools to originate mortgage loans outside of the office, and upload the information to a central system for final processing and approval in much shorter times. These mortgage centres have significantly improved the mortgage experience of our members and have given the sales team more focused and achievable targets.

Another strategy to improve service delivery was discontinuation of the use of vouchers to make payments to JNBS mortgage accounts. This is in keeping with the 'no passbook policy' introduced two years ago to automate and enhance our customer service delivery, and it complemented our lowering of interest rates on mortgages to 13.75 percent.

Given the harsh economic conditions, the Society continued cost containment initiatives with a focus on providing service within our network, free of charge to members. Through our "Membership Matters" campaign, members continued to benefit from competitive interest rates and exclusive member benefits such as no charge for use of the JN Teller 24/7 card at JN ATMs or our internet banking facility, **LIVE by JN**.

Members were also encouraged to improve their financial knowledge and to take advantage of cost saving strategies, such as access to their funds by



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means of our suite of ATM cards, which include the JN Money Transfer card for remittance collection. This increased our point of contact with members through the 130,000 Point of Sale merchants across Jamaica where no transaction fees are charged to members using their JN ATM cards.

We have also embarked on initiatives to promote **LIVE by JN**, particularly the no-charge benefits of making utility payments, phone top ups, view accounts and transfer funds within own accounts. This has resulted in a 29 percent increase in the number of registered users and a 14 percent jump in the use of the service in 2011.

This emphasis on valuable, cost saving alternatives to members was due to the introduction of nominal fees for some transactions, such as payment for six or more in-branch transactions or a cost of \$50 charged for the use of non-JN ATM services.

We also continued our efforts to be fully compliant with regulatory requirements for all the jurisdictions in which we operate. This included a drive for greater level of compliance in areas such as the 'Know Your Customer' requirements; improved monthly reporting to the Bank of Jamaica; and the streamlining of our facilities to provide a more efficient communication system with our members, which involves speedier response to queries raised or information requested via our website www.jnbs.com.

Our Society holds firmly to the principle of listening to our members; and during the last financial year, bi-annual members' meetings were held in several regions across the country, as well as in the United Kingdom and the United States of America. These events gave members the opportunity to raise concerns and ask questions, and our management team a chance to answer those questions.

Members attach great importance to the quality of the service we provide; therefore, we are proud that our overall service ranks among the best in the industry.

The measures introduced have been welcomed by our members, and are reflected in their annual assessment of us with a customer satisfaction score of 86 percent at branches and 82 percent among our mortgagors.

Subsidiary Highlights

The subsidiary companies of the Society also sought to meet their targets and achieve their mandates through the provision of complementary products and services. The following outlines their achievements during the past year.



Keith Senior
General Manager



A dynamic and profitable member of the JN Group, JN Fund Managers Limited (JNFM) is a licensed securities dealer, primary dealer for Bank of Jamaica instruments, and a pension fund manager.

Its wealth management services which incorporates fixed income securities issued by the Government of Jamaica, the United States of America and Canada, and shares listed on the Jamaican stock exchange, are offered through representatives located at each branch across the JNBS network, and at its offices in New Kingston. The hallmark of these investment options is JNFM's excellent and personalised customer service, distinguishing the firm from several of its competitors.

During the period under review, JNFM became the largest primary dealer in handling Government of Jamaica and Bank of Jamaica securities.

The company grew its assets under management to \$30.40 Billion in 2011, up from the preceding year's figure of \$27.81 Billion. This despite the challenges arising from the Jamaica Debt Exchange programme in February 2010; the continued slowdown in the domestic economy; and anemic growth globally.

JNFM strengthened its income stream by partnering with Mayberry Investments in arranging for the successful raising of capital for Blue Power Group Limited, Jamaica Teas Limited and the LASCO Group of Companies and the subsequent trading of the shares of those entities.

Overall the year was a good one, with JNFM increasing its already high return on equity, making it one of the most efficiently run companies in the financial services sector. Its efficiency ratio, a measure of how well a company manages its assets, is also one of the best in the sector.



Arnie Francis
General Manager



JN Finance Limited performed creditably during the year despite the significant reduction in market interest rates and competition from deposit-taking institutions. The

company continues to be ranked in the top three insurance premium financing providers in the financial sector.

During the year, the company maintained its strategy of high quality customer service, aggressive cost containment, and close receivables management. As a result, it produced approximately \$30 Million in after tax profits and payment arrears amounted to less than one percent of its loan portfolio, which ended the year at \$583.5 Million.

JN Finance partnered with the Jamaica Automobile Association, a subsidiary of the JN Group, to bolster the auto club's motor vehicle loan programme. The partnership reaped positive results for both companies, as the joint auto loan portfolio grew by four percent, to \$19 Million.

As JN Finance continues to operate in a low interest economy, it will redouble its efforts to find creative

means to increase its income. In that regard, cost containment and an aggressive receivables management strategy will be continued; and should augur well for the company.

The company is appreciative of the efforts of the small but dedicated team at JN Finance and the insurance brokerage community, whose contributions proved invaluable to its results.



Leesa Kow
General Manager



JN Money Services Limited (JNMS), which operates as JN International Money

Transfer, experienced growth in both the volume and value of remittances to Jamaica from the four major Diaspora markets: the United States of America (USA), the United Kingdom (UK), Canada and the Cayman Islands.

The overall performance of the company exceeded the national remittance average for the year and contributed to JNMS' increased market share of remittances to Jamaica, thereby further strengthening its position as the number one remittance company of the Caribbean.

While all markets experienced an increase in outflows with over one million transactions valued at US\$258.7 Million sent to Jamaica from these markets, the Cayman Islands yielded the largest growth. This was as a direct result of JNMS' acquisition of the QuikCash brand in the Cayman Islands in August 2010. Consequently, JNMS' total volume of remittance transactions from the Cayman Islands grew by 32 percent while the value of transactions increased by 20 percent, consolidating JN Money Transfer as the largest remittance provider on the Cayman-Jamaica remittance corridor.

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Conversely, JNMS experienced a 28 percent decline in its bill payment activity during the 2010-2011 fiscal year, as a direct result of the company's discontinuation of the operation of JN Money Shop Xpress in Jamaica Public Service Company locations across the island. Overall, operating profit for the period improved by 36 percent moving to \$96.6 Million; however, after tax profit declined to \$13.7 Million.

The company displayed its strong presence in the UK market during the summer of 2010 when some 15,000 Jamaican and Caribbean peoples attended the one-day "I Love Jamaica" promotion at the Crystal Palace, in London. The event featured the 'best' of Jamaica including the company's services, as well as the island's tourism options, music, fashion, culture and cuisine.

JNMS continues to demonstrate its corporate social responsibility through its involvement with the Jamaica Partnership for Education (JPE) project, which seeks to eradicate illiteracy among young Jamaicans by 2015. The JPE programme, which targets primary schools across the country, has received positive support from Jamaicans in the Diaspora through funds raised by JN Money Transfer.



Frank Whyllie
General Manager



Since its establishment in the year 2000, JN Small Business Loans Limited (JNSBL) has disbursed 274,393 loans valued at approximately \$13 Billion. During the last fiscal year, 34,623 loans were disbursed valued at \$1.9 Billion. This represented a decline in the number and value of loans disbursed over the previous year as the small

business sector continued to grapple with economic challenges facing the country and the ramifications of the social upheaval in May 2010. However, in spite of this, JNSBL's revenue amounted to \$467.4 Million and the company returned a profit of \$9.1 Million.

During the year JNBSL fortified its partnerships with key entities to create entrepreneurial opportunities to assist the sector to grow and stimulate employment. In addition to its suite of easy-to-access products, the company strengthened its relationship with the Tourism Enhancement Fund in February 2011, launching a new loan product targeted at suppliers to the tourism industry. The new TEF loan provides access to funding of up to \$5 Million to industry participants.

The microfinance company also maintained its partnership with the Development Bank of Jamaica (DBJ) and the National Insurance Fund (NIF), distributing an additional \$5.2 Million and \$25.5 Million respectively in loans from funds provided by both institutions to the small business community.

To better meet the needs of its clients, JNSBL also implemented new services and procedures to enhance its operations during the fiscal year. In August 2010, a more efficient loan payment system called JNSBL Eezy Pay was introduced to JNSBL clients. This allows them to fulfill their loan obligations by simply swiping a card at kiosks located inside the JNBS Half-Way-Tree, Downtown Kingston and Lucea branches, as well as at the Michi Supercentre and at Point of Sale terminals at several post offices in St Catherine and Clarendon.

In December, the company implemented a Client Protection Programme under the international Smart Campaign to improve the security of its clients' interests. In addition, the company established a new loan management system developed by its sister company, Management Control Systems Limited, to improve the efficiency of the loan management process. The system will be fully implemented in the 2011/2012 fiscal year.

JNSBL continues to serve its clients from 27 locations across the island by providing accessible, practical and innovative products and services; and is expanding its reach in the market by using various communication tools including web-based and printed quarterly newsletters to update and inform clients about its services.

The company is also in the process of crafting a strategic growth plan with the assistance of an advisory group of the International Finance Corporation (IFC), a subsidiary of the World Bank. Elements of the plan, which is being developed under the guidance of a German consultancy firm, include:

- Implementation of a new information technology platform for its operations
- Modification of the existing loan underwriting processes
- Introduction of a change management programme to sensitise employees about the new lending strategies being adopted; and
- Consolidation of lending portfolios across parishes for greater efficiency in the ratio of field officers to clients.

To date, the project implementation process has been smooth and, on completion, should position JNSBL as one of the stronger microfinance companies in Latin America and the Caribbean.



Dianne Smith-Sears
General Manager



Management Control Systems Limited (MC Systems) continues to hold its leadership position in the technology industry, in

Jamaica and also in the English speaking Caribbean. It is noted for innovation, software development and

support services; technical support services in the area of system software installation and support; as well as equipment services and support.

MC Systems has maintained its partnerships with global technology leaders such as Hewlett Packard (HP), Microsoft Corporation, and Diebold Inc. Additionally, MC Systems continues to represent ACL across the Caribbean, and this year expanded its distribution of Point of Sale devices to include 18 countries in the English speaking Caribbean islands.

Whilst it prepared itself for more business across the region, the company remained cognisant of its role within and responsibility to the JN Group in the provision of technology services which add value. In this regard during this period, MCS completed the development of a payment kiosk to facilitate quick and easy payment of JNSBL loans, and started the development of a loan management system for JNSBL and ultimately for use by other JN companies. MC Systems provides support services to the JNBS ATM network and the core banking systems.

During the period, MCS also provided critical IT services to several government ministries. These included Data Analytics Software, Infrastructure Sales and general support services, as well as Business Intelligence Services and training to the Ministries of National Security, and Finance and Planning. This, in addition to the provision of payroll services in partnership with Fiscal Services Limited for nine Government Ministries. This governmental support extends across the Caribbean region with the provision of Data Analytic Services, Support services and the training of personnel in countries such as Trinidad & Tobago, the Bahamas, and the US Virgin Islands.



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For its operations, the company recorded revenues and expenses this year which were marginally more than the previous year, but were able to maintain cost of sales to an absolute minimum. As a result, it was able to attain a 25 percent increase in profit before tax amounting to approximately \$73 Million, compared with \$58.4 Million for the previous period. Gross revenues and expenses this year increased to \$732 Million and \$302 Million respectively compared with \$709.5 Million and \$294 Million during the last year.

MC Systems remains the largest and most complete provider of information systems in Jamaica and across the English-speaking Caribbean. The company continued to ensure the delivery of the most cost effective and innovative systems to the JN Group and to its wider customer base.

MCIS

During the latter part of this year under review, Manufacturers Credit & Information Services Limited (MCIS), the largest provider of vehicle expense management services in Jamaica and Trinidad & Tobago, successfully completed pilot implementation of its services on a franchise basis in the Turks & Caicos Islands. The brands associated with its services are ADVANCE, FleetCard, and NCS FleetCard in Jamaica, Trinidad & Tobago and Turks & Caicos Islands, respectively.

During the year, MCIS upgraded major portions of its software infrastructure to ensure the continued delivery of value-added features to its customer base, and to improve the efficiency and effectiveness of its service delivery. It also upgraded its hosting equipment infrastructure as many of its vendor partners now use internet based Point of Sale equipment which reduces costs and improves transaction speed.

Approximately 80 percent of the total portfolio employs all electronic interfaces provided by the system as they actively utilize the web portal in making changes to

their portfolio, receiving statements electronically. Meanwhile, approximately 97 percent of vendors receive payments sent electronically to their bank accounts thereby reducing the need for cheques, improving efficiency and reducing cost, while enabling the company to keep increases in rates to an absolute minimum, if any.

This year, many customers reduced the size of their fleets and also emphasized the need for control and management of expenses. The net impact was an increase in the number of vehicles under management, and this resulted in the revenue targets being surpassed. The company ended the year with an increase in sales of \$103.1 Million compared to \$87.6 Million the previous year; operating expenses of \$84.9 Million; and an improved profit performance, after tax, of \$33.6 Million.



JAMAICA AUTOMOBILE ASSOCIATION

The Jamaica Automobile Association (JAA), the island's leading automobile club, added several new offerings and made changes to its management structure during the 2010/ 2011 fiscal year to improve services to its more than 30,000 members.

During the year under review Operations Manager, Duane Ellis, was appointed General Manager. New programmes and initiatives were implemented to drive membership growth and extend the company's reach in the market. The company was made the centrepiece of the JN Group's involvement in the annual Denbigh Agricultural and Industrial Show in Clarendon, where it showcased various offerings, including its core roadside assistance, valet and document renewal services, and membership packages.

In October, the JAA launched the Approved Auto Repairers programme, a national thrust to improve service standards in garages across the island, and to assist JAA members to identify quality repairers.



The programme certified four garages during the course of the year and is working closely with other entities to have them approved. The programme will move into its second phase in the 2011/ 2012 fiscal year.

Following on the launch of the Approved Auto Repairers programme, the company extended itself into the car service market, by launching its limousine service for business travellers in January 2011, offering a luxury vehicle service to the growing business travel market.

In addition to these initiatives the company intensified its reach to its customers through its monthly e-newsletters, e-Birthday cards and vibrant Facebook page, www.facebook.com/Ilovejaa. It is also upgrading its website at www.calljaa.com to include more online services and interactive features.

The JAA remains committed to promoting the importance of road safety at all levels of the society including at the instructional level, which it promotes in schools through its road safety programme conducted by the Police Mobile Unit of the Jamaica Constabulary Force. JAA maintains a strong partnership with the Federation Internationale De L' Automobile, of which it is a member; and the American Automobile Association, as well as the Japan Automobile Federation; and remains committed to several national and international thrusts to improve road safety.



Dunbar McFarlane
General Manager

The 2010/2011 financial year was a most challenging period for the National Building Society of Cayman. Recessionary trends evidenced over the two prior years intensified during 2010, with unemployment and under-employment featuring significantly in the Cayman Islands. Several NBSC

mortgagors were affected and this resulted in an increase in mortgage delinquency and necessitated substantial loan loss provision.

The local real estate market became depressed under the impact of the numerous properties listed for sale, at a time when demand was at its lowest. It proved extremely difficult to dispose of default mortgage properties, and so the building society's efforts to recover non-performing loans were not as successful as expected. Sale agreements are being held for a number of properties which support mortgages in default and against which loan loss provision has been made. Successful conclusion of such sales should have a positive impact on the 2011/2012 financial results.

The building society recorded a significant increase of 65 percent in its deposit portfolio, moving to CI\$41.6 Million from CI\$25.2 Million in the previous year. However, its financial performance was negatively impacted by the loan loss provision and by the transfer of the remittance business to JN Money Services Limited following the acquisition of the "QuikCash" business.

NBSC's participation in the purchase of QuikCash led to the acquisition of new office premises at 29 Elgin Avenue in central George Town. This fulfilled a wish to relocate the building society from Eastern Avenue to a more attractive area within the general banking district. The building society side of the business was relocated in early January 2011, leaving the money remittance business at Eastern Avenue. NBSC expects to attract a fair share of local deposits and mortgage business in this central location.

In keeping with a corporate decision, the money remittance business will be conducted via a new entity, JN Money Services (Cayman) Limited, a company in which NBSC holds a minority shareholding, while JN Money Services Limited holds the majority.

The building society was also instrumental in co-sponsorship of the Northern Caribbean Conference on Economic Co-operation (NCCEC) in December 2010 with JNBS, which served inter alia, to engender

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prospects for greater regional collaboration, from a macro perspective, and to enhance the image of NBSC in the Cayman Islands from a local perspective.



Chris Hind
General Manager



The three-pronged 2009 development programme to - change its underwriting procedures, pursue conservative risk management, and enhance its main offices on King Street in Downtown Kingston, provided the platform for positive growth achieved in the 2010 operations of NEM Insurance Company (Ja.) Limited.

During the year, the company focused on ensuring that it delivered the highest standard of service in the industry, and this was realised with a remarkable 92 percent customer satisfaction score.

Adopting a model which clearly identified its target market and reshaping its operations to serve the needs of that market also spurred an improvement in operational efficiency and helped ensure that production targets were achieved. Unprofitable intermediary motor relationships were terminated and the company ceased providing insurance coverage for taxis or route buses during the year.

This clear focus paid off in a five percent reduction in operational expenses; Return on Equity doubled; claims incurred were reduced; and core underwriting performance improved substantially, reflecting a movement from \$936 Million in 2009 to \$343 Million in 2010. Profit before tax increased by a healthy 72 percent for the January to December period, and gross premium income amounted to \$2.9 Billion.

While addressing the needs of its clients, 2010 was also a year in which NEM rededicated itself to its corporate social responsibility. The devastating 7.0 magnitude earthquake which struck Haiti on January 12 prompted an immediate response, with NEM sending urgently needed supplies.

The company commissioned several studies with the Earthquake Unit at The University of the West Indies and the Mona Geoinformatics Institute, demonstrating that its property portfolio had more than adequate reinsurance to cover a similar quake in Jamaica. It also sponsored a documentary to explain the issues to the Jamaican public and took the further step of commissioning its earthquake research partners to develop the first Earthquake Risk Model for Jamaica.

NEM showed its concern for the environment through the participation of staff and management in the cleaning of Fort Rocky Beach on the Palisadoes Peninsula on International Coastal Cleanup Day, organized by the Jamaica Environmental Trust (JET) on September 25. And JET was subsequently provided with direct sponsorship to carry out its work.



Chris Hind (left), General Manager of NEM Insurance Company (Ja.) Ltd. is assisted by Daniel Benjamin, NEM Marketing Officer, in the cleanup at Fort Rocky Beach on the Palisadoes Peninsula on September 25, 2010. NEM Insurance was one of the organisations participating in the Jamaica Environmental Trust organised initiative.

The company targeted the country's illiteracy problem by supporting the Jamaica Partnership for Education's school enhancement programme, by mobilizing its sales retail staff to solicit donations. This resulted in a presentation to the computer lab at the Parry Town Primary School in Ocho Rios.

NEM's support for the Walker's Place of Safety was ramped up, with staff volunteering to provide the resident children from troubled homes with weekly homework sessions, in addition to the material support provided by the company.

And, as a sign of its commitment to the regeneration of Downtown Kingston, the company engaged in a massive refurbishment of its King Street office and commissioned a mural to adorn the upgraded structure by artist Dion "Sand" Palmer, a member of the West Kingston RokTowa Artists Collective.



Donna Carroll
General Manager



The Creative Unit expanded its focus on the advertising, promotion and marketing support portfolio, on behalf of the JN Group in 2010-2011. Through its artistic and creative outputs, the JN Group maintained its high visibility and impact.

Among the Unit's major accomplishments for the year were: the design of the JN Crest which captures the core commitment of Jamaica National to its members; the second successful planning and execution of the JN House at Denbigh; execution of the JN-sponsored Jamaica International Invitational Meet in May; the Northern Caribbean Conference on Economic Cooperation in December, and the design of the Meet Jamaica 2012 logo depicting the strength which can

be leveraged through the Jamaican brand in support of Jamaica's participation in the London 2012 Olympics.

The Creative Unit represents an important asset in the JNBS network and contributes significantly to the brand presence and image of the organisation in the markets in which we operate.

Our Partnerships

In line with our core principles, Jamaica National continued to play an active part in community partnerships, and national and regional development programmes. To this end, our actions supported a commitment to engage in dialogue that would result in improved social and economic opportunities for people in our hemisphere.

On the international side, Jamaica National reinforced our partnership and involvement in promoting global road safety by participating in the annual FIA Global Conference Week which was held in Como, Italy in May 2010.

In anticipation of the expected international visibility and exposure for the island at the London 2012 Olympics, the Society was instrumental in the development of a major Jamaican public/private sector initiative for government agencies and private sector



Karl Samuda (left), then Minister of Investment and Commerce, presents Lord Mayor of Birmingham, Councillor Len Gregory (right), with a gift at the launch of Meet Jamaica in England on March 18, 2011. Sharing in the occasion are: Edmund Bartlett (2nd left), Minister of Tourism; Sancia Bennett-Templer, president of Jamaica Promotions (JAMPRO), and Christopher Tufton, then Minister of Agriculture.

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companies to unite in marketing Brand Jamaica, against the backdrop of events slated to take place in the lead up to the Olympic Games.

The initiative called Meet Jamaica 2012 is being spearheaded by Jamaica Promotions & Investments (JAMPRO) and The Private Sector Organisation of Jamaica. It was launched in Jamaica in October 2010, and followed by launch events in London and Birmingham in March 2011. Through the ingenuity of the Society's Creative Unit, an excellent brand image has been created around which all activities to promote the island will be anchored, and will position the island to take advantage of the significant economic spin off benefits to be derived from the performance of our athletes at the London 2012 Olympics.

This initiative was juxtaposed against Jamaica National's sponsorship of the Jamaica International Invitational Meet in May 2010 which elicited the largest public show of support for the meet since its inception, and assisted in its upgrade to a World Challenge Meet by the International Association of Athletics Federations (IAAF) in 2011.



Earl Jarrett congratulates Carmelita Jeter of the United States after she won the women's 100m race at the JN Jamaica Invitational Meet on May 7, 2010 at the National Stadium. At centre is Jamaica's Opposition Leader, The Most Honourable Portia Simpson Miller.

Regionally, the Society along with The Private Sector Organisation of Jamaica, hosted an 'I Support Haiti' seminar in April to explore reconstruction initiatives that can assist in the recovery efforts following the January 12, 2010 earthquake. The Society, along with The University of the West Indies, hosted the Northern Caribbean Conference on Economic Cooperation in the Cayman Islands in December 2010 which explored travel, trade, investment, security and educational relationships in the Northern Caribbean countries of—the Bahamas, the Cayman Islands, Cuba, the Dominican Republic, Haiti and Jamaica.



Former Prime Minister of Jamaica and Special Representative of CARICOM on Haiti, the Most Hon. P. J. Patterson (left), is greeted by President of The Private Sector Organisation of Jamaica (PSOJ), Joseph M. Matalon (centre), and Honorary Secretary of the PSOJ, Earl Jarrett. Mr. Patterson was attending a PSOJ meeting where he updated PSOJ members and representatives of the diplomatic corps on the Action Plan for National Recovery and Development of Haiti. The meeting was held at the Terra Nova Hotel on April 8, 2010.

The World Bank and the Canadian Government invited representatives of Jamaica National to make a presentation at a Caribbean Remittance Forum in February 2011 to discuss developments in the regional remittance market and the use of technology in service delivery.

Representatives of Jamaica National were also invited in March 2011 to participate in the Commonwealth Ramphal Commission's Caribbean region discourse on Migration and Development, as the Commission consolidates its Plan of Action to be presented to Commonwealth Leaders, who will be meeting in Perth, Western Australia in October 2012.

Locally, the Society was instrumental in coordinating a Mobile Financial Services Conference in December 2010 in partnership with The University of the West Indies to enable local and overseas mobile-banking experts to engage key local stakeholders and potential partners, and to prepare an implementation strategy to develop mobile commerce in Jamaica.



Hon. Audley Shaw (left), Minister of Finance, exchanges pleasantries with Leon Mitchell (right), then Marketing, Promotions and Sales Executive, JNBS; and Joseph Matalon, President, The Private Sector Organisation of Jamaica at the Mobile Financial Services Conference held at the Terra Nova Hotel on December 10, 2010.

And in recognition of our strong corporate social responsibility engagements, the Society received several awards including the prestigious Hummingbird Award for International Achievement for our philanthropic accomplishments and leadership initiatives from the American Friends of Jamaica.

Our Relationships

Our business is all about creating partnerships -- with our members, with our employees and with the communities in which we operate.

Our aim is to make those relationships as fulfilling and as rewarding as possible, for everybody. And we are proud of our success in this area during the past year.

I pay tribute to our employees for their commitment and dedication. Thanks to them Jamaica National continues to deliver for our members and distinguish

us from our competitors. We also wish to express our gratitude to the Board of Directors of the JN Group whose oversight and guidance continues to motivate us to achieve excellence.

The road ahead for 2011/2012 remains a lengthy and arduous one. It is clear the impact of the fiscal tightening in the economy will persist; however we will continue to manage the business carefully and prudently. We remain committed to being a sound financial partner for our members, by helping them to navigate a course through the current economic obstacles; and we are cautiously optimistic that we are well placed to take advantage of the appropriate strategic opportunities that may present themselves.

A handwritten signature in black ink, appearing to read 'Earl Jarrett'.

Earl Jarrett, CD, Hon. LL.D., JP
General Manager



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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.

Member Pictorial - *Education*



Paulette Sterling, then Senior Manager, Insurance Services, engages Grade Two students in a reading session conducted at the Maxfield Park Primary School on February 22, 2011.



Earl Jarrett, Chairman of the Mutual Building Societies Foundation (MBSF), gives a word of encouragement to head boy and girl at the Mile Gully High School, Shevauni Powell and Monique Wint, following the school's 2010 Graduation Ceremony at the school in Mile Gully, Manchester on June 30.



Shatanya Mais (left), Customer Service Representative, JNBS Half-Way-Tree Branch and Orett Douglas(second left), Branch Manager, explain the branch operating system to (from third left) Hanif Brown, Jonmore Hyman and Justine Brooks, first, second and third place winners respectively of the 52nd annual Children's Own Spelling Bee competition, during a tour of the JNBS Chief Office and Half-Way-Tree Branch on February 4, 2011.



Trey Gavin, first-year student at Campion College, demonstrates his drumming skills at a scholarship reception hosted by JNBS at its Half-Way-Tree Branch on September 12, 2010. Trey was one of 29 students who were formally recognised as JN Scholars and awarded five-year scholarships for outstanding performance in the 2010 Grade Six Achievement Test.



Leon Mitchell, then Marketing, Promotions and Sales Executive, JNBS, interacts with students attending the launch of the Early Childhood Development Expo held at the former Hilton Hotel on May 6 under the theme "Jamaica land we love ... Charting our children's future". The Expo aimed to showcase the resources and services that support effective implementation of the early childhood curriculum.

Member Pictorial - *Philanthropic Causes*



Members of the JN Group participate in Relay for Life at the Police Officers' Club from June 26 to 27, 2010. The annual event is organised by the Jamaica Cancer Society to raise funds to support its cancer awareness education programme. The JN Group collected close to \$500,000 in donations making it the second largest contributor to the 2010 fund-raising event.



Approximately 120 JN Group employees took part in the Sigma 5K Corporate Run held on February 20, 2011 to raise funds for the Victoria Jubilee Hospital Neo-Natal Care Unit.



More than 80 JN Group employees participated in the GraceKennedy Education 5K Run/Walk in Downtown Kingston on July 4, 2010. The fund-raising event is organised by GraceKennedy to promote fitness, community spirit and teamwork. Proceeds were in aid of educational programmes in select inner city communities in the area. The JN Group was awarded first place for having the most participants.



Huntley Walker (left), Registered Nurse with the Blood Bank, prepares Deidra Virgo, Human Relations Services Coordinator, JNBS, to donate blood during the JN Group Pre-Christmas Blood Drive at the JNBS Chief Office on November 11, 2010.



Participants in the Institute of Jamaica (IOJ) Summer Workshop programme play the drums during the workshop on July 21, 2011. The workshop is aimed at exposing youths to Jamaican culture, conflict resolution and personal development. JNBS partnered with the IOJ to encourage students, six to 18 years, to practise good saving habits. Approximately 300 children participated in the annual workshop, which was held simultaneously at the IOJ Junior Centres at East Street in Kingston and Greater Portmore in St. Catherine.



Diana Cunningham, then School Savers Support Officer, JNBS, speaks with seven-year-old Jahzara Brown during the Institute of Jamaica (IOJ) Summer Workshop programme on July 21, 2011. The workshop is aimed at exposing youths to Jamaican culture, conflict resolution and personal development. JNBS partnered with the IOJ to encourage students, six to 18 years, to practise good saving habits. Approximately 300 children participated in the annual workshop which was held simultaneously at the IOJ Junior Centres at East Street in Kingston and Greater Portmore, St. Catherine.

Member Pictorial - Sports



Netballers in action during the JNBS/ Jamaica Netball Association Open League at the Leila Robinson Court, National Stadium Complex on November 27, 2010.



Vincent Stubbs (left), coach of the Excelsior Primary School cricket team, discusses his team's preparation for the 2010 JN Primary and All-Age Schools Cricket Competition with Judy Benjamin, then Sales Manager, JNBS at the Media Briefing at Sabina Park on May 10, 2010. Participating in the discussion are members of the school's cricket team, Brittany Anderson and Renaldo Fletcher.



Wesley Scott, then Savings and Mortgage Customer Development Advisor, JNBS, shares the spotlight with medalists in the Prep Schools Athletic finals at the National Stadium on June 5.



Ultimate Oval in St. Ann on October 30, 2010. The children were selected for their excellence in batting and bowling during a series of cricketing seminars, to which master cricketers contributed their expertise.

Veteran cricketer Michael Holding (left) hands sporting gear to Herman Rose of Discovery Bay All-Age School. Ackeem Newby, of Walkerswood All Age; Ronaldo Ingraham, of Holmwood Technical; and Jessimar Billings of St. Elizabeth Technical, were also awarded JNBS/Michael Holding Academic Scholarships and gear at the end of the Michael Holding Masters Cricket Tournament at the



Christopher James (right), 2010 JNBS Masters League Manager of the Year, is presented with his trophy by Ian McNaughton (left), President of the Kingston and St. Andrew Masters Football League Association (KSAMLA) and Wesley Scott, then Customer Service and Mortgage Development Advisor, JNBS. Mr. James is manager of the Barbican Football Club, which topped the League. He was participating in the JNBS/KSAMLA annual awards presentation at the Petroleum Corporation of Jamaica auditorium in St. Andrew on February 10, 2011.



From left: John Bailey and C. Lloyd Allen, President and Vice-President respectively, Police Officers Tennis Club; Aubyn Hill, President, Jamaica Tennis Association and Judy Benjamin, then Sales Manager, JNBS, discuss the launch of the JN All Jamaica Tennis Tournament on October 12, 2010.

Member Pictorial - Agriculture



Senator Norman Grant (left) First Vice-President of the Jamaica Agricultural Society (JAS); Joy Bennett, then Senior Sponsorship and Events Strategist, JNBS; Alexander Powell, Chief Executive Officer, RADA and Steadman Fuller, Custos Rotolorum of Kingston examine an agricultural display. They were attending the Kingston & St. Andrew Agri-Show (Agro Fest) at the Jamaica College grounds in St. Andrew on May 22, 2010.



David Thomas of JNBS assists a client with the opening of a savings account at the Denbigh Agricultural and Industrial Show in Denbigh, Clarendon on August 2, 2010. The JN Group House provided a 'one-stop-shop' for financial and other services at the three-day Show. JN is the financial partner of the Jamaica Agricultural Society.



A participant prepares a dish in the 'Eat Jamaica' Day culinary competition held at the Denbigh Showground in Clarendon on November 25, 2010. Participants were encouraged to prepare an original dish in keeping with the theme 'Eat what you Grow, Grow What you Eat'.

Finance



From left: Hon. McKeeva Bush, Premier of the Cayman Islands, in discussion with Hon. Edmund Bartlett, Minister of Tourism; Earl Jarrett, General Manager of JNBS; and Professor Gordon Shirley, Pro-Vice Chancellor of The University of the West Indies. They were attending the Northern Caribbean Conference on Economic Co-operation at the Ritz Carlton Hotel in Grand Cayman, on December 17, 2010.



Karl Samuda (centre), then Minister of Industry, Investment & Commerce, discusses investment prospects with business leaders prior to the start of JAMPRO's third annual UK-Jamaica Investment Forum in London on March 17, 2011. From left to right are: Lord Bill Morris of Handsworth, Howard Drake, UK High Commissioner to Jamaica; Earl Jarrett and Gordon 'Butch' Stewart, then Chairman, JAMPRO.



Dr John Rapley (right), president of the Caribbean Policy Research Institute (CaPRI) discusses the elements of the Jamaica Debt Exchange (IDX) programme with Earl Jarrett, deputy chairman, CaPRI and General Manager, JNBS, prior to the start of a breakfast meeting at the Terra Nova All-Suite Hotel on April 19, 2010.



"I Love Jamaica" Day sponsored by JN International Money Transfer.



International Reggae Artiste, Luciano (centre), poses with from left: Sanya Wallace, Administrative Assistant, JN Money Services Limited (JNMS); Carlton Barclay, then Assistant General Manager, JNBS; Paulette Simpson, then General Manager, Jamaica National Overseas (UK) Limited; and Leesa Kow, General Manager JNMS, following a vibrant performance during the 'I Love Jamaica' Day at the Crystal Palace in the United Kingdom on August 15, 2010.

Member Pictorial - *Outreach*

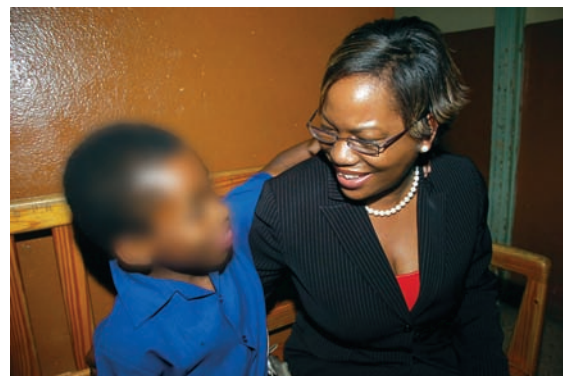


Members of the JNBS Enterprise Project Management Office (ePMO), present a cheque to Anthony Brodber, Administrator of Sophie's Place in Gordon Town, St. Andrew during a visit to the Home on April 2010. The ePMO team adopted a six-year old boy and have pledged a monthly financial contribution toward his care.

The JN Corporate Communications Department also supports another child at the Home, as part of the employees' ongoing commitment to offering a helping hand to those in need.



Felipe Soltau (left) of the Group HRD Department, affirms a resident of Best Care Children's Home during a treat organised by JNBS on February 14, 2011. Felipe was one of 10 employees who visited the Home to assist with putting on the treat. The Home, which has 51 residents, was established in 1976 and is the first institution in Jamaica to provide exclusive care to physically and mentally challenged children.



Tawana Gray of the Finance Department has a one-on-one chat with a resident of Best Care Children's Home during a treat organised by JNBS on February 14, 2011. Tawana was one of 10 employees who visited the Home to assist with putting on the treat.

Earl Jarrett, General Manager, JNBS, has been the Patron of the Home for the past six years.

Corporate Social Responsibility



Earl Jarrett, General Manager of JNBS and Chairman of the Jamaica Automobile Association, greets the Hon. Mike Henry, Minister of Transport and Works as he arrives for the second annual Jamaica Driver and Traffic Safety Expo held on June 19, 2010. Minister Henry was the guest speaker at the Expo hosted by Grennell's Driving School.



Earl Jarrett, accepts the Hummingbird award for international achievement from Ambassador Sue Cobb at the American Friends of Jamaica's Sixth Annual Peacock Gala held at the Biltmore Hotel in Coral Gables, Florida on May 22, 2010. JNBS was lauded for exemplary contributions to healthcare, and economic development and in strengthening the bonds of friendship between the United States and Jamaica.



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Exclusive JN Member Benefits

- **Free** ATM transactions at any JN ATM in Jamaica
- **Free** Money Transfer Card transactions at any JN ATM in Jamaica
- **Free** Point of Sale transactions at participating merchants in Jamaica
- **Free** Internet banking
- Merchant discounts linked to Teller 24/7 ATM and Money Transfer cards (Show Your Card & Save)
- Low money transfer fees
- Expansive network of money transfer agents locally and overseas
- Saturday opening at JN Money Shop locations
- Competitive mortgage rates
- Convenient access to NHT benefits
- Access to an affordable group health plan (JN Health)
- Discounts from NEM Insurance - JN members receive a 20% discount on motor insurance)
- Discounts from the Jamaica Automobile Association (JAA) – JN members receive a 10% discount on membership fees.
- Free JAA membership and free cheque withdrawals for members who avail themselves of the JN Pension Expediter Service
- Special benefits for JN Mortgage for Her applicants:
 - Free Health Insurance (JN Health) for one year
 - Free JAA membership for one year (roadside assistance)
 - Discount on Home Security System
 - Free Mammogram – Jamaica Cancer Society
 - No processing fees

Conditions apply



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JAMAICA INVITATIONAL

Facebook



Comments

JN..the track meet shott! thanks for
giving me the chance to attend..:)

"Krazykid" Chris, Jamaica

It was my first time attending a track
meet. I had so much fun!!
Thanks Jamaica National!!!

"IFancy" Dwyer, Jamaica





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Corporate Social Responsibility

Throughout its 137 years of fostering the growth of communities across the island, Jamaica National has remained committed to support initiatives and projects that contribute to national development and enhance the lives and well-being of our citizens. During the past year, the Society continued to lend its support to the education and health sectors, as well as to provide support to children and old age homes.

Reading Programme at Maxfield Park Primary

Each month, members of the JN Group conduct a special reading session with Grade Two students at the Maxfield Park Primary School. This engagement is in response to The Private Sector Organisation of Jamaica (PSOJ) programme dubbed "Reading ... The Bottom Line", being carried out in collaboration with the Expanding Educational Horizons Project of the Ministry of Education. The initiative was introduced in February 2008 to increase the standard of literacy of students at the primary level.

Relay for Life

Approximately 135 Members of the JN Group participated in the Jamaica Cancer Society Relay for Life at the Police Officers' Club in Kingston, held in June 2010. The annual event is organized by the Jamaica Cancer Society to raise funds to support its cancer awareness education programme. The JN Group collected approximately \$500,000 in donations, making it the second largest contributor to the 2010 fund-raising event.

JN Scholarship Programme

Twenty-nine secondary students - 11 boys and 18 girls - were formally recognised as JN Scholars at a reception held in the JNBS Half-Way-Tree Branch on September 12. The GSAT scholarship recipients included 11 children of JN Group employees, who were among the country's top performing students in the 2010 Grade Six Achievement Test (GSAT), and received five-year scholarships to cover fees and other expenses. Three of the recipients were awarded scholarships for being top savers in the JN Schools Savers' Programme.

Later in the month, eleven tertiary students were presented with full tuition scholarships, bursaries and book grants to complete studies at The University of the West Indies, the University of Technology, Jamaica and Northern Caribbean University.

Sophie's Place (Mustard Seed Communities)

The Corporate Communications and Enterprise Project Management Office teams continue to provide monthly support to two boys at Sophie's Place, which is located in Gordon Town, St. Andrew. The home is operated by Mustard Seed Communities, a non-profit organisation which provides care to 24 children with special needs. The teams' monthly contributions help to provide food, medication, clothing and other expenses.

Best Care Children's Home

In May 2010, JNBS supported the Best Care Children's Home pageant by underwriting some of the expenses associated with the hosting of the event, as well as organising and attending a treat in February 2011 for the children. Earl Jarrett, General Manager, JNBS, has been the Patron of the Home for the past six years.

The Best Care Children's Home, which has 52 residents, is located in Kingston. It was established in 1976 and is the first institution in Jamaica to provide exclusive care to children with special needs.

Golden Age Home - Cluster H

JNBS is the official sponsor of Cluster 'H', one of eight clusters at the Golden Age Home in the Vineyard Town community in Kingston. There are currently 68 residents in Cluster 'H', 27 females and 41 males.

Funds for the 2010 Easter treat were raised through a collection drive organized among employees across the JN Group. The donations from the branches were overwhelming. On Saturday, December 4, 2010, a yard sale was held in the car park of the Chief Office to raise additional funds. The event was a success and the goal of \$150,000 was reached. The funds were used to effect repairs at the Home.



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Saffrey Brown
General Manager



Leading with Act!on

Over the twenty years since its establishment, the **Jamaica National Building Society Foundation** has become one of the island's leading developmental agencies, renowned for innovating, inspiring and impacting initiatives that positively influence the lives of Jamaicans at home and in the Diaspora.

Through partnerships with JN Group subsidiaries, NGOs, international aid agencies, local funders and other private sector organisations, the JNBS Foundation continues to create, support and implement projects and programmes that focus on sustainable local and national advancement. The work of the JNBS Foundation places special emphasis on regenerating rural communities across the island, to provide greater opportunities to marginalised groups within the society.

Financial and technical support was provided to community-based and other organisations during the 2010/2011 financial year. The following is a synopsis of the projects and programmes undertaken by the JNBS Foundation in the areas of **Economic and Community Development; Arts, Culture and Heritage; Youth and Education and Health, Security and Safety.**



David Ward, Director General of the FIA Foundation for the Automobile and Society posts a suggestion to assist Jamaica in reducing road fatalities on the JNBS Foundation/ Jamaica Automobile Association's Post for Act'ion Board at the National Road Safety Symposium held at the Mona Visitors' Lodge, The University of the West Indies on May 5, 2011. The JNBS Foundation is assisting the Jamaica Automobile Association in planning local activities to form part of the United Nations Decade of Action for Road Safety 2011-2020.

JNBS Foundation places special emphasis on regenerating rural communities across the island, to provide greater opportunities to marginalised groups within the society.

ECONOMIC AND COMMUNITY DEVELOPMENT

Advancing Rural Communities through Financial Services

Driven by its mantra, *"Leading with Act!on"*, the JNBS Foundation continued its work on a revolutionary project, launched during January 2010, to increase opportunities for economic development in rural Jamaica.

A collaborative effort of **The Multilateral Investment Fund** of the Inter American Development Bank (IDB-MIF), and various organisations within the JN Group, the dynamic, three-tiered project will see the provision of a range of financial and other services to unbanked residents, entrepreneurs and small enterprise operators in ten pilot communities. These services include: *remittance disbursement and loan servicing* with the later introduction of *bill payments, Point of Sale* and *debit facilities*.

The Project is expected to allow residents to reap the benefits of engaging in the formal financial system, reduce the cost of accessing these services, provide training in financial literacy to at least 300 persons, and increase available credit facilities.

Efforts are now underway to lay the foundation for the development of an agent network and systems; sensitisation and training of merchants and beneficiaries; and the development of a remittance-based loan product. The project is scheduled to deliver the first range of services in September 2011.



The Source Maverley

Community Success Stories: Residents manage 'The Source' Franchises

The JNBS-created chain of community resource centres, 'The Source', remains a significant feature and symbol of economic development and community growth, within four underserved urban and rural centres across the island.

Since the pilot *social enterprise franchise* facility was launched in August Town, St. Andrew in 2007, 'The Source' has been replicated in Maverley, Kingston; Treasure Beach, St. Elizabeth; and Ocho Rios, St. Ann. 'The Source' Centres provide residents with access to information, technology and business support, and each comprises an Internet Café, Wi-Fi hot spot, homework centre, reference library, as well as business incubation and meeting facilities, among other resources.

After two years of work with the **Maverley Consultative Committee (MCC)** to build its capacity to effectively carry out the day-to-day operations of The Source in Maverley, the centre was handed over to the Committee on March 31, 2011.

The handover of centres to their respective civic partner within each community is a natural progression in the lifecycle of 'The Source'.



Volunteers on 'Demo Day' - The Source Savanna-la-Mar

JNBS Foundation Review

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For the approximately 60 persons who use the centre daily, the Maverley Source will remain an important hub for residents in Maverley, and its surrounding communities of Drewsland, Hughenden, Glendale, Valentine Gardens and Three Oaks in Kingston.

The Maverley centre joins 'The Source' Ocho Rios, which was handed over to the St. Ann Chamber of Commerce in 2009. The JNBS Foundation will maintain a presence in each of the Centres, to provide ongoing technical support to these community-based organisations.

In the next financial year, 'The Source Savanna-la-Mar', which is currently being built in the Westmoreland capital, will open as the fifth and largest multi-purpose facility in the chain.

Promoting Farming and Self-Reliance – Post for Act!on at Denbigh

As a response to a lack of employment opportunities in and around the remote district of Hampshire, in north east St. Catherine, a small community-based organisation has sought to rehabilitate a broiler-rearing entrepreneurship project in the tight-knit community. Hampshire is situated in the larger community of Riversdale, which is ranked in the lowest poverty quartile within the parish.

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community-based
organisations.*

The Hampshire Committee for Self-Reliance (HCSR), an eight-member committee comprising four visually impaired persons, was selected from more than 100 submissions on the Foundation's *Wall of Act!on* at the Denbigh Agricultural and Industrial Show in 2010.

The project had been halted since the community's poultry house was destroyed during Hurricane Dean in 2007. Funding in the amount of \$100,000 has allowed the HCSR to purchase two batches of chicks, feed and medicine. And, while residents are still plagued by a lack of basic infrastructure, including piped water, and a badly deteriorated roadway, the project is promoting self-reliance through self-employment to meet the needs of the more than 40 dependents of this determined group of persons.



ARTS, CULTURE AND HERITAGE

Preserving the History of our Island

On February 5, 2011, the first in a series of parish history books was launched, as part of the Foundation's **Parish History Project**. The project is implemented in support of a mandate

to preserve Jamaica's *Culture and Heritage*. *The Story of Westmoreland* by celebrated historian and author, Marguerite R. Curtin, is a 360-page book chronicling the Jamaican parish from its pre-colonial days, as the home of the island's original inhabitants, through its colonisation by both the Spanish and the English, and culminating in its more recent role in the 20th century.

The book was launched at the Manning's School in the parish in collaboration with Sangster's Bookstore. *The Story of Westmoreland* is of particular importance to the Foundation's parent organisation, JNBS, which maintains deep ties in the parish, having been founded there in 1874, as the Westmoreland Building Society.



Roy Hutchinson and Oliver Clarke, at the Launch of *The Story of Westmoreland*

The JNBS Foundation stepped in during February 2011 to assist resuscitation efforts by awarding a grant of \$350,000 to the 25-year-old HBFA. The grant purchased material to build 240 hive boxes, set up a trainee programme, as well as equipped apprentices with all the necessary materials including boxes, smokers, hive tools and veils. The project is ensuring the continuity of the valued farming practice, which is an essential part of the local economy. Its direct beneficiaries include eleven residents, five of whom are trainees; and the more than 60 member farmers in the association.

Supporting Hanover Community Bee Farmers



The passage of Tropical Storm Nicole in September 2010 destroyed more than 80 bee colonies in western parishes across the island. Since then, the **Hanover Bee Farmers Association**

(HBFA) which was convened to aggressively promote the value of the honeybee and its by-products, has been working to implement a project to get farmers back on their feet.

Coupled with general concern about the high level of unemployment in Hanover, the project is aimed at providing apprenticeships for young people to facilitate skills-training and encourage micro-entrepreneurship.



YOUTH & EDUCATION



Eradicating Illiteracy by 2015

Members, clients and customers of JNBS and its subsidiaries at home and in the Jamaican Diaspora, continue to support the national target of eradicating illiteracy in Jamaican primary schools by 2015 through donations to the **Jamaica Partnership for Education (JPE)** initiative. JPE is the primary fundraising project of the JNBS Foundation, which is building the capacity of primary schools to improve literacy and numeracy levels. This is being accomplished through the provision of resources, student outreach programmes and teacher support.



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The Jamaica Partnership for Education was initiated in May 2009 as a remittance philanthropy project, allowing customers of **JN Money Services Limited (JNMS)** in the United States of America, Canada and the United Kingdom to contribute to the initiative at JN Money Transfer locations. **NEM Insurance Company Limited**, joined the JPE as a fundraising partner in December 2010, and has committed to matching all contributions made to the project by its customers.



Parry Town Primary

Under the project, a combination of technological resources and other tools were handed over to representatives of eight rural schools in early 2011. These resources included Mobile Enrichment Carts, as part of an initiative overseen by the Ministry of Education's Transformation Unit and the interactive Autoskills Literacy and Numeracy Software. The beneficiaries were: **Chester Castle All Age School**, Hanover; the **Troja** and **Harewood Primary Schools**, St. Catherine; **Mearnsville All Age** and **Stawberry Primary and Junior High School**, Westmoreland; **Osborne Store Primary & Junior High School**, Clarendon; and **Albion** and **Glendevon Primary and Junior High Schools** in St. James. Additionally, as a result of the efforts of the NEM Ocho Rios Branch in encouraging donations

to the project, **Parry Town Primary School** in St. Ann was added to the list of the JPE's beneficiaries. The school received a state-of-the art laptop computer and multimedia projector from NEM.

The **JPE Bookworm Bites Reading Series** was launched during February 2011, to foster greater interest in reading in the primary schools. Volunteer employees from the JN Group engaged students in reading sessions at the Parry Town and Osborne Store Primary Schools in the first quarter of 2011.

A three-pronged workshop series was also held to improve the skills of more than 103 teachers from 26 schools, during the period. The first workshop focused on "*Learning to Read: Problems which some children encounter in the process of learning to read*". The second looked at strategies for teaching "*Critical Reading Skills*" and the final session addressed "*Understanding, teaching and managing Attention Deficit Disorder and Attention Deficit Hyperactivity Disorder in the classroom*".

Beginning on May 1, 2011, contributions to the JPE can be made through JNBS locations, JN Money Shops, **LIVE by JN**, and the JNBS Foundation website.

Teen Advocacy through Photography



The JNBS Foundation's annual photography and advocacy competition programme, Resolution Project, has over seven years, given voice to more than 800 high school students outside of the Kingston Metropolitan

Area. Through the art of photography, the students tell the stories of positive and negative occurrences and influences in their communities, and themselves, become advocates and creators of change.

Implemented in partnership with the United Nations Population Fund and the Gleaner's Youthlink magazine, the Resolution Project equips and trains youngsters in the use of cameras, and propels photography as a tool to inspire and influence stakeholder action. In the 2010 competition, more than 300 student participants from 50 high schools across the island submitted photojournalistic pieces related to the theme "Because I am young...". Throughout the year, their work was displayed in public exhibitions and spaces, and greater emphasis placed on exposing the students' work to the wider world.



Because I am young I am protected

The project has become so influential that in August 2010, the Foundation and the Chichibud Foundation collaborated to implement the **Tivoli Resolution Project**. The Tivoli Resolution Project is providing therapeutic intervention for ten teenage boys who were severely traumatised by the joint police and military operation in the Western Kingston community of Tivoli Gardens during May 2010.

Using the art of photography, art therapy and counselling, the 13 to 18 year old students, who were detained during the incursion, have been able to express their emotions through art and receive psychosocial support. With a

donation of ten cameras and monetary assistance, the boys participated in a two-week phototherapy camp conducted by a volunteer photographer, Clinical Psychologist and Art Therapist. The Tivoli Resolution Project has also gained wide exposure in the local and overseas media and public spheres in Jamaica and New York, through three public exhibitions

featuring the photographs captured by the students.

The most recent exhibition was jointly hosted by the JNBS Foundation and the Consulate General of Jamaica in New York between February 24 and March 1, 2011.

HEALTH, SECURITY AND SAFETY

Caring for Children

Now in its second year, the Roving Caregivers Programme by the Rural Family Support Organisation, has widened its reach to educate hundreds of parents and care givers throughout four rural parishes, who do not have access to parenting support services. The three-year, J\$7 Million project has greatly supplemented the work of the non-profit to deliver child development and parenting education via free home visitation services. Since the beginning of the partnership, more than 24,000 children have benefitted from the project.

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Health was the most predominant area of need in communities during 2010/2011, as measured by the quantity of applications submitted for funding to the JN Member Advisory Councils. The MACs responded by finding corrective solutions for the many challenges facing the sector. Some of the projects undertaken by JN members include:

JN MEMBER ACTION

For the past five years, the **JN Member Advisory Councils** (MAC) have provided opportunities for JN Members across the Society's network of 25 branches to participate in the development of their communities. The Member Advisory Councils are comprised of JN Members and JNBS Branch employees, who identify and select community development projects to receive grant funding from the JNBS Foundation. Fifty exciting community projects amounting to \$6.04 Million, in the areas of Health, Road Safety, Environment, and Youth and Community, were approved for the 2010/2011 cycle.

In 2010, member involvement in the MACs was extended to the eight JN Money Shops across the island. Through "**Post for Action Days**", JN members conducting business in these locations were able to submit projects for funding. An average of 35 projects were posted at each location and each JN Money Shop will donate a maximum of \$100,000 to one selected project.

These included:

- Renovation of the Font Hill Health Centre for reopening to St. Catherine residents, in collaboration with the 4-H Club and Community Association
- Acquisition of a Vital Sign Monitor for the May Pen Hospital Anaesthetic Department
- Refurbishing the Raymond's Health Centre Dental Unit and provision of equipment for the re-introduction of dental care at the facility
- Provision of blood pressure machines, digital thermometers, a nebuliser, and other medical equipment to the Black River Hospital, for improvements in patient care
- Installation of an air conditioning unit and refrigerator for storing medicine at the Greater Portmore Health Centre
- Assistance with aesthetic improvements and beautification efforts at the Cornwall Regional Hospital (CRH) in St. James and the Percy Junior Hospital (PJH) in Manchester. The projects include: the creation of a green space at the CRH in association with the Kiwanis Club of Freeport, Montego Bay. And, the acquisition of an industrial lawnmower and other tools for maintaining the hospital grounds.



Transforming the Education Sector: Every Child...Every Classroom...Every School

"Education is not the filling of a pail, but the lighting of a fire" -- W.B. Yeats

The system of education in Jamaica has witnessed some positive achievements since the nation gained its independence in 1962. Notwithstanding these developments, after almost fifty years, the quality of student performance and outcomes at all levels of the system is consistently below acceptable standards, threatening the achievement of national targets and sustainable development. This is of particular concern in the non-traditional high schools, where 80 percent of students in the school population are underprivileged and reside in vulnerable inner-city and rural communities.

In support of the transformation efforts in the Ministry of Education, the Mutual Building Societies Foundation (MBSF), was launched in February 2008. The MBSF is a joint initiative of the Jamaica National Building Society (JNBS) and The Victoria Mutual Building Society (VMBS). Through its premier activity, the Centres of Excellence Project, the Building Societies have injected much needed financial resources and technical assistance into six non-traditional schools outside of the Kingston and St. Andrew Metropolitan Area. The project aims to improve student achievement, teacher quality, organisational effectiveness and to strengthen school-home-community partnerships, over a five year period.

The fire has been lit in the six participating schools in the Centres of Excellence Project. Now in its third year, the initiative continues to provide sustained support to **Mile Gully** and **Porus High Schools** in Manchester; **McGrath High School** in St. Catherine; **Godfrey Stewart High School** in Westmoreland; **Green Pond High School** in St. James and **Seaforth High School** in St. Thomas.



Clive Segree and Tagera Ottey, Head Boy and Girl at the Porus Primary School, play the new 'Pass Your Exam' board game aimed at assisting students with preparing for the Grade Six Achievement Test. Many students from Porus Primary move on to Porus High School which is one of six schools under the MBSF's Centres of Excellence programme.

Schools have been urged to embrace a "We Expect Success" attitude, and each has begun to develop an insatiable appetite for excellence. The project has supported school leaders in outlining clear expectations and guidelines for the performance of students and teachers. Schools have been provided with relevant supporting materials for effective teaching and learning; and have been engaged in capacity building workshops that have helped to improve

student performance. Additionally, School Boards were introduced to sound management practices and governance models that could be seamlessly interwoven into the daily life of the school community for maximum organisational effectiveness.

As student empowerment is pivotal to school transformation, more than 100 students in the Centres of Excellence schools have been trained as Peer Mediators and another 60, as student leaders. Students participate in Essay and Song Competitions that

Mutual Building Societies Foundation

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reinforce the theme of “Excellence”. And, a Mentorship programme was introduced to assist in forging strong and lasting ties with the communities in which the schools exist. Volunteers from JNBS and VMBS receive training and are paired in mentoring relationships with students.

The Centres of Excellence has garnered significant achievements since its inception. Notable among them is the increase in student achievement and behaviour, as evidenced by the improvement in literacy and numeracy across grade levels; increased attendance of students and reduction in the number of disciplinary action across all schools.

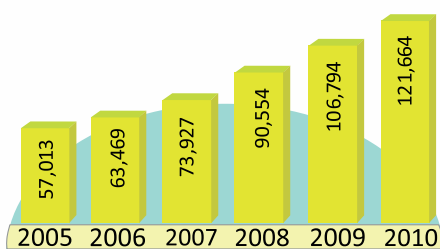
The quality of teaching and learning has improved with the introduction of cutting-edge and student-centred diagnostic and prescriptive teaching strategies. Leadership is distributed across the school as parents, teachers and students have begun to rally around a shared vision of excellence to ensure that all targets are met and goals are achieved. The programme is scheduled to end in 2013.



Dr. Renee Rattray (centre), Programme Manager at the Mutual Building Societies Foundation, makes a point during a discussion with Radley Reid (left), former Principal of Campion College and R. Danny Williams, Chairman of the Board of Jamaica College. Messrs. Williams and Reid were presenters at a workshop hosted by MBSF at the Courleigh Hotel in New Kingston in February 2011.

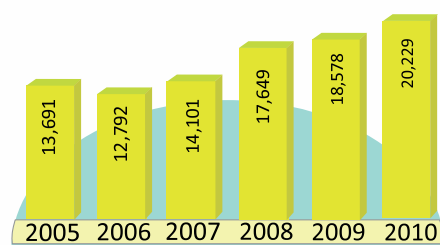
JN Group Financial Highlights

	2005	2006	2007	2008	2009	2010	2011
Total Assets (J\$M)	57,014	63,469	73,927	90,554	106,794	121,664	131,317
Capital & Reserves (J\$M)	13,691	12,792	14,101	17,649	18,578	20,229	22,260
Loan Balance (J\$M)	14,483	18,837	24,427	31,308	38,303	43,400	45,537
Total Savings Fund (J\$M)	30,540	35,166	43,138	53,264	59,138	67,715	72,663
Liquid Funds (J\$M)	39,381	40,179	44,922	50,937	62,104	71,432	77,410
Total Operating Revenue(J\$M)	8,218	8,512	9,604	11,564	14,125	16,800	13,861
Surplus before taxes (J\$M)	2,410	1,745	1,998	5,366	1,807	1,700	1,756



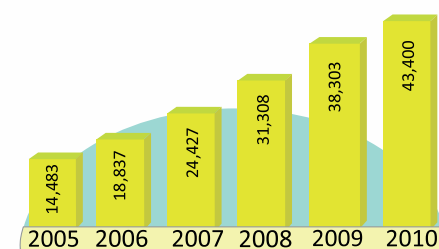
TOTAL ASSETS (J\$ M)

Total Assets up 7.9%
from \$121.7B to \$131.3B



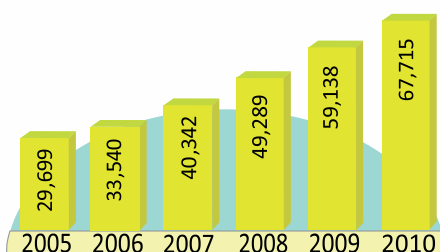
CAPITAL AND RESERVES (J\$ M)

Capital & Reserves up 10%
from \$20.2B to \$22.3B



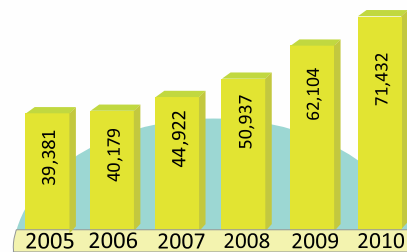
LOAN BALANCE (J\$ M)

Loans to members up 4.9%
from \$43.4B to 45.5B



TOTAL SAVINGS FUND (J\$ M)

Members' savings balances up 7.3%
from \$67.7B to \$72.7B



LIQUID FUNDS (J\$ M)

Liquid Funds up by 8.4%
from \$71.4B to \$77.4B

Top Performance: Michelle Simms, Employee of the Year

Michelle Simms, Member Service Representative at the Ocho Rios Branch, was in disbelief when she received a telephone call from the JN Enterprise Contact Centre that she was chosen as the JNBS Employee of the Year.

"I was on vacation and asleep when I got the call. At first, I thought I was dreaming but when I realised that it was real, I screamed and dropped the phone," she disclosed.

Michelle, who is the October to December 2010 Employee of the Quarter for Region 5 and Employee of the Branch for the same period, said she felt overjoyed to be selected as the JNBS Employee of the Year.

"I am happy about the recognition as I always make it a point of duty to raise the bar when it comes to delivering excellent customer service. I give the kind of service that I would like to receive if I were the customer," she declared, adding that "one has to be genuinely caring to work effectively in the area of customer service."

"Building a relationship with members and gaining their trust is an important element of customer service for me. If I make a promise to follow up on something or to return a call, I do so. Also, I try to resolve issues quickly and minimise the time that our customers spend in the branch and they always appreciate this. As a result, these members would recommend other potential members to me."

Senior Manager of the Ocho Rios Branch, Ransford Davidson, said that Michelle is enthusiastic about her job and is always willing to go beyond her comfort zone to assist members and customers.

"She constantly keeps abreast of new information on our products and services in order to apprise members about benefits available to them. She interacts well with them and clearly understands that each member is different and delivers accordingly."

"Michelle is also persistent in her use of the Preferred Way of Selling methodology to drive revenue to the branch. As a result, she is the top sales performer in the Region for the second quarter, having surpassed her target by 888 percent in the Sales Retention Programme."

Reverend Norma Garrick, member of the Branch for the past 30 years, said that she is pleased with the quality of the service she receives from Michelle.

Michelle Simms
Member Ambassador
Ocho Rios Branch



"She is very professional, pleasant, knowledgeable and approachable. She would also apologise if a transaction was going slower than usual. She really deserves to be Employee of the Year," she said.

John Roach, a returned resident of Tower Isle, St. Mary, also commends Michelle for the exceptional service she provides.

"She is very genuine and always smiling. She is always willing to assist and often advises me on the progress of my transaction. She is truly an asset to Jamaica National."

The past student of Oracabessa Secondary and Mount Zion High schools is multi-faceted, having been exposed to vocational training in various skills.

"I worked in the hotel industry for seven and a half years" says Michelle. I repaired jacuzzis, air-conditioning units and light fixtures, and did short stints in the Food and Beverage department and front office operations before moving on to do auditing for five years."

In 2003, Michelle filled a vacant position at the JNBS Lucea Branch as Health Representative and subsequently Customer Service Representative before being transferred to the Ocho Rios Branch in 2007.

"Despite my job being hectic, I enjoy it, particularly because I like meeting people. The experience has been rewarding," she pointed out.

Among the prizes Michelle has been awarded for being Employee of the Year are a \$120,000 gift certificate, a \$50,000 regional celebration party, and certificate signed by the General Manager.



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Values Statement

The success of Jamaica National Building Society is dependent on a set of core values, which relate to our dealing with our customers, colleagues, members, suppliers, regulators and the communities 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 personalized 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 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.

Executives

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Carlton Barclay BSC, MBA, FCCA

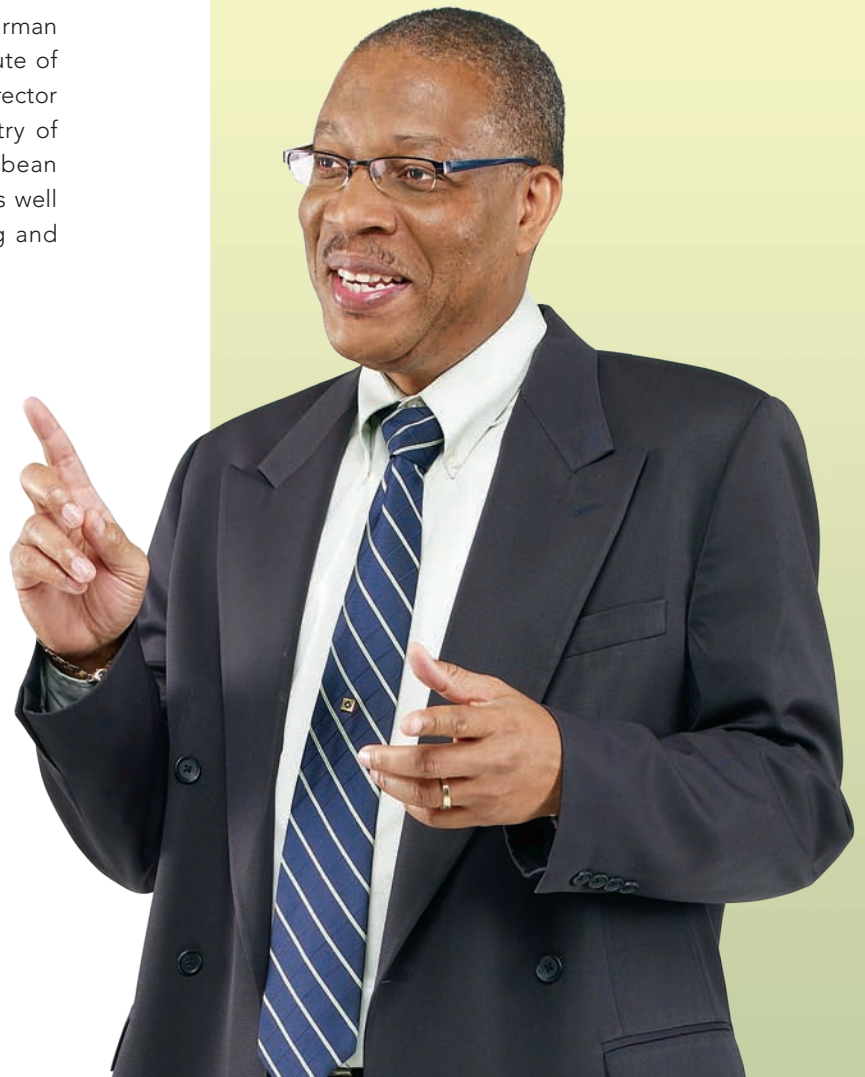
Deputy General Manager

Mr. Carlton Barclay was appointed Deputy General Manager in July 2011. He re-joined the Society in August 1999 as Financial Controller and was later appointed to Assistant General Manager in May 2005. As Deputy General Manager, Mr. Barclay is responsible for overseeing the management and financial performance of all JNBS subsidiaries, consisting of 19 companies and 3 Overseas Representative Offices. He also represents the Society in the capacity of director on the Boards of most of the companies within the Group.

During his leadership, the Society experienced significant growth in assets and profitability, leading to its present position of being the largest building society in Jamaica and the Caribbean. Mr. Barclay has played a significant role in all the strategic initiatives undertaken by the Society in the past ten years.

A chartered Accountant, Mr. Barclay is the Chairman of the Current Affairs Committee of the Institute of Chartered Accountants of Jamaica (ICAJ); a director of the Road Maintenance Fund of the Ministry of Transport and Works; a director of the Caribbean Association of Indigenous Banks Inc. (CAIB), as well as Chairman of the CAIB's Strategic Planning and Advocacy Sub-Committee.

He is a director on the board of the Rotary Club of St. Andrew North.





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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 Management Control Systems Limited, where he 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

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Leon Mitchell

Assistant General Manager

Group Marketing, Promotions & Sales

Leon Mitchell was promoted in 2011 to Assistant General Manager, Group Marketing, Promotions & Sales, with responsibility for identifying and implementing strategic business opportunities locally and overseas. He was previously Executive, Group Marketing, Promotions & Sales. 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 Limited

Mr. Mitchell is a member of the Kiwanis Club of Kingston; Kingston Cricket Club; President of Kingston Commissioners (Masters League) football team, Technical Director of the Tarrant High School Manning Cup programme 2011-2012 and Technical Director and Manager of the Shortwood Football Club (Major League). He also serves as Chairman, Infrastructure Committee – Kingston & St Andrew Football Association (KSAFA) and Chairman of the Jamaica Red Cross Fundraising Committee.





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Brando Hayden

*Assistant General Manager
Treasury and Investments*

Brando Hayden brings more than a decade of diverse global experience to the JN Group, having specialised in the structuring and trading of securities across asset classes and geographical regions. His career in financial services began in the Emerging Markets Fixed Income and Foreign Exchange Group at Bankers Trust where he structured local currency products for Latin America, Eastern Europe and Middle East Africa. He then went on to trade emerging market currencies at Morgan Stanley, OTC, weather, natural gas and power products at Enron Global Markets, and OTC equity derivatives at UBS Warburg.

Mr. Hayden's experience also includes senior positions with financial services firms within the Caribbean region where he has specialised in the trading and structuring of securities in illiquid markets. His regional experience includes positions as Vice President of Trading and Product Development at NCB (National Commercial Bank of Jamaica) Capital Markets and Head of Institutional Sales and Trading at Jamaica Money Market Brokers.

Mr. Hayden is a graduate of New York University's Leonard N. Stern School of Business where he received his MBA in Finance and International Business, and the City University of New York where he received his BBA in Finance (Hons.). He sits on the Board of Governors for Munro College and is Chairman of the Board's Sports Committee. He is also a member of the Advisory Committee to the Sports Faculty at the University of Technology.



Executives

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Emile Spence

Executive, Business Development & Research

Emile G. Spence, an economist and marketer, has served the Jamaica National Building Society (JNBS) in several strategic capacities, ranging from Branch Manager to Senior Marketing Executive responsible for marketing, distribution and Representative Offices and General Manager, JN Money Services, during the past 27 years.

Under his leadership, Jamaica National achieved significant growth in its overseas portfolio, particularly in the establishment of JNBS locations in the United Kingdom, the United States of America and Canada, and the expansion of its remittance service, JN International Money Transfer.

Mr. Spence now serves as JN Group Executive for Business Development & Research, conceptualising and implementing products and services at the corporate and commercial levels. His knowledge of local and overseas financial markets places him in a unique position to capitalise on cutting-edge technologies and products to enhance the JN Group's new business initiatives.

A graduate of The University of the West Indies, Mr. Spence is an avid sportsman. He is currently Vice President of Kingston Cricket Club and a Director of the Sports Development Foundation.



Wanica Purkiss

Executive, Mortgage & Operations

Wanica Purkiss, who has been with the Society for 38 years, is the Executive with responsibility for Mortgage Operations.

She is mandated to lead the development of the Society'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.

She assumed responsibility for the operations of the JN Representative Offices in the UK, North America and Canada in September 2010.





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Shereen Jones

Executive, Group IT

Shereen Jones is tasked with overall responsibility for Information Technology across the JN Group outside of Management Control Systems (MCS) Limited and Manufacturers Credit & Information Services (MCIS) Limited. She joined JN in 2006 as General Manager of MCS and assumed her current position as Group Executive – Information Technology, in October 2009. However, she has had a long association with JNBS, assisting with the implementation of the Phoenix Banking Project as a consultant in 1999.

Her strong mathematical skills propelled her to a Bachelor's Degree with First Class Honours from The University of the West Indies and a subsequent Masters Degree with Honours from Pennsylvania State University. She is a strong supporter of the work of Toastmasters International, and a board member of SwimJamaica.



Mary Smith

Group Risk

Mary Smith has responsibility for the Group's risk management function. She has also served as Executive in charge of Group Compliance; Corporate Planning Budgeting and Special Projects; and Financial Analyst. A Director of JN Small Business Loans Limited and the JNBS Foundation, she also serves on the Board of Trustees of the Pension Fund and the Board Investment Committee.

A graduate of the University of Bradford (UK) and The University of the West Indies (Mona) (UWI), Mrs. Smith has served as Senior Economist with the Bank of Jamaica and as International Loan Administrator at the Ministry of Finance.

Mrs. Smith has volunteered as a mentor in the UWI's Student Mentorship Programme for the last 12 years and is an active member of the Andrews Memorial Seventh-Day Adventist Church where she serves on the Board and on the Choir.



Executives

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Michele Pollard Gonzalez

*Executive, JN Enterprise Contact Centre
Member Ombudsman*

Michele Pollard Gonzalez is an experienced team leader with a track record of successful project management. She joined Jamaica National Building Society in 2002 as Customer Service & Quality Assurance Manager and implemented the first ever customer service and quality assurance infrastructure within the organisation.

She was promoted to Senior Manager in 2007 and in 2011, to Executive, with responsibility for the Enterprise Contact Centre, a newly created entity within the Society, with the mandate to drive standardisation and improve the delivery of a consistently high level of service to all JN members.

Mrs Pollard Gonzalez has previously worked in the areas of project management and general operations, marketing, administration and quality control.

She holds a Master of Science degree in Food Science and Technology from the Texas A&M University, United States of America. She also gained a BSc. degree in Chemistry and Applied Chemistry and an Executive MBA, with a Finance emphasis, from The University of the West Indies, Mona.

Mrs. Pollard Gonzalez is a member of the American Society for Quality and a board member of the Jamaica Customer Service Association.



Philip Bernard

Executive, Community Banking and Administration

Philip W. Bernard joined the Jamaica National Building Society in 2004, with responsibility for the successful acquisition, transfer and restructuring of the Jamaica Automobile Association. His remit was extended to include the development of the JNBS ATM network and the creation of the JNBS Community Banking Department, with responsibility for JNBS Money Shops, ATMs, Branches in regions 1 and 6 and the recent addition of the JN Express self serve kiosks across the network. He was appointed as an Executive in 2011.

His studies in the fields of Law, University of London, UK, 2006; Project Management, Boston University, Massachusetts., USA, 2007; The University of the West Indies, 1992, and Howard University, Washington, DC., USA, 1991, and his professional career as a successful entrepreneur and project management consultant, brings a synergistic mix of marketing, operations and management to his responsibilities at JNBS.

Mr. Bernard, a Year 2000 nominee for the Ernst & Young Entrepreneur Award, was appointed to the Board of the National Housing Trust in 2009. He is also a Board Director for the Jamaica Automobile Association and the Central Waste Water Treatment Company. In 2010, he was selected for a fellowship by the Partners of the Americas/ U.S. Department of State Fellowship with Accion USA.





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Maximilian Campbell

Executive, Group Human Resource Development

Maximilian Campbell joined the Jamaica National Building Society in 1998. He has served in the areas of branch operations and human resource development. He was promoted to Group Human Resource Development Executive in 2011.

Mr. Campbell is currently the Chairman of the Daisy Thompson Early Childhood Institute and past Executive Director of the Clarendon Association of Street People (CLASP).

A graduate of the University College of the Caribbean; Mr. Campbell completed a Master of Science degree in Workforce Education and Development at the University of Technology. He also holds a Diploma in Teacher Education from Church Teachers' College, Mandeville, and a certificate in Jamaican Securities from the Jamaica Institute of Management.



Tonya Grant

Executive, Internal Audit

Tonya Grant joined the Society in 1999 as Senior Manager, Audit, with overall audit responsibility for JNBS and its subsidiaries. She was promoted to Executive in 2011. Her duties include reviewing of the reliability and integrity of financial and operating information across the JN Group. She also examines whether these operations or programmes are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned. She also reviews the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations.

A graduate of the University of Technology, Ms. Grant is a Chartered Accountant with more than 20 years experience in accounting, with specialisation in auditing. She was previously employed to KPMG Peat Marwick as senior accountant.

Mrs. Grant, who is a US Certified Public Accountant, is a member of the Institute of Chartered Accountants of Jamaica; a Fellow, Association of Chartered Certified Accountants and a Member of the American Institute of Certified Public Accountants and Institute of Internal Auditors.



Executives

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Hilret Hanson

Executive, Branch Operations

Hilret Hanson is a 28 year veteran of the Society. He was appointed Executive with responsibility for the Supervision of Branch Retail Operations in April 2011. He has previously served JNBS as Branch Manager, Finance Manager and Senior Regional Manager.

Mr. Hanson is a past president of Jamaica National Managers Association (JANMAS) and former Board Member of the Building Societies Credit Union. He has served on the Executive Committee of the Manchester Chamber of Commerce, during which time the Chamber implemented the "Closed to Crime Initiative" which assisted the Mandeville Police with installing surveillance cameras in the town of Mandeville.

He is currently the Board Chairman of the St. Elizabeth Technical High School.



Joy A. Brady

Executive, Group Finance

Joy Brady joined the Jamaica National Building Society in 2004 as Group Finance Manager with responsibility to monitor the financial operations and manage finance related projects for the Society and its subsidiaries. She was promoted to Executive in August 2011. She has more than fifteen years of financial management experience in the commercial industry and more than eleven years of experience in auditing.

Mrs Brady gained a Diploma in Business Administration in 1984 from the College of Arts, Science and Technology (CAST), now the University of Technology. She is certified Level III (1992) by the Association of Chartered Certified Accountants (ACCA) and Level III (1984) by the Association of Accounting Technician (AAT). She is a Fellow of the Institute of Chartered Accountants of Jamaica and of the Association of Chartered Certified Accountants.

Mrs Brady has participated in Institute of Chartered Accountants of Jamaica workshops/seminars during 2004 to 2011, including "International Financial Reporting Standards", "Forensic Accounting & CIS Auditing Tools", and "The Tax Implications of IFRS & Compliance Issues".

She currently serves as the Chairperson for the Finance Committee and Youth Director St. Theresa's Roman Catholic Church.





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Members say 'Thank You'



It isn't often you find people as special as you.
People who go out of their way to make things nicer for others.
People who take time to care.
You take time to listen, to identify and anticipate my needs.
You help me to understand your system for getting things done, so that I do not get confused, impatient nor angry.

I just want to say a GREAT BIG THANK YOU and to let you know how very much I appreciate the very kind and exclusive attention extended to me.
You all make me feel so very special.
This also goes to Security too, for the warm act of courtesy shown on entering your organisation.

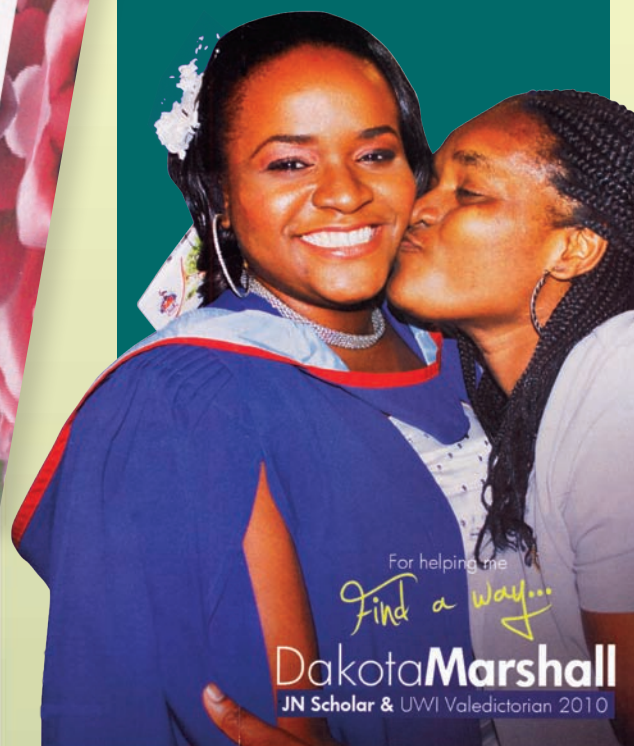
May God continue to work in your lives, as you seek to give "more than is expected".

GOD BLESS YOU ALL
From A Satisfied Customer
Beryl Scott

"It is not just a scholarship; Jamaica National has helped students to recognize our purpose in society; gave us knowledge and vision of the part we must play to build our island home Jamaica."

Dakota Marshall

JN Scholar & UWI Valedictorian 2010



Senior Managers

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Obinna Blake
Administration

**Keisha
Melhado-Forrest**
Mortgage Operations

Cheryl Levy
Risk Department

Leslie Robinson
*Strategic Data
Management*

Simone Chambers
*Corporate & Strategic
Planning*





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Joscelyn Campbell
Fraud Investigation Unit

Tamara Silvera
Treasury Department

Tasha Manley
Chief Compliance Officer



Tiffany Gordon
Mortgage Sales

Gillian Hyde
*Budgeting,
Performance
Measurement
and Reporting*

Polmae "Pam" Thompson
Chief Project Officer



JNBS Overseas Officers

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Wanica Purkiss

Executive, Mortgage Operations

Wanica Purkiss assumed responsibility for the operations of the JN Representative Offices in the UK, North America and Canada in September 2010.



Paulette Simpson

Senior Manager, Corporate Affairs and Public Policy
JNBS Representative Office, United Kingdom

Ms Paulette Simpson was appointed Senior Manager, Corporate Affairs and Public Policy - Jamaica National Building Society Group in July 2011. She joined the JNBS family in November 2002 and was previously the Chief Representative Officer for the JNBS UK Representative Office and more recently was General Manager - JN Overseas Office.



Leon Hamilton

Chief Representative Officer
JNBS Representative Office, United Kingdom

Mr Leon Hamilton joined the Spanish Town branch of JNBS in 1995. He has worked as Mortgage Services Supervisor, Assistant Mortgage Manager, Senior Process Analyst and was appointed Chief Representative Officer, United Kingdom, in 2010.



Janice McIntosh

Chief Representative Officer
JNBS Representative Office, Florida

Mrs Janice McIntosh joined the Jamaica National family in 2005 as the Promotions Manager in the Marketing Department. In August 2010, she was appointed Chief Representative Officer in the Representative Office in Florida.



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Chief Office & Overseas Managers

Claudine Allen

Special Assistant to the General Manager

George Baker

Internal Processing Centre

Patrick Barrett

Security

Fitz Bernard

Senior Process Analyst

Davia Brown

Finance - Payables

Dwayne Brown

Cyber Security

Natoya Brown

Risk Management

Casita Burte

Finance

Sheron Chung

Assistant Treasurer

Esther Francis Hill

HR Services Manager – NEM Insurance

Cheryl Gardner-Morant

Finance

Denise Gocul

Marketing, Special Projects

Jason Gordon

Electronic Data Processing

Tawana Gray

Finance

Jerome Henry

Underwriter

Carla Henry-Farquharson

Audit

Stacey Jureidini

Senior Project Manager

Kathleen Lyn

User Support

Carol Madden

Member Care Centre

Rose Miller

Mail & Courier and Office Services

Paulette Newby

Mortgage Centre

Phillip Powe

Applications & Database Management

Tanya Pringle

Corporate Communications

Maurice Salkey

Senior Process Analyst

Mitzie Samuels

HR Services

Christopher Smith

Treasury Operations

Sophia Smith

Business Analyst

Marie Stewart

Research

Nigel Thomas

Technical Services

Shelly-Ann Walker

Compliance

Elaine Williams

Legal

Michael Whyte

IT Incident & Problem Management

JN 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.

Paula Fennell

Jamaica National Overseas Canada

Patricia Austin

Jamaica National Overseas Canada

Paulette Sterling

Jamaica National Overseas UK

JNBS OVERSEAS MANAGERS

Harrington Stephenson

JNBS Representative Office, Canada

Desmond Smith

Group Compliance, North America

Hope Sortie

Group Internal Audit and Compliance, United Kingdom



Chief Office, Branches, Member Service Managers & Member Ambassadors

CHIEF OFFICE

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

Region 1

Half-Way-Tree

2-4 Constant Spring Rd.,
Kingston 10
Tel: 929-8052-3, 968-1290
Fax: 968-6595
Member Service Mngr. –
Orett Douglas
Member Ambassador –
Onair Allen

New Kingston

10-12 Grenada Cres.,
Kingston. 5
Tel: 929-3734-7, 926-6871
Fax: 906-8720
Member Service Mngr. –
Janice Mills
Member Ambassador –
Cyron Brown

Downtown Kingston

32 1/2 Duke Street,
Kingston
Tel: 922-3905/6, 922-
3366/7
Fax: 922-2869, 948-3342
Member Service Mngr. –
Angella Boothe
Member Ambassador –
Terrian Fletcher

Morant Bay

10 Queen Street
Morant Bay, St. Thomas
Tel: 982-2226, 982-1231
Fax: 982-2588
Member Service Mngr. –
Edison Taylor
Member Ambassador –
Terrian Evans

Region 2

Christiana

Samfo Plaza,
Main Street, Christiana,
Manchester
Tel: 964-2529, 964-4672/3
Fax: 964-4674
Member Service Mngr. –
Doreen Alexander
Member Ambassador –
Takeese Turner- Wright

Junction

Shops 7-8, Roye's Plaza
Junction P.O., St. Elizabeth
Tel: 965-5387, 965-5959
Fax: 965-8243
Snr. Member Service
Mngr. –
Alethia Carpenter Peart
Member Ambassador –
Stacey Marshall

Mandeville

Mandeville Plaza
Mandeville, Manchester
Tel: 962-2179, 962-2724
Fax: 962-0204
Member Service Mngr. –
Doreen Alexander
Member Ambassador –
Michelle Boothe-Hall

May Pen

45a Main Street
May Pen, Clarendon
Tel: 986-2551, 986-4759
Fax: 986-9764
Member Service Mngr. –
Paulette Chambers-
Salmon
Member Ambassador –
Oshane Reid

Santa Cruz

85 Main Street
Santa Cruz, St. Elizabeth
Tel: 966-2231, 966-2742
Fax: 966-2741
Snr. Branch Mngr. –
Alethia Carpenter-Peart
Member Ambassador –
Sacha Neil-Elliott

Region 3

Linstead

27 King Street
Linstead, St. Catherine
Tel: 985-7749, 985-2525
Fax: 985-2506
Member Service Mngr. –
Jennifer Clarke-Twiddle
Member Ambassador –
Dorcia Williams

Portmore Pines

Shop #29
Portmore Pines, Plaza
St. Catherine
Tel: 949-2196, 949-3350
949-2221, 949-9233
Fax: 949-1690
Member Service Mngr. –
Troy Bygrave
Member Ambassador –
Tanesha Lewis-Blake

Spanish Town

26-28 Wellington Street
Spanish Town,
St. Catherine
Tel: 984-2473, 984-2637,
Fax: 984-7798
Member Service Mngr. –
Michelle Hines
Member Ambassador –
Sudanne Cameron

Region 4

Falmouth

1 Officer's Alley
Falmouth, Trelawny
Tel: 954-4421-2
Fax: 954-5992
Snr. Branch Mngr. –
Shernette Callam
Member Ambassador –
Dwight Griffiths

Lucea

Mosley Drive,
P.O. Box 21
Lucea, Hanover
Tel: 956-2344, 956-9828-9
Fax: 956-3323
Member Ambassador –
Marcia Gayle

Montego Bay

2 Market Street
Montego Bay,
St. James
Tel: 952-4561-3
Fax: 952-8307
Snr. Branch Mngr. –
Shernette Callam
Member Ambassador –
Renee King

Savanna-la-Mar

Hendon Corner
Savanna-la-Mar,
Westmoreland
Tel: 955-2525, 955-2843
Fax: 955-2774
Member Service Mngr. –
Canute Simpson
Member Ambassador –
Orlando Lewinson

Region 5

Brown's Town

Musgrave Square
Brown's Town,
St. Ann
Tel: 975-2243, 917-8272/3
Fax: 917-8322
Snr. Branch Mngr. –
Ransford Davidson
Member Ambassador –
Samantha Newby

Ocho Rios

Corner of Graham Street
& DaCosta Drive
Ocho Rios, St. Ann
Tel: 974-5537, 974-4723
Fax: 974-4724
Snr. Branch Mngr. –
Ransford Davidson
Member Ambassador –
Michelle Simms

St Ann's Bay

10 Bravo Street
St. Ann's Bay,
St. Ann
Tel: 972-2235, 972-9191
Fax: 972-2657
Snr. Member Service Mngr.
– Ransford Davidson
Member Ambassador –
Oraine Thompson

Region 6

Annotto Bay

Main Street
Annotto Bay,
St. Mary
Tel: 996-2215, 996-2350
Fax: 996-9732
Snr. Branch Mngr. –
Omar Haye
Member Ambassador –
Georgette Sutherland

Gayle

Main Street, Gayle,
St. Mary
Tel: 975-8103, 975-8436
Fax: 975-8214
Member Service Mngr. –
Alverine Moodie-Davis
Member Ambassador –
Rose Campbell Maturah

Papine

17c Gordon Town Road
St. Andrew
Tel: 970-0774, 977-5758
Fax: 702-4286
Member Service Mngr. –
Jacqueline Robotham
Member Ambassador –
Althea Edwards

Port Antonio

21 Harbour Street
Port Antonio,
Portland
Tel: 993-3006, 993-9151
Fax: 993-9670
Member Service Mngr. –
Edison Taylor
Member Ambassador –
Charlene Watson

Port Maria

1 Stennett Street
Port Maria,
St. Mary
Tel: 994-2471, 994-2671
Fax: 994-2123
Snr. Branch Mngr. –
Omar Haye
Member Ambassador –
Laura Plunkett

UWI Branch

Ring Road,
Mona Campus
The University of the
West Indies,
St. Andrew
Tel: 927-0522
Fax: 970-3577

Member Service Mngr. –
Jacqueline Robotham
Member Ambassador –
Merrick Hay

JN Financial Centre

Barbican Square
(Loshusan)
29 East Kings House Road
Kingston 6
Tel: 927-6221, 927-3853
Fax: 978-2253
Operations Supervisor-
Shani Maxwell

MONEY SHOPS Barbican, AZMART

34 East King's House Road
Kingston 6
Tel: 978-5484
Fax: 927-8519
Operations Supervisor. –
Andral Dawkins

Spanish Town Road

45 Spanish Town Rd.
Kingston
Tel: 948-7427
Fax: 948-7038
Operations Supervisor –
Kerry Scott

Whitehouse

Shop #5 Lawrence Plaza
Whitehouse,
Westmoreland
Tel: 963-5902, 963-5693
Fax: 963-5797
Operations Supervisor –
Faye Hardoar

Old Harbour

8 East Street,
Old Harbour
Tel: 983-1871; 983-6052
Fax: 745-1650

Operations Supervisor-
Sharon Samuels

Port Maria

1 Stennett Street,
Port Maria
Tel: 994-2471; 994-2671
Fax: 994-2123
Acting Operations
Supervisor –
Recordero Setal

Knutsford

75 Knutsford Blvd.
Kingston 5
Tel: 501-7023-5
Fax: 920-4112
Operations Supervisor -
Steve Stewart

Half-Way-Tree Transport Centre

Shop #15
Tel: 968-6881
Fax: 968-6883
Operations Supervisor –
David Thomas

Highgate

Main Street
Highgate,
St. Mary
Tel: 724-2820
Fax: 724-2820
Member Service Manager-
Alverine Moodie-Davis



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JN Overseas Money Transfer Offices

UNITED KINGDOM

Toll Free - Tel: 0-800-328-0387

Balham

5 Hildreth Street
Balham, London SW12 9RQ
Tel: 208-675-4951
Fax: 208-875-4932

Birmingham

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

Bristol

248 Stapleton Road, Easton
Bristol, BS5 0NT
Tel: 117-935-5895
Fax: 117-939-5547

Brixton

389-391 Brixton Road
London SW9 7DE
Tel: 207-737-7244/7344
Fax: 207-737-6951

Elephant & Castle

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

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

Stratford

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

CANADA

Toll Free - Tel: 1-866-353-7778

Toronto

1390 Eglinton Avenue West
Toronto
Ontario M6E 2H2,
Canada
Tel: 416-784-2074,
Fax: 416-784-4388
E-mail: jnbstoronto@jnbs.com
Operating Hours - Tuesday to Saturday
10:00am to 5:30pm

GRAND CAYMAN

National Building Society Of Cayman

29 Elgin Avenue, P.O. Box 504
Grand Cayman KY1-1106
Cayman Islands
Tel: 345-946-3030
Fax: 345-946-3031
E-mail: nbs@candw.ky

Quik Cash
Bodmer Building
Unit 6, Shedden Road
Grand Cayman

UNITED STATES OF AMERICA

Toll Free - Tel: 1-800-462-9003
E-mail: info@jnousa.com

New York

Brooklyn

2822 Church Avenue
New York 11226
(inside Courts furniture store)
Tel: 646-286-7134

690 Utica Avenue
New York 11203
Tel: 718-756-2355/ 756-2810
Fax: 718-756-6674

Queens

233-16 Merrick Boulevard
New York 11422
Tel: 718-804-1924
Fax: 718-949-4672

Bronx

4264 White Plains Road
New York 10466
Tel: 718-882-5776
Fax: 718-882-6937

Connecticut

Hartford

1164 Albany Avenue
Connecticut 06112
Tel: 860-727-1914
Fax: 860-725-0938

Florida

Lauderdale Lakes

3895 NW 24th Street
Florida 33311
Tel: 954-676-5755-6
Fax: 954-727-9701

Miramar

6905 Miramar Parkway
Florida 33023
Tel: 954-983-6480

Lauderhill

4100 NW 12th Street
Suite A
Florida 33313
Tel: 954-583-1778
Fax: 954-583-1733

Plantation

1943 North Pine Island Road
Florida 33322
Tel: 954-735-6002
Fax: 954-749-3571



JNBS ATM LOCATIONS

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Kingston & St Andrew

JN Money Shop
HWT Transport Center

JNBS Duke Street
32 ½ Duke Street, Kingston

Mico College
1A Marescaux Road, Kingston

Cross Roads Post Office
Cross Roads, Kingston 5

JNBS Money Shop
45 Spanish Town Road, Kingston 5

JNBS New Kingston Money Shop
75 Knutsford Blvd, Kingston 5

The Source
Bryce Hill Plaza, 85 August Town Rd

Vineyard Town
61B Deanery Road

Azan's Supercentre
Regal Plaza Cross Road

JNBS Half-Way-Tree
2-4 Constant Spring Rd.
Kingston 10

JNBS Money Shop
AZMART Superstore
34 East King's House Rd,
Barbican, Kingston 6

JNBS Papine
17c Gordon Town Road, Kingston 7

Constant Spring Post Office
191 Constant Spring Rd, Kingston 8

JNBS UWI
Ring Road, Mona Campus

Michi Super Center
2-4 Savannah Avenue, Kingston 20

Clarendon

JNBS May Pen, 45 Main Street
Osbourne Store
Toll Gate, Clarendon

Hanover

JNBS Lucea, Mosley Drive, Lucea

Manchester

JNBS Mandeville
Mandeville Plaza

JNBS Christiana
Samfo Plaza, Main Street

Portland

JNBS Port Antonio
21 Harbour Street, Port Antonio

St Ann

JNBS Ocho Rios
Corner of Graham St & DaCosta Dr

JNBS St. Ann's Bay
10 Bravo Street

Camaray Palms
Brown's Town

St Catherine

Rapid Sheffield Super Centre
Port Henderson Road

JNBS Portmore
Portmore Pines Plaza

JNBS Spanish Town
26 Wellington Street

Bog Walk Post Office
Bog Walk

JNBS Old Harbour Money Shop
8 East Street, Old Harbour

JNBS Linstead
27 King Street

St Elizabeth

JNBS Junction
Royer's Shopping Centre

JNBS Santa Cruz
Main Street, Santa Cruz

King Fisher Plaza
Treasure Beach

St James

JNBS Montego Bay
2 Market Street

St Mary

JNBS Highgate Money Shop
Main Street, Highgate

JNBS Port Maria
1 Stennett Street, Port Maria

JNBS Annotto Bay
Main Street, Annotto Bay

JNBS Gayle
Main Street, Gayle

St Thomas

JNBS Morant Bay
10 Queen Street

Trelawny

JNBS Falmouth
1 Officer's Alley, Falmouth

Westmoreland

JNBS Savanna-la-Mar
Hendon Corner

JNBS Whitehouse Money Shop
Lawrence Plaza, Whitehouse

Cayman

National Building Society
of Cayman
29 Elgin Avenue, Grand Cayman,
Cayman Islands



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Local Subsidiaries, Associated Companies and Foundations

Jamaica Automobile Association (Services) Limited

Provision of emergency roadside assistance and other related member services
7 Central Avenue, Kingston 5
Tel: 929-1200, 968-6007
Fax: 929-4377
Toll Free Number: 1-888-225-5522
E-mail: jaa@jnbs.com
Website: www.calljaa.com

JN Finance Limited 100%

Insurance premium financing, auto loans and other credit facilities
3 Barbados Avenue, Kingston 5
Tel: 733-6422-7
Fax: 926-0146
E-mail: afrancis@jnbs.com
Website: www.jnfinanceltd.com

JN Fund Managers Limited 100%

A licensed securities dealer offering investment, treasury, mutual funds and pension administration and management services, together with the purchase and sale of equities that are listed on the JSE.
17 Belmont Road, Kingston 5
Tel: 929-7159, 929-2289
Fax: 926-4375
E-mail: info@jnfunds.com
Website: www.jnfunds.com

JN Money Services Limited 100%

Money transmission and bill payment services
26 Trafalgar Road, Kingston 5
Tel: 920-7530 Fax: 920-4768
E-mail: leesa@jnbs.com
Website: www.jnmoneytransfer.com

Jamaica Popular Investment Co. Limited 100%

Owners of commercial buildings

Jn Small Business Loans Limited 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
E-mail: fwhylye@jnbs.com
Website: www.jnsbl.com

Knutsford Holdings Limited 40%

Owners of commercial buildings.

Management Control Systems Limited 94.5%

Provision of information and technology solutions and data entry services.
10-12 Grenada Crescent, Kingston 5
Tel: 929-8661, 926-0104
Fax: 929-5678
E-mail: sales@mcsystems.com

Manufacturers Credit & Information Services Limited (MCIS)

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

National Building Society Of Cayman 96.7%

Provides savings and lending on residential real estate in the Cayman Islands; licensed money transmission services from the Cayman Islands.
29 Elgin Avenue, P.O. Box 504
Grand Cayman KY1-1106
Cayman Islands
Tel: 345-946-3030
Fax: 345-946-3031
Email: nbs@candw.ky

Nem Insurance Company (Ja.) Limited 99%

General insurance services
9 King Street, Kingston
Tel: 922-1460-5 Fax: 922-4045
E-mail: nemjam@infochan.com
Website: www.nemjam.com

The Creative Unit Limited 100%

Provision of advertising, event planning and other creative services.
1 Holborn Road, Kingston 10
Tel: 926-6779 Fax: 920-2371
E-mail: dcarroll@jnbs.com

Total Credit Services Limited

26 Trafalgar Rd., Kingston 10
Tel: 920-6573; 920 4205
Fax: 929-4684
E-mail: scampbell@jnbs.com

FOUNDATIONS

Jamaica National Building Society Foundation 100%

An approved charitable organization funded by contributions from JNBS.
32 1/2 Duke Street, Kingston
Tel: 922-4931
Fax: 922-4777
Email: foundation@jnbs.com
Website: www.jnfoundation.com

Mutual Building Societies Foundation 50%

The MBSF seeks to contribute to the development of quality education in rural communities and to support social transformation.
32 ½ Duke Street, 4th Floor
Kingston
Tel: 926-1344, Ext 4718
Fax: 922-4777
E-mail: centresofexcellence@gmail.com
Website: www.centresofexcellencejamaica.com



Membership of Boards & Committees

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JN Finance Limited

Dr. Dhiru Tanna, Chairman
Dr. Hon. Carlton Davis, OJ
Dr. Peter Fletcher
Earl Jarrett, CD, Hon. LL.D.
Monica Ladd
Peter Morris
Christopher Roberts
Keith Senior
Errol Ziadie

JNBS Foundation

Earl Jarrett, CD, Hon. LL.D.,
Chairman (Acting)
Parris Lyew-Ayee, CD
Jennifer Martin
Mary Smith

JN Fund Managers Limited

Dr. Dhiru Tanna, Chairman
Dr. Hon. Carlton Davis, OJ
Dr. Peter Fletcher
Earl Jarrett, CD, Hon. LL.D.
Monica Ladd
Peter Morris
Keith Senior

JN Money Services Limited

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Lord William "Bill" Morris, OJ
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Dr. Don Robotham
Alfred Simms
J. A. Lester Spaulding, CD

JN Small Business Loans Limited

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James Burrowes
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Mary Smith
Frank Whyllie

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Wendell Smith, Chairman
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Earl Jarrett, CD, Hon. LL.D.
Dr. Parris Lyew-Ayee, Jr.
Molly Rhone, OJ
Dianne Smith-Sears

National Building Society Of Cayman

Earl Jarrett, CD, Hon. LL.D.,
Chairman (Acting)
Robert Hamaty
A. Spencer Marshall
Dunbar McFarlane
Dr. Dhiru Tanna

NEM Insurance Company (Ja.) Limited

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LL.D., Chairman
Earl Jarrett, CD, Hon. LL.D.
Dr. Parris Lyew-Ayee Jr.
Peter Morris
Kathleen Moss
Christopher Roberts
Hon Shirley Tyndall, OJ
Errol Ziadie

The Creative Unit Limited

Earl Jarrett, CD, Hon. LL.D.,
Chairman
Carlton Barclay
Donna Carroll
Emile Spence

Total Credit Services Limited

Earl Jarrett, CD, Hon. LL.D.,
Chairman
Llewelyn Bailey
Carlton Barclay
Suzette Campbell

COMMITTEES OF THE JNBS BOARD

Audit Committee

Raphael Gordon, Chairman
Llewelyn A. Bailey
Earl Jarrett, CD, Hon LL.D.
S. Kumaraswamy
Kathleen Moss

Finance & Investment Committee

Earl Jarrett, CD, Hon. LL.D.,
Chairman (Acting)
Peter Morris
Christopher Roberts
Dr. Dhiru Tanna

Proxy Committee

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

Compensation Committee

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



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Attorneys-at-Law, Auditors & Bankers

ATTORNEYS-AT-LAW

Abendana & Abendana
Clark, Robb & Co
Clinton Hart & Co.
Crafton Miller & Co.
Dabdoub Dabdoub & Co
Delroy Chuck & Co.
Dunn Cox
Edward Hanna & Co.
Frater Ennis & Gordon
G. Anthony Levy & Co.
Gentles & Willis
Grant, Stewart, Phillips & Co.
Hamilton & Craig
Harrison & Harrison
Philipson Partners
Jennifer Messado & Co.
Keith Smith & Co.
L Howard Facey & Co
Langrin, Parris-Woodstock
Lex Caribbean
Livingston, Alexander & Levy
M N Hamaty & Co.
Murray & Tucker
Myers, Fletcher & Gordon
Naylor & Turnquest
Nicholson, Phillips
Nunes, Scholefield, DeLeon & Co.
OG Harding & Co.
Patterson Mair Hamilton

Palomino, Gordon-Palomino
Phillips, Malcolm, Morgan & Matthies
Ramsay Stimpson
Rattray, Patterson & Rattray
Robertson, Smith, Ledgister & Co
Robinson, Phillips & Whitehorne
Ruel Woolcock & Company
Scott, Bhoorasingh & Bonnick
Taylor, Deacon & James
Usim, Williams
Vaccianna & Whittingham
Watson & Watson
Watt, King & Robinson
Williams, McKoy & Palmer
Wilmot, Hogarth & Company

AUDITORS

KPMG

BANKERS

Bank of Nova Scotia Jamaica Limited
Bank of Nova Scotia Toronto, Canada
Barclays Bank PLC
Citibank, Canada
Citibank, London, UK
Citibank, Wall Street, New York, U.S.A.
Deutsche Bank
Lloyd's TSB
National Commercial Bank Jamaica Limited
RBTT Bank Jamaica Limited
Wachovia Bank, N.A.



Auditors' Report

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KPMG

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

e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

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 (Society) and the consolidated financial statements of the Society and its subsidiaries (Group), set out on pages 78 to 163, which comprise the Group's and Society's statement of financial position as at March 31, 2011, the Groups's and Society's statements of revenue and expenses, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 relating to the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal controls relevant to the entity'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 entity's internal controls. 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.

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

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Elizabeth A. Jones
Caryl A. Fenton
R. Tarun Handa
Patrick A. Chin
Patricia O. Dailey-Smith

Linnay J. Marshall
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chamoers



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Auditors' Report



To the Members of
THE JAMAICA NATIONAL BUILDING SOCIETY

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Society as at March 31, 2011, and of the Group's and Society's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on additional requirements of the Building Societies Act

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, are duly vouched and in accordance with law.

In addition, 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.

Chartered Accountants
Kingston, Jamaica

June 29, 2011

Financial Statements

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THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Financial Position March 31, 2011

		Group		Society	
	Notes	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Cash and cash equivalents	7	3,216,385	4,986,638	2,179,477	3,807,894
Securities purchased under resale agreements	8	22,059,804	14,446,344	12,557,203	8,445,722
Investments	9	52,133,461	51,999,493	32,957,759	30,891,792
Taxation recoverable		1,795,992	1,433,866	1,117,575	961,096
Interest in subsidiaries	11	-	-	1,562,268	1,584,035
Interest in associates	12	310,242	289,243	735	735
Loans	13	45,536,838	43,399,853	40,144,330	39,122,133
Other assets	14	2,241,334	2,096,562	273,996	414,205
Asset held for sale	16	64,958	-	-	-
Investment properties	15	317,336	317,249*	79,483	81,871
Property, plant and equipment	16	2,498,414	2,268,048*	1,730,259	1,677,592
Intangible assets	17	1,027,691	353,984	118,270	182,743
Deferred tax assets	18	114,213	72,808	86,132	37,210
Total assets		<u>131,316,668</u>	<u>121,664,088</u>	<u>92,807,487</u>	<u>87,207,028</u>
SAVINGS FUND, LIABILITIES AND EQUITY					
SAVINGS FUND					
Shareholders' savings	19	72,660,420	67,712,306	68,469,852	65,370,732
Depositors' savings	20	<u>2,667</u>	<u>2,642</u>	<u>-</u>	<u>-</u>
Total savings fund		<u>72,663,087</u>	<u>67,714,948</u>	<u>68,469,852</u>	<u>65,370,732</u>
LIABILITIES					
Due to specialised financial institution		8,157,450	6,848,633	8,157,450	6,848,633
Bank overdraft	7(d)	24,507	136,085	-	120,545
Securities sold under repurchase agreements	21	20,176,894	19,464,087	-	-
Taxation payable		211,030	84,225	9,268	33,138
Other payables	7(b)	2,606,207	2,360,521	927,835	747,003
Deferred tax liabilities	18	53,876	131,029	-	-
Employee benefit obligation	22(a)	280,730	221,731	205,215	165,575
Insurance contract provisions	23	4,323,772	4,262,601	-	-
Long-term loans	24	<u>512,635</u>	<u>167,773</u>	<u>2,496</u>	<u>2,521</u>
Total liabilities		<u>36,347,101</u>	<u>33,676,685</u>	<u>9,302,264</u>	<u>7,917,415</u>

* Reclassified to conform with current year presentation (see note 15).

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



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Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

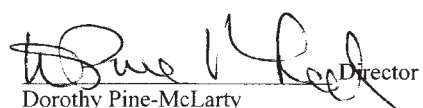
Statement of Financial Position (Continued) March 31, 2011

	Notes	Group		Society	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
EQUITY					
Permanent capital fund	25	5,740,000	4,740,000	5,740,000	4,740,000
Reserve fund	26	<u>6,600,000</u>	<u>5,600,000</u>	<u>6,600,000</u>	<u>5,600,000</u>
Capital base		12,340,000	10,340,000	12,340,000	10,340,000
Capital reserve		116,494	116,494	-	-
Contractual savings reserve	27	14,223	14,223	14,223	14,223
Other reserves	28	1,854,988	783,237	1,078,187	553,320
Retained earnings		<u>7,934,235</u>	<u>8,974,650</u>	<u>1,602,961</u>	<u>3,011,338</u>
Total equity attributable to equity holders of the Society		22,259,940	20,228,604	15,035,371	13,918,881
Non-controlling interest		<u>46,540</u>	<u>43,851</u>	-	-
Total equity		<u>22,306,480</u>	<u>20,272,455</u>	<u>15,035,371</u>	<u>13,918,881</u>
Total savings fund, liabilities and equity		<u>131,316,668</u>	<u>121,664,088</u>	<u>92,807,487</u>	<u>87,207,028</u>

The financial statements on pages 78 to 163 were approved for issue by the Board of Directors on June 29, 2011 and signed on its behalf by:

 Director
Earl Jarrett

 Director
Peter Morris

 Director
Dorothy Pine-McLarty

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



Financial Statements

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THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Revenue and Expenses Year ended March 31, 2011

	Notes	<u>Group</u>		<u>Society</u>	
		<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000
Interest revenue:					
Interest on loans		5,467,679	5,237,288	4,648,720	4,463,493
Interest on investments		<u>4,994,616</u>	<u>8,491,955</u>	<u>2,605,217</u>	<u>4,297,356</u>
		10,462,295	13,729,243	7,253,937	8,760,849
Interest expense	29	(3,828,882)	(6,411,955)	(2,261,796)	(3,747,389)
Net interest revenue		6,633,413	7,317,288	4,992,141	5,013,460
Other operating income	30	3,398,853	3,070,587	1,301,841	1,868,836
Operating expenses	31	(8,661,134)	(8,739,146)	(5,592,898)	(5,653,796)
Operating surplus		1,371,132	1,648,729	701,084	1,228,499
Unrealised foreign exchange (losses)/gains		(216,617)	15,423	(158,204)	(17,425)
Gain on disposal of investments		580,683	16,548	528,433	16,548
Impairment loss on equities		-	(4,334)	-	(4,194)
Share of profit of associates		<u>20,999</u>	<u>23,864</u>	<u>-</u>	<u>-</u>
Surplus for the year before taxation		1,756,197	1,700,230	1,071,313	1,223,429
Taxation	32	(458,794)	(474,365)	(141,592)	(172,629)
Surplus after taxation		<u>1,297,403</u>	<u>1,225,865</u>	<u>929,721</u>	<u>1,050,800</u>
Attributable to:					
The Society		1,294,871	1,246,875	929,721	1,050,800
Non-controlling interest		<u>2,532</u>	(21,010)	<u>-</u>	<u>-</u>
		<u>1,297,403</u>	<u>1,225,865</u>	<u>929,721</u>	<u>1,050,800</u>
Dealt with in the financial statements of:					
The Society		929,721	1,050,800	929,721	1,050,800
Subsidiaries		344,151	172,211	-	-
Associates		<u>20,999</u>	<u>23,864</u>	<u>-</u>	<u>-</u>
		<u>1,294,871</u>	<u>1,246,875</u>	<u>929,721</u>	<u>1,050,800</u>

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Comprehensive Income Year ended March 31, 2011

	Note	<u>Group</u>		<u>Society</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Surplus for the year		<u>1,297,403</u>	<u>1,225,865</u>	<u>929,721</u>	<u>1,050,800</u>
Other comprehensive income/(expense):					
Translation of foreign subsidiaries' balances		(12,156)	18,996	-	-
Increase in fair value of investments		1,208,814	396,672	640,401	374,809
Impairment of available-for-sale investments recognised in statement of revenue and expenses		-	4,334	-	4,194
Realised gains on investments recognised in statement of revenue and expenses		(460,638)	(16,548)	(453,632)	(16,548)
Total other comprehensive income for the year	32 (d)	<u>736,020</u>	<u>403,454</u>	<u>186,769</u>	<u>362,455</u>
Total comprehensive income for the year		<u>2,033,423</u>	<u>1,629,319</u>	<u>1,116,490</u>	<u>1,413,255</u>
Attributable to:					
The Society		2,031,336	1,650,200	1,116,490	1,413,255
Non-controlling interest		<u>2,087</u>	(20,881)	-	-
		<u>2,033,423</u>	<u>1,629,319</u>	<u>1,116,490</u>	<u>1,413,255</u>

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Changes in Equity Year ended March 31, 2011

	Group								
	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	Non - controlling interest \$'000	Total equity \$'000
Balances at March 31, 2009	4,740,000	5,600,000	116,438	14,223	301,916	7,805,605	18,578,182	64,954	18,643,136
Changes in equity:									
Surplus for the year	-	-	-	-	-	1,246,875	1,246,875	(21,010)	1,225,865
Other comprehensive income/(loss):									
Translation of foreign subsidiaries balances	-	-	-	-	18,867	-	18,867	129	18,996
Increase in fair value of investments	-	-	-	-	396,672	-	396,672	-	396,672
Impairment of available-for-sale investments recognised in statement of revenue & expenses	-	-	-	-	4,334	-	4,334	-	4,334
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(16,548)	-	(16,548)	-	(16,548)
Total other comprehensive income	-	-	-	-	403,325	-	403,325	129	403,454
Total comprehensive income	-	-	-	-	403,325	1,246,875	1,650,200	(20,881)	1,629,319
Changes in ownership interests in subsidiaries that do not result in a loss of control:									
Movement in share of reserves in associates and subsidiaries	-	-	56	-	166	-	222	(222)	-
Movement between reserves:									
Transfer to credit loss reserve	-	-	-	-	77,830	(77,830)	-	-	-
Balances at March 31, 2010	4,740,000	5,600,000	116,494	14,223	783,237	8,974,650	20,228,604	43,851	20,272,455
Changes in equity:									
Surplus for the year	-	-	-	-	-	1,294,871	1,294,871	2,532	1,297,403
Other comprehensive income:									
Translation of foreign subsidiaries balances	-	-	-	-	(11,711)	-	(11,711)	(445)	(12,156)
Increase in fair value of investments	-	-	-	-	1,208,814	-	1,208,814	-	1,208,814
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(460,638)	-	(460,638)	-	(460,638)
Total other comprehensive income	-	-	-	-	736,465	-	736,465	(445)	736,020
Total comprehensive income	-	-	-	-	736,465	1,294,871	2,031,336	2,087	2,033,423
Changes in ownership interests in subsidiaries that do not result in a loss of control:									
Movement in share of reserves in associates and subsidiaries	-	-	-	-	-	-	-	602	602
Movement between reserves:									
Transfers	1,000,000	1,000,000	-	-	-	(2,000,000)	-	-	-
Transfer to credit loss reserve	-	-	-	-	335,286	(335,286)	-	-	-
Balances at March 31, 2011	5,740,000	6,600,000	116,494	14,223	1,854,988	7,934,235	22,259,940	46,540	22,306,480

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Changes in Equity (Continued) Year ended March 31, 2011

	Society					
	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
Balances at March 31, 2009	4,740,000	5,600,000	14,223	124,374	2,027,029	12,505,626
Changes in equity:						
Surplus for the year	-	-	-	-	1,050,800	1,050,800
Other comprehensive income:						
Impairment of available-for-sale investments recognised in statement of revenue & expenses	-	-	-	4,194	-	4,194
Increase in fair value of investments	-	-	-	374,809	-	374,809
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(16,548)	-	(16,548)
Total other comprehensive income	-	-	-	362,455	-	362,455
Total comprehensive income	-	-	-	362,455	1,050,800	1,413,255
Movements in reserves:						
Transfer to credit loss reserve	-	-	-	66,491	(66,491)	-
Balances at March 31, 2010	4,740,000	5,600,000	14,223	553,320	3,011,338	13,918,881
Changes in equity:						
Surplus for the year	-	-	-	-	929,721	929,721
Other comprehensive income:						
Increase in fair value of investments	-	-	-	640,401	-	640,401
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(453,632)	-	(453,632)
Total other comprehensive income	-	-	-	186,769	-	186,769
Total comprehensive income	-	-	-	186,769	929,721	1,116,490
Movements in reserves:						
Transfers	1,000,000	1,000,000	-	-	(2,000,000)	-
Transfer to credit loss reserve	-	-	-	338,098	(338,098)	-
Balances at March 31, 2011	5,740,000	6,600,000	14,223	1,078,187	1,602,961	15,035,371

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Group Statement of Cash Flows **Year ended March 31, 2011**

	<u>2011</u> \$'000	<u>2010</u> \$'000
Cash flows from operating activities		
Surplus for the year	1,297,403	1,225,865
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	395,560	403,969
Amortisation of intangible assets	101,312	81,520
Gain on disposal of property, plant and equipment and investment properties	(3,069)	(8,983)
Gain on disposal of investments	(580,683)	(16,548)
Losses/(gains) from foreign exchange rate changes	524,745	(125,705)
Impairment of intangible assets	31,599	17,718
Impairment loss on equities	-	4,334
Translation differences	(12,156)	18,868
Dividend income	(74,075)	(69,813)
Share of profit of associates	(20,999)	(23,864)
Interest income	(10,462,295)	(13,729,243)
Interest expense	3,828,882	6,411,955
Tax expense	577,352	430,996
Net increase in provision for loan losses	30,474	294,825
Deferred taxation, net	(118,558)	43,369
Employee benefit obligation	58,999	18,914
Insurance contract provisions	<u>61,171</u>	<u>448,113</u>
	(4,364,338)	(4,573,710)
Changes in operating assets and liabilities:		
Net addition to loans	(2,397,319)	(5,266,942)
Taxation recoverable	(362,126)	(664,438)
Other assets	(148,950)	493,078
Other payable	243,674	(75,996)
Net receipts from savings	5,514,398	7,598,906
Due to specialised financial institutions	1,308,817	1,437,676
Securities purchased under resale agreements	(7,597,187)	(2,352,187)
Securities sold under repurchase agreements	<u>864,997</u>	<u>3,018,844</u>
	(6,938,034)	(384,769)
Interest paid	(4,207,880)	(6,401,866)
Interest received	5,439,380	5,171,292
Income tax paid	(450,547)	(632,225)
Net cash used by operating activities (page 85)	<u>(6,157,081)</u>	<u>(2,247,568)</u>

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



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Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Group Statement of Cash Flows (Continued) **Year ended March 31, 2011**

	<u>2011</u> \$'000	<u>2010</u> \$'000
Net cash used by operating activities (page 84)	(6,157,081)	(2,247,568)
Cash flows from investing activities		
Investments	(522,378)	(6,525,157)
Interest received	5,347,231	8,802,618
Dividend received	74,075	69,813
Intangible assets	(43,553)	(97,455)
Acquisition through business combination	(936,232)	-
Purchase of property, plant and equipment and investment properties	(525,248)	(646,803)
Proceeds from disposal of property, plant and equipment	13,504	24,314
Proceeds from disposal of investments	<u>765,808</u>	<u>186,148</u>
Net cash provided by investing activities	<u>4,173,207</u>	<u>1,813,478</u>
Cash flows from financing activities		
Long-term loans, being net cash provided by financing activities	<u>344,861</u>	(151,672)
Net decrease in cash and cash equivalents	(1,639,013)	(585,762)
Effects of exchange rate changes on cash and cash equivalents	(19,662)	98,033
Cash and cash equivalents at beginning of the year	<u>4,850,553</u>	<u>5,338,282</u>
Cash and cash equivalents at end of the year	<u>3,191,878</u>	<u>4,850,553</u>
Comprised of:		
Cash and cash equivalents	3,216,385	4,986,638
Bank overdraft	(24,507)	(136,085)
	<u>3,191,878</u>	<u>4,850,553</u>

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Society Statement of Cash Flows **March 31, 2011**

	<u>2011</u> \$'000	<u>2010</u> \$'000
Cash flows from operating activities		
Surplus for the year	929,721	1,050,800
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	346,752	317,068
Gain on disposal of property, plant & equipment and investment properties	(3,069)	(9,227)
(Gain)/loss on disposal of investments	(528,433)	(16,548)
Losses/(gains) from foreign exchange rate changes	188,507	(57,827)
Impairment loss on equities	-	4,194
Dividend income	(306,644)	(588,135)
Interest income	(7,253,937)	(8,760,849)
Interest expense	2,261,796	3,747,389
Tax expense	190,514	202,908
Net (decrease)/increase in provision for loan losses	(6,864)	253,543
Deferred taxation, net	(48,922)	(30,279)
Employee benefit obligation	<u>39,640</u>	<u>13,615</u>
	(4,190,939)	(3,873,348)
Changes in operating assets and liabilities:		
Net additions to loans	(1,181,564)	(4,050,929)
Taxation recoverable	(156,479)	(386,714)
Other assets	137,427	46,212
Other payables	175,629	(177,951)
Net receipts from savings	3,570,731	7,152,722
Due to specialised financial institutions	1,308,817	1,437,676
Securities purchased under resale agreements	(4,092,422)	(3,321,432)
Securities sold under repurchase agreements	<u>-</u>	<u>(791,016)</u>
	(4,428,800)	(3,964,780)
Interest paid	(2,500,546)	(3,743,464)
Interest received	4,665,048	4,388,855
Income tax paid	(214,384)	(409,052)
Net cash used by operating activities	<u>(2,478,682)</u>	<u>(3,728,441)</u>
Cash flows from investing activities		
Investments and securities purchased under resale agreements	(2,486,598)	(1,564,972)
Interest received	2,696,179	4,671,559
Interest in subsidiaries	21,767	210,822
Dividend received	306,644	588,135
Acquisition of intangible assets	(15,412)	(27,796)
Purchase of property, plant & equipment and investment properties	(321,699)	(481,491)
Proceeds from disposal of property, plant & equipment	7,622	22,709
Proceeds from disposal of investments	<u>765,809</u>	<u>186,148</u>
Net cash provided by investing activities	<u>974,312</u>	<u>3,605,114</u>
Net cash used by operating and investing activities (page 87)	<u>(1,504,370)</u>	<u>(123,327)</u>

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Society Statement of Cash Flows (Continued) March 31, 2011

	2011 \$'000	2010 \$'000
Net cash used by operating and investing activities (page 86)	(1,504,370)	(123,327)
Cash flows from financing activities		
Long-term loans, being net cash provided by financing activities	(26)	(28,478)
Net decrease in cash and cash equivalents	(1,504,396)	(151,805)
Effects of exchange rate changes on cash and cash equivalents	(3,476)	79,402
Cash and cash equivalents at beginning of the year	<u>3,687,349</u>	<u>3,759,752</u>
Cash and cash equivalents at end of the year	<u>2,179,477</u>	<u>3,687,349</u>
Comprised of:		
Cash and cash equivalents	2,179,477	3,807,894
Bank overdraft	<u>-</u>	<u>(120,545)</u>
	<u>2,179,477</u>	<u>3,687,349</u>

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



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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements March 31, 2011

1. The Society

The Jamaica National Building Society (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 collectively to the Society and its subsidiaries which, together with its associates are as follows:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2011</u>	<u>Percentage ownership 2010</u>	<u>Nature of business</u>
JN Money Services Limited and its wholly-owned subsidiaries:	Jamaica	100	100	Money transmission services.
Jamaica National Overseas (UK) Limited	England	100	100	Money services business, including mortgage lending, remittances and bill payments.
Jamaica National Overseas (USA) Inc.	United States of America	100	100	Money services business, including remittances and bill payments
Jamaica National Overseas (Canada) Limited	Canada	100	100	Money services business, including remittances, bill payments and real estate investments.
JN Money Services (Cayman) Limited ¹	Cayman Islands	100	-	Money services business, including remittances and bill payments
J.N. Properties Limited	Jamaica	100	100	Development and rental of real property.
J.N. Real Estate Company Limited	Jamaica	100	100	Real estate development, brokerage, appraisal and property management services.
JN Fund Managers Limited (JNFM)	Jamaica	100	100 ²	Provision of money market brokerage services, loan financing and pension management and administration.
First Metropolitan Building Society	Jamaica	100	100	Mortgage lending on residential properties and other financial services.

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

¹ The company did not commence operations before the reporting date [note 41 (ii)].

² JNFM issued an additional \$300 million in ordinary shares and redeemed \$7 million in preference shares during the previous year.



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Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

1. The Society (continued)

<u>Subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2011</u>	<u>Percentage ownership 2010</u>	<u>Nature of business</u>
NEM Insurance Company (Jamaica) Limited [note 41 (i), (iii)] and its wholly-owned subsidiary:	Jamaica	99.5	99.5 ³	General insurance services
The Jamaica Automobile Association (Services) Limited [note 41(iii)]	Jamaica	100	-	Automobile related services
Management Control Systems Limited and its wholly-owned subsidiaries:	Jamaica	95.67	95.67	Provision of information technology solutions and services.
Caribbean Technology Inc.	United States of America	100	100	Provision of network solutions
Total Credit Services Limited	Jamaica	100	100	Debt management
Manufacturers' Credit & Information Services Limited	Jamaica	100	100	Fleet management services
Jamaica Automobile Association (Services) Limited [note 41(iii)]	Jamaica	-	100	Automobile related services
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro business for periods not exceeding 52 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	Jamaica	100	100	Insurance premium financing, consumer loan, bridge financing, and other credit facilities.
Blue Sapphire Limited	Jamaica	100	100	Holding investments

3 The Society acquired and holds 0.3% interest in NEM Insurance Company (Jamaica) Limited, through Middlesex Insurance Agencies Limited. These shares are in the process of being transferred to the Society. Middlesex Insurance Agencies is not consolidated as it is considered immaterial.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

1. The Society (continued)

<u>Associates and Joint Ventures</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2011</u>	<u>Percentage ownership 2010</u>	<u>Nature of business</u>
Knutsford Holdings Limited (held by JN Properties Limited)	Jamaica	40	40	Owners of commercial buildings.
Jamaica Joint Venture Investment Company Limited	Jamaica	33⅓	33⅓	Owners of commercial buildings.
Building Societies Development Limited	Jamaica	28.84	28.84	Housing development.
Transaction EPins Limited	Jamaica	19.5	19.5	Distribution of electronic prepaid air time.

NEM Insurance Company (Jamaica) Limited, First Metropolitan Building Society, Knutsford Holdings Limited, Jamaica Joint Venture Investment Company Limited, Jamaica Automobile Association (Services) Limited and Building Societies Development Limited have December 31 as their year-end.

Transaction EPins Limited is an associated company which is shown at cost. The Society has not adopted the equity method of accounting for investments as the directors of the Society do not consider that they exercise significant influence over the financial or operating policies of Transaction EPins Limited.

Other related entities:

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, as well as to develop and promote for the benefit of the public, study and research into housing and the management of savings. It is funded principally by contributions from the Society. The Foundation is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempted from income tax under Section 12(h) of that Act.

Mutual Building Societies Foundation was incorporated under the laws of Jamaica on April 4, 2008 as a company limited by guarantee and not having a share capital. It is a charitable organisation whose primary goal is to contribute to sustainable national development. The Foundation aims to support the strategic objectives of the Ministry of Education by injecting technical and financial resources to improve student achievement, teacher quality, organisational effectiveness and strengthen school-home community partnership of six rural, recently upgraded high schools, to ensure that national targets are met and sustainable rural development is promoted.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

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.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

Certain new standards, amendments to published standards and interpretations, came into effect during the current financial year. Those that were adopted by the Group and affected its financial statements are disclosed at note 3(e). The others had no impact on the financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for the following:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Society.

(d) Use of estimates and judgements:

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

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

3. Statement of compliance and basis of preparation (continued)

(e) Change in accounting policies:

(i) Accounting for business combinations

The Group applies *IFRS 3 Business Combinations (2008)* which became effective April 1, 2010. The change in accounting policy is applied prospectively. The new accounting policy in respect of business combinations is presented as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after April 1, 2010

For acquisitions on or after April 1, 2010, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects, on a transaction-by-transaction basis, whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between April 1, 2002 and March 31, 2010

For acquisitions between April 1, 2002 and March 31, 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the acquisitions.

Acquisitions prior to April 1, 2002

As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after April 1, 2002. In respect of acquisitions prior to April 1, 2002, goodwill represents the amount recognised under the Group's previous accounting framework [Jamaica GAAP].

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

3. Statement of compliance and basis of preparation (continued)

(e) Change in accounting policies (continued)

(ii) Accounting for acquisitions of non-controlling interests

The Group adopted *IAS 27 Consolidated and Separate Financial Statements (2008)* for acquisitions of non-controlling interest occurring in the financial year starting April 1, 2010.

Under the new accounting policy, acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and, therefore, no goodwill is recognised as a result of such transactions. Previously, goodwill arising on the acquisition of a non-controlling interest in a subsidiary was recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

The change in accounting policy was applied prospectively.

4. Significant accounting policies

(a) Basis of consolidation:

(i) The Group has changed its accounting policies with respect to accounting for business combinations, [see note 3(e)].

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The subsidiary companies are listed in note 1 and are referred to as “subsidiaries” or “subsidiary” in the financial statements. The consolidated or Group financial statements comprise the financial results of the Society and its subsidiaries prepared to March 31, except for NEM Insurance Company (Jamaica) Limited (NEM), Jamaica Automobile Association (Services) Limited (JAA) and First Metropolitan Building Society (FMBS) which financial statements are prepared to December 31, annually. Consequently, the consolidated results include the results of NEM, JAA and FMBS for the year ended December 31, 2010 (2010: December 31, 2009), updated for significant transactions to March 31, 2011 (2010: March 31, 2010).

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) 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 comprehensive income and losses of associates on an equity accounting 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. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

(v) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vi) 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.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

4. Significant accounting policies (continued)

(b) Taxation:

(i) Income tax:

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax comprises expected tax payable on the taxable income or loss for the year, as adjusted for tax purposes, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted as at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [see note 4(k)(v)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(c) Property, plant and equipment (continued):

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 to write down the assets to their estimated residual values over their expected useful lives. Leasehold properties are amortised in equal instalments over the shorter of the lease term and the properties' estimated useful lives.

The depreciation rates are as follows:

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

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

(d) Foreign currencies:

- (i) Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US\$1.00 = J\$85.40 (2010: J\$88.96), UK£1.00 = J\$136.40 (2010: J\$133.30) and Cdn\$1.00 = J\$87.03 (2010: J\$86.06), 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\$120.55 (2010: J\$119.45) and Cayman Dollar 1.00 = J\$102.63 (2010: J\$106.80).
- (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 profit or loss, except for differences arising on the retranslation of available-for-sale equity investments and foreign operations as stated in note 4(d) (iii).
- (iii) For the purpose of consolidating the financial statements of the Group's foreign subsidiaries, each statement of financial position is translated at the closing rate and each statement of revenue and expenses at the average rate of exchange for the year. Translation differences are recognised in other comprehensive income and presented in exchange equalisation reserve in equity [note 28(a)].

(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.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

4. Significant accounting policies (continued)

(e) Provision for credit losses (continued):

General provisions for loan loss are established against the portfolio where a prudent assessment by the Group 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 by the Society at levels in excess of the minimum ½% established by the Bank of Jamaica and at 5% of the loan portfolio for a subsidiary and is included in credit loss reserve [note 28(c)].

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 Regulations (note 2) 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.

(f) Interest income and expense:

Interest income and expense are recognised in profit or loss 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 Regulations. A subsidiary recognises interest on the cash basis where payment is outstanding for over 30 days on a 10-20 week loan, or over 60 days on a 21-52 week loan.

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 Regulations, is not considered material.

(g) Real estate and development in progress:

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

(h) Employee benefits:

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

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(h) Employee benefits (continued):

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 profit or loss as incurred.

(ii) Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary, appointed by management. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely 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 reporting date on long-term government instruments of terms approximating those of the Group's obligation. The calculation is performed by the actuary using the projected unit credit method.

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 profit or loss on the 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 in profit or loss.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(h) Employee benefits (continued):

(ii) Defined-benefit plans (continued):

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 profit or loss over the period of the average remaining working lives of staff members in 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 include adjustments to premiums written in previous years. The earned portion of premiums is recognised 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 reporting 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 a subsidiary under contracts of insurance entered into before the end of the financial year and is actuarially determined.

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 subsidiary. The loss and loss expense reserves have been reviewed by the subsidiary's actuary using the past loss experience of the subsidiary and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(i) Insurance contract recognition and measurement (continued):

[i] Insurance contracts (continued)

Outstanding claims (continued)

Management believes that, based on the analysis completed by the actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting 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 unearned premium income.

[ii] Reinsurance assets

In the ordinary course of business, the subsidiary 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 39). Reinsurance ceded does not discharge the subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the subsidiary and the Group. 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 reporting 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 reporting 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 subsidiary may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the subsidiary will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

[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.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(j) Provisions:

A provision is recognised in the statement of financial position 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) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, investments, loans and accounts receivable. Financial liabilities include accounts payable, bank overdraft, securities sold under repurchase agreements, due to specialised financial institutions, shareholders' and depositors' savings, other payables and long-term loans.

(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, at fair value through profit or loss, 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. Loans and receivables comprise cash and cash equivalents, debenture, bonds, certificates of deposit, loans and other assets.

Financial investments at fair value through profit or loss are those held for trading or those designated by management and comprise equity and certain debt securities. Such investments are those which the Society and Group manage and make purchase and sale decisions based on their fair value in accordance with their investment strategy.

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. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise Government of Jamaica securities.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(i) Classification (continued):

Non-derivative financial liabilities are classified as other financial liability.

Other financial liabilities comprise bank overdraft, due to specialised financial institution, long-term loans and other payables.

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond interest rate, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group makes use of derivatives to manage its own exposure to foreign exchange risk.

The Group evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a "host contract"). The Group accounts for an embedded derivative separately from the host contract when certain conditions are met. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated at fair value through profit or loss.

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

(ii) Recognition:

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transactions that are directly attributable to its acquisition or issue.

(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 recognised as a separate asset or liability.

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

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(iv) Measurement:

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, except for impairment losses, and foreign currency differences on available-for-sale debt instruments, recognised in other comprehensive income and presented in investment revaluation reserve in equity [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 reclassified to profit or loss.

Quoted investments classified as at fair value through profit or loss are measured at fair value. Revaluation gains and losses are included in profit or loss.

Derivatives are initially recognised at fair value. Attributable costs are expensed in profit or loss as incurred. Subsequent to initial recognition they are measured at fair value. Where the derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in fair value are recognised immediately in profit or loss.

The fair value of available-for-sale investments at fair value through profit or loss is based on their quoted market bid price at the reporting 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 reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

All non-trading financial assets, loans and receivables and held-to-maturity securities are measured at amortised cost, using the effective interest rate method, less impairment losses. 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.

(v) Identification and measurement of impairment:

The carrying amounts of the Group's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss 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 of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(v) Identification and measurement of impairment (continued):

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. In addition, for an investment in an equity instrument, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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 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.

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.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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 is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(l) 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 amortised cost, less impairments.

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, respectively.

(m) Investment properties:

Investment properties are stated at their cost, less accumulated depreciation and impairment losses. Rental income from investment properties is recognised on the straight-line basis over the term of the lease, and accounted for on the accrual basis.

(n) Loans payable:

Loans payable are recognised initially at cost, being their issue proceeds, less attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, with any difference between net proceeds and redemption value being recognised profit or loss on the effective interest rate basis. The associated costs are included in interest expense.

(o) 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 profit or loss.

(p) Other assets:

Other assets are stated at amortised cost, less impairment losses.

(q) Cash and cash equivalents:

Cash and cash equivalents are shown at cost. They comprise cash balances and cash reserve at the Bank of Jamaica, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments. Bank overdrafts are repayable on demand. Bank overdrafts form an integral part of the Society’s and the Group’s cash management for financing operations and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(r) Operating leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the life of the lease.

(s) 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 an entity 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 entity 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.

(t) 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 tested annually for impairment. 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 (iv) below] and impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure on 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.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

4. Significant accounting policies (continued)

(t) Intangible assets (continued):

(iv) Amortisation:

Amortisation is charged to profit or loss on the 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 reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Trademarks	5 years
Software	3 years

(u) Other payables:

Other payables are stated at amortised cost.

(v) Revenue recognition:

Revenue from the sale of goods or provision of services is recognised in the Society's and Group's statement of revenue and expenses when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or material associated costs on the possible return of goods.

Revenue from membership fees is recognised over the term of the membership. Revenue received in advance is deferred to match the revenue with the future costs associated with providing the service.

Media revenue is recognised when the related advertisement or commercial appears before the public. Production revenue is recognised by reference to the stage of completion of the project.

Money transfer and agents' fees are recognised at the time the subsidiaries or one of their agents transmit funds on behalf of the customer. Foreign exchange fees are recognised as earned, based on the value of remittances. Commission is recognised as earned.

The accounting policies for the recognition of revenue from insurance contracts in respect of gross premiums written are disclosed in note 4(i)[i].

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts (see note 4(i)[i]). Commission income in respect of reinsurance contracts is recognised on the accrual basis.

Investment income arises from financial assets and is comprised of interest and dividend and recognised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

Accounting policy for interest income is described at note 4(f).

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(w) Fees and commission:

Fees and commission income and expense that are integral to the negotiation of a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on the straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees that are recognised and expensed as the services are received.

(x) Impairment of non-financial assets:

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

4. Significant accounting policies (continued)

(x) Impairment of non-financial assets (continued):

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

(y) New standards and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations have been issued which are not yet effective at the reporting date and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the consolidated financial statements.

- *IFRS 9, Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

The Group is assessing the impact that the standard will have on the 2014 financial statements.

- *Disclosures—Transfer of Financial Assets (Amendments to IFRS 7)* is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets. The Group is assessing the impact, if any, the amendment will have on the 2013 financial statements.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(y) New standards and interpretations not yet effective (continued):

- *Business Combinations* is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). IFRS 3 has also been amended to limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation. IFRS 3 was also amended to provide guidance on unreplaced and voluntary replaced share-based payment awards. The amendments are effective for annual reporting periods beginning on or after July 1, 2010. The Group is assessing the impact of the amendment on the 2012 financial statements.
- *IFRS 7 Financial Instruments: Disclosures* – The standard is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for annual reporting periods beginning on or after January 1, 2011. The Group is assessing the impact of the amendment on the 2012 financial statements.
- *IAS 1 Presentation of Financial Statements* – IAS 1 is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for annual reporting periods beginning on or after January 1, 2011. The Group is assessing the impact that the amendment would have on the 2012 financial statements.
- *IFRS 10 Consolidated Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The Group is assessing the impact that this standard will have in its 2014 financial statements.

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

4. Significant accounting policies (continued)

(y) New standards and interpretations not yet effective (continued):

- *IFRS 11 Joint Arrangements* and *IAS 28 Investments in Associates and Joint Ventures (2011)* (effective for annual reporting periods beginning on or after January 1, 2013) removes from *IAS 31 Jointly Controlled Entities*, those cases which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. The remainder of *IAS 31*, now called *Joint Ventures*, removes the free choice of equity accounting or proportionate consolidation and requires that the equity method be used. The Group is assessing the impact that this new standard and amendments will have in its 2014 financial statements.
- *IFRS 12 Disclosure of Interest in Other Entities* (effective for annual reporting periods beginning on or after January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Group is assessing the impact that this standard will have in its 2014 financial statements.
- *IFRS 13 Fair Value Measurement* defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual reporting periods beginning on or after January 1, 2013. The Group is assessing the impact that this standard will have in its 2014 financial statements.

5. Accounting estimates and judgements

Note 35 gives information about the risks and uncertainties associated with financial instruments. Note 39 gives information about the assumptions and uncertainties relating to insurance liability and discloses the risk factors in these contracts. 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) Key sources of estimation uncertainty

(i) Post-retirement benefits

The amounts recognised in the statement of financial position and statement of revenue and expenses for certain post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

5. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty

(i) Post-retirement benefits (continued)

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 Group'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.

(ii) 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 loan portfolios with similar characteristics, such as credit risks.

(b) Critical accounting judgements in applying accounting policies

(i) 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 Group has determined that it has both the positive intention and ability to hold the assets until maturity date.

(ii) Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [4 (k)(v)].

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be "significant" and a decline in a quoted market price that persists for nine months or longer to be "prolonged".

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

5. Accounting estimates and judgements (continued)

(b) Critical accounting judgements in applying accounting policies (continued)

(iii) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy [4(k)(iv)].

The Group measures fair values using the fair value hierarchy (note 36) that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using : quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

(iv) 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 historical experience. The loss reserves have been determined by a subsidiary company's actuary using the subsidiary company's past loss experience and industry data.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

5. Accounting estimates and judgements (continued)

(b) Critical accounting judgements in applying accounting policies (continued)

(iv) Outstanding claims (continued):

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

Management believes, based on the analysis completed by its 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 reporting 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.

It is reasonably probable, 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

Actuaries have been appointed by management pursuant to the requirements of IAS 19 and 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, defined-benefit pension schemes and policy liabilities and report thereon to the members. The actuary for an insurance subsidiary is required to carry out an actuarial valuation of management's estimate of the company's liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, less reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary, in his verification of the management information provided by the Group used in the 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 shareholders to conduct an independent and objective audit of the financial statements of the Society and Group in accordance with International Standards on Auditing, and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the subsidiary's actuarially determined policy liabilities. 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 (Continued)

March 31, 2011

7. Cash and cash equivalents

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash reserve with Bank of Jamaica [see (a)]	676,320	646,512	676,320	646,512
Cash and bank balances				
[see (b), (c), (d) and note 38(i)]	<u>2,540,065</u>	<u>4,340,126</u>	<u>1,503,157</u>	<u>3,161,382</u>
Total cash and cash equivalents [see (e)]	<u>3,216,385</u>	<u>4,986,638</u>	<u>2,179,477</u>	<u>3,807,894</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 average specified liabilities stipulated by Bank of Jamaica. For the rate to remain at no more than one percent of average specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the average specified liabilities.

At March 31, 2011, the stipulated percentage was 40% (2010: 40%) compared to the Society's holding of qualifying assets of 58.22% (2010: 43.69%).

- (b) Cash and bank balances include deposits held on behalf of clients of \$67,624,000 (2010: \$32,421,000) in the books of a subsidiary. The corresponding liabilities are included in other payables.
- (c) The Society's USA based subsidiary, as a money transmitter, is licensed in the States of California, New York, Maryland, Connecticut, New Jersey, Georgia and Florida and Federal District of Washington. The regulations require a minimum total net worth of US\$1,240,000 (2010: US\$1,310,000) in lieu of a surety bond in favour of the Superintendent. As at March 31, 2011, the subsidiary had US\$2,294,652 (2010: US\$2,253,827) invested in certificates of deposit to meet minimum requirements established by the States in which the subsidiary operates.
- (d) The Society has the following securities pledged:
- (i) \$179,000,000 (2010: \$179,000,000) to facilitate settlement of Multilink transactions,
 - (ii) \$90,000,000 (2010: \$90,000,000) with a commercial bank to cover uncleared funds up to a limit of \$900,000,000,
 - (iii) \$2,457,249 (2010: \$2,361,684) with a commercial bank to cover a third party guarantee.

A subsidiary has a \$25,000,000 (2010: \$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\$95,735 (2010: US\$87,700) and hypothecation of certain deposits in the amount of US\$100,000 (2010: US\$100,000).

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

8. Securities purchased under resale agreements

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Principal	21,907,860	14,310,673	12,457,911	8,365,489
Interest receivable	<u>151,944</u>	<u>135,671</u>	<u>99,292</u>	<u>80,233</u>
	<u>22,059,804</u>	<u>14,446,344</u>	<u>12,557,203</u>	<u>8,445,722</u>

At March 31, 2011, securities obtained and held under resale agreements had a fair value of \$23,863,253,000 (2010: \$16,163,970,000) for the Group and \$13,964,463,000 (2010: \$9,627,122,000) for the Society.

Securities purchased under resale agreements are due from the date of the statement of financial position as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	17,924,281	11,249,474	9,465,954	5,497,383
3 months to 1 year	<u>4,135,523</u>	<u>3,196,870</u>	<u>3,091,249</u>	<u>2,948,339</u>
	<u>22,059,804</u>	<u>14,446,344</u>	<u>12,557,203</u>	<u>8,445,722</u>

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

9. Investments

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Held-to-maturity				
Government of Jamaica securities	-	18,952,872	-	8,443,935
Treasury bills	-	612,721	-	119,094
Debenture	-	5,502,000	-	-
	<u>-</u>	<u>25,067,593</u>	<u>-</u>	<u>8,563,029</u>
Loans and receivables:				
Debentures	295	295	295	295
Corporate bonds	1,076,349	1,144,850	1,076,349	1,086,135
Certificates of deposit	5,630,126	4,178,579	5,452,457	3,922,362
Foreign currency securities	12,958,638	19,419,172	10,704,599	15,905,063
	<u>19,665,408</u>	<u>24,742,896</u>	<u>17,233,700</u>	<u>20,913,855</u>
Available-for-sale:				
Government of Jamaica securities	30,431,519	-	14,198,681	-
Treasury bills	96,152	-	96,152	-
Promissory note	45,229	-	-	-
Quoted equities [see (i)]	604,000	1,329,230	387,581	1,063,509
Unquoted equities [see (ii)]	350	3,216	350	3,216
	<u>31,177,250</u>	<u>1,332,446</u>	<u>14,682,764</u>	<u>1,066,725</u>
At fair value through profit and loss:				
Corporate bonds	799,984	-	799,984	-
Quoted equities	7,374	4,225	7,374	4,225
	<u>807,358</u>	<u>4,225</u>	<u>807,358</u>	<u>4,225</u>
Interest receivable	483,445	852,333	233,937	343,958
	<u>52,133,461</u>	<u>51,999,493</u>	<u>32,957,759</u>	<u>30,891,792</u>

At March 31, 2011, the fair value of held-to-maturity securities for the Group aggregated \$Nil (2010: \$25,118,232,000) and for the Society \$Nil (2010: \$8,583,191,000). The fair value of loans and receivables are assumed to approximate their carrying value due to their short-term nature, except for corporate bonds which had a fair value of \$1,047,609,000 (2010: \$1,044,243,000).

- (i) Quoted equities, classified as available-for-sale, 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 for impairment of \$9,790,295 (2010: \$9,790,295).

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

9. Investments (continued)

- (iii) Investments are due from the date of the statement of financial position, excluding interest receivable, as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
No specific maturity	613,152	1,462,922	396,733	1,197,201
Within 3 months	16,759,467	25,403,361	10,529,942	15,469,717
3 months to 1 year	7,518,938	4,479,741	5,406,051	2,722,748
1 year to 5 years	21,930,337	14,598,649	11,571,493	5,964,543
5 years and over	<u>4,828,122</u>	<u>5,202,487</u>	<u>4,819,603</u>	<u>5,193,625</u>
	<u>51,650,016</u>	<u>51,147,160</u>	<u>32,723,822</u>	<u>30,547,834</u>

- (iv) During the year, the Group disposed of a significant portion of its held-to-maturity investments. This resulted in all such investments being reclassified as available-for-sale. The Group will not be able to classify any investments as held to maturity for the next two years.
- (v) Investments in a subsidiary totalling \$50,000,000 (2010: \$50,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001.
- (vi) Bank of Jamaica ('BOJ') certificates of deposit with a carrying value of \$Nil (2010:\$30,000,000) for a subsidiary are being held by the BOJ as collateral in the event the company overdraws its account with BOJ. The account was maintained in accordance with the BOJ's requirement for primary dealers. There was no overdraft at the statement of financial position date.

In February 2010, the Group and Society fully participated in the Jamaica Debt Exchange (JDX) transaction under which the holdings of domestic debt instruments issued by the Government of Jamaica prior to December 31, 2009 were exchanged for the new benchmark notes. The participation resulted in the exchange of investments instruments amounting to J\$14,819,307,000 and US\$52,921,000 for the Group and J\$7,518,293,000 and US\$30,800,000 for the Society. There was a decline in average yields of 700 basis points on Jamaica Dollar instruments and 150 basis points on United States Dollar instruments. The debt exchange did not affect holdings of Government of Jamaica Treasury Bills or Bank of Jamaica Certificate of Deposits.

10. Liquid assets

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

In the books of the Society, liquid assets amounting to \$19,255,377,000 (2010: \$23,696,357,000) represent:

- (i) 20.74% (2010: 27.16%) of the Society's total assets; and
(ii) 25.13% (2010: 32.81%) of the Society's total savings fund.



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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

11. Interest in subsidiaries

	Society	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Shares, at cost or written down value (see note 1)	818,088	818,088
Debentures, loans, advances and deposits	417,863	504,464
Current accounts	<u>326,317</u>	<u>261,483</u>
	<u>1,562,268</u>	<u>1,584,035</u>

12. Interest in associates

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Shares, net (see note 1)	153	153	153	153
Group's share of reserves	295,920	274,921	-	-
Debentures	<u>14,169</u>	<u>14,169</u>	<u>582</u>	<u>582</u>
	<u>310,242</u>	<u>289,243</u>	<u>735</u>	<u>735</u>

13. Loans

Loans, less allowances for losses, are as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Mortgage loans	42,516,993	40,541,259	38,571,470	37,788,241
Share loans	1,112,140	781,866	1,112,140	781,866
Other loans	1,551,200	1,748,522	180,645	255,623
Accrued interest	<u>356,505</u>	<u>328,206</u>	<u>280,075</u>	<u>296,403</u>
	<u>45,536,838</u>	<u>43,399,853</u>	<u>40,144,330</u>	<u>39,122,133</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 allowance for losses, are due from the date of the statement of financial position as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	407,781	410,811	23,417	11,584
3 months to 1 year	1,044,887	1,691,548	191,606	601,958
1 year to 5 years	2,761,764	1,472,936	2,354,652	1,196,513
5 years and over	<u>41,322,406</u>	<u>39,824,558</u>	<u>37,574,655</u>	<u>37,312,078</u>
	<u>45,536,838</u>	<u>43,399,853</u>	<u>40,144,330</u>	<u>39,122,133</u>



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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

13. Loans (continued)

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

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Professional & other services	40	51	438,877	408,326
Individuals	40,185	44,128	43,404,915	41,511,974
Corporations	595	561	1,660,483	1,443,180
Tourism	<u>4</u>	<u>4</u>	<u>32,563</u>	<u>36,373</u>
	<u>40,824</u>	<u>44,744</u>	<u>45,536,838</u>	<u>43,399,853</u>

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

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Professional and other services	35	42	275,001	241,514
Individuals	23,068	22,108	38,860,494	37,962,489
Corporations	105	117	976,272	881,757
Tourism	<u>4</u>	<u>4</u>	<u>32,563</u>	<u>36,373</u>
	<u>23,212</u>	<u>22,271</u>	<u>40,144,330</u>	<u>39,122,133</u>

Loans and advances on which interest is no longer accrued [see note 4(f)] amounted to \$5,655,155,000 (2010: \$5,418,973,000) and represent 13.84% (2010: 13.60%) of the gross mortgage loan portfolio. These loans are included in the financial statements, net of allowance for losses.

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

	<u>Group</u>		<u>Society</u>	
	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000
At beginning of the year	883,062	588,237	709,710	503,849
Additional allowance made during the year	431,920	322,086	319,892	233,122
Written back during the year	(401,446)	(27,261)	(326,755)	(27,261)
At end of the year [note 35(b)]	<u>913,536</u>	<u>883,062</u>	<u>702,847</u>	<u>709,710</u>

Notes to Financial Statements

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

13. Loans (continued)

Provision for credit losses made in accordance with the requirements of IFRS is as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Specific provision	628,245	638,258	444,881	495,043
General provision	<u>285,291</u>	<u>244,804</u>	<u>257,966</u>	<u>214,667</u>
	<u>913,536</u>	<u>883,062</u>	<u>702,847</u>	<u>709,710</u>

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Specific provision	1,208,335	883,062	997,646	709,710
General provision	<u>285,291</u>	<u>244,804</u>	<u>257,966</u>	<u>214,667</u>
	<u>1,493,626</u>	<u>1,127,866</u>	<u>1,255,612</u>	<u>924,377</u>

The total provision is broken down as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Provision as per IFRS	913,536	883,062	702,847	709,710
Additional provision based on BOJ regulations [note 28(c)]	<u>580,090</u>	<u>244,804</u>	<u>552,765</u>	<u>214,667</u>
	<u>1,493,626</u>	<u>1,127,866</u>	<u>1,255,612</u>	<u>924,377</u>

Included in mortgage loans for the Society are balances due from directors and companies controlled by directors amounting to \$11,645,000 (2010: \$13,620,000) and interest due on these loans of \$Nil (2010: \$Nil).

14. Other assets

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	1,448,872	1,404,010	243,546	384,185
Reinsurance assets	682,546	576,809	-	-
Development in progress	45,432	44,357	-	-
Inventories	<u>64,484</u>	<u>71,386</u>	<u>30,450</u>	<u>30,020</u>
	<u>2,241,334</u>	<u>2,096,562</u>	<u>273,996</u>	<u>414,205</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

15. Investment properties

		<u>Group</u>	<u>Society</u>
		<u>\$'000</u>	<u>\$'000</u>
At cost:			
March 31, 2009		368,601*	111,670
Addition		<u>9,707</u>	<u>-</u>
March 31, 2010		378,308*	111,670
Addition		<u>7,932</u>	<u>-</u>
March 31, 2011		<u>386,240</u>	<u>111,670</u>
Depreciation:			
March 31, 2009		56,908*	27,411
Charge for the year		<u>4,151</u>	<u>2,388</u>
March 31, 2010		61,059*	29,799
Charge for the year		<u>7,198</u>	<u>2,388</u>
Translation adjustment		<u>647</u>	<u>-</u>
March 31, 2011		<u>68,904</u>	<u>32,187</u>
Carrying value:			
March 31, 2011		<u>317,336</u>	<u>79,483</u>
March 31, 2010		<u>317,249</u>	<u>81,871</u>
March 31, 2009		<u>311,693</u>	<u>84,259</u>
	<u>Group</u>	<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Fair value of investment properties	1,240,061	1,229,521	880,000
Income earned from the properties	85,093	36,507	46,189
Expenses incurred by the properties	<u>46,448</u>	<u>62,578</u>	<u>34,046</u>

* Land and building which are classified as investment property in a subsidiary is occupied by certain fellow subsidiaries. It has, therefore, been reclassified as property, plant and equipment on the group basis.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

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, 2009	1,079,042*	163,612	2,049,530	380,920	93,118	3,766,222*
Additions	162,319	70,193	181,753	31,609	191,222	637,096
Translation adjustment	-	4,583	15,543	1,886	-	22,012
Transfers	60,771	13,630	116,750	-	(191,151)	-
Disposals	-	-	(7,045)	(72,231)	-	(79,276)
March 31, 2010	1,302,132*	252,018	2,356,531	342,184	93,189	4,346,054*
Additions	92,887	2,866	198,457	71,221	151,885	517,316
Acquisition through business combination (note 41)	165,969	605	6,369	-	-	172,943
Asset held for sale	(64,958)*	-	-	-	-	(64,958) ¹
Translation adjustment	(2,420)	(1,739)	(198)	-	-	(4,357)
Transfers	84,684	17,272	48,232	-	(150,188)	-
Disposals	(1,500)	-	(13,222)	(33,673)	-	(48,395)
March 31, 2011	<u>1,576,794</u>	<u>271,022</u>	<u>2,596,169</u>	<u>379,732</u>	<u>94,886</u>	<u>4,918,603</u>
Depreciation:						
March 31, 2009	168,486*	110,639	1,223,516	216,074	-	1,718,715*
Charge for the year	27,310	66,938	244,841	66,932	-	406,021
Translation adjustment	233	8,251	14,558	375	-	23,417
Asset held for sale	-	-	(2,405)	(3,798)	-	(6,203)
Eliminated on disposals	-	-	(6,254)	(57,690)	-	(63,945)
March 31, 2010	196,029*	185,828	1,474,256	221,893	-	2,078,006*
Charge for the year	35,013	34,275	261,140	57,934	-	388,362
Translation adjustment	(129)	(348)	(7,715)	(27)	-	(8,219)
Eliminated on disposals	(22)	-	(7,335)	(30,603)	-	(37,960)
March 31, 2011	<u>230,891</u>	<u>219,755</u>	<u>1,720,346</u>	<u>249,197</u>	<u>-</u>	<u>2,420,189</u>
Net book values:						
March 31, 2011	<u>1,345,903</u>	<u>51,267</u>	<u>875,823</u>	<u>130,535</u>	<u>94,886</u>	<u>2,498,414</u>
March 31, 2010	<u>1,106,103</u>	<u>66,190</u>	<u>882,275</u>	<u>120,291</u>	<u>93,189</u>	<u>2,268,048</u>
March 31, 2009	<u>910,556</u>	<u>52,973</u>	<u>826,014</u>	<u>164,846</u>	<u>93,118</u>	<u>2,047,507</u>

¹ This represents land and building acquired on the acquisition of a subsidiary and classified as held-for-sale, following the decision of the Group's management, to sell the property. Efforts to sell the property have commenced.

* (See note 15)

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

16. Property, plant and equipment (continued)

	Society					
	<u>Freehold land and buildings</u>	<u>Leasehold land and buildings</u>	<u>Computers and office equipment</u>	<u>Motor vehicles</u>	<u>Work-in- progress</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At cost:						
March 31, 2009	774,680	76,954	1,346,713	299,342	50,424	2,548,113
Additions	178,441	3,428	153,118	12,041	121,884	468,912
Transferred from subsidiary	-	-	12,579	-	-	12,579
Adjustment	-	(984)	-	(230)	-	(1,214)
Transfers	36,091	13,630	93,602	-	(143,323)	-
Disposals	-	-	-	(57,259)	-	(57,259)
March 31, 2010	989,212	93,028	1,606,012	253,894	28,985	2,971,131
Additions	2,642	1,353	125,164	58,111	134,429	321,699
Transfers	24,501	17,272	44,211	-	(85,984)	-
Disposals	(1,500)	-	(21)	(21,699)	-	(23,220)
March 31, 2011	<u>1,014,855</u>	<u>111,653</u>	<u>1,775,366</u>	<u>290,306</u>	<u>77,430</u>	<u>3,269,610</u>
Depreciation:						
March 31, 2009	136,761	33,587	740,780	158,909	-	1,070,037
Charge for the year	18,769	29,106	168,097	47,053	-	263,025
Transferred from subsidiary	-	-	5,468	-	-	5,468
Eliminated on disposals	-	-	-	(44,991)	-	(44,991)
March 31, 2010	155,530	62,693	914,345	160,971	-	1,293,539
Charge for the year	22,444	20,255	177,605	44,175	-	264,479
Eliminated on disposals	(22)	-	(12)	(18,633)	-	(18,667)
March 31, 2011	<u>177,952</u>	<u>82,948</u>	<u>1,091,938</u>	<u>186,513</u>	<u>-</u>	<u>1,539,351</u>
Net book values:						
March 31, 2011	<u>836,903</u>	<u>28,705</u>	<u>683,428</u>	<u>103,794</u>	<u>77,430</u>	<u>1,730,259</u>
March 31, 2010	<u>833,683</u>	<u>30,335</u>	<u>691,667</u>	<u>92,922</u>	<u>28,985</u>	<u>1,677,592</u>
March 31, 2009	<u>637,919</u>	<u>43,367</u>	<u>605,933</u>	<u>140,433</u>	<u>50,424</u>	<u>1,478,076</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

17. Intangible assets

	Group				
	<u>Trademarks</u>	<u>Goodwill</u>	<u>Licence</u>	<u>Software</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
At cost:					
March 31, 2009	389	155,403	348	588,151	744,291
Additions	-	-	82	101,366	101,448
Translation adjustment	-	-	-	2,168	2,168
Disposal	-	-	-	(3,993)	(3,993)
March 31, 2010	389	155,403	430	687,692	843,914
Additions	-	-	-	43,553	43,553
Translation adjustment	-	-	5	-	5
Acquisition through business combination (note 41)	<u>173,937</u>	<u>589,150</u>	<u>-</u>	<u>202</u>	<u>763,289</u>
March 31, 2011	<u>174,326</u>	<u>744,553</u>	<u>435</u>	<u>731,447</u>	<u>1,650,761</u>
Depreciation:					
March 31, 2009	389	48,490	-	340,435	389,314
Charge for the year	-	-	-	81,520	81,520
Impairment	-	17,718	-	-	17,718
Translation adjustment	-	-	-	1,378	1,378
March 31, 2010	389	66,208	-	423,333	489,930
Charge for the year	-	-	-	101,312	101,312
Impairment	9,225	22,374	-	-	31,599
Translation adjustment	-	-	-	229	229
March 31, 2011	<u>9,614</u>	<u>88,582</u>	<u>-</u>	<u>524,874</u>	<u>623,070</u>
Net book values:					
March 31, 2011	<u>164,712</u>	<u>655,971</u>	<u>435</u>	<u>206,573</u>	<u>1,027,691</u>
March 31, 2010	<u>-</u>	<u>89,195</u>	<u>430</u>	<u>264,359</u>	<u>353,984</u>
March 31, 2009	<u>-</u>	<u>106,913</u>	<u>348</u>	<u>247,716</u>	<u>354,977</u>

In testing intangible assets for impairment, recoverable amounts of cash-generating units were estimated based on value in use. Where the recoverable amounts exceeded the carrying amounts, no impairment allowance was made. The recoverable amount of cash-generating unit, Quik Cash, was arrived at by estimating its future cash flows and discounting those cash flows using long-term discount rates applicable to Cayman Islands, as the commercial risk of the business lies with Cayman Islands. Future sustainable cash flows were estimated based on the most recent forecasts, after taking account of past experience. The unit was regarded as saleable to a third party at any future date at a price sufficient to recover the carrying amount of intangible assets.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

17. Intangible assets (continued)

Key assumptions used in the discounted cash flow projections were as follows:

Discount rates	14.07
Terminal value growth rate	2%
Budgeted EBITDA growth	5%

	Society		
	Software	Development	Total
	\$'000	in progress	\$'000
	\$'000	\$'000	\$'000
At cost:			
March 31, 2009	301,554	123,451	425,005
Additions	17,442	6,361	23,803
Transferred from subsidiary	<u>3,993</u>	<u>-</u>	<u>3,993</u>
March 31, 2010	322,989	129,812	452,801
Additions	15,412	-	15,412
Transfer	<u>129,812</u>	<u>(129,812)</u>	<u>-</u>
March 31, 2011	<u>468,213</u>	<u>-</u>	<u>468,213</u>
Depreciation:			
March 31, 2009	223,871	-	223,871
Charge for the year	43,782	-	43,782
Transferred from subsidiary	<u>2,405</u>	<u>-</u>	<u>2,405</u>
March 31, 2010	270,058	-	270,058
Charge for the year	<u>79,885</u>	<u>-</u>	<u>79,885</u>
March 31, 2011	<u>349,943</u>	<u>-</u>	<u>349,943</u>
Net book values:			
March 31, 2011	<u>118,270</u>	<u>-</u>	<u>118,270</u>
March 31, 2010	<u>52,931</u>	<u>129,812</u>	<u>182,743</u>
March 31, 2009	<u>77,683</u>	<u>123,451</u>	<u>201,134</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

18. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other assets	(2,996)	383	(101,286)	(234,483)	(104,282)	(234,100)
Property, plant and equipment	14,549	(45,651)	(18,647)	(12,296)	(4,098)	(57,947)
Employee benefits	61,565	49,673	25,172	18,719	86,737	68,392
Other payables	20,483	26,208	40,868	96,796	61,351	123,004
Contractual savings reserve	(4,267)	(4,267)	-	-	(4,267)	(4,267)
Tax losses carried forward	24,040	32,778	-	-	24,040	32,778
Unrealised foreign exchange gains	839	13,684	17	235	856	13,919
Net deferred tax assets/(liabilities)	<u>114,213</u>	<u>72,808</u>	<u>(53,876)</u>	<u>(131,029)</u>	<u>60,337</u>	<u>(58,221)</u>

	Society					
	Assets		Liabilities		Net	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Property, plant and equipment	14,087	-	-	(43,160)	14,087	(43,160)
Employee benefits	61,565	49,671	-	-	61,565	49,671
Other payables	14,106	22,425	-	-	14,106	22,425
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
Unrealised foreign exchange gains	641	12,541	-	-	641	12,541
Net deferred tax assets	<u>90,399</u>	<u>84,637</u>	<u>(4,267)</u>	<u>(47,427)</u>	<u>86,132</u>	<u>37,210</u>

Movement in temporary differences during the year:

	Group		Society	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net deferred tax (liabilities)/assets at beginning of year	(58,221)	(14,852)	37,210	6,931
Recognised in statement of revenue and expenses [note 32(a)(ii)]	<u>118,558</u>	<u>(43,369)</u>	<u>48,922</u>	<u>30,279</u>
Net deferred tax (liabilities)/assets at end of year	<u>60,337</u>	<u>(58,221)</u>	<u>86,132</u>	<u>37,210</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

19. Shareholders' savings

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Paid-up investment shares	66,256,775	62,839,146	66,059,402	62,918,783
General investment and subscription shares	6,104,699	4,347,406	2,157,703	1,960,452
Accrued interest	298,946	525,754	252,747	491,497
	<u>72,660,420</u>	<u>67,712,306</u>	<u>68,469,852</u>	<u>65,370,732</u>

Shareholders' savings are due from the date of the statement of financial position as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within 3 months	67,620,518	62,814,398	65,095,911	61,503,831
From 3 months to 1 year	4,762,764	4,695,640	3,098,034	3,664,633
Over 1 year	277,138	202,268	275,907	202,268
	<u>72,660,420</u>	<u>67,712,306</u>	<u>68,469,852</u>	<u>65,370,732</u>

The Group's shareholders' savings portfolio is concentrated as follows:

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
			<u>\$'000</u>	<u>\$'000</u>
Public authorities	82	74	56,254	7,225
Financial institutions	101	99	429,364	304,297
Commercial and business	1,994	1,770	1,068,926	953,205
Individuals	1,199,188	1,140,190	71,105,876	66,447,579
	<u>1,201,365</u>	<u>1,142,133</u>	<u>72,660,420</u>	<u>67,712,306</u>

The Society's shareholders' savings portfolio is concentrated as follows:

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
			<u>\$'000</u>	<u>\$'000</u>
Public authorities	81	68	6,839	7,224
Financial institutions	87	82	103,487	304,297
Commercial and business	1,971	1,742	743,425	953,205
Individuals	1,195,208	1,136,392	67,616,101	64,106,006
	<u>1,197,347</u>	<u>1,138,284</u>	<u>68,469,852</u>	<u>65,370,732</u>

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Notes to the financial statements (Continued)

March 31, 2011

20. Depositors' savings

Depositors' savings are time deposits with certain preferential rights and, for the Group, represent 0.0059% (2010: 0.0061%) and, for the Society, Nil% (2010: Nil%) of loan balances outstanding (see note 13).

21. Securities sold under repurchase agreements

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Principal	20,071,719	19,206,722	-	-
Interest payable	<u>105,175</u>	<u>257,365</u>	<u>-</u>	<u>-</u>
	<u>20,176,894</u>	<u>19,464,087</u>	<u>-</u>	<u>-</u>

Securities sold under repurchase agreements are due from the date of the statement of financial position as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	15,857,089	19,464,087	-	-
From 3 months to 1 year	3,155,797	-	-	-
Over 1 year	<u>1,164,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,176,894</u>	<u>19,464,087</u>	<u>-</u>	<u>-</u>

At March 31, 2011, securities obtained under resale agreements and certain investments have been pledged by the Group and Society as collateral for repurchase agreements. These financial instruments have a carrying value for the Group of \$20,071,719,000 (2010: \$19,206,721,000) and \$Nil (2010: \$Nil) for the Society.

22. Employee benefit 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 prior 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 scheme.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

22. Employee benefit obligation (continued)

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

The amounts recognised in the statement of financial position for employee benefits in respect of the group life and health insurance plans are as follows:

(a) Employee benefit obligation recognised in the statement of financial position:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	316,678	227,202	246,587	160,195
Unrecognised actuarial (gain)/losses	(44,569)	(12,520)	(41,372)	5,380
Supplementary benefit [note 22(g)]	<u>8,621</u>	<u>7,049</u>	<u>-</u>	<u>-</u>
	<u>280,730</u>	<u>221,731</u>	<u>205,215</u>	<u>165,575</u>

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	227,202	114,874	160,195	64,855
Benefits paid	(2,410)	(2,404)	(1,569)	(1,545)
Service and interest costs	60,238	24,783	41,610	18,487
Actuarial loss	<u>31,648</u>	<u>89,949</u>	<u>46,351</u>	<u>78,398</u>
Balance at end of year	<u>316,678</u>	<u>227,202</u>	<u>246,587</u>	<u>160,195</u>

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	27,244	11,707	20,877	7,098
Interest on obligation	32,405	19,910	20,733	11,389
Curtailment gain	-	(7,548)	-	-
Net actuarial gains recognised	<u>188</u>	<u>(2,613)</u>	<u>(401)</u>	<u>(3,327)</u>
	<u>59,837</u>	<u>21,456</u>	<u>41,209</u>	<u>15,160</u>

(d) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2011</u>	<u>2010</u>
	%	%
Discount rate at March 31	10.50	11.50
Health cost inflation rate	10.00	10.50
Salary growth rate	<u>7.50</u>	<u>9.00</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

22. Employee benefit obligation (continued)

(e) Historical information

	Group				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	(2,821)	(29,569)	(5,857)	(26,657)	29,004
Present value of defined benefit obligation	127,754	104,703	114,874	227,202	316,678
Deficit in the plan	<u>127,754</u>	<u>104,703</u>	<u>114,874</u>	<u>227,202</u>	<u>316,678</u>

	Society				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	(3,882)	(34,522)	5,083	(14,392)	15,195
Present value of defined benefit obligation	96,830	72,499	64,855	160,195	246,587
Deficit in the plan	<u>96,830</u>	<u>72,499</u>	<u>64,855</u>	<u>160,195</u>	<u>246,587</u>

- (f) Assumed healthcare 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:

	Group		Society	
	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	20,288	(14,180)	14,762	(10,291)
Effect on the defined benefit obligation	<u>67,658</u>	<u>(52,566)</u>	<u>48,691</u>	<u>(34,823)</u>

(g) Supplementary pension benefit

A subsidiary company provides supplementary pension for 6 pensioners (2010: 6). The defined-benefit obligation in respect of these pensioners was \$8,621,000 at March 31, 2011 (2010: \$7,049,000).

23. Insurance contract provisions

(a) **Group:**

	2011			2010		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Claims outstanding	3,014,194	225,177	2,789,017	2,813,830	152,623	2,661,207
Provision for unexpired risks	22,530	-	22,530	83,726	-	83,726
Unearned premiums	<u>1,287,048</u>	<u>457,369</u>	<u>829,679</u>	<u>1,365,045</u>	<u>424,186</u>	<u>940,859</u>
	<u>4,323,772</u>	<u>682,546</u>	<u>3,641,226</u>	<u>4,262,601</u>	<u>576,809</u>	<u>3,685,792</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

23. Insurance contract provisions (continued)

(b) Analysis of movements in insurance contract provisions:

Claims outstanding:

	2011			2010		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims notified	2,049,656	166,156	1,883,500	1,921,321	225,890	1,695,431
Claims incurred but not reported	<u>764,173</u>	<u>(13,534)</u>	<u>777,707</u>	<u>535,887</u>	<u>22,383</u>	<u>513,504</u>
Balance at April 1	<u>2,813,829</u>	<u>152,622</u>	<u>2,661,207</u>	<u>2,457,208</u>	<u>248,273</u>	<u>2,208,935</u>
Claims incurred	1,607,555	239,620	1,367,935	2,082,201	137,879	1,944,322
Claims paid in year	<u>(1,407,190)</u>	<u>(167,065)</u>	<u>(1,240,125)</u>	<u>(1,725,579)</u>	<u>(233,529)</u>	<u>(1,492,050)</u>
Change in outstanding claims provision	<u>200,365</u>	<u>72,555</u>	<u>127,810</u>	<u>356,622</u>	<u>(95,650)</u>	<u>452,272</u>
Balance at March 31	<u>3,014,194</u>	<u>225,177</u>	<u>2,789,017</u>	<u>2,813,830</u>	<u>152,623</u>	<u>2,661,207</u>
Claims notified [note 35(c)]	2,051,093	191,074	1,860,019	2,049,656	166,156	1,883,500
Claims incurred but not reported	<u>963,101</u>	<u>34,103</u>	<u>928,998</u>	<u>764,174</u>	<u>(13,533)</u>	<u>777,707</u>
Balance March 31	<u>3,014,194</u>	<u>225,177</u>	<u>2,789,017</u>	<u>2,813,830</u>	<u>152,623</u>	<u>2,661,207</u>

Outstanding claims include claims payable of \$2,388,665 (2010: \$7,404,000) under policies issued to related parties.

(c) Unearned premiums:

	2011			2010		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	1,365,045	424,186	940,859	1,357,280	406,107	951,173
Premiums written during the year	2,946,137	1,204,841	1,741,296	3,137,152	1,151,202	1,985,950
Premiums earned during the year	<u>(3,024,134)</u>	<u>(1,171,658)</u>	<u>(1,852,476)</u>	<u>(3,129,387)</u>	<u>(1,133,123)</u>	<u>(1,996,264)</u>
Balance March 31	<u>1,287,048</u>	<u>457,369</u>	<u>829,679</u>	<u>1,365,045</u>	<u>424,186</u>	<u>940,859</u>

(d) Gross unearned premiums are analysed as follows:

	2011 \$'000	2010 \$'000
Liability	53,102	42,651
Motor	667,147	825,247
Pecuniary loss	3,646	3,533
Pecuniary Accident	878	853
Property	521,830	471,858
Engineering	<u>40,445</u>	<u>20,903</u>
	<u>1,287,048</u>	<u>1,365,045</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

23. Insurance contract provisions (continued)

(e) Provision for unexpired risks:

	2011			2010		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	83,726	-	83,726	-	-	-
New provisions established in the year	(61,196)	-	(61,196)	83,726	-	83,726
Balance March 31	<u>22,530</u>	<u>-</u>	<u>22,530</u>	<u>83,726</u>	<u>-</u>	<u>83,726</u>

24. Long-term loans

	<u>Group</u>		<u>Society</u>	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Development Bank of Jamaica Limited (i)	37,500	45,833	-	-
Development Bank of Jamaica Limited (ii)	50,000	150,000	-	-
Development Bank of Jamaica Limited (iii)	168	280	-	-
Development Bank of Jamaica Limited (iv)	233	-	-	-
Development Bank of Jamaica Limited (v)	50,000	-	-	-
Pan Caribbean Financial Services Limited (vi)	15,000	43,321	-	-
Unsecured bonds (vii)	56,487	56,487	-	-
National Investment Fund (viii)	45,027	43,773	-	-
Manhart Properties (ix)	2,496	2,521	2,496	2,521
Citibank (x)	384,284	-	-	-
Less: current maturities (included in other payables)	(128,560)	(174,442)	-	-
	<u>512,635</u>	<u>167,773</u>	<u>2,496</u>	<u>2,521</u>

- (i) This loan has a moratorium of twelve months and is repayable in eleven semi-annual payments of \$4,166,667 each and one final payment of \$4,166,667. The last payment is due on September 30, 2015. Interest is payable at 7% per annum.
- (ii) The loan has a moratorium of six months and is repayable in eight payments of \$25,500,000 each and one final payment of \$25,000,000. The last payment is due on September 30, 2011. Interest is payable at 12% per annum.
- (iii) The loan has a moratorium of six months and is repayable in eleven payments of \$28,000 (2010:\$31,111) each. The last payment is due on June 30, 2012. Interest is payable at 1% per annum.
- (iv) The loan has a moratorium of six months and is repayable in five payments of \$28,333 each. The last payment is due on March 31, 2012. Interest is payable at 1% per annum.

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Notes to the financial statements (Continued)

March 31, 2011

24. Long-term loans (continued)

- (v) This loan has a moratorium of two months and is repayable in six quarterly payments of \$7,142,858 each and one final payment of \$7,142,852. The last payment is due on December 31, 2012. Interest is payable at 10% per annum.
- (vi) The purpose of this loan is for on-lending to small and micro enterprises and it is repayable in quarterly instalments. The line of credit commenced on June 30, 2008 for 3 years at an interest rate of 9% per annum. The loan is secured by promissory notes, duly executed by the subsidiary on disbursement of each new loan, over its loan portfolio of an equivalent value. Additional loans at a rate of 9% per annum were issued in December 2009 and are repayable in quarterly instalments, along with the outstanding balance of the previous loans, over a three year period. The repayments commenced in December 2009.
- (vii) 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% (2010: 3%) per annum and is for a period of 10 years. Series B is for \$30 million, was issued on April 30, 2004, and bears interest at 4.8% (2010: 4.8%) 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.
- (viii) The purpose of this loan is for on-lending to small and medium enterprises and commenced on September 30, 2007. An extension of the expiry date was granted to April 30, 2015. The loan is disbursed based on requests for on-lending and is secured by promissory notes duly executed by the subsidiary on the request of each new loan. Interest is payable at a rate of 4% per annum. Additional loans were issued during the financial year ended March 31, 2010, with a six month moratorium on principal and interest and are repayable in quarterly instalments with varying terms after the disbursement, within the expiry period, depending on the terms relating to the on-lending of the funds.
- (ix) This represents an interest-free shareholder's loan of \$2 million which has no fixed repayment terms, and a balance on another shareholder's loan which accrues interest at a rate of 5% per annum, due for repayment in October 2013.
- (x) Under the terms of the credit agreement, this loan is repayable in 14 equal installments over 4 years at interest of 7.5% per annum. The loan is secured by a mortgage debenture, creating a charge on all the assets of a subsidiary.

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 \$5,740,000,000 (2010: \$4,740,000,000) 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 25). As at March 31, 2011, the Society's Reserve Fund aggregated \$6,600,000,000 (2010: \$5,600,000,000).

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Notes to the financial statements (Continued) March 31, 2011

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 in future years, from the provision of this facility. Management constantly monitors the adequacy of the reserve and makes appropriate adjustments, as necessary.

28. Other reserves

These represent the following:

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Exchange equalisation reserve [see (a)]	189,353	201,065	-	-
Investment revaluation reserve [see (b)]	1,085,545	337,368	525,422	338,653
Credit loss reserve [see (c)]	<u>580,090</u>	<u>244,804</u>	<u>552,765</u>	<u>214,667</u>
	<u>1,854,988</u>	<u>783,237</u>	<u>1,078,187</u>	<u>553,320</u>

- (a) This represents foreign exchange adjustments arising on the translation of foreign subsidiaries' balances for consolidation purposes.
- (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 (note 13).

29. Interest expense

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
On shareholders' savings	2,407,673	3,849,294	2,261,796	3,747,389
Other	<u>1,421,209</u>	<u>2,562,661</u>	-	-
	<u>3,828,882</u>	<u>6,411,955</u>	<u>2,261,796</u>	<u>3,747,389</u>

30. Other operating income

	<u>Group</u>		<u>Society</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Realised foreign exchange gain on trading	894,507	945,230	381,347	369,245
Management fees	-	-	136,230	226,067
Fee and commission income	1,393,352	1,330,539	318,355	354,261
Net underwriting insurance (expense)/				
income before operating expenses	477,977	(93,296)	-	-
Dividend	74,075	91,761	306,644	588,135
Other	<u>558,943</u>	<u>796,354</u>	<u>159,265</u>	<u>331,128</u>
	<u>3,398,853</u>	<u>3,070,587</u>	<u>1,301,841</u>	<u>1,868,836</u>

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Notes to the financial statements (Continued) **March 31, 2011**

31. Operating expenses

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Administration, including employee costs (note 33)	7,711,538	8,068,449	4,984,805	5,229,201
Directors' fees	18,360	16,619	11,706	10,404
Directors' remuneration	29,918	30,335	29,918	30,335
Audit fees	68,195	63,234	17,500	16,500
Depreciation and amortisation	496,872	485,489	346,752	317,068
Bad debts written-off for loans and other receivables	<u>336,251</u>	<u>75,020</u>	<u>202,217</u>	<u>50,288</u>
	<u>8,661,134</u>	<u>8,739,146</u>	<u>5,592,898</u>	<u>5,653,796</u>

32. Taxation

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax expense:				
Income tax on the Society	190,514	202,908	190,514	202,908
Taxation on subsidiaries	<u>386,838</u>	<u>228,088</u>	<u>-</u>	<u>-</u>
	577,352	430,996	190,514	202,908
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 18)	<u>(118,558)</u>	<u>43,369</u>	<u>(48,922)</u>	<u>(30,279)</u>
Total taxation in statement of revenue and expenses	<u>458,794</u>	<u>474,365</u>	<u>141,592</u>	<u>172,629</u>

- (b) Reconciliation of effective tax rate:

Taxation is computed at rates of 30% for the Society and two of its subsidiaries, and 33⅓% and 25% for local subsidiaries. The effective tax rate for 2011 was 26.12% (2010: 27.90%) of \$1,756,197,000 (2010: \$1,700,230,000) pre-tax surplus for the Group and 13.22% (2010: 14.11%) of \$1,071,313,000 (2010: \$1,223,429,000) for the Society. The actual charge differs from the "expected" tax charge for the year as follows:

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Notes to the financial statements (Continued) **March 31, 2011**

32. Taxation (continued)

(b) Reconciliation of effective tax rate (continued):

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Surplus before taxation	<u>1,756,197</u>	<u>1,700,230</u>	<u>1,071,313</u>	<u>1,223,429</u>
Computed "expected" tax expense at 30%	321,394	367,028	321,394	367,028
Computed "expected" tax expense at 33½%	<u>311,531</u>	<u>273,389</u>	-	-
	632,925	640,417	321,394	367,028
Difference between surplus for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	(35,521)	3,084	(36,012)	3,241
Gain on disposal of property, plant and equipment	(921)	(2,768)	(921)	(2,768)
Unfranked and exempt income	(115,800)	(224,239)	(113,899)	(220,183)
Gain on disposal of investments	(135,413)	(32,666)	(131,344)	(9,149)
Prior year over provision	(1,387)	-	-	-
Disallowed expenses	114,911	1,258	102,374	1,258
Other	-	<u>89,279</u>	-	<u>33,202</u>
Actual tax expense	<u>458,794</u>	<u>474,365</u>	<u>141,592</u>	<u>172,629</u>

- (c) As at March 31, 2011, tax losses of local subsidiaries available for relief against future taxable profits of those subsidiaries, subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, aggregated approximately \$20,357,000 (2010: \$43,144,000). Tax losses available to overseas subsidiaries, for relief against their future taxable profits amounted to approximately \$135,341,000 (2010: \$380,024,000).

(d) Other comprehensive income:

There is no taxation attributable to other comprehensive income.

33. Employee costs

The aggregate staff costs were as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	2,968,430	3,091,601	1,806,736	1,892,199
Pension, group life and health contributions	240,093	189,812	159,291	127,423
Statutory contributions	322,930	304,247	202,933	193,359
Other	<u>813,435</u>	<u>664,197</u>	<u>542,659</u>	<u>379,727</u>
	<u>4,344,888</u>	<u>4,249,857</u>	<u>2,711,619</u>	<u>2,592,708</u>

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Notes to the financial statements (Continued) **March 31, 2011**

34. Related party balances and transactions

Identity of related parties:

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Loans				
Directors	12,145	16,126	11,645	13,620
Other key management personnel	79,960	86,664	79,960	86,664
Shareholders' savings				
Directors	121,589	123,193	42,177	38,204
Subsidiaries	-	-	125,924	388,889
Other key management personnel	51,968	43,788	51,968	43,788
Other related parties	7,744	4,451	7,744	4,451
Securities sold under repurchase agreements				
Directors	197,284	227,376	-	-
Other related parties	782,842	859,311	-	-
Other payables				
Subsidiaries	-	-	28,659	5,694
Other assets				
Subsidiaries	-	-	5,572	1,806
Long term loans				
Other related parties	<u>58,982</u>	<u>59,008</u>	<u>2,496</u>	<u>2,521</u>

- (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:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiaries				
Dividends	-	-	(249,857)	(517,397)
Interest income	-	-	(27,729)	(57,347)
Management fees	-	-	(175,843)	(226,067)
Other income	-	-	(46,189)	(29,383)
Commission	-	-	(43,588)	(38,984)
Maintenance expenses	-	-	36,101	34,572
Management fees	-	-	30,723	66,165
Computer development expenses	-	-	99,491	143,193
Marketing	-	-	80,045	106,011
Commission	-	-	118,096	90,355
Insurance	-	-	34,526	33,371
Other expenses	-	-	100,018	125,949
Other related parties				
Interest expense	79,561	129,079	-	-
Contribution (to JN Foundation)	<u>31,800</u>	<u>28,100</u>	<u>31,800</u>	<u>28,100</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

34. Related party transactions (continued)

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	217,623	290,359	147,880	183,140
Post-employment benefits	<u>7,298</u>	<u>8,735</u>	<u>5,936</u>	<u>6,608</u>
	<u>224,921</u>	<u>299,094</u>	<u>153,816</u>	<u>189,748</u>

35. Financial risk management

- (a) Introduction and overview

The Group has exposure to the following financial risks from the use of financial instruments:

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

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 Group's financial risk management framework. The Board has established the Finance and Investment Committee, the Risk Management Unit, Group Compliance and Security Department and Audit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. These committees have both executive and non-executive members and report to the Board of Directors on their activities.

The Group's risk management policies are established to identify, assess and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the Group has adequate economic capital and that the use of and 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, within the policy guidelines, optimise the after-tax 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.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(a) Introduction and overview (continued)

A key aspect in the management of the Group's financial risk is through matching the timing of cash flows from assets and liabilities. The Group 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 Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements.

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures. The Audit Committee is assisted by the Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Compliance Department and the Risk Management Unit, 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 borrowers and investment securities. There has been no significant change to the Group's exposure to credit risk or the manner in which it measures and manages the risk during the year.

The Group manages credit risk associated with loans by evaluating borrowers' ability to repay loans, ensuring that:

- (i) all loans are properly collateralised and the securities insured;
- (ii) loan loss provisioning is in keeping with BOJ Regulations;
- (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 borrowers

Credit facilities to members and other borrowers primarily comprise mortgage loans. The management of credit risk in respect of credits to borrowers 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 Group's credit risk and the development of credit policies.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

35. Financial risk management (continued)

(b) Credit risk (continued):

Collateral

The Group holds collateral against credits to borrowers primarily 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 borrowers are individually assessed as impaired. Borrowers of a subsidiary may use collateral such as an insurance policy, property, motor vehicle, personal or corporate guarantees to secure loans.

Impaired credits to borrowers

Impaired credits to members and other borrowers are credits for which management 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 borrowers

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 by debtors.

Allowances for impairment

The Group 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 Group writes off credits to borrowers (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 borrowers for write-off must be submitted to the Board of Directors for approval.

Concentration by class and geographical area

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

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(b) Credit risk (continued):

Concentration by class and geographical area (continued)

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

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Jamaica	69,906,142	61,101,626	40,979,599	34,733,258
United States of America	4,439,542	7,064,711	4,138,048	6,674,757
United Kingdom	1,590,167	759,534	1,456,550	596,475
Canada	1,138,843	2,073,890	1,120,242	1,140,918
Cayman Islands	<u>334,956</u>	<u>432,714</u>	<u>-</u>	<u>-</u>
	<u>77,409,650</u>	<u>71,432,475</u>	<u>47,694,439</u>	<u>43,145,408</u>

Credit quality of loans

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

	2011	
	Group	Society
	<u>\$'000</u>	<u>\$'000</u>
Neither past due nor impaired	36,981,183	33,283,404
Past due but not impaired:		
30 to 60 days	4,691,160	3,840,917
60 to 90 days	1,892,651	1,580,591
Individually impaired:		
90-180 days	1,333,680	1,067,056
180-365 days	621,873	417,781
12-18 months	328,609	172,846
18 months and over	601,218	484,582
Less allowance for losses (note 13)	(913,536)	(702,847)
	<u>45,536,838</u>	<u>40,144,330</u>
Estimated fair value of collateral held	<u>58,572,964</u>	<u>50,007,281</u>
Value of renegotiated loans	<u>4,314,643</u>	<u>2,869,116</u>



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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2011

35. Financial risk management (continued)

(b) Credit risk (continued):

Credit quality of loans (continued)

	2010	
	<u>Group</u>	<u>Society</u>
	\$'000	\$'000
Neither past due nor impaired	37,214,743	32,892,233
Past due but not impaired:		
30 to 60 days	3,565,766	3,536,451
60 to 90 days	1,391,694	1,375,745
Individually impaired:		
90-180 days	1,159,749	1,150,934
180-365 days	456,962	456,962
12-18 months	206,918	206,918
18 months and over	287,083	212,600
Less allowance for losses (note 13)	(883,062)	(709,710)
	<u>43,399,853</u>	<u>39,122,133</u>
Estimated fair value of collateral held	<u>50,907,189</u>	<u>45,198,943</u>
Value of renegotiated loans	<u>2,220,439</u>	<u>1,684,825</u>

Exposure to credit risk

Credit risk exposure is the amount of loss that the Group and the Society would suffer if all counterparties to which the Group and the Society are exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held, as follows:

	Group	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Cash and cash equivalents	3,216,385	4,986,638
Securities purchased under resale agreements	22,059,804	14,446,344
Investments	51,521,737	50,662,822
Loans	45,536,838	43,399,853
Other assets	<u>2,131,418</u>	<u>1,980,819</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

	Society	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	2,179,477	3,807,894
Securities purchased under resale agreements	12,557,203	8,445,722
Investments	32,562,454	29,820,842
Loans	40,144,330	39,122,133
Other assets	<u>243,546</u>	<u>384,185</u>

There are no off-balance-sheet assets and the maximum exposure to credit risk is represented by the amount of financial assets in the statement of financial position.

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group 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.

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 reporting date for the Society are as follows:

	Requirement		Actual	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Jamaica Dollar	5	5	20	15
United States of America Dollar	5	5	12	34
Canadian Dollar	5	5	7	9
Pound Sterling	<u>5</u>	<u>5</u>	<u>86</u>	<u>104</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

35. Financial risk management (continued)

(c) Liquidity risk (continued):

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 statement of financial position.

		Group							
		March 31, 2011							
		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	More than 5 years \$'000	More than 10 years \$'000	No specific maturity \$'000
Savings fund	72,663,087	72,863,110	68,638,326	3,938,429	286,355	-	-	-	-
Due to specialised institutions	8,157,450	8,565,322	8,565,322	-	-	-	-	-	-
Bank overdraft	24,507	24,507	24,507	-	-	-	-	-	-
Securities sold under repurchase agreements	20,176,894	21,290,645	16,112,664	3,938,429	1,239,552	-	-	-	-
Other payables	2,606,207	2,607,571	2,590,366	4,670	12,535	-	-	-	-
Long-term loans	512,635	742,121	30,171	89,005	179,017	443,928	-	-	-
	104,140,780	106,093,276	95,961,356	7,970,533	1,717,459	443,928	-	-	-
Unrecognised loan commitments	-	1,724,978	1,724,978	-	-	-	-	-	-
Insurance contract liabilities	2,051,093	2,051,093	117,593	352,778	822,991	577,483	180,248	-	-
	106,191,873	109,869,347	97,803,927	8,323,311	2,540,450	1,021,411	180,248	-	-

		Group						
		March 31, 2010						
		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	More than 5 years \$'000	More than 10 years \$'000	No specific maturity \$'000
Savings fund	67,714,948	68,227,660	63,326,174	4,363,820	537,666	-	-	-
Due to specialised institutions	6,848,633	6,934,241	6,934,241	-	-	-	-	-
Bank overdraft	136,085	136,085	136,085	-	-	-	-	-
Securities sold under repurchase agreements	19,464,087	20,562,447	17,317,113	2,854,580	390,754	-	-	-
Other payables	2,360,521	2,439,315	2,428,652	2,668	7,995	-	-	-
Long-term loans	167,773	202,138	6,322	17,402	132,101	46,313	-	-
	96,692,047	98,501,886	90,148,587	7,238,470	1,068,516	46,313	-	-
Unrecognised loan commitments	-	2,763,071	2,763,071	-	-	-	-	-
Insurance contract liabilities	2,049,656	2,049,656	281,828	845,483	717,380	163,973	40,992	-
	98,741,703	103,314,613	93,193,486	8,083,953	1,785,896	210,286	40,992	-

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

		Society				
		March 31, 2011				
		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
Savings fund	68,469,852	68,768,328	65,246,219	3,230,475	291,633	-
Due to specialised institutions	8,157,450	8,259,418	8,259,418	-	-	-
Other payables	927,835	927,835	927,835	-	-	-
Long-term loans	2,496	2,502	502	-	-	2,000
	77,557,632	77,958,083	74,433,974	3,230,475	291,633	2,000
Unrecognised loan commitments	-	1,706,915	1,706,915	-	-	-
	<u>77,557,632</u>	<u>79,664,998</u>	<u>76,140,889</u>	<u>3,230,475</u>	<u>291,633</u>	<u>2,000</u>

		Society				
		March 31, 2010				
		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
Savings fund	65,370,732	65,694,521	61,659,429	3,821,296	213,796	-
Due to specialised institutions	6,848,633	6,934,241	6,934,241	-	-	-
Bank overdraft	120,545	120,545	120,545	-	-	-
Other payables	747,003	747,003	747,003	-	-	-
Long-term loans	2,521	2,521	521	-	-	2,000
	73,089,434	73,498,831	69,461,739	3,821,296	213,796	2,000
Unrecognised loan commitments	-	2,467,555	2,467,555	-	-	-
	<u>73,089,434</u>	<u>75,966,386</u>	<u>71,929,294</u>	<u>3,821,296</u>	<u>213,796</u>	<u>2,000</u>

(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 Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group 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 Group's exposures to market risks and its objectives, policies and processes for managing market risk have not changed significantly from the prior period.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

35. Financial risk management (continued)

(d) Market risk (continued):

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 Group has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Group 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 manages this risk by constantly re-evaluating the yield, duration and modified duration 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 one month's notice is given, change the interest rates on its mortgages. In addition, mortgages may be called after six months notice. The savings fund has been stable and is expected to remain so.

The Group 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 recognised assets, liabilities and equity to arrive at the Group's and the Society's interest rate gap based on the earlier of contractual repricing or maturity dates. This interest rate gap is normal within building societies.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

	Group 2011						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	
Assets							
Cash and cash equivalents	755,683	182,138	-	-	2,278,564	3,216,385	0.92
Securities purchased under resale agreements	-	17,772,336	4,135,524	-	151,944	22,059,804	5.77
Investments	-	18,413,638	7,777,611	24,845,615	1,096,598	52,133,461	11.42
Taxation recoverable	-	-	-	-	1,795,992	1,795,992	
Interest in associates	-	-	-	-	310,242	310,242	
Loans	-	45,454,591	-	-	82,246	45,536,838	13.40
Other assets	-	-	-	-	2,241,334	2,241,334	
Asset held for sale	-	-	-	-	64,958	64,958	
Investment properties	-	-	-	-	317,336	317,336	
Property, plant and equipment	-	-	-	-	2,498,414	2,498,414	
Intangible assets	-	-	-	-	1,027,691	1,027,691	
Deferred tax assets	-	-	-	-	114,213	114,213	
Total assets	755,683	81,822,703	11,913,135	24,845,615	11,979,532	131,316,668	
Liabilities and equity							
Savings fund	56,822,450	11,421,966	3,842,586	277,138	298,947	72,663,087	3.33
Bank overdraft	24,507	-	-	-	-	24,507	18.70
Securities sold under repurchase agreements	-	15,751,914	3,155,797	1,164,008	105,175	20,176,894	6.49
Due to specialised financial institutions	-	8,157,450	-	-	-	8,157,450	4.49
Taxation payable	-	-	-	-	211,030	211,030	
Other payables	-	1,458	4,375	11,500	2,588,874	2,606,207	9.00
Deferred tax liabilities	-	-	-	-	53,876	53,876	
Employee benefit obligation	-	-	-	-	280,730	280,730	
Minority interest	-	-	-	-	46,540	46,540	
Insurance contract provisions	-	-	-	-	4,323,772	4,323,772	
Long-term loans	-	-	125,854	384,781	2,000	512,635	7.50
Capital and reserves	-	-	-	-	22,259,940	22,259,940	
Total liabilities, capital and reserves	56,846,957	35,332,788	7,128,612	1,837,427	30,170,884	131,316,668	
On-statement of financial position gap, being total interest rate sensitivity gap	(56,091,274)	46,489,915	4,784,523	23,008,188	(18,191,352)	-	
Cumulative gap	(56,091,274)	(9,601,359)	(4,816,836)	18,191,352	-	-	

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Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(d) Market risk (continued):

(i) Interest rate risk (continued):

	Group						
	2010						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	2,000,666	465,600	-	-	2,520,372	4,986,638	0.94
Securities purchased	-	-	-	-	-	-	-
under resale agreements	-	11,028,428	3,282,246	-	135,670	14,446,344	9.45
Investments	-	26,557,078	9,467,949	13,615,309	2,359,157	51,999,493	14.75
Taxation recoverable	-	-	-	-	1,433,867	1,433,867	-
Interest in associates	-	-	-	-	289,243	289,243	-
Loans	-	42,817,964	-	-	581,889	43,399,853	13.84
Other assets	-	-	-	-	2,096,562	2,096,562	-
Investment properties	-	-	-	-	337,395	337,395	-
Property, plant and equipment	-	-	-	-	2,247,902	2,247,902	-
Intangible assets	-	-	-	-	353,983	353,983	-
Deferred tax assets	-	-	-	-	72,808	72,808	-
Total assets	2,000,666	80,869,070	12,750,195	13,615,309	12,428,848	121,664,088	
Liabilities and equity							
Savings fund	51,406,451	11,393,969	4,186,506	202,268	525,754	67,714,948	5.65
Bank overdraft	136,085	-	-	-	-	136,085	-
Securities sold under	-	-	-	-	-	-	-
repurchase agreements	-	19,206,722	-	-	257,365	19,464,087	11.85
Due to specialised financial	-	-	-	-	-	-	-
institutions	-	6,848,633	-	-	-	6,848,633	5.25
Taxation payable	-	-	-	-	84,225	84,225	-
Other payables	-	1,333	2,500	7,333	2,349,355	2,360,521	9.00
Deferred tax liabilities	-	-	-	-	131,029	131,029	-
Employee benefit obligation	-	-	-	-	221,731	221,731	-
Minority interest	-	-	-	-	43,851	43,851	-
Insurance contract provisions	-	-	-	-	4,262,601	4,262,601	-
Long-term loans	-	-	120,940	44,833	2,000	167,773	8.99
Capital and reserves	-	-	-	-	20,228,604	20,228,604	-
Total liabilities, capital and reserves	51,542,536	37,450,657	4,309,946	254,434	28,106,515	121,664,088	
On-statement of financial							
position gap, being total							
interest rate sensitivity							
gap	(49,541,870)	43,418,413	8,440,249	13,360,875	(15,677,667)	-	
Cumulative gap	(49,541,870)	(6,123,457)	2,316,792	15,677,667	-	-	

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

	Society						Weighted average interest rate %
	2011						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	
Assets:							
Cash and cash equivalents	724,977	86,100	-	-	1,368,400	2,179,477	0.34
Securities purchased under resale agreements	-	9,366,662	3,091,249	-	99,292	12,557,203	5.60
Investments	-	10,529,942	5,406,051	16,391,096	630,670	32,957,759	6.10
Taxation recoverable	-	-	-	-	1,117,575	1,117,575	
Interest in subsidiaries	-	-	-	-	1,562,268	1,562,268	
Interest in associates	-	-	-	-	735	735	
Loans	-	39,864,255	-	-	280,075	40,144,330	13.10
Other assets	-	-	-	-	273,996	273,996	
Investment properties	-	-	-	-	79,483	79,483	
Property, plant and equipment	-	-	-	-	1,730,259	1,730,259	
Intangible assets	-	-	-	-	118,270	118,270	
Deferred tax assets	-	-	-	-	86,132	86,132	
Total assets	<u>724,977</u>	<u>59,846,959</u>	<u>8,497,300</u>	<u>16,391,096</u>	<u>7,347,155</u>	<u>92,807,487</u>	
Liabilities and equity:							
Savings fund	54,295,175	10,547,988	3,098,034	275,907	252,748	68,469,852	3.30
Due to specialised financial institution	-	8,157,450	-	-	-	8,157,450	4.49
Taxation payable	-	-	-	-	9,268	9,268	
Other payables	-	-	-	-	927,835	927,835	
Employee benefit obligation	-	-	-	-	205,215	205,215	
Long-term loans	-	-	-	496	2,000	2,496	5.00
Capital and reserves	-	-	-	-	15,035,371	15,035,371	
Total liabilities, capital and reserves	<u>54,295,175</u>	<u>18,705,438</u>	<u>3,098,034</u>	<u>276,403</u>	<u>16,432,437</u>	<u>92,807,487</u>	
On-statement of financial position gap, being total interest rate sensitivity gap	(53,570,198)	41,141,521	5,399,266	16,114,693	(9,085,282)	-	
Cumulative gap	<u>(53,570,198)</u>	<u>(12,428,677)</u>	<u>(7,029,411)</u>	<u>9,085,282</u>	<u>-</u>	<u>-</u>	

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2011

35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

	Society						
	2010						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
Assets:							
Cash and cash equivalents	1,878,570	407,571	-	-	1,521,753	3,807,894	0.94
Securities purchased under resale agreements	-	5,417,149	2,948,339	-	80,234	8,445,722	7.60
Investments	-	16,550,014	7,952,874	4,878,879	1,510,025	30,891,792	11.20
Taxation recoverable	-	-	-	-	961,096	961,096	-
Interest in subsidiaries	-	-	-	-	1,584,035	1,584,035	-
Interest in associates	-	-	-	-	735	735	-
Loans	-	38,572,047	-	-	550,086	39,122,133	13.10
Other assets	-	-	-	-	414,205	414,205	-
Investment properties	-	-	-	-	81,871	81,871	-
Property, plant and equipment	-	-	-	-	1,677,592	1,677,592	-
Intangible assets	-	-	-	-	182,743	182,743	-
Deferred tax assets	-	-	-	-	37,210	37,210	-
Total assets	<u>1,878,570</u>	<u>60,946,781</u>	<u>10,901,213</u>	<u>4,878,879</u>	<u>8,601,585</u>	<u>87,207,028</u>	
Liabilities and equity:							
Savings fund	50,093,242	10,919,092	3,664,633	202,268	491,497	65,370,732	5.70
Due to specialised financial institution	-	6,848,633	-	-	-	6,848,633	5.25
Bank overdraft	120,545	-	-	-	-	120,545	-
Taxation payable	-	-	-	-	33,138	33,138	-
Other payables	-	-	-	-	747,003	747,003	-
Employee benefit obligation	-	-	-	-	165,575	165,575	-
Long-term loans	-	-	-	521	2,000	2,521	5.0
Capital and reserves	-	-	-	-	13,918,881	13,918,881	-
Total liabilities, capital and reserves	<u>50,213,787</u>	<u>17,767,725</u>	<u>3,664,633</u>	<u>202,789</u>	<u>15,358,094</u>	<u>87,207,028</u>	
On-statement of financial position gap, being total interest rate sensitivity gap	(48,335,217)	43,179,056	7,236,580	4,676,090	(6,756,509)	-	
Cumulative gap	<u>(48,335,217)</u>	<u>(5,156,161)</u>	<u>2,080,419</u>	<u>6,756,509</u>	<u>-</u>	<u>-</u>	

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

Fair value sensitivity analysis for fixed rate instruments:

An increase of 100 basis points in market interest rates at the reporting date would have decreased the reported amount of other comprehensive income for the Group by \$527,109,000 and for the Society by \$282,031,000 for changes in the fair value of fixed rate financial instruments. A decrease of 100 basis points in market interest rate would have increased other comprehensive income for the Group by \$554,649,000 and for the Society by \$297,606,000. There were no fixed rate financial instruments carried at fair value in the prior year.

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease of 100 basis points (2010: increase/decrease of 500 basis points) would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Group	
		<u>Effect on surplus</u>	
		<u>100 bp</u>	<u>100 bp</u>
		<u>Increase</u>	<u>Decrease</u>
		<u>\$'000</u>	<u>\$'000</u>
March 31, 2011			
	Variable rate instruments	<u>83,748</u>	<u>(83,748)</u>
		<u>500 bp</u>	<u>500 bp</u>
		<u>Increase</u>	<u>Decrease</u>
		<u>\$'000</u>	<u>\$'000</u>
March 31, 2010			
	Variable rate instruments	<u>397,988</u>	<u>(397,988)</u>
		Society	
		<u>Effect on surplus</u>	
		<u>100 bp</u>	<u>100 bp</u>
		<u>Increase</u>	<u>Decrease</u>
		<u>\$'000</u>	<u>\$'000</u>
March 31, 2011			
	Variable rate instruments	<u>66,654</u>	<u>(66,654)</u>
		<u>500 bp</u>	<u>500 bp</u>
		<u>Increase</u>	<u>Decrease</u>
		<u>\$'000</u>	<u>\$'000</u>
March 31, 2010			
	Variable rate instruments	<u>315,506</u>	<u>(315,506)</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

35. Financial risk management (continued)

(d) Market risks (continued):

(ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Group 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 Group's investment strategy is to maximise risk-adjusted investment returns.

A 10% (2010: 20%) increase or decrease in the market price at the reporting date would result in an increase or an equal decrease, respectively, in reserves for the Group of \$60,400,000 (2010: \$265,846,000) and \$38,758,000 (2010: \$212,702,000) for the Society.

(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 incurs 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, Cayman dollars and Pounds sterling.

The Group ensures 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 an overall strong net assets or long foreign currency positions at all times.

Net current foreign currency assets were as follows:

	Group		Society	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	'000	'000	'000	'000
United States dollars	24,131	43,803	9,427	30,601
Canadian dollars	597	1,449	597	1,449
Pounds sterling	(1,899)	2,386	(1,939)	2,348
Euro	287	1,810	287	1,810
Cayman dollars	<u>10,055</u>	<u>22,252</u>	<u>10,055</u>	<u>22,252</u>

The Bank of Jamaica's weighted average exchange rates ruling at the year-end is shown at note 4 (d)(i).

Sensitivity analysis:

A 1% (2010: 10%) weakening of the Jamaica dollar against the following currencies at March 31 would have increased operating surplus by the amounts shown. A 1% (2010: 2%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(d) Market risks (continued):

(iii) Foreign currency risk (continued):

	Group			Society		
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
	<u>\$'000</u>	<u>\$'000</u>		<u>\$'000</u>	<u>\$'000</u>	
	<u>1%</u>	<u>10%</u>	<u>2%</u>	<u>1%</u>	<u>10%</u>	<u>2%</u>
United States dollar	18,581	375,447	75,089	8,050	272,220	54,444
Canadian dollars	520	12,468	2,494	520	12,468	2,494
Pounds sterling	(2,645)	31,302	6,260	(2,645)	31,302	6,260
Euro	347	21,618	4,324	347	21,618	4,324
Cayman Dollars	<u>10,319</u>	<u>237,645</u>	<u>47,529</u>	<u>10,319</u>	<u>237,645</u>	<u>47,529</u>

(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 actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(e) Operational risk (continued):

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit, Group Compliance and Risk Management Unit. The results of audit reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the internal audit reviews are submitted to the Audit committee, and to the Board of Directors.

(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 development of the Society and its subsidiaries. This is supported by the annual Group Internal Capital Adequacy Assessment Process which seeks to ensure that all subsidiaries, on a stand-alone and on a Group basis are adequately capitalised.

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 at March 31, 2011 was 23% (2010: 19%).

The Financial Services Commission (FSC) requires the insurance subsidiary to maintain a prescribed ratio of 150% (2010: 135%) of available assets to required assets under the terms of the Minimum Asset Test (MAT).

The FSC has undertaken to implement a new risk-based capital adequacy test for the subsidiary, namely the Minimum Capital Test (MCT) which will replace the current MAT. The MCT assesses the riskiness of the entity's assets and policy liabilities in relation to its available capital. The implementation, which should have taken effect on December 31, 2010, has been delayed.

The FSC has decided that companies in the general insurance industry should file both MAT and MCT results at December 31, 2010. The FSC has further indicated that companies achieving the MCT Prescribed Capital Required (PCR) of 200% will avoid enforcement action, even if their MAT results fall below the regulatory minimum of 150%. The MCT PCR is initially set at 200% and will be gradually increased to 250%.

The MCT ratio attained by the subsidiary at December 31, 2010 was 269%.

At December 31, 2010, the subsidiary's available assets were 149% (2010: 143%) of the required assets under the MAT. At the reporting date, the subsidiary's available assets increased to 151% of the required assets.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

35. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Another subsidiary is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that, if undertaken, could have a direct material effect on the subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

As at March 31, 2011 and 2010, the subsidiary's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements are presented in the following table:

	Actual	2011 minimum for regulatory capital and capital adequacy purposes	Actual	2010 minimum for regulatory capital and capital adequacy purposes
Regulatory capital	CIS\$5,552,770	3,390,070	6,019,862 (Restated)	2,009,982
Risk asset ratio	19.66%	12%	35.94%	12%

The subsidiary was in compliance for the current and prior financial years.

36. Fair value of financial instruments

Fair value amounts represent estimates of the arm's-length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by quoted market prices, if they exist. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

Determination of fair value and fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

36. Fair value of financial instruments (continued)

The Group considers relevant and observable market prices in its valuations where possible.

		2011			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Group					
Available-for-sale financial assets		604,000	30,572,900	-	31,176,900
At fair value through profit/loss		<u>7,374</u>	<u>799,984</u>	<u>-</u>	<u>807,358</u>
		<u>611,374</u>	<u>31,372,884</u>	<u>-</u>	<u>31,984,258</u>
Society					
Available-for-sale financial assets		387,581	14,294,833	-	14,682,414
At fair value through profit/loss		<u>7,374</u>	<u>799,984</u>	<u>-</u>	<u>807,358</u>
		<u>394,955</u>	<u>15,094,817</u>	<u>-</u>	<u>15,489,772</u>
		2010			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Group					
Available-for-sale financial assets		1,329,230	-	-	1,329,230
At fair value through profit/loss		<u>4,225</u>	<u>-</u>	<u>-</u>	<u>4,225</u>
		<u>1,333,455</u>	<u>-</u>	<u>-</u>	<u>1,333,455</u>
Society					
Available-for-sale financial assets		1,063,509	-	-	1,063,509
At fair value through profit/loss		<u>4,225</u>	<u>-</u>	<u>-</u>	<u>4,225</u>
		<u>1,067,734</u>	<u>-</u>	<u>-</u>	<u>1,067,734</u>

37. Commitments

At March 31, 2011, the Group and the Society had:

(a) Unexpired lease commitments payable as follows:

	Group		Society	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Within one year	107,131	107,903	67,073	59,599
Subsequent years	<u>176,743</u>	<u>188,097</u>	<u>116,919</u>	<u>134,200</u>
	<u>283,874</u>	<u>296,000</u>	<u>183,992</u>	<u>193,799</u>

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

37. Commitments (continued)

- (b) Undisbursed approved mortgages amounting to approximately \$1,724,978,000 (2010: \$2,027,123,000) for the Group and \$1,706,914,000 (2010: \$2,009,060,000) for the Society.

- (c) Capital commitments

Commitments for capital expenditure amount to:

Group		Society	
<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
\$'000	\$'000	\$'000	\$'000
<u>128,256</u>	<u>69,238</u>	<u>57,946</u>	<u>11,428</u>

38. Contingent liabilities

- (i) The Society has pledged its commitment to provide financial support, if required, to fund the activities of five (2010: four) of its subsidiaries until March 31, 2012.
- (ii) There are several claims which have been brought against the Society in respect of damages for alleged breach of contract and other matters. It is the opinion of the Society's legal advisor that, in the unlikely event that these claims should be successful, liability should not be significant.
- (iii) In the ordinary 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 subsidiary company has catastrophe reinsurance up to a maximum of \$3.3 billion (2010: \$3.3 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 \$95 million (2010: \$95 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 contractors all risks for the period January 1, 2010 to December 31, 2010 (2010: January 1, 2009 to December 31, 2009).

- (iv) In the previous year, a subsidiary company had a 364-day committed line-of-credit agreement for \$1 million with the State Bank of New York. The line-of-credit expired on February 23, 2011 and was not renewed as the subsidiary has surrendered its mortgage brokerage licence. This facility was previously held with Citibank N.A. As at March 31, 2011 and 2010, there were no balances drawn under the facility.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

39. 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 that 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 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.

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. The Board also monitors the adequacy of reinsurance on an ongoing basis. Credit risk on reinsurance is discussed in more detail at note 40.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2011

39. Insurance risk management (continued)

(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 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 "long-tail". In general, these claims involve higher estimation uncertainty.</p>
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.	In general, claims reporting lags are minor and claim complexity is relatively low.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, rating and reinsurance. The subsidiary 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.

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Notes to the financial statements (Continued) **March 31, 2011**

39. Insurance risk management (continued)

(c) Terms and conditions of general insurance contracts (continued)

Property contracts:

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

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process, product design and risk selection. The subsidiary 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 subsidiary's exposure to general insurance risk (based on the carrying value of claim provisions at the reporting date) per major category of business.

March 31, 2011					
	<u>Liability</u>	<u>Property</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	258,001	89,883	2,643,340	22,970	3,014,194
Net of reinsurance	<u>235,573</u>	<u>26,090</u>	<u>2,517,698</u>	<u>9,656</u>	<u>2,789,017</u>

March 31, 2010					
	<u>Liability</u>	<u>Property</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	323,606	52,122	2,407,305	29,997	2,813,030
Net of reinsurance	<u>323,503</u>	<u>14,932</u>	<u>2,308,442</u>	<u>14,331</u>	<u>2,661,208</u>

(e) Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the subsidiary. 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 statement of financial position and the estimate of cumulative claims.

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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

39. Insurance risk management (continued)

(e) Claims development (continued):

Analysis of net claims development:

	Accident year						
	2006	2007	2008	2009	2010	2011	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims							
at end of accident year	1,417,524	1,321,080	1,482,241	1,623,557	1,718,561	1,530,102	-
- one year later	1,349,946	1,338,106	1,397,141	1,627,651	1,705,324	-	-
- two years later	1,325,461	1,358,393	1,607,803	1,661,193	-	-	-
- three years later	1,389,791	1,381,474	1,617,088	-	-	-	-
- four years later	1,377,757	1,312,103	-	-	-	-	-
- five years later	1,255,371	-	-	-	-	-	-
Estimate of cumulative claims	1,255,371	1,312,103	1,617,088	1,661,193	1,705,324	1,530,102	9,081,181
Cumulative payments	(1,038,917)	(1,217,561)	(1,344,165)	(1,202,534)	(1,030,997)	(457,990)	(6,292,164)
Net outstanding liabilities	<u>216,454</u>	<u>94,542</u>	<u>272,923</u>	<u>458,659</u>	<u>674,325</u>	<u>1,072,112</u>	<u>2,789,017</u>

40. 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 subsidiary also operates a policy to manage its reinsurance counterparty exposures and assesses the credit worthiness of all reinsurers by reviewing public rating information and conducting internal reviews.

The main concentration of 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 risk to the subsidiary because the occurrence of a single event could have a significantly adverse effect on its cash flows.

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

- 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 39(a)].
- Secondly, the risk is managed through the use of reinsurance [note 39(b)]. The subsidiary arranges proportional reinsurance at the risk level and purchases excess of loss cover for non-motor business. The subsidiary assesses the costs and benefits associated with the reinsurance programme on a regular basis.



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THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2011**

41. Business acquisition

- (i) During the previous year, the Group accounted for an additional 0.3% interest in NEM Insurance Company (Jamaica) Limited which was not previously consolidated, increasing its ownership from 99.2% to 99.5%. The carrying amount of NEM's net assets in the consolidated financial statements on the date of acquisition was \$2,776,476,000. The Group recognised a decrease in minority interests of \$15,720,000 and gain of \$14,313,000.
- (ii) During the year, the Group acquired the assets and undertakings of the "Quik Cash" business for cash under the Asset Sale and Purchase Agreement effected September 30, 2010. The estimated fair values of the net assets acquired were as follows:

	\$'000
Identifiable assets acquired:	
Identifiable intangible assets	174,139
Property, plant and equipment	<u>172,943</u>
	347,082
Goodwill on acquisition	<u>589,150</u>
Purchase consideration	<u>936,232</u>

A subsidiary, JN Money Services (Cayman) Limited was formed to operate the Group's remittance business in the Cayman Islands. The subsidiary did not commence operations before the reporting date.

- (iii) During the year, NEM Insurance Company Limited acquired all the shares in Jamaica Automobile Association (Services) Limited from a fellow subsidiary, Management Control Systems Limited.

42. Subsequent event

The exchange rate of the Jamaica dollar is determined daily. At June 29, 2011, the Bank of Jamaica weighted average exchange rate of the Jamaica dollar was US\$1.00 to J\$85.65, £1.00 to J\$136.21 and Cdn\$1.00 to J\$86.21 compared to US\$1.00 to J\$85.21, UK£1.00 to J\$125.23 and Cdn\$1.00 to J\$81.60 at March 31, 2010.

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