



*Membership matters!*

Directors' Report and Financial Statements 2010



*Membership Matters!*





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# Mission Statement

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





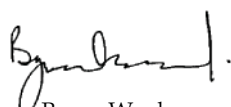
## Notice of Annual General Meeting

Notice is hereby given that the 136th Annual General Meeting of Shareholders of the Jamaica National Building Society will be held at the Jamaica Pegasus Hotel, located at 81 Knutsford Boulevard, Kingston 5, in the parish of Saint Andrew at 4 o'clock in the afternoon of Wednesday September 22, 2010.

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, 2010
  - ii) The Statement of Accounts for the year ended March 31, 2010
  - iii) The Auditors' Report for the year ended March 31, 2010
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  
24 August 2010

  
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.

### 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.**





## 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 Clarke**  
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



*(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*









## 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 135 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.





## Reflections on 135th Annual General Meeting

**The historic 135th Annual General Meeting of the Jamaica National Building Society**, held exactly one year ago, on September 22, at the Jamaica Pegasus Hotel, made history in several other ways.

The AGM had its largest turnout of more than 800 members in Kingston; and was streamed live via the internet to approximately 700 members at six locations across the island—the Ocho Rios and Spanish Town Branches, the Golf View Hotel in Mandeville and Morant Villa in Morant Bay; as well as to two overseas Representative Offices in Florida, USA, and Toronto, Canada.

Mr. Earl Jarrett, General Manager of the Society, in his formal address to the meeting, said, ***“We have truly embodied the mantra of the Society—Our Members are Everything.”***

Dudley Lewis, a resident of Grove Garden, Westmoreland, and member of Jamaica National for more than five decades, was one of 110 members who observed the Meeting at the JNBS Savanna-la-Mar Branch via live internet stream.



Canute Simpson (left), Manager of the Savanna-la-Mar Branch, prepares to cut the JNBS 135th anniversary cake with Vioris Walker and Dudley Lewis, members of the Society, on September 22.

***“I have never had the opportunity to attend the Annual General Meeting held at the JNBS Chief Office in Half-Way-Tree over the years,” Mr. Lewis said. “I really enjoyed the ‘streaming’ and am pleased to see the progress of the Society and hear about the many achievements.”***

The first Directors’ Meeting of the Westmoreland Building Society was held on August 13, 1874.

Member Ombudsman at JNBS, Michele Pollard Gonzalez, said that, ***“the initiative to provide live streaming of the AGM was to ensure that more members had the opportunity to experience the proceedings and raise questions.”*** The video stream was also available through the JNBS website at [www.jnbs.com](http://www.jnbs.com).





## Reflections on 135th Annual General Meeting



Mandeville



Canada



Florida



Savanna-la-Mar



Ocho Rios



## Reflections on 135th Annual General Meeting

Although members in remote locations could not participate directly during the AGM, they were able to send their questions and concerns in 'real time' to the main meeting in Kingston via the social network, Twitter. The questions were projected on a large screen at the Jamaica Pegasus, and were answered along with those submitted by the members at the hotel.

Information Technology was also used in the online pre-registration and registration of members attending the meeting at the Pegasus; and the use of multi-media PowerPoint Presentations, throughout the programme.

*"Thank you for bringing the Annual General Meeting 'live' to our members here in South Florida,"* Janice McIntosh, Sales & Customer Service Manager at the JNBS Florida Representative Office, said via email after the event. *"The initiative was great. It not only allowed our members to have a sense of inclusion, but our staff as well."*

The meeting concluded with the cutting of a 135th anniversary cake by Mrs. Linette Cresser, former Chief Internal Auditor, who started working with the Society at its Brown's Town Office in 1948; and JNBS member Mr. Steve Battick, the son of a member, whose family received their first mortgage in 1978.

### Comments on Twitter

"I appreciate JNBS for the way it treats its members. It was really an honour to have invited me to this meeting."

Savanna-la-Mar, Westmoreland

"The Florida Representative Office gave Mr. Jarrett a rounding applause. Good report and succinct!"

Florida, USA

"Congrats on your 135th anniversary. You have done well. Hospitality is exceptional especially at the St. Ann's Bay Branch."

Ocho Rios, St Ann

"I must commend JN on the live telecasting of AGM 2009, we feel happy to be a part of this meeting"

Morant Bay, St. Thomas

Twitter.com/jamaicanational  
Facebook.com/jamaicanational





*Toronto, Canada*

“Will the streaming of  
the AGM be made an  
annual event?”

*We will definitely continue to stream the AGM. Feedback  
from members locally and overseas was very positive.*



## Board of Directors

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

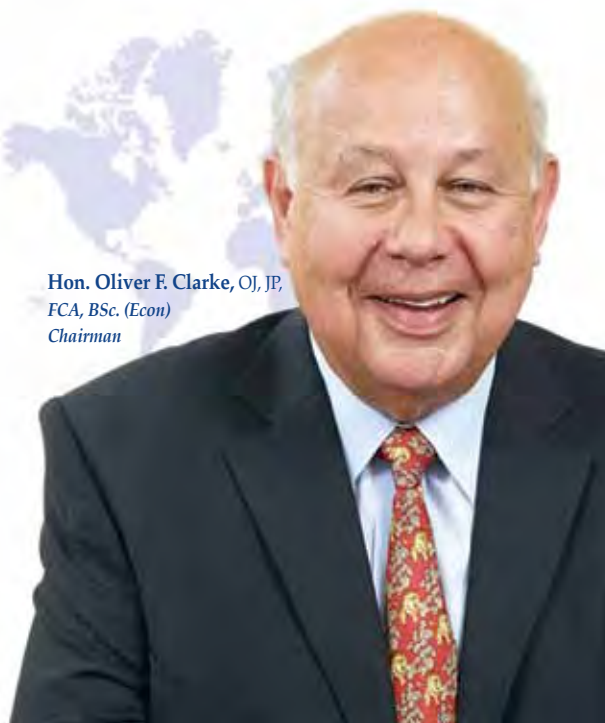
Mr. Clarke is the Chairman of NEM Insurance Company (Ja.) Ltd. and JN Money Services Limited, the parent company of Jamaica National Overseas companies in the United States of America, Canada and the United Kingdom. And, he is a Director of JN Finance Limited; as well as a member of the JNBS Investment Committee.

Mr. Clarke, a Chartered Accountant, is Chairman and Managing Director of The Gleaner Company Ltd. and Past President of The Private Sector Organisation of Jamaica. He is President of the Commonwealth Press Union and former President of the Inter-American Press Association.

He is a Board Member of several organisations and also served as Chairman of National Commercial Bank (Jamaica) Limited. In 1990, he received the Americas Award from the Americas Foundation,

and in 1996 the PSOJ inducted him into its Hall of Fame. In 2004 he was recognised as a Caribbean Luminary by the American Foundation for The University of the West Indies. The American Friends of Jamaica awarded Mr. Clarke its International Humanitarian Award in April 2006.

In November 2009 he was conferred with a Doctor of Laws degree from The University of the West Indies and the University of Technology, Jamaica.



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





## Board of Directors

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

A graduate of the University of London and the University of California, Berkeley, Dr. Tanna is an Economist. He is a former Director and Chairman of a number of Jamaican and West Indian companies. His career spans assignments in Uganda, the USA, Puerto Rico and several

organisations in Jamaica, and other CARICOM states. Some of these entities include Neal & Massy Holdings Ltd., The University of the West Indies, Jamaica National Investment Co. Ltd. (JNIC) and Capital Development Fund. He is the Managing Director of Lumber Depot, a publicly traded company that retails hardware products and manufacturers soap for the Jamaican and export markets of the Caribbean, UK and USA .



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



## Board of Directors

**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 Chairman of the JNBS Foundation. He is the Chairman of the Jamaica Automobile Association (Services) Ltd. (JAA), JN Overseas (US) Inc., JN Overseas (UK) Limited, and JN Overseas (Canada) Limited.

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 Chairman/President of the Executive Board of the Caribbean Association of Housing Finance Institutions (CASHFI). He is also the Chairman of the Jamaica Cancer Society and a Trustee of the Dudley Grant Memorial Trust and the YWCA Trust. He is a Director of the Gleaner Company's UK and North American Boards. A former Council Member of the Institute of Chartered Accountants of Jamaica and past President of the Rotary Club of New Kingston, he also served as a member of the National Task Force on Political Tribalism.

Mr. Jarrett is a Member of the National Council of Jamaica, Order of St John; and The University of the West Indies Mona Campus Council.

In October 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 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. And 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.



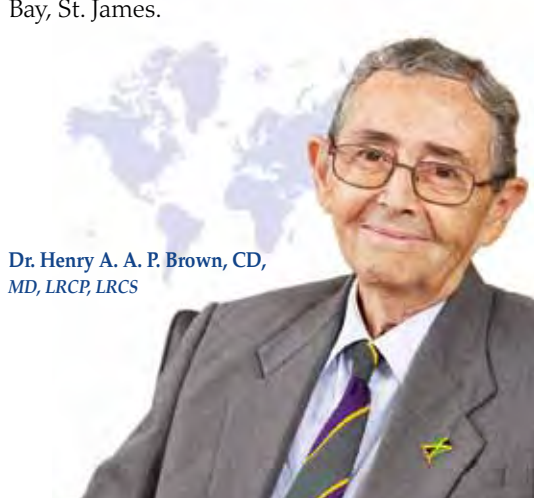
**Earl Jarrett, CD,**  
*JP, FCA, MSc. (Accounting)*  
*General Manager*





## Board of Directors

**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.



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

**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 is also a member of the Boards of Directors of the Jamaica Bauxite Institute, St Ann Jamaica Bauxite Partners Ltd., the Water Resources Authority, the National Resources Conservation Authority, and the Caribbean Cement Company Ltd. He serves on the Board of the King's House Foundation, and on the Campus Council and the Finance and General Purposes Committee of the Mona Campus of The University of the West Indies.

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

A geologist and mineral engineer, Mr. Lyew-Ayee is the Executive Director of the Jamaica Bauxite Institute.



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





## Board of Directors

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

Mr. Mahfood joined the Wisynco Group, a distribution and manufacturing company, in 1988 and has been Managing Director since 1994. He is very active in outreach programmes in Spanish Town and its environs. He is a Director of Food for the Poor Jamaica Limited and an ardent supporter of the Shaggy Make A Difference Foundation, which assists in buying and maintaining equipment for the Bustamante Hospital for Children.



**Mrs. Jennifer Alayne Martin**, an Attorney-at-Law, has been a Director of the Board since the merger of the Jamaica Savings & Loan Building Society and the JNBS in 2001.

She served as Director of the Jamaica Savings & Loan Building Society from 1996 to 2001. Mrs. Martin is also a Trustee of the 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.





## Board of Directors

### **The Hon. 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 organisations including—the Jamaica Basic Schools' Foundation (United Kingdom) Limited. She is a member of the Board of Governors of the St Andrew High School for Girls, the Chancellor's appointee to the Council of the University of Technology, Chairperson of the Access to Information Tribunal and an independent member of the Electoral Commission of Jamaica, formerly the Electoral Advisory Committee.

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

**Hon. Dorothy Pine-McLarty, OJ  
LLB**



**Mr. Peter Morris** was appointed to the JNBS Board in January 1993. He is a Director of JN Fund Managers Ltd., NEM Insurance Company (Jamaica) Ltd. and JN Finance Ltd., and a member of the JNBS Investment Committee. Mr. Morris has a Bachelor's Degree in Economics from The University of the West Indies and a MBA in Finance from the Columbia University Graduate School of Business. He has extensive management and Board experience, including seven years as Chief Operating Officer of Jamaica Producers Group Limited.

**Peter Morris**  
*BSc. (Hons.), MBA*



## Board of Directors

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

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



**Mr. Leon Hamilton** joined the Spanish Town Branch of the JNBS in 1995 and has ascended the ranks of the Society, assuming roles of Mortgage Services Supervisor, Assistant Mortgage Manager and currently the Senior Process Analyst in the Loan Processing Centre. During his tenure, he has assisted in the Internal Processing Centre of the Society and the UK Representative Office in London.

Mr. Hamilton holds a Bachelor's Degree in Accounting from the University of Technology; and an MBA in Banking & Finance from the Mona School of Business, UWI Mona.





## Board of Directors

**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 and financial and educational institutions. He has also served on public committees to examine money laundering, company law reform, and insolvency legislation in Jamaica.

A Chartered Accountant, Mr. Gordon is the Deputy Chairman of Caymanas Track Limited; a member of the Air Jamaica Audit and Finance Committee, EDP Auditors Association Inc., and 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)*

**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**







*Ocho Rios, St Ann*

“ When will JN be  
fully automated -  
eliminating paperwork  
and speed up  
transactions ”

*We are in the process of instituting systems which will eliminate paper transaction slips, and we have implemented document management systems in our back office and Loan Processing Centre, which will eventually have a positive impact on efficiency.*



## Corporate Governance Statement

The JNBS Board is committed to upholding high standards of governance in all areas of the Society and the Group. Through a well-established governance framework, the Board provides leadership and monitors the business affairs of the 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 who grant licences for the Society to operate Representative Offices in the United Kingdom, United States of America and Canada. All of these external bodies have established regulations and timelines for compliance, and these requirements are adhered to by the Society and all entities within the Group.

### The Board

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

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

### 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.





*Ocho Rios, St Ann*

“ Will the recession  
affect JN negatively,  
say over 2-3 years?  
What guarantee do we  
have that JN  
will grow ”

*We cannot give any definitive guarantees. However, an analysis of our financial statements over the past few years will reveal that the Society has achieved steady growth. We have done well this year and, as we improve efficiencies and promote sales within the organisation, we expect to do even better in the future.*



## Chairman's Report



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

The Jamaica National Building Society (JNBS) and its subsidiaries continued to aspire to provide the best possible service to members and clients, guided by sound fiscal principles; and in compliance with sound business practices.

The Board of the Society and its five main sub-committees, Finance & Investment, Audit, Compensation, Loans and Proxy, were effective in their guidance of the investment portfolio, the maintenance of international best practices, remuneration and benefits and loan applications. As a result, the Society achieved significant results in the year ending March 31, 2010.

### **Financial Performance to March 2010**

The JN Group, including the building society and its subsidiaries, recorded a \$1.2 Billion after tax surplus for the year ended March 31, 2010, representing a

six percent increase or approximately \$69 Million over the previous year. This growth resulted from the \$381 Million increase in our operating surplus which grew by 30 percent to \$1.6 Billion. This was achieved against the background of one of the most challenging periods in the 136 year history of the Society.

Growth was realised in several of its key indicators, as new initiatives were launched to drive business and help members and customers to weather the global economic crisis, which impacted the Jamaican economy.

### **JNBS and Its Subsidiaries**

In response to the need to improve the pace of service in its banking halls, the Society implemented a new Teller Application, which linked core banking services, and allowed Tellers to expedite multiple transactions; and this resulted in a faster rate of service.

The strength and stability of the subsidiaries within the Group enabled them to achieve efficiencies in spite of the current economic crisis. Therefore, despite the decline in remittances to the Caribbean Region, JN Money Services Limited (JNMS), which trades as JN International Money Transfer, maintained a high profile in the marketplace, working closely with Jamaicans in the Diaspora to promote its new "I love Jamaica, I love JN" campaign.

The National Building Society of Cayman (NBSC) is poised to become a more recognised and integrated home loan and savings provider in the Cayman Islands. And, JN Small Business Loans Limited, highly regarded as a major microfinance entity in

*"...the  
management  
of the  
building  
society was  
resilient..."*





## Chairman's Report

this geographic region, is currently undergoing a strategic review to continue to create an enabling environment in which micro and small business operators can access affordable credit, grow their businesses and improve their quality of life.

The management of pension portfolios by JN Fund Managers Limited expanded during the year under review; while NEM Insurance Company Limited upgraded its operations and was successful in its regulatory Minimum Assets Test, with a score of 143 percent, confirming its ability to respond to client demands in the aftermath of a natural disaster.

Management Control Systems Limited (MCS), an information technology solutions provider, maintained strong viability and remains committed to new product development; while its subsidiaries, Manufacturers Credit & Information Services Limited (MCIS), which provides automotive fleet management, continued to increase its regional presence; and the Jamaica Automobile Association (JAA), the country's premier auto club, enhanced its IT operating framework and launched an aggressive membership drive, moving to online registration of new members.

### Membership Matters

Last year, Jamaica National celebrated its 135th anniversary; and the local and overseas response of our membership at the Annual General Meeting was a clear indication of their appreciation for the financial stability of the organisation; as well as, the ability of our management team to positively guide their economic and social aspirations.

The meeting, held in Kingston at the Jamaica Pegasus Hotel on September 22, was video streamed to a wide cross section of our membership in six parishes, locally; and two locations in the United States of America and Canada.

### Local and Overseas Communities

Mindful of its corporate social responsibility, the JN Group continued to play a vibrant role in the social and economic development of the people who reside in the communities in which it operates. The Centres of Excellence programme, under the Mutual Building Societies Foundation – a partnership with The Victoria Mutual Building Society and the Ministry of Education — is one such project. And, as a result of management training, the performance of students in the six participating high schools —

Mile Gully, Manchester; McGrath, St Catherine; Godfrey Stewart, Westmoreland; Porus, Manchester; Green Pond, St James; and Seaforth, St Thomas have improved.

The JNBS Foundation increased its resource centres, The Source, which now operate from four rural and inner city communities — August Town, Marverly, Treasure Beach and Ocho Rios. During the year under review, ground was broken for a fifth centre in Savanna-la-Mar. More students are accessing the facilities of the homework centre; and participating in the Resolution Project, a photography and advocacy programme. Adults also take advantage of computer services and meeting spaces.

*“...our members were able to access timely information and learn more about new products and services...”*

In addition, the Foundation established “Jamaica Partnership for Education,” in concert with the United States Agency for International Development (USAID) and JN Money Services Limited, a remittance company, “to channel much needed financial help to primary schools in Jamaica.”

Our public forums overseas took on greater significance, as we mounted Caribbean Question Time in the United Kingdom, which gave West Indians in the Diaspora a platform on which they could discuss issues that affect their communities, prior to the recent UK general election. We also held two Outlook for the Future sessions in the UK; and





## Chairman's Report

a meeting in Florida, USA, focusing on the Jamaica Debt Exchange and its impact on the financial sector in Jamaica.

### Regulatory Compliance

Our Compliance function continues to be guided by the philosophy of ensuring that JNBS and its subsidiaries comply with applicable laws, regulations, codes of conduct and best practice standards. We continue to maintain a good relationship with our regulators and other key stakeholders, which ensured that, during the year, we achieved compliance with all laws and regulatory requirements. We also continue to actively implement the recommendations of independent reviews in order to further strengthen our corporate compliance processes.

### Retiring Directors

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

1. The Hon. Oliver F. Clarke, OJ, JP, who has served on the Board for 33 years.
2. The Hon. Dorothy Pine-McLarty, OJ, who has been on the Board for 12 years.
3. Mr. Parris Lyew-Ayee, CD, who has been a member of the Board since 2007.
4. Mr. Raphael Gordon, who having been appointed in November 2009, subsequent to our last Annual General Meeting, comes up for re-election.

The Chairman and 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.

### Commendations to Employees

The management and staff of the Society are to be commended for the loyal and professional services, which they contribute in the operation of our organisation; and we applaud them for their commitment to reducing costs, and increasing the quality of our customer care. As a result of their technical, financial and social expertise, they have significantly improved the delivery of our products and services; and, on behalf of the Board and our members, we thank them for their dedication to the Society.

### Growth in a Changing Environment

While the current economic indicators point to another challenging year ahead, we at Jamaica National are confident that the Society can achieve growth, even in this changing environment. Therefore, attention to detail and use of new technologies to reduce cost are indicative of a commitment to, "finding innovative solutions" to the financial challenges.

Against that background, the management and staff of the JN Group will continue to be leaders in the marketplace, and position the Society and its subsidiaries for further growth, to meet the aspirations of members and clients.

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

*"...we at Jamaica National are confident that we can achieve growth even in this changing environment."*





*Morant Bay, St Thomas*

“ Why can't we get  
funds to borrow  
at the same rate as  
being paid on our  
investment ”  
?

*As a financial institution we generate profits partially from the spread between what we earn from investments and the rates at which we lend. It is, therefore, impossible for us to borrow and lend at the same rate and remain viable.*



## General Manager's Report



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

### The Development Agenda

Success can only be achieved in difficult times with a clear, optimistic vision, strategies tested over time, and a strong team working to achieve superior performance. This encapsulates the approach taken by the Jamaica National Building Society and its subsidiaries during the financial year 2009/2010 as the global economic downturn became more evident. And, I am pleased to report that in the 136th year of operation, the Society achieved growth in spite of the national and global factors which impacted financial markets.

This was also due largely to the embodiment of the mantra – Membership matters – which speaks to our commitment to members and the tenets of mutuality, which has guided our operations.

This report provides a context to review the achievements and mandate of carrying out the Society's principal responsibilities, which include: to provide financial services and housing finance solutions to the majority; to act as a catalyst for change in the outcomes of Jamaicans and Jamaica; and to facilitate the country striving towards achieving its developmental goals as indicated in the economic blueprint, **Vision 2030 Jamaica**.

A key driving factor in this approach was the pursuit of a development agenda – at a personal level for members and customers; at the national level for the growth of the country; and at the global level for the expansion and outreach of the organisation.

The Society's focus was to devise strategies and to explore creative avenues to ensure continued viability and to assist our membership to weather the difficult times. We maintained a positive outlook and recognised that opportunities can be unearthed in times of adversity.

*"A key driving factor... was the pursuit of a development agenda..."*





## General Manager's Report

This was manifested through our continued activities in facilitating savings and home loans, small business lending, general insurance, remittances, premium financing, motor vehicle fleet management and assistance, and technological solutions among others.

### Response to Membership

Several innovative strategies were implemented in keeping with the Society's development agenda to assist our membership in light of the global financial challenges. The impact and results were both heartening and rewarding.

Quite early in the year under review, we embarked on a financial literacy programme to encourage saving and thrift. It identified ways to take advantage of discounts and savings such as using JN Automated Teller Machines where there is no charge to deposit and withdraw funds; payment of utility and other bills at JN Money Shop Xpress locations at no cost; and access to discounts that are applicable when payment is made using a JN Teller 24/7 or JAA card.

Meetings to assist persons to understand the current economic crisis and how to make sound financial plans were held in Mandeville, Montego Bay, Ocho Rios and Kingston; while town meetings were conducted in communities affected by significant job losses due to the closure of large industrial companies. These included Ewarton, St Catherine and Nain, St Elizabeth, where the

impact of the closure of bauxite plants on the communities was discussed and creative avenues identified to assist the residents during the crisis.

Special focus was given to the small and micro enterprises sector, and seminars were held with expressed areas of interest from attendees about how to start or maintain profitable businesses.

One aspect of the development agenda was to assist members with limited savings, honour their main financial commitments. As such, we provided members with various loan payment alternative options so that their lifestyles would not be severely impacted.

The objective was to keep persons in their homes and to minimise the sale and auction of properties. The options that were made available included moratorium on mortgage loans, and the removal of upkeep savings as a compulsory

part of mortgage payments, from which some 6,100 mortgagors benefited to the value of \$411 Million. We also encouraged mortgagors to apply their upkeep savings to their loans, and 2806 persons did so to the value of \$149.12 Million. In addition, we extended interest rate rebates valued at some \$5.6 Million to 400 persons who made timely mortgage payments; and, we renegotiated existing mortgage terms for approximately 314 persons.

*"...Jamaica National embraced the changing environment..."*





## General Manager's Report

At the same time persons were encouraged to achieve their goals of acquiring housing solutions. As such, mortgage origination for the fiscal year was \$6.24 Billion, moving from \$7.88 Billion in the previous year. The Society disbursed \$6.54 Billion in loans, down from \$7.84 Billion, and the arrears ratio was 5.2 percent.

These initiatives were welcomed by members as our customer service rating remained consistently high, as the Johnson Survey indicated an overall customer satisfaction ratio of 98 percent.

### Organisational Performance

While the impact of the global financial recession was very clear, some countries showed sign of emerging from the crisis. Jamaica, on the other hand, began to experience the full impact with the tightening of economic fiscal policies and the government's efforts to access funding to maintain the economy.

The Society's approach to business, resilience and performance, was endorsed by members, and they expressed this by their show of confidence about our future.

This resulted in some financial growth for the Society. New savings and investment accounts were opened during the year, and this translated into Net Savings Intake of \$4.66 Billion.

Our innovative product design and delivery strategy resulted in the introduction of new short term instrument products such as the Pioneer Club, Pioneer Club 2 and JN Vacation Account, which resulted in approximately 1,100 new accounts valued at more than \$683 Million.

Jamaica National's overall profit was \$642 Million higher than the previous year. However, there was a decrease in total lending, which amounted to \$6.5 Billion - 17 percent below the \$7.84 Billion reported last year.

*"...our customer service rating remained consistently high..."*

The Society's investment unit performed well during the year in spite of the introduction of the Government of Jamaica's Debt Exchange (JDX) programme to reduce the interest payable on \$700 Billion of the \$1,003 Billion government liability. The JDX impacted our investment portfolio of gross income of \$1.2 Billion.

This also resulted in a review of our operations and the introduction of new cost reduction initiatives to minimise the cost of financial transactions. In spite of this, Jamaica National remained committed to providing its members with value for membership such as free ATM transactions and bill payment services at no cost. During the year, 6.3 million in-branch transactions, 6.2 million bill payments, and 4.75 million ATM transactions were processed.



## General Manager's Report

However, the Society had to introduce the payment of fees for the use of non-JN ATMs to reduce the cost of providing this service. In the past, Jamaica National absorbed the fees incurred through the use of non-JN ATMS. The fees paid over a three-year period are as follows:

JET COSTS 2007 -2010	
Year	Amount
2009-2010	\$38,257,888.29
2008-2009	\$34,079,569.84
2007-2008	\$29,721,596.88

Another aspect of the development agenda was to give members greater access to our services. New **JN Money Shops** were opened at the Half-Way-Tree Transport Centre and in Highgate, St Mary, which brings to 32 the number of JN locations island wide. We also made significant strides in improving our overall efficiency with the implementation of electronic document management process at our Internal Processing Centre, and the continued roll out of the Service Oriented Architecture (SOA) to facilitate speedier teller transactions and other activities.

## Subsidiary Highlights

Central to the success of Jamaica National is the strong performance of its subsidiaries, which are engaged in businesses that provide complementary products and services to the core business of mortgage and savings offered by the Society.

*"...Jamaica National remains committed to providing its members with value for membership..."*





## General Manager's Report

The achievements of the subsidiaries were reflected in the activities of the Society, and the following is a scorecard on each organisation during the year.



**Keith Senior**  
General Manager

### **Fund Managers Ltd.**

The wealth management services offered by the JN Group are delivered largely through **JN Fund Managers Limited** (JNFM), a licensed securities dealer, a primary dealer for Bank of Jamaica instruments, and a pension

fund manager. Located in every branch across the JNBS network, the company offers a wide range of investments options, mainly through Government of Jamaica securities and repurchase agreements with other securities firms and broker dealers.

During the period under review, JNFM improved its investment portfolio with its funds under management moving from just over \$17 Billion in the previous year to \$21.3 Billion, representing a 25 percent increase for the period. Despite this, the sale of overseas mutual funds and Jamaican equities declined over previous years as clients reacted to the fallout arising from the global economic crisis.

However, the company continued to build its pension fund management business with the acquisition of two new clients; and, it is anticipated that this area will experience continued growth next year.

JNFM also improved its customer service delivery with the introduction of new online services, which enables clients to review their portfolio and print statements. The response to this new service has been positive and more features will be added to distinguish the firm from its competitors.

The company has been impacted minimally by the Jamaica Debt Exchange programme; and has pledged to honour all commitments to clients in this regard.

### **Finance Ltd.**

#### **JN Finance Limited**

(JNFL) is one of the preferred insurance premium financing entities in Jamaica, and supports the objective that each motor vehicle and home should be insured. Therefore, it is primarily involved in providing insurance



**Arnie Francis**  
General Manager

premium financing loans and other credit facilities. Given the economic climate, and through a very selective process in its choice of customers, the company maintained a fairly low credit risk profile for the year.

JNFL strategically strengthened its relationship with the insurance broker community; which along with direct business from NEM Insurance





## General Manager's Report

Company (JA.) Limited resulted in a 28 percent increase in new business during the year. This assisted in the change in our loan portfolio which closed the financial year March 31st at J\$593.2 Million up from J\$567.2 Million in the preceding year.

The challenges faced by the financial industry also impacted JNFL, where although revenue increased by 4 percent, profit before tax registered a decline of 12.8 percent to close the year at J\$63.6 Million. For the year ended March 31, 2010, JNFL contributed J\$30.8 Million to the consolidated net surplus after tax for the Group.

Through NEM offices, located in several JNBS branches, JNFL also increased public awareness by the promotion of its offerings to a wider market. As a result, the company generated some 12 percent or \$171.6 Million in new business.

For the year 2010/2011, the company is committed to building on the success of the past year and focus on its main objectives which include the provision of highly service, growth of our portfolio and the preservation of value for all our stakeholders as we face the uncertainty of the future.



### JN Money Services Limited

(JNMS) is the remittance subsidiary of the Society, comprising JN Overseas (UK) Limited, JN Overseas (USA) Inc. and JN Overseas (Canada) Limited.

**Leesa Kow**  
General Manager

The company's remittance business was impacted by the global financial crisis, resulting in an eight percent decline in money transfers to Jamaica, moving from 19 percent in 2008/2009 to 11 percent over the past year. However, despite the reduction, the performance was significantly better than industry projection for the year.

Through its flagship brand, JN Money Transfer, JNMS continued on an upward swing, as its market share in Jamaica grew by 13 percent, accounting for some 17 percent of the US\$221 Million remitted to Jamaica.

This better than expected performance was due, in part, to an aggressive sales and marketing initiative centred on its I Love Jamaica campaign, with advertisements that positively influenced the patriotic impulses of Jamaicans in the Diaspora. The media campaign was supported by an intensive community-based campaign which translated into a 30 percent increase in the use of JN services in its overseas markets. The activities also resulted in a





## General Manager's Report

20 percent growth in remittances out of the USA, and a four percent increase in operations in the Cayman Islands.

The company also introduced a telecommunications technology service, JN Video Transfer, that allows remittance senders and receivers to enhance their remittance experience by sending video messages locally and overseas.

JNMS also initiated remittance services to Ghana, and several strategies have been implemented to promote the service in Ghanaian communities in the UK, to increase its use in 2011.

The company also established a strategic partnership with Student Card Jamaica Limited to facilitate guardians and parents living overseas to make payments directly to schools through JN Money Transfer locations in the USA, UK, Canada, and the Cayman Islands.

During the year, JNMS completed year two of operating 15 JN Money Shop Xpress locations across the island. After a steep learning curve, it achieved a breakeven position in the second year of operations. While the locations were not fully utilised to promote JN products, they provided opportunities for more persons to be introduced to or become better acquainted with the JN brand.

Significant efforts were also made to improve the operational efficiency of the organisation, and costs were reduced in the USA and UK where, regrettably, the staff complement was reduced and several operational procedures transferred to Jamaica at a lower cost.



**JN Small Business Loans Limited (JNSBL)**

**Frank Whyllie**  
General Manager

continues to provide financing to the country's micro and small entrepreneurial sector. During its ten years of operation, the company's loan portfolio has expanded from 2,015 loans to more than 187,000 loans valued at some \$7.35 Billion.

During the past year, the company wrote an average of 3,546 loans each month, with women accessing 73 percent and men 27 percent of the loans. It disbursed 39,000 micro, small and medium sized loans valued at \$1.8 Billion.

JNSBL is engaged in initiatives to generate entrepreneurial activities that will, in turn, stimulate employment opportunities. During the last fiscal year, the company partnered with the Government of Jamaica through the Development Bank of Jamaica (DBJ) to disburse \$500 Million in loans as part of the government's economic stimulus package.

The company also collaborated with the DBJ to create and deliver the \$250 Million Young Entrepreneurs Programme (YEP), implemented by the government, to encourage graduates from high and tertiary institutions in 2009 to start their



## General Manager's Report

own businesses. While the first year did not meet expectations, students who took advantage of the opportunity enjoyed some measure of success. The first three YEP recipients from St Thomas - Movet Murphy, Raniel McGregor and Richard Durrant, opened a small grocery shop and two separate chicken farming ventures, respectively.

JNSBL also disbursed some 39 loans, valued at \$87 Million under the Tourism Enhancement Fund (TEF) portfolio.

While the company's revenue grew by 21 percent from \$415 Million to \$503.1 Million, its profit fell to \$12.99 Million, a 14 percent decline from the previous year.

With its 30 locations across the island, JNSBL continues to meet the needs of its customers with innovative and timely products and services, including a new agricultural loan product, Farmers' Choice.

In its drive to reach more of its clients in a timely manner, the company mounted a new website; and issued web-based and printed quarterly newsletters to its clients. In addition, the company continues to map the location of its client base using GPS navigational units.



**Management Systems Limited (MCS)**

**Dianne Smith-Sears**  
General Manager

is one of the island's oldest technology companies with its core business of software development, value-added services and the resale technology from Hewlett Packard (HP), Microsoft and Verifone. More recently, it became a distributor for ACL Services Limited, a Canadian software organisation. MCS now represents ACL in 18 countries across the Caribbean region. It is also a platinum partner of HP, gold partner with Microsoft and has a VIP partnership with Verifone.

During the past year, the company divested its interest in the electronic pin distribution business to the Facey Group of Companies, in order to focus attention on software development and the sale of technologies on behalf of its partners. The transaction, valued at \$480 Million, resulted in some 80 percent of the business being sold, and this is reflected in the accounts of the company.

For the period, MCS recorded sales of \$709.5 Million compared to \$539.3 Million in the previous year; and expenses were \$293.7 Million as against \$262.1 Million. And, the company realised profit of \$58.4 Million at year end.

There was also a change in management with Mrs. Dianne Smith-Sears being appointed General Manager, and Mrs. Shereen Jones promoted to Chief Information Officer at the Building Society.





## General Manager's Report

# MCIS



**Manufacturers Credit & Information Systems Limited (MCIS)** provides motor vehicle fleet management and debit and credit facilities for clients operating motor vehicle fleets. The company's main product is the ADVANCE Card.

As part of its drive to expand and solidify its operations in Trinidad & Tobago, the company introduced a web portal, which improved the technology infrastructure to facilitate faster, more efficient service for its client base.

MCIS continues to command the largest market share in both Jamaica and Trinidad & Tobago, in respect of its services. Its primary activities during the year included the improvement of its operational efficiency with the use of new software, and the refinement of its web portal, giving users greater control over the system.

During the past year, MCIS improved its service in this area as well as the functional capacity of its web portal in Jamaica.

The company's revenue targets were impacted minimally by the current economic climate, which resulted in a reduction in the size of fleets under management. Its financial performance reflected sales of \$87.6 Million compared to \$83.4 Million the previous year, operating expenses of \$85.7 Million and a profit performance of \$26.6 Million.

The **Jamaica Automobile Association (JAA)** provides critical roadside assistance, recovery and other services for its more than 30,000 members as well as road safety education programmes for the public at large. For the period under review, the JAA responded to more than 2,801 calls for roadside assistance services for its members.

During the year, the motor club undertook several initiatives to increase its visibility and improve accessibility to motorists. It expanded membership offerings to include a valet service, where JAA valets can drive vehicles to any destination across the island. JAA certified its team in technical areas such as advance driver training, light-duty towing and recovery, and first aid and CPR training.

JAA's international relations were strengthened with the participation of the Chairman and JNBS Executive with responsibility for the JAA in the first FAA Ministerial Conference on Global Safety in Moscow, Russia.



From left: Emile Spence, JNBS Business and Development Research Executive with oversight of JAA, Mike Hammah, Minister of Transport, Ghana; and Earl Jarrett, General Manager, JNBS, at the inaugural FIA Global Ministerial Conference on Road Safety in Moscow in November.





## General Manager's Report

There was continued involvement in road safety initiatives and road safety promotion. The JAA sponsored Police Mobile Unit visited 60 schools, and some 16,300 students benefitted from road safety education sessions. The motor club was also a partner in the National Road Safety Council's **Below 300** safety project, and championed the seatbelt campaign, **Make It Click! Lives depend on it!**

There was significant increase in the **Show Your Card and Save** discount programme, which provides club members with access to discounts of up to 20 percent on various automobile and personal services.

During the year, more than 60 new stores were added, bringing the number of merchants in the programme to 262.

In a bid to improve customer service levels, the JAA introduced a monthly electronic newsletter and **E-Birthday cards** for members.

A new membership drive was also undertaken to grow the member base, which increased to 31,169, a 62 percent increase over the 19,184 members in the previous year.



**Dunbar McFarlane**  
General Manager

The **National Building Society of Cayman** (NBSC), regulated by the Cayman Islands Monetary Authority, is the premier choice for mortgage loans

in the Cayman Islands. During the year under review the Society's deposit portfolio increased by 27 percent. This growth was the result of a deliberate strategy to increase savings, which moved from CI\$19.75 Million to CI\$21.2 Million. This growth strategy was assisted by the expansion of services offered by NBSC including the introduction of ATM services and the creation of a new savings product. However, the company's overall profit fell to approximately CI\$262,000, which represented a decline of 38 percent over the previous year.

In 2009/2010, the mortgage portfolio at NBSC was significantly impacted by a reduction in interest rates, as the US prime rate resulted in the decline of interest income by some six percent, as against the previous year. This had a direct negative impact on the loan portfolio, despite an increase in numbers by 39 percent. At year end, the mortgage portfolio was valued at CI\$25.8 Million, up from CI\$18.5 Million the previous year. The economic climate as well as the Cayman Islands Immigration 'Roll Over' policy resulted in a decline in the volume of money transfers handled by NBSC for the period.





## General Manager's Report



**Chris Hind**  
General Manager



NEM Insurance Company (Ja.) Limited is one of the largest general insurance companies in Jamaica and provides services for the mortgage portfolio of

Jamaica National Building Society, as well as to JNBS members and the public at large.

The company achieved gross premium income for January to December 2009 of \$3.14 Billion; however, it recorded underwriting loss of \$936 Million compared to that of the previous year, primarily as a result of losses of \$1.47 Billion incurred in motor business due to the high levels of automobile crashes and motor vehicle theft and fire. The situation was untenable and represented a significant risk to our business.

Therefore, in 2010, NEM effected significant changes in its underwriting procedures including the elimination of motor schemes from its book of business, the removal of certain categories of public passenger vehicles and shifting business from brokers whose business profile differed from our strategic focus.

NEM also pursued a conservative risk management strategy which included purchasing adequate reinsurance for natural disasters in particular, such as earthquakes and hurricanes.

And, while the insurance market remains challenging, it has been able to adequately secure reinsurance for its portfolio to minimise the risk on its capital.

During the year past, the company focused on ensuring that it delivered the best insurance coverage in the industry. To achieve this, NEM adopted a strategy to leverage JN locations to deliver insurance services, which resulted in 14 percent of its insurance portfolio being processed through JN branches; 59 percent via brokers; and 27 percent directly through NEM offices.

The company also enhanced its physical location with the renovation of its main office at King Street, Kingston; improved the document management process and turnaround time procedures for better Broker experience; introduced electronic document management in the underwriting process; trained employees to deliver compelling customer service experience through the **NEM Service Style** programme; established a premier Broker club; and integrated JAA roadside response into its motor claim process.

The outcome of these initiatives was reflected in the performance of the company with surveys conducted by Johnson Survey indicating a significant improvement of 70 percent in Broker and staff satisfaction at NEM.



## General Manager's Report



**Donna Carroll**  
General Manager



**The Creative Unit** is the artistic and creative arm of

the organisation that is mandated to maintain the visual image of the JN Group. Its mission is to deliver the highest quality creative services of the JNBS through a full range of services, heightening and maintaining the high visibility and impact of the JN Group.

The Unit is responsible for the creative output for the Group by designing and implementing most of its advertising campaigns, and is responsible for the JN Group being among the top brands from the Caribbean to the world. Major accomplishments during the year included the successful planning and execution of the **JN House** at Denbigh, preparation of the JNBS annual report, all collateral print and electronic advertising material for the JN Group including the JNBS Membership Matters! campaign, and the JAA road safety Make it Click. Lives depend on it! seatbelt campaign.

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

### Outreach/Independent Acclaim

During the year, Jamaica National, along with its subsidiaries, continued to foster its development agenda locally, regionally and internationally through a series of programmes and initiatives for which it was commended and recognised for its service culture and performance as well as for its contribution to community and national development.

In April 2009, Jamaica National was invited to the **Civil Society Forum of the Fifth Summit of the Americas**, at which more than 30 countries were represented, to make a presentation on the micro, small and medium enterprise sector, and the importance of investing and promoting entrepreneurship in rural and underserved communities.

In July, the **National Association of Real Estate Brokers** invited JN's participation in its 62nd annual convention, to discuss the crisis in the real estate sector, and the need for full participation and active collaboration of stakeholders, at all levels, in arriving at workable solutions to the challenges.

In October, Jamaica National led the private sector dialogue at the **5th Hemispheric Ministerial and 15th Regular Inter-American Board of Agriculture Meetings** on the importance of food security, and agricultural growth and sustainability in the region, as well as presented the **Private Sector Declaration of the Americas**, which outlined the region's private sector commitment to the key sectors of agriculture and agri-business as critical pillars for national and regional development.





## General Manager's Report

In November, the Society participated in another of the annual lecture series, **Dialogue for Development**, hosted by the **Planning Institute of Jamaica** to generate public/private sector conversations around critical issues of national, regional and global importance, including the developmental needs of the country.

In that same month, the Society was invited to participate in the **6th annual staging of the National Customer Service Conference** and to present on the topic: **Establishing a Place of Choice: The Jamaica National Way**, looking specifically at customer service excellence from the organisation's perspective.

In February 2010, **MoneyGram International** recognised Jamaica National, and by extension **JN Money Services Limited**, as one of its outstanding Agents for 2008/2009. The remittance company also commended Jamaica National on being its longest serving agent in Jamaica, having been an agent of MoneyGram since 1991.

And in March of that year, the Society and **JN Money Services Limited** collaborated with **MoneyGram International** to host a forum on the lottery scam in Jamaica, to discuss its impact on remittances and to identify meaningful solutions to address this concern.

Internationally, the Society also pursued its development agenda by engaging the Jamaican Diaspora community in various discussion forums across several countries.

In May and June 2009, the Society continued its series of annual meetings, **Outlook for the Future**, which were held under the theme **"Economic Imperatives for Jamaica 2009."**

Meetings were held in the United Kingdom, Florida and New York.

In September, the Society hosted a forum in the United Kingdom entitled **Diaspora Dialogue Think Tank** to engage the Jamaican Diaspora community in discussion on enhancing the political and economic welfare of the Jamaican UK Diaspora, and in arriving at workable conclusions to challenges within the community.

*"enhancing  
the political  
and economic  
welfare of the  
Jamaican UK  
Diaspora..."*

The Society has also been recognised by the **Small Business Association of Jamaica** for its outstanding contribution and corporate support during 2009.

### Our People

As I have indicated in times past, the Society's success is due largely to the efforts of its workforce. The past financial year presented a challenging context in our more than 1500 staff members operated, but they rose to the





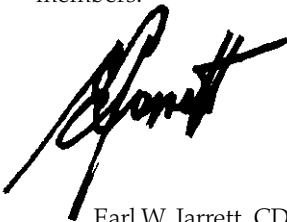
## General Manager's Report

challenge, resulting in the continued growth and positive performance of the Society. The staff also expressed their commitment to the work of the Society, with a staff satisfaction ratio of 64 percent.

On behalf of the management team, I thank all employees for their individual and collective effort, demonstrated by their response to difficulties faced during the past year.

### Outlook

It is clear that the challenging market conditions will continue; however, Jamaica National is a strong financial organisation, and it will continue to maximise value for its members and remain committed to mutuality. The Society will provide the highest level of service, consistent good value, fair treatment, be open and honest in its operations, and offer strength and security to its members.



Earl W. Jarrett, CD, JP  
General Manager





*Spanish Town, St Catherine*

“ Will we be seeing  
the phasing out  
of passbooks for  
withdrawals any  
time soon ”

*We are presently working on a 'swipe' system,  
which will eventually eliminate the need for passbooks.*

# 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



Thelma Yong (second left), Credit and Risk Assessment Manager at JNSBL and Corinne Barnes (left), Senior Lecturer, CARIMAC congratulate Gillion Vickers, Kadeon Austin-Smith, and Christopher Thomas, final-year CARIMAC Business and Entrepreneurship students, for emerging winners of the Business Plan Competition in May.



Former West Indies cricketer, Michael Holding (left), addresses participants in the JN Primary and All-Age Schools Cricket Competition during the Michael Holding Masters Cricket Tournament at the Ultimate Oval in St. Ann in October. Four of the young cricketers who demonstrated excellent batting and bowling skills were awarded scholarships as well as cricket gear.



Earl Jarrett, General Manager, JNBS, addresses the 'Outlook for the Future' Economic Forum in New York in June. The Forum was hosted by JNBS under the theme 'The Economic Imperatives for Jamaica 2009', and was part of a series also conducted in the United Kingdom, Canada and Florida.



Saffrey Brown, General Manager, JNBS Foundation, views the resolution made by Hon. Mike Henry, Minister of Transport and Works, to support 'Make it Click', a seatbelt awareness campaign sponsored by the JAA, the JNBS Foundation, FIA Foundation and the CHASE Fund.



Andrea Mignott (right), of the Haemodialysis Unit of the University Hospital of the West Indies accepts the nurse of the Year award from Judy Benjamin (left), Sales Manager, JNBS, during Nurses' Week in July. Sharing the occasion is Claudett James, Acting Senior Director of Nursing.



Thirty-six secondary and tertiary students were formally presented with scholarships, bursaries, and book grants by JNBS at a reception held at its Half-Way-Tree Branch in September 2009.



From left: Raniel McGregor, Movet Murphy, and Richard Durrant display envelopes containing cheques to start their businesses through funding received from JNSBL in September 2009. They were among the first 2009 school graduates to receive loan funding under the Young Entrepreneurs Programme.



Nineteen-year-old Richard Durrant carefully inspects a broiler from his chicken coop based at his home in Moffat District, St. Thomas. Richard received funds to start the business from JNSBL under the Young Entrepreneurs Programme.







Mike Whitby, City Council of Birmingham Leader (left), in discussion with Llewelyn Bailey (centre), Assistant General Manager, JNBS; and David Shields, Deputy Director of Marketing, Jamaica Tourist Board about the development of business prospects between the British city and Jamaica. The Council Leader headed a delegation on a four-day trip to develop educational, tourism and investment links with the country.



His Worship Councillor Richard Creary, Mayor of Port Maria, and Michele Pollard Gonzalez, Customer Service and Quality Assurance Senior Manager, JNBS, cut the ribbon signifying the official opening of the JN Money Shop in Highgate, St. Mary in November. The Highgate Money Shop is the eighth JN Money Shop across the island.



Hopeton Thomas (right), Assistant Security Manager, JNBS, gives an earthquake awareness talk to employees (from left) Samantha Campbell, Omar Simmonds and Alicia Pinnock at the Society's Chief Office on January 14. A display on Earthquake Preparedness was mounted in recognition of Earthquake Awareness Week.



Athelstan Bellamy, President of The UWI Alumni Association (Jamaica Chapter), presents Earl Jarrett, General Manager, JNBS, with a citation for being the recipient of the UWI 2010 Pelican Award in February. The award is given to outstanding graduates of the University.



From right: Hon. R. 'Danny' Williams, CEO, Sagicor Life Jamaica Ltd., Lowell Hawthorne, President and CEO, Golden Krust Brand; Dr. Lesly Kernisant, President and Chairman, Preferred Health Partners; and Earl Jarrett, General Manager, JNBS; are presented with Caribbean Luminary Awards at the American Friends of the UWI Gala in New York in January 2010.



Hon. Dr. Christopher Tufton (centre), Minister of Agriculture and Fisheries, in conversation with Earl Jarrett (left), General Manager, JNBS; and Chelston Brathwaite, Director General of the Inter-American Institute for Cooperation on Agriculture at the inaugural Private Sector Dialogue at the Week of Agriculture and Rural Life of the Americas Conference held in Montego Bay in October.



Llewelyn Bailey, Assistant General Manager, JNBS, presents one of three gift packages with products donated by JNBS staff and the Lasco Group of Companies to Jacqueline Brown, Assistant Administrator at the Golden Age Home in Vineyard Town, St. Andrew. Some 63 residents of the Cluster H at the Home were feted by JNBS on December 18. JNBS has been a sponsor of the Cluster for more than a decade.



Chris Hind (right) General Manager, NEM Insurance Company (Ja.) Ltd., hands over personal care items to (from left) Stephanie McKenzie-Hinds, Head House Mother at Walker's Place of Safety; and Grace Allen, Manager at the St. Andrew Home. Witnessing the presentation is Esther Francis-Hill, Human Resource Business Partner, NEM Insurance.



Clifford Making (centre), with his property title in hand, speaks with Kendal Smith (right), JNBS Savings and Mortgage Origination Specialist; and Tahnee Addison, Land Administration and Management Programme (LAMP) officer at a ceremony held on January 21 at the Linstead Baptist Church where some 100 titles were distributed under the LAMP programme.







## Member Pictorial



Earl Jarrett, (second right), General Manager, JNBS, accepts the MoneyGram award on behalf of JNBS for being an outstanding Agent for 2008/2009 from Daniel O'Malley (second left), Executive Vice-President, MoneyGram. The presentation took place at JNBS Chief Office in February, and witnessed by Steve Higgins (left), Caribbean Regional Manager, MoneyGram; and Leesa Kow, General Manager, JN Money Services Ltd.



National Security Minister, Dwight Nelson (right) discusses strategies being implemented by the government to address the lottery scam in Jamaica with Earl Jarrett (second left), General Manager, JNBS; and MoneyGram International representatives, from left: Dennis Wildsmith, Vice-President, Anti-Fraud; Steve Higgins, Caribbean Regional Manager; and Juan Manuel Gonzalez, Manager, Compliance Review and Training. The forum was hosted in March by JNBS and its subsidiary JN Money Services Limited (JNMS), in concert with MoneyGram International.



Llewelyn Bailey (right), Assistant General Manager, JNBS, discusses internet use with Anjanique Nelson (seated) and Shante Swaby, students at Windward Road Primary & Junior High School. Also present is Mary Clarke of the Office of the Children's Advocate (OCA). They were participating in the launch of the OCA website in February at the Institute of Jamaica. The computer was donated to the OCA by JNBS.



Walgrovians 'A' and Tivoli 'A' put on an exhilarating performance during the JNBS/Jamaica Netball Association Open League Finals at the Leila Robinson Court, National Stadium Complex on February 13. Walgrovians 'A' emerged Champions of the League. .



Pete Hanniford (standing at centre, blue shirt), JN International Money Transfer UK Agent Relationship Manager, with staff at the main branch of Merchant Bank Ghana Limited (MBG) in Accra, Ghana. He conducted a training programme for MBG staff after MBG became a JN International Money Transfer remittance agent in April. The new service allows persons in the UK to remit funds to Ghana.



Avadaugn Sinclair (right) Senior Sales Development Specialist, JNBS, engages a visitor to the JNBS booth, at the Green Expo held at the National Arena in June. The Society won the award for the Most Environmentally Friendly Booth.



JNBS won the Best Wedding Booth for the third consecutive year at the Jamaica Pegasus Wedding Extravaganza held in March. The Society promoted the JN Bridal Registry to hundreds of visitors to the Expo.



Earl Jarrett (left), General Manager, JNBS; and Ruthlyn Villiers, Managing Director, VGC Holdings (right); display their National Association of Real Estate Brokers (NAREB) awards. Sharing the occasion are NAREB President, Dr. Maria Kong (second left), Kim Wimbish and her husband Vincent, incoming NAREB President.







Mervin Jarmin (right), philanthropist and manager of the Container Project in Palmers Cross, Clarendon, demonstrates internet radio production using the iStreet Lab at the Container Project Exhibition sponsored by MC Systems Ltd. in February. iStreet Lab is a multi-media mobile unit encased in a 240L garbage disposal wheeled bin used to facilitate multi-media training to young people in low-income communities.



John Beckford (left), Executive Director of the Lauderhill Chamber of Commerce, discusses the implications of the Jamaica Debt Exchange with Earl Jarrett (right), General Manager, JNBS, at the Society's JDX meeting held in Florida in June. Participating in the discussion is Janice McIntosh, Sales and Customer Service Manager of the JNBS Florida Representative Office.



Margaret Ramsay (second left), JNBS Regional Manager, St. Ann; and Wendell Smith (left), Assistant General Manager, Management Information Systems and Operations, JNBS, welcome Rudolph Ashman and Maureen Johnson to the Regional Members' Meeting held in Ocho Rios in March to talk about the Jamaica Debt Exchange Programme.



Jerrold Johnson (left) Financial Advisor, JNFM, and Cavell Lilly (centre), Customer Service Representative, NEM Insurance, listen attentively to Jeffery McKitty President, St. Mary Chamber of Commerce, at the JNBS Investment Seminar, held in Port Maria in August. The event was part of the St. Mary Chamber of Commerce Homecoming Week Celebrations.



Members of the Jamaica National Pensioners' Association visited King's House and other places of interest in Kingston during their fun day on July 16.



Approximately 100 members of the JN Group participated in the 12th staging of the Sigma Corporate Run/Walk held on February 21. They were among more than 11,000 persons who joined the 5k run/walk to raise funds for the Sir John Golding Rehabilitation Centre and other institutions which care for children with disabilities.



Danielle Jones (left), Customer Service Representative at Student Card Jamaica Ltd. (SCJL) demonstrates the use of the student card to Esther Miller, Kingsway High School; Joelle King, Kingsway Preparatory School; and Leesa Kow (right), General Manager, JNMS in November. JNMS through an agreement with SCJL will facilitate tuition, exam, book rental and other payments through its JN Money Transfer overseas locations.



Leo Campbell (left), future leader from Canada, speaks with Leesa Kow, General Manager, JNMS, and presenter at the inaugural Jamaican Diaspora Future Leaders Conference held at The University of the West Indies on August 8. Also participating in the discussion is Yanique Williams, a Canadian delegate.



Sergeant Andrea Clarke of the Police Mobile Unit of the Jamaica Constabulary Force demonstrates road safety practices to approximately 130 children from the Junior Centres in St. Andrew in July 2009. The children participated in a three-week Youth Summer Programme, which was sponsored by JNBS.





## Member Pictorial



Kemar Richards, Promoter, JNMS, demonstrates the use of JN Video Transfer to a customer during its launch at the Half-Way-Tree Branch in November. JNMT Video Kiosks have been placed in JN Branches and overseas locations to facilitate persons sending video messages to their loved ones.



Claudia Earlington, Senior Agent, JNBS Member Care Centre, escorts patrons at the JN-Sponsored Doctors on Stage Annual Benefit Performance on March 7 at Jamaica House. Proceeds from the Jamaica Cancer Society and Jamaica Urological Society production were used to increase awareness of prostate cancer.



Former Prime Minister of Jamaica and Special Representative of CARICOM on Haiti, the Most Hon. P. J. Patterson (left), holds the attention of Earl Jarrett (centre), Honorary Secretary, PSOJ and General Manager, JNBS; and Rafi Ahmad, Head of the Unit for Disaster Studies at UWI, Mona. They were participants in a PSOJ meeting where Mr. Patterson provided an update on the Action Plan for National Recovery and Development of Haiti.



Donald Higgins, Senior Compliance Officer in the Compliance Department, uses a fire extinguisher to put out a fire during a training session for emergency wardens at the Jamaica National Building Society Chief Office on March 4. More than 20 participants including security officers and employees from other corporate locations took part in the training aimed at sensitising wardens how to respond effectively during an emergency.

**JN at Denbigh:** The Jamaica Agricultural Society (JAS) and the Jamaica National Building Society (JNBS) forged an alliance for the 57th staging of Denbigh Agricultural and Industrial Show, the island's premier agricultural and industrial show. The Building Society was the official financial partner of the JAS and a major sponsor of the event which was held from July 31 to August 2. The JN House gave visitors access to the full range of services offered by the JN Group.



Visitors accessing services of the JN Group



Visitors using the Automated Teller Machine



Traci-Ann Wint (left) then Project Officer, JNBS Foundation, discusses the 'Wall of Action' with Errol Haughton, a visitor to JN House. The 'Wall of Action' offered visitors the opportunity to propose community improvement projects for funding by the Foundation.







*Scarborough, Canada*

“ Why can't the  
Society give  
mortgages for homes  
in Canada or use  
Canadian  
collateral? ”

*The Regulatory framework in which we operate in Canada does not allow us to offer mortgage financing in Canada. However, if you have a property in Jamaica you can take out a mortgage on the Jamaican property and the funds can be used to purchase or fund any other venture in Canada.*



## Exclusive JN Member Benefits

- **Free** transactions at any JNBS Teller 24/7 ATM
- **Free** Point of Sale transactions
- **Free** Internet Banking, **LIVE By JN**
- **Free** Utility Bill payments at JNBS branches\*, JN Money Shop Xpress, JN Money Shops, JN Financial Centre, and via LIVE By JN
- **Free** Money Transfer Card (*collect your remittance at your convenience*)
- Merchant discounts linked to JN Teller 24/7 card
- Low money transfer fees
- Expansive network of money transfer agents overseas
- Extended hours on Fridays and Saturday opening at JN Money Shops and JN Financial Centre
- Low mortgage rates
- Convenient access to NHT benefits
- Access to an affordable health plan (JN Health) \*
- Discounts at NEM Insurance Company
- **20% discount** on JAA membership fees

\*conditions apply

### 'Mortgage For Her' Product

- No processing fees
- Discount on home security system
- Free mammogram at Jamaica Cancer Society
- **Free** JAA membership for one year (roadside assistance)
- **Free** health insurance (JN Health) for one year



### Pension Expediter Benefits:

- **No fees** for cheque withdrawals
- **Free** JAA membership for one year (roadside assistance)
- 20 percent discount on motor insurance from NEM Insurance Company (*subject to normal underwriting guidelines*)
- **Free** financial advice from JN Fund Managers Limited
- **Free** health insurance (JN Health) for one year







As one of only two remaining building societies in Jamaica owned by its members, and operated based on mutual trust and benefit, **Jamaica National Building Society** is continually finding new ways to safeguard the interests of its members, by adding real value to their lives, and emphasising the extraordinary benefits that can be derived from membership in the JN family.

**“Membership Matters”** became the new customer service mantra of JNBS in August 2009. Supported by the launch of a multi-media campaign, the Society continues to remind existing members and inform new members about the wide range of financial services available from the Society and its subsidiaries, which make up the JN Group.

JNBS members are now more cognisant of the additional benefits to which they are entitled. JNBS members receive free ATM transactions, and access to discounts at more than 200 merchants across the island through its Show Your Card and Save programme. And, all JN members are eligible for membership with the **Jamaica Automobile Association (JAA)**, special discounts from **NEM Insurance Company**, and access to small business loans from **JN Small Business Loans Limited**.

At Jamaica National, Membership Matters!

## JN Group Financial Planning Sessions

One key element depicting this membership matters theme was the hosting of JN Group Financial Planning Sessions as part of an effort to assist JNBS members cope during the difficult financial environment in Jamaica, spawned by the global recession over the past year and a half.

The series of four free public meetings, **‘Opportunities in Times of Adversity,’** were held during March, April and May 2009 in Kingston, Mandeville, Montego Bay and Ocho Rios. Developed with a holistic approach to protecting the welfare of JN members and the wider community, the meetings provided personal advice on issues relating to redundancy, retirement planning, mortgages and savings, investment and starting and sustaining a small business.

Guest speaker at the meetings, Dr. Wendel Abel, Head of the Department of Psychiatry at The University of the West Indies, encouraged attendees to seek out the various opportunities available and reposition themselves to stay afloat in the challenging environment, noting in particular untapped avenues for micro and small businesses. A combined total of 750 persons were in attendance.





## Corporate Social Responsibility

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

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

### AGM Projects

At the 135th Annual General Meeting (AGM) in September 2009, four funding requests made by JNBS members to support projects in their communities were approved by popular vote. The projects are highlighted as follows:



Bruising Gym Founder, Carl Grant (centre), referees a boxing match between Anthony Clarke (left) and Jovan Gayle at the Stony Hill, St. Andrew facility. The gym was one of the projects selected to receive aid from JNBS at the 135th Annual General Meeting. The funds were used to purchase gear and equipment and provide recreational activities for members of that community.

### Promoting Healthy Activities for Young People

The Bruising Gym in Stony Hill, St Andrew received aid in the form of equipment and supplies. The boxing gym, founded by Carl Grant two years ago, is already

creating highly competitive boxers at the national level, and developing rounded students who must maintain good grades in school. The facility is also providing recreational and entertaining activities for members of that community.

### Rehabilitation Programme for Inmates

Some 85 female inmates housed at the Fort Augusta Adult Correctional Centre in Portmore, St Catherine will benefit from Culinary Arts training at the institution, as a result of a \$250,000 grant from the JNBS Foundation. The project was selected by the members of JNBS at the Society's historic 135th anniversary annual general meeting in September 2009. It is expected to reduce the rate of repeat offenders, as inmates are better equipped to create their own livelihood on release from prison.



Michele Pollard Gonzalez, Senior Manager, Member Service & Quality Assurance, JNBS, examines stoves and kitchenware donated to the Fort Augusta Correctional Centre for the establishment of a culinary arts programme. Joining her are members of the Womens Fellowship of the United Church of Jamaica and Grand Cayman; Superintendent of Corrections, Reuben Kelly and Rev. Raymond Coke.

### New Community Centre for Sandy Bay

The refurbishing and enhancement of the Sandy Bay Youth Recreation Centre will be undertaken by the Blue Hole District Farmers Club in Hanover. The two-year-old voluntary club, which currently has extensive farmer assistance and poultry projects, will provide computers, educational materials, recreational activities and office space for guidance counseling of youngsters in Sandy Bay and its surrounding communities.



# Corporate Social Responsibility

## JNBS Foundation Review



**Saffrey Brown**  
General Manager



In 2010, the year of its 20th anniversary, the Jamaica National Building Society Foundation continues to fortify its position as one of the leading contributors to sustainable development

and nation building in Jamaica. As the main arm of the Corporate Social Responsibility initiatives of the JN Group, the Foundation provides financial and technical support to projects and programmes at the community and national levels and throughout the Jamaican Diaspora. In the 2009/2010 financial year, the Foundation widened its positive impact on the lives of the Jamaican people through partnerships with companies within the JN Group, Non-Governmental Organisations, international aid agencies, local funders and other private sector organisations.

With roots deeply entrenched in rural Jamaica, JNBS through its Foundation, remains committed to rural regeneration through the following themes:

- Economic and Community Development
- Arts, Culture and Heritage
- Youth and Education
- Health, Security and Safety

## ECONOMIC AND COMMUNITY DEVELOPMENT

### Taking Remittances and Other Financial Services to Rural Communities

The **Multilateral Investment Fund** of the **Inter-American Development Bank** (IDB-MIF) joined forces with the JNBS Foundation in January 2010 to finalise an agreement for the implementation of a groundbreaking financial access project.



Earl Jarrett (second left), Chairman of JNBS Foundation, and Gerard Johnson, Inter-American Development Bank (IDB) Representative to Jamaica, sign a funding agreement to implement an Information Technology project in 10 rural communities. Witnessing the signing are Carina Cockburn (left), Multilateral Investment Fund Specialist, IDB; and Saffrey Brown, General Manager of JNBS Foundation. The project is aimed at improving access to financial services in rural communities.

The three-tiered initiative will promote meaningful development in rural Jamaica by enhancing the provision of financial services to ten previously underserved communities. Residents will be able to gain easier access to a range of financial services including remittance receipts, point-of-sale and small business loan payments.

Some of the immediate benefits involve residents'

ability to engage in the formal financial system, effectively managing their resources and leveraging remittances to access financing for productive activities. JNBS' technology subsidiary, Management Control Systems Limited, and its Community Banking Unit, will be critical partners during the implementation of the project.







## Corporate Social Responsibility

### JNBS Foundation Review

**E m p o w e r i n g  
communities through  
access to information and  
technology**

Adapting the concept of a commercial franchise tailored to achieve social goals, the JNBS-created chain of community resource centres, **'The Source'**, added new links within two additional communities in St Ann and Treasure Beach during the 2009 /2010 financial year. Piloted in August Town, St Andrew in 2007, 'The Source' was expanded with the opening of the Maverley centre, in St Andrew in February 2009. The Source provides residents of underserved communities with access to pertinent information, services and facilities. Yet, no two centres are the same. Each reflects the uniqueness of the community in which it exists and provides an exclusive grouping of services to meet the specific needs of residents.



The Source Treasure Beach

The design and atmosphere in third centre, **The Source Treasure Beach**, fits perfectly into the quaint little resort town of Treasure Beach, St Elizabeth, offering all the amenities of the corporate world with the feel of a vacation. Formed out of a partnership with the Treasure Beach Foundation (BREDS), the Breds Source was launched in

May 2009 by Member of Parliament and Minister of Agriculture and Fisheries, the Honourable Christopher Tufton. The Source is also the home of the Treasure Beach Foundation.



The Source St Ann is located on Main Street in the heart of Ocho Rios. This community resource centre is a collaborative effort of the JNBS Foundation and the St Ann Chamber of Commerce to provide a facility that supports growth in the local business sector and the development of entrepreneurship within Ocho

Rios. The fifth Source enterprise comes on stream in Savanna-la-Mar in 2010.



The Source St Ann

### YOUTH & EDUCATION



**Teen Advocates Lead with Action**

**Resolution Project** is the annual photography and advocacy competition organised by the Jamaica National Building Society (JNBS) Foundation, through

which high school students residing outside of the Kingston Metropolitan Area are becoming promoters of change in their respective communities. Formerly known as Youth Zoom, the seven-year-old photography programme in association with the United Nations Population Fund and the Gleaner's YouthLink magazine equips and trains youngsters in the use of cameras to actively identify issues that impact the communities in which they live.



# Corporate Social Responsibility

## JNBS Foundation Review



Latrine Courtesy by Milton Hanson, Spot Valley High School, St. James - JNBS General Manager's Award for Best Photo, Resolution Project 2009.

In the 2009 competition, more than 300 student participants from 50 high schools across the island presented photojournalistic pieces that demonstrated a high level of consciousness of the various social and economic conditions of Jamaicans across the island. Top awardees attended a week-long intensive photography summer camp, where they journeyed across the country and

discovered the beauty of Jamaica and its people. The 2009 programme culminated in a travelling exhibition at which the students' photographs were put up for sale to members of the public. The proceeds from the exhibition have been channeled into a fund managed by the JNBS Foundation to support a project of the students' choice.



JNBS Foundation Director Jennifer Martin (left) presents the award for the Best Advocacy Campaign to (from left) Odane McLean, Kimone Brown, Milton Hanson and Jodi-Ann Gooden of Spot Valley High School in St. James. They were at the Resolution Project Awards Ceremony held in St. Ann during July. For their entry Mama and Son, McLean, Hanson and Gooden were awarded places at the Resolution Project Summer Camp, three digital cameras and certificates of recognition.

### Facilitating Remittance Philanthropy



Despite the harsh global economic climate of the last two years, remittance inflows remain one of Jamaica's three largest and most resilient earners of foreign exchange. **The Jamaica Partnership for Education (JPE)** is one of the few non-aligned projects designed to provide financial assistance for interventions that improve literacy rates in the nation's public schools. Though the JPE, the JNBS Foundation with the support of the United States Agency for International Development (USAID) has been making best use of Jamaica National's established networks and links with the Jamaican Diaspora.

In the United Kingdom, the United States of America, Canada and the Cayman Islands, JPE operates as a conduit for channeling much needed resources to Jamaican schools. JNBS members and customers can make contributions to the programme at any one of the 18 overseas JN Money Transfer locations in the USA, UK, Canada and Cayman. JPE will be distributing ten grants and hosting six professional development workshops in 2010. Each grant will cover the cost of one year's subscription to the autoskills literacy and numeracy programme as well as the necessary supporting hardware for schools.

### Enriching Rural Families

Children between the ages of 0 and 3 years in targeted rural communities who do not have access to the formal education system are the primary beneficiaries of the **Roving Caregivers Programme (RCP)** by the Rural Family Support Organisation (RuFamSO). The flagship initiative received a

\$7 Million boost from the JNBS Foundation in November 2009. The funds will be used over three years to allow the non-profit organisation to continue its work in delivering child development and parenting education via free home visitation services. To date, the RCP has promoted the health, welfare and general well-being of more than 1,445 children throughout the parishes of Clarendon, Manchester, St Thomas and St Catherine.



Saffrey Brown (right), General Manager, Jamaica National Building Society (JNBS) Foundation joins the Roving Caregivers during a stimulation session in Clarendon on Thursday, November 12. JNBS Foundation committed \$7 million to sustain the programme of the Rural Family Support Organisation, which delivers child development and parenting education via free home visitation services.







## Corporate Social Responsibility

### JNBS Foundation Review



#### HEALTH, SECURITY & SAFETY

##### Providing Training for At-Risk Youth

Supporting the work of the **Violence Prevention Alliance** in six violence-torn areas, the JNBS Foundation is facilitating training that will enable the employment of at-risk youth. Targeting youngsters

between 13 and 25 years who are often isolated by warring gangs, the Learning for Life Programme assists this unattached group in achieving literacy and numeracy competencies. This is being facilitated through the use of the computer-based autoskills



learning programme. The four-pronged programme also provides training in conflict management, leadership and life skills, and facilitates linkages to entrepreneurial and job placement opportunities. It also includes skills-training in association with the National Training Agency, HEART Trust/NTA; and other vocational institutions.

#### Creating Awareness of Safe Road Practices

Hundreds of preventable deaths and injuries occur in Jamaica as a result of disregard for the proper use of seatbelts. In August 2009, JNBS Foundation, the FIA Foundation, the CHASE Fund and the Jamaica Automobile Association launched a national seatbelt campaign called **Make it Click!...Lives Depend on It** with the specific goal of reducing the number of road traffic fatalities by creatively addressing the risk to persons who do not wear seat belts. Public sector stakeholders - the **Road Safety Unit** of the **Ministry of Transport and Works** headed by the Honourable Mike Henry, the **Jamaica Constabulary Force** as well as the **National Road Safety Council** and the **Insurance Association of Jamaica** joined the campaign and have been working assiduously in their own capacities to save lives.



#### MEMBERS MAKE IT HAPPEN

JNBS Member Advisory Councils, established in the 24 locations across the JNBS branch network, provide an avenue for the involvement of JN members in enhancing the communities where they live and work. More than 100 projects were supported in this, its fourth year.



# Corporate Social Responsibility

## JNBS Foundation Review

### Supporting community entrepreneurship

For most Jamaicans, chicken is still one of the cheapest and most popular sources of protein. Recognising this, **Member Advisory Councils** (MACs) gave grant funding to several chicken rearing projects across the island to kick start community entrepreneurship.

- The **Drapers All-Age School** in Portland built a 300 square foot chicken coop, and raised 100 chickens. The school not only met its weekly needs, but had excess meat to sell to members of staff and the community.
- The **Port Antonio High School**, under the guidance of the 4-H Club's School Garden Project bought layers and got eggs in time for increased demand in Christmas 2009.
- The sale of chicken by the Lionel Town Community Group covered all its operational costs and made a profit for the group.
- The **Accompong United Youth Club** in St Elizabeth found a quick market for its entire stock. The sale from the chickens allowed the group to sponsor six high school students with back to school supplies, inclusive of money for transportation.
- In **African Gardens**, St Andrew the August Town Community Group purchased three sets of chickens amounting to 2,000 to expand its community project.

### POST FOR ACTION

#### Improving the quality of life of persons living with mental illness

Out of a seed planted through its Wall of Action community development project at the Denbigh Agricultural Show, the Foundation supported a farming project at the **Ebenezer Home for the Mentally Challenged** aimed at expanding the existing farming venture to meet the critical long-term needs of the Home and increase its self-sufficiency.



Saffrey Brown (left), General Manager of the Jamaica National Building Society (JNBS) Foundation and Antonio Swaby, Manager at the Ebenezer Home for the Mentally Challenged in Royal Flat, Manchester examine a chick. They were at the Home for a handover of a \$100,000 donation by the JNBS Foundation toward an agricultural project at the institution.

#### Preserving Our Cultural Heritage

Bammy, cassava flour, cassava chips, coconut oil and Busta sweets are traditional products made by the Maroons, and a winning combination in cultural preservation and community entrepreneurship. This was the thinking of the **Member Advisory Council** (MAC) of Port Antonio, Portland when they approved grant funding for the construction of a 50 x 20 feet Cassava House in Charles Town, Portland.

#### Providing Access to Water

The students and staff at the White Marl Primary and Junior High School had long-suffered an inadequate supply of water to the school premises. All this has changed with the installation of a





## Corporate Social Responsibility



pump and a water tank, during the 2009 summer holidays, donated by the JNBS Spanish Town Branch with funding from the JNBS Foundation.

Michelle Hines (right), Manager of JNBS' Spanish Town branch hands over the pump that has ended the water woes at White Marl Primary and Junior High School to its Principal Fredricka Fairclough.

### Keeping Falmouth Clean

For the residents and visitors of Falmouth, the heritage town has been given a noticeably cleaner look with the installation of 13 garbage bins strategically placed around the town centre. Donated by the MAC of the Falmouth Branch to the Rotary Club of Falmouth, the bins are a welcomed addition for all in that has allowed them to help correct a serious sanitation problem that was becoming an environmental hazard for the town.

### Improving Community Services

The MAC of the JNBS Brown's Town Branch touched the lives of community members in Bamboo District, St Ann, through the renovation of the Jamaica Library Service branch library. The entire community expressed appreciation to JNBS for providing an improved environment conducive to learning and educational development. The handover took place in November 2009.



The Jamaica Library Service Branch Library in Brown's Town St. Ann was renovated by the Member Advisory Council.

Other MAC projects across the island, valued at more than \$100,000 each include:

- Provision of funding for training of persons in Micro Business Management – Lucea Branch
- Assistance to the Mason Hall community in the purchase of musical instruments to train students and members of the community– Port Maria Branch
- Donation of a Portable Vital Sign Machine to the Annotto Bay Hospital – Annotto Bay Branch
- Funding of the Parenting Centre (Flankers) project to produce a Restoring the Family Parenting Handbook – Montego Bay Branch





# Corporate Social Responsibility

## Mutual Building Societies Foundation

### Building Capacity to Transform the Education Sector

The perpetual underperformance of Jamaican students at the primary and secondary school levels has been of grave concern to stakeholders in the society, over the past several years. Not least affected is corporate Jamaica, which is dependent on an educated and skilled labour force for productivity, profitability and growth.

In February 2008, a concerted effort to bring about sustainable development in the education sector was made by established business rivals Jamaica National Building Society and the Victoria Mutual Building Society. The organisations co-created the Mutual Building Societies Foundation to allow for the fusing and channelling of financial and technical resources to assist in the transformation efforts underway in the Ministry of Education.

As a tangible response to the deteriorating situation, the Foundation's flagship programme, Centres of Excellence (COE) was designed with the specific goal of building the capacity of six non-traditional high schools in rural Jamaica. Aimed at increasing the quality, delivery and impact of secondary education, the project is already garnering substantial improvement in student achievement, teacher quality, organisational effectiveness and school-home-community



Junior Johnson, fourth-form student at McGrath High School, performs a lab experiment under the watchful eyes of (from left) Dawn Lawson, then Assistant Programme Manager, MBSF; Llewelyn Bailey, MBSF Programme Manager, and Dr. Cynthia Anderson, School Principal. The MBSF handed over equipment valued at more than \$400,000 to the school's science lab through its Centres of Excellence project.



Guidance counsellors, Rosalee Salmon (second right) of Green Pond High School, St James, and Suzette Adamson (right) of Porus High School, Manchester listen intently to Dawn Sewell-Lawson (left), then Assistant Programme Manager, MBSF, as she explains elements of the School Improvement Plan to sensitise guidance counsellors to school management techniques being promoted at a MBSF Centres of Excellence workshop. Also listening is Llewelyn Bailey, MBSF Programme Manager.

partnerships at these institutions. Piloted during 2008 in two high schools, Mile Gully in Manchester and McGrath in St Catherine, COE continues to fortify a student-centred approach to school improvement through evidence-based planning. In 2009, the project was implemented at Porus High in Manchester, Seaforth High, St Thomas, Green Pond High, St James, and Godfrey Stewart High in Westmoreland.

Now in its second year, Centres of Excellence is utilising technology to gather, analyse and manipulate data that allows the schools to track individual student progress and institutional growth in relation to expected interventions of Effective School Leadership and Management, Curriculum, Teaching and Learning Processes, Literacy and Numeracy Levels and School and Student Support Networks.

Additionally, with increased focus on fostering heightened accountability among school leadership and management, the project has hosted several seminars and study tours featuring

local and overseas-based education professionals. At these events, principals, school administrators, teachers, and guidance counsellors, have gained exposure to cutting-edge techniques correlated to School Leadership Development, Promoting a Nurturing Social Environment for School Transformation, Strategies to Address Boys' Underperformance.

All targeted schools are developing a strengthened and institutionalised culture of pride, high expectations and achievement. The five year programme ends in 2012.



(From left) Hopeton Henry, Principal, Seaforth High School; Earl Jarrett, Chairman, MBSF; Hon. Andrew Holness, Minister of Education; and Richard Powell, President and CEO of The Victoria Mutual Building Society, discuss the Centres of Excellence project following the signing of a Memorandum of Understanding between the MBSF and the six participating schools in the project.





## Special Response to Haiti

### 'I support Haiti' JN Initiative

A 7.0 magnitude earthquake rocked Haiti on Tuesday, January 12, 2010 and some 52 aftershocks measuring up to 4.5 and greater changed the face of that country and the lives of its entire population, forever. It was estimated that approximately 230,000 persons died and some 300,000 were injured. In addition, approximately 250,000 residencies and some 30,000 commercial buildings were destroyed or damaged.

In today's seamless world, news of the earthquake echoed around the world within minutes of the first major shock, and a massive regional and international rescue, relief and recovery operation were mobilised instantly. Support in the immediate aftermath came from the United Nations and the United States of America (USA), as well as other developed and developing countries.

Jamaica and its CARICOM partners have, individually and jointly, played an integral role in the initial response to the Haitian tragedy in the areas of medical assistance, search and rescue, relief distribution, security and technical support, with Jamaica as the hub for CARICOM support.

As a mutual organisation which has always responded to those impacted by natural disasters, Jamaica National also responded to the Haitian crisis by facilitating the shipment of several containers of water to Haiti, as well as the collection of funds for the relief effort under the theme, I Support Haiti. The funds are to provide resources

for the rehabilitation and reconstruction phase of Haiti's recovery.

Jamaica National is also working in concert with the CARICOM Taskforce on Haiti, led by CARICOM's Special Representative on Haiti and former Jamaican prime minister, the Most Honourable P. J. Patterson to ensure that the funds impact persons who can help to

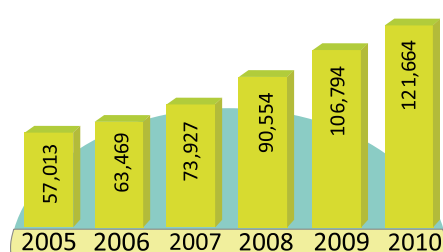
rebuild economic activity in Haiti. Our objectives will be to stimulate local and regional interest in the funding of micro enterprises; provide expertise on the management and operation of micro enterprises loan programmes; and help to establish a coherent information flow to better articulate what is being done to facilitate the rehabilitation and reconstruction phases of the recovery process.





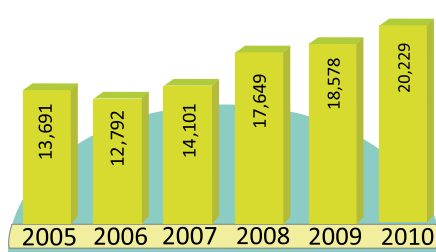
## JN Group Financial Highlights

	2005	2006	2007	2008	2009	2010
Total Assets (J\$M)	57,013	63,469	73,927	90,554	106,794	121,664
Capital & Reserves (J\$M)	13,691	12,792	14,101	17,649	18,578	20,229
Loan Balance (J\$M)	14,483	18,837	24,427	31,308	38,303	43,400
Total Savings Fund (J\$M)	29,699	33,540	40,342	49,289	59,138	67,715
Liquid Funds (J\$M)	39,381	40,179	44,922	50,937	62,104	71,432
Total Revenues (J\$M)	9,206	9,483	10,595	15,578	15,225	16,856
Surplus before taxes (J\$M)	2,410	1,745	1,998	5,366	1,807	1,700
Number of Loans	25,832	28,239	33,106	37,083	37,136	44,744



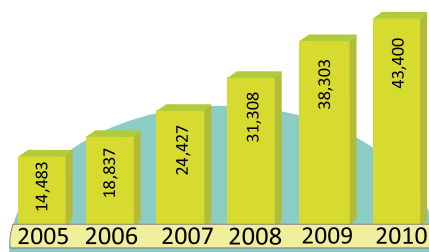
**TOTAL ASSETS (J\$ M)**

Total Assets up 13.9%  
from \$106.8B to \$121.7B



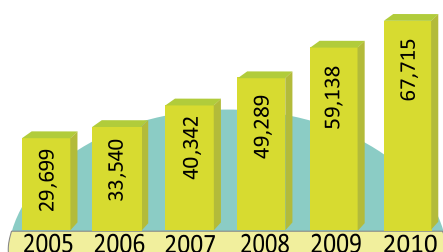
**CAPITAL AND RESERVES (J\$ M)**

Capital and Reserves up 8.9%  
from \$18.6B to \$20.2B



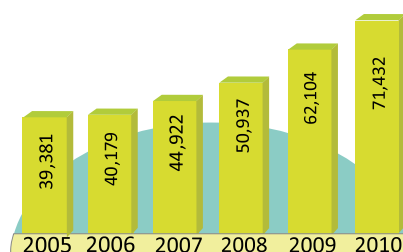
**LOAN BALANCE (J\$ M)**

Loans to members up 13.3%  
from \$38.3B to \$43.4B



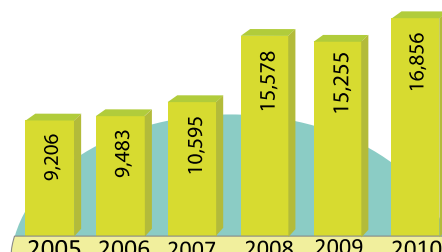
**TOTAL SAVINGS FUND (J\$ M)**

Member savings balances up 14.5%  
from \$59.1B to \$67.7B



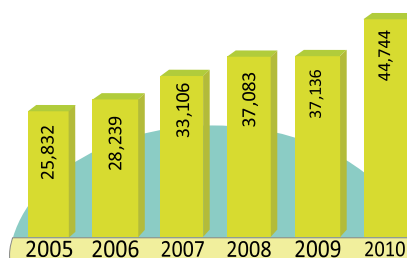
**LIQUID FUNDS (J\$ M)**

Liquid Funds up by 15%  
from \$62.1B to \$71.4B



**TOTAL REVENUES (J\$ M)**

Total Revenues up 10.7%  
from \$15.2B to \$16.9B



**NUMBER OF LOANS (J\$ M)**

44,744 loans, 20.5% more  
than the 37,136 last year



## Top Performance: Employee of the Year



### **Rose Campbell Maturah ... Customer Service Par Excellence**

To the members and customers who conduct business at the Gayle Branch, Rose Campbell Maturah is the quintessential of excellent customer service. To her manager, she is an invaluable asset to the branch; and to her colleagues, she's an inspiring team member.

The Member Service Representative, who joined the JN team in 2001 following a merger with the Jamaica Savings and Loans, is the Society's 2009-2010 Employee of the Year. She is also the October to December 2009 Employee of the Quarter and Region.

"I am elated to be the Employee of the Year. This recognition is indicative that my efforts are appreciated and I'm even more encouraged to

work harder," Rose disclosed. "I love my job and I make it a duty to ensure that our members and customers are pleased with the service they receive each time they visit the branch. Also, providing good customer service helps to set JNBS apart from the competition."

"Using the JN Preferred Way of Selling, I always introduce other products and services to our members that I believe will be of benefit to them. This makes them feel special as it shows that I have their interest at heart," she added.

Rose admitted that there are times when her job becomes challenging especially when she has to deal with disgruntled customers, but stated that her professional approach to such situations usually makes a big difference.

"It is important to allow customers to speak and you listen to the issues so that you can effectively address their concerns. I find that by doing this, I am able to diffuse their anger easily and by the time they leave the branch, their attitude is completely changed."

Alverine Moodie-Davis, Manager of the branch, pointed out that Rose is a model employee who helps to oversee the operation of the branch in her absence.

"She is dependable, hardworking, thorough, courteous, and an excellent leader who pays attention to details. She plays an integral role in ensuring that the branch achieves its annual targets. During the last financial year, our branch surpassed its Net Saving Intake target by 186%.



## Top Performance: Employee of the Year



Rose Campbell Maturah, Supervisor at the Highgate Money Shop, is all smiles as she accepts the 2009-2010 Employee of the Year trophy from Earl Jarrett, General Manager, JNBS, at the Society's Chief Office on July 5. Rose was also named the October to December 2009 Employee of the Quarter and Region, and is a former Member Service Representative at the Gayle Branch.

We also exceeded our targets for mortgage disbursement and loan origination by 433% and 263% respectively. In addition, our branch emerged on top in customer service with 97.7% in the last Mystery Shopper survey."

Mrs. Moodie-Davis further stated that as the only CSR at the location, Rose willingly takes her lunch time after the branch is closed in order to facilitate customers. Also, during her vacation she can be called upon to do relief work.

Jacqueline Gardener, a resident of Gayle and member of the branch for the past nine years, is pleased with the quality of service she consistently receives at the branch and in particular, from Rose.

"She is a very pleasant person who is always smiling. It is always a pleasure to do business with her. Once, I visited the branch and because the line was long, I started to leave. On seeing me leaving, Rose asked the security guard to call me to return. I am glad to know that she has received such an outstanding award. She is deserving of it, and I'm very proud of her," Ms. Gardener said.

The former Tacky High School Head Girl, who recently completed her Bachelor's degree in Human Resource Management from the University College of the Caribbean, hopes to fulfill her career dream by becoming a member of the Human Resource team.

"I strongly believe I have what it takes to be an excellent performer if I am given the opportunity to serve in that new role. It is my desire to make further contributions to the growth and development of JNBS in that area," Rose concluded.



Rose Campbell Maturah assists a JN member with a transaction during the Gayle Branch Opening and Town Meeting in 2005.





## Values Statement

The success of Jamaica National Building Society is dependent on a set of core values, which relate to our dealings with our customers, colleagues, members, suppliers, regulators and the communities we serve. We are committed to the highest ethical standards, integrity, respect for all and excellence in all we do.

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

## Executives

### Llewelyn Bailey

*Assistant General Manager*

A 40-year veteran of the Society, Llewelyn Bailey is the Assistant General Manager providing executive resource support in several areas, including business continuity planning, process improvement, human resources, and industrial relations.

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

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





## Executives

### Wendell Smith

*Assistant General Manager  
Management Information, Systems & Operations*

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

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

### Carlton Barclay

*Assistant General Manager  
Finance, Administration & Planning*

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

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





## Values Statement cont.

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

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

## Executives

### Delroy Bowen

*Group Human Resources & Security*

A 37-year veteran of the Society, Delroy Bowen is the Group Compliance & Security Executive with responsibility for monitoring operational compliance and adherence to industry regulations and best practices; and ensuring the organisation's overall efficiency and security of the Society's assets, its members and staff.

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

He was appointed Group Human Resources Executive in July 2010.



## Executives

### **Wanica Purkiss**

#### *Mortgage & Operations*

Wanica Purkiss, who has been with the Society for 36 years, is the Executive with responsibility for Mortgage and Operations.

She is mandated to lead the development of JNBS's core business, mortgages, and to ensure that operational structures support the delivery of initiatives which stimulate expansion, and position JNBS as Jamaica's leading mortgage provider. Mrs. Purkiss has earned a reputation as one of Jamaica's leading authorities on mortgages.

### **Emile Spence**

#### *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, during the past 26 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.

Today, Mr. Spence serves as JN Group Executive for New Business, Development & Research, conceptualizing 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.





## Values Statement cont.

**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

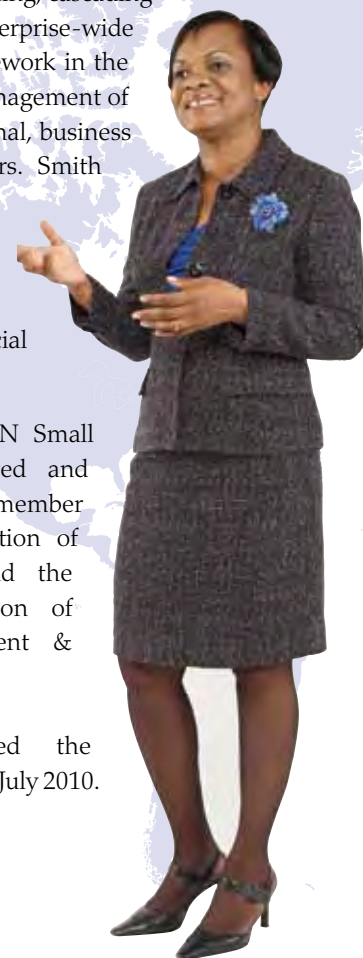
### Mary Smith

*Group Risk & Compliance*

Mary Smith is the Executive with responsibility for the JN Group's Risk Management function, which involves establishing, cascading and maintaining an enterprise-wide risk management framework in the organisation for the management of credit, market, operational, business and strategic risk. Mrs. Smith previously held the position of Executive with responsibility for Corporate Planning, Budgeting & Special Projects.

She is a Director of JN Small Business Loans Limited and the JNBS Foundation; member of the Global Association of Risk Professionals and the International Association of Investment Management & Research.

Mrs. Smith assumed the Compliance Portfolio in July 2010.





## Executives

### **Carmen E. Tipling**

*Group Corporate Communications*

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

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

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

### **Shereen Jones**

*Group IT Executive*

Shereen Jones is tasked with overall responsibility for Information Technology across the JN Group outside of MCS and MCIS. She joined JN in 2006 as General Manager of Management Control Systems 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 system as a consultant in 1999.

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





**Comment on Twitter**

**“JN is a very good financial institution. I wish you all God’s richest blessings.”**

**Morant Bay, St. Thomas**

## Executives

### **Leon Mitchell**

*Group Marketing, Promotions & Sales*

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

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





*Pickering, Canada*

“ Can long-time  
savers receive  
interest rate benefits on  
loans to differentiate them  
from recent or  
non-savers ”  
?

*The Regulatory framework in which we operate in Canada does not allow us to offer mortgage financing in Canada. However, if you have a property in Jamaica you can take out a mortgage on the Jamaican property and the funds can be used to purchase or fund any other venture in Canada.*



## General, Senior & Regional Managers

**Michele Pollard Gonzalez**

*Customer Service &  
Quality Assurance  
and Member  
Ombudsman*

**Philip Bernard**

*General Manager,  
Community Banking &  
ATM Services*

**Cheryl Levy**

*Risk Management*

**Tonya Grant**

*Group Audit*



**Obinna Blake**

*Chief Project Officer*

**Patricia Austin**

*Insurance Services*

**Errol Stair**

*Operations*





**Joscelyn Campell**  
*Compliance & Security*

**Margaret Ramsay**  
*Senior Regional Manager  
Western Region*

**Sharon Smith**  
*Business  
Development*

**Joy Brady**  
*Group Finance*

**Maximilian Campbell**  
*Group Human Resource  
Development*

**Tamara Silvera**  
*Treasury*

**Hilret Hanson**  
*Senior Regional Manager,  
Central Region*

**Tiffany Gordon**  
*Mortgage Sales*





*Toronto, Canada*

“ Why are cheques  
held for 35  
working days,  
7 times the length of  
any institution  
in Canada ”

*When you lodge a cheque that is drawn on a foreign bank to a JNBS savings account, it is sent to our commercial bank which then holds the cheque for 30 days. The funds are made available after the commercial bank has released its hold on the cheque.*

## JNBS Overseas Officers



### **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.



### **Elaine Riettie-Pitt**

*Chief Representative Officer  
JNBS Representative Office, Toronto*

Mrs Elaine Riettie-Pitt was appointed Group Investment Advisor at Jamaica National in April 2007. She assumed duties as the Chief Representative Officer in the Representative Office in Toronto in August 2010.



### **Wanica Purkiss**

*Mortgage & Operations Executive*

Mrs Wanica Purkiss is the Mortgage & Operations Executive of the JNBS, and the Executive with oversight responsibility for the activities of the Representative Offices in the United Kingdom through periodic visits.





## Chief Office & Overseas Managers

**Claudine Allen** - Special Assistant to the General Manager

**Paula Atkinson** - HR Services

**George Baker** - Internal Processing Centre

**Patrick Barrett** - Security

**Judy Benjamin** - Sales

**Fitz Bernard** - Enterprise Programme Management

**Davia Brown** - Finance

**Dwayne Brown** - IT Security

**Beverly Burnett** - Customer Service & Quality Assurance

**Simone Chambers** - Business Planner

**Sheron Chung** - Assistant Treasurer

**Bernard Comrie** - Special Projects, General Manager's Department

**Esther Francis Hill** - HR Services

**Cheryl Gardner-Morant** - Finance

**Denise Gocul** - Special Projects, Marketing

**Tawana Gray** - Finance

**Leon Hamilton** - Loan Processing Centre

**Jerome Henry** - Loan Processing Centre

**Karla Henry** - Mortgage Centre

**Rosemarie Henry** - Finance

**Carla Henry-Farquharson** - Internal Audit

**Gillian Hyde** - Financial Planner

**Stacey Jureidini** - Senior Project Manager

**Marcia Lettman Reid** - Mortgage Centre

**Kathleen Lyn** - IT Testing & User Support

**Carol Madden** - Member Care Centre

**Keisha Melhado-Forrest** - Loan Processing Centre

**Rose Miller** - Mail & Courier Services and Office Services

**Paulette Newby** - Mortgage Centre

**Phillip Powe** - Applications & Database Management

**Tanya Pringle** - General Manager's Department

**Maurice Salkey** - Senior Process Analyst

**Mitzie Samuels** - HR Services

**Samantha Singh** - Business Development

**Sophia Smith** - Business Analyst

**Paulette Sterling** - Regional Operations

**Marie Stewart** - Corporate Communications

**Beverley Sudine** - Compliance

**Nigel Thomas** - Technical Services

**Shelly-Ann Walker** - Compliance

**Elaine Williams** - Legal & Securities

**Marie Williams** - Building Services

**Michael Whyte** - IT Incident & Problem Management

### JN OVERSEAS

**Carmen Bartlett** - Jamaica National Overseas (USA) Inc., Florida, USA

**Harry Bhoorasingh** - Jamaica National Overseas (USA) Inc., New York, USA

**Paulette Simpson** - Jamaica National Overseas (UK) Limited

### JN GROUP COMPLIANCE

**Desmond Smith** - Compliance, North America

**Hope Sortie** - Internal Audit and Compliance, United Kingdom





# Branches, Member Service Managers & Member Ambassadors

## Region 1

### Half-Way-Tree

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

### New Kingston

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

### 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 –  
Andrea Wright-Anderson

### 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  
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 –  
Joel Burke

### Santa Cruz

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

## Region 3

### Linstead

27 King Street  
Linstead, St. Catherine  
Tel: 985-7749, 985-2525  
Fax: 985-2506  
Member Service Mngr. –  
Jennifer Clarke-Tividdle  
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 Ambassadors –  
Tanesha Lewis-Blake  
/Maria Clarke

### 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  
Member Service Mngr. –  
Claude Thompson  
Member Ambassador –  
Dwight Griffiths

### Lucea

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

### Montego Bay

2 Market Street  
Montego Bay, St. James  
Tel: 952-4561-3  
Fax: 952-8307  
Member Service Mngr. –  
Shernette Callam  
Member Ambassador –  
Claudian Fraser-Collins

### 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  
Member Service 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  
Member Service Mngr. –  
Claude Thompson  
Member Ambassador –  
Cheri Powell-Henry

### St Ann's Bay

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

## Region 6

### Annotto Bay

Main Street  
Annotto Bay, St. Mary  
Tel: 996-2215, 996-2350  
Fax: 996-9732  
Member Service 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

### 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  
Tel: 994-2471, 994-2671,  
Fax: 994-2123  
Member Service 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

### JN Financial Centre

Barbican Square (Loshusan)  
29 East Kings House Road  
Kingston 6  
Tel: 978-2253; 927-6221  
927-3853  
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: 948-6745, 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 –  
Rayon Samuels

### 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: 745-1650  
Operations Supervisor –  
Omar Haye

### 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: 968-6881-2  
Fax: 968-6883  
Operations Supervisor –  
David Thomas

### Highgate

Main Street  
Highgate, St. Mary  
Tel: 724-2820  
Fax:  
Operations Manager:  
Rose Campbell Maturah





*Florida, USA*

“ What percentage  
of the growth in  
Fund Management  
came from  
overseas ”

*Approximately 1% of the growth in the JN Fund Managers portfolio  
came from overseas.*

## Directory Listings

### Overseas Money Transfer Locations & Local JNBS ATMS

#### UNITED KINGDOM

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

#### BALHAM

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

#### BIRMINGHAM

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

#### BRISTOL

248 Stapleton Road, Easton  
Bristol, BS5 0NT  
Tel: 117-935-5895  
Fax: 117-951-4715

#### 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

#### HANDSWORTH

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

#### HORNSEY

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

#### PECKHAM

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

#### SHEPHERD'S BUSH

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

#### STRATFORD

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

#### HANDSWORTH

311A Soho Road  
Birmingham B21 9SD  
Tel: 121-551-5569  
Fax: 121-554-7553

#### HORNSEY

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

#### CANADA

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

#### TORONTO

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

#### GRAND CAYMAN

#### NATIONAL BUILDING SOCIETY OF CAYMAN

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

#### U.S.A.

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

#### NEW YORK

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

#### 233-16 Merrick Boulevard

Queens, New York 11422  
Tel: 718-804-1924  
Fax: 718-949-4672

#### 4158 White Plains Road

Bronx, New York 10466  
Tel: 718-882-5776  
Fax: 718-882-6937

#### CONNECTICUT

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

#### FLORIDA

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

#### 6905 Miramar Parkway

Miramar, Florida 33023  
Tel: 954-983-6480

#### 4100 NW 12th Street

Suite A,  
Lauderhill, Florida 33313  
Tel: 954-583-1778  
Fax: 954-583-1733

#### 1943 North Pine Island Road

Plantation  
Florida 33322  
Tel: 954-735-6002  
Fax: 954-749-3571

#### JNBS ATM LOCATIONS

#### Kingston & St Andrew

JN Money Shop  
HWT Transport Centre

#### 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 Boulevard  
Kingston 5

#### The Source

Bryce Hill Plaza  
85 August Town Road

#### Vineyard Town

61B Deanery Road

#### Azan's Supercentre

Regal Plaza Cross Road

#### JNBS Half-Way-Tree

2-4 Consant Spring Road  
Kingston 10

#### JNBS Money Shop Azmart Superstore

34 East King's House Road  
Barbican, Kingston 6

#### JNBS Papine

17c Gordon Town Road  
Kingston 7

#### Constant Spring Post Office

191 Constant Spring Road  
Kingston 8

#### Customs Hall

Norman Manley International  
Airport

#### Clarendon

#### JNBS May Pen

45 Main Street

#### Hanover

#### JNBS Lucea

Mosley Drive, Lucea





## Directory Listings

### ATM Locations, Overseas Offices and Local Subsidiaries & Associated Companies

#### **Manchester**

JNBS Mandeville  
Mandeville Plaza

#### **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

#### **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  
Roya'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

#### **Texaco Service Station**

Whitehall Road,  
Negril

#### **CAYMAN**

National Building Society  
of Cayman  
71 Eastern Ave,  
Trinity Square

#### **JAMAICA**

##### **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)

#### **JNBS REPRESENTATIVE OFFICES LOCATIONS**

##### **CANADA**

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

##### **UNITED KINGDOM**

Toll Free: 0-800-328-0387  
LONDON  
Unit #235, Elephant & Castle  
Shopping Centre  
London SE1 6TE, England  
Tel: 207-708-2442-3  
Fax: 207-708-5040  
Toll Free: 0-800-328-1622

##### **BIRMINGHAM**

Toll Free: 0-800-085-6302

##### **SHEPHERD'S BUSH**

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

##### **UNITED STATES OF AMERICA**

Toll Free: 1-800-462-9003

##### **FLORIDA**

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

#### **Local Subsidiaries & Associated Companies**

##### **JN Fund Managers Limited**

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

##### **JN Small Business Loans Limited**

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

##### **JN Money Services Limited**

26 Trafalgar Road,  
Kingston 5  
Tel: 920-7530  
Fax: 920-4768  
E-mail: leesa@jnbs.com

##### **Management Control Systems Limited**

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

##### **NEM Insurance Company (JA) Limited**

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

##### **The Creative Unit Limited**

1 Holborn Road,  
Kingston 10  
Tel: 926-4414  
Fax: 920-2371  
E-mail: dcarroll@jnbs.com

#### **Jamaica Automobile Association (Services) Limited**

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

#### **Manufacturers Credit & Information Services Limited**

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

#### **JNBS Foundation**

32 1/2 Duke Street, Kingston  
Tel: 922-4931  
Fax: 922-4777  
E-mail: saffrey@jnbs.com

#### **JN Finance Limited**

3 Barbados Avenue,  
Kingston 5  
Tel: 501-6421-7  
Fax: 926-0146  
E-mail: afrancis@jnbs.com

#### **Total Credit Services Limited**

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





## Subsidiaries & Associated Companies

### JN FUND MANAGERS LIMITED 100%

Provision of consumer financing, money market fund management services, pension fund management and administration services.  
17 Belmont Road, Kingston 5  
Tel: 929-7159, 929-2289  
Fax: 926-4375  
E-mail: info@jnfunds.com  
Website: www.jnfunds.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: fwwhylye@jnbs.com  
Website: jnsbl.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

### MANAGEMENT CONTROL SYSTEMS LIMITED 94.5%

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

### NEM INSURANCE COMPANY (JAMAICA) 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

### JN FINANCE LIMITED 100%

Insurance premium financing, consumer loans, bridge financing and other credit facilities.  
3 Barbados Avenue, Kingston 5  
Tel: 929-6604/968-2038  
E-mail: nemjam@infochan.com

### THE CREATIVE UNIT LIMITED 100%

Provision of advertising, event planning and other creative services.  
1 Holborn Road, Kingston 10  
Tel: 926-4414 Fax: 960-0501  
E-mail: dcarroll@jnbs.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.  
71 Eastern Avenue, P.O. Box 504  
Grand Cayman, KY-1106  
Cayman Islands  
Tel: 345-945-2014  
Fax: 345-945-2015

### KNUTSFORD HOLDINGS LIMITED 40%

Owners of commercial buildings.

### JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION 100%

An approved charitable organisation funded by contributions from JNBS.  
32 1/2 Duke Street, Kingston  
Tel: 922-4931  
Fax: 922-4777

### JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LIMITED

Provision of roadside assistance and related services.  
7 Central Ave. Kingston 5  
Toll Free: 1-888-225-5522  
Tel: 929-1200, 968-6007  
Fax: 929-4377  
www.calljaa.com

### MEMBERSHIP OF BOARDS & COMMITTEES

#### JN FUND MANAGERS LIMITED

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

#### JN MONEY SERVICES LIMITED

Dr Hon. Oliver F. Clarke, OJ Chairman  
Michelle Bartlett  
Earl Jarrett, CD  
Lord William "Bill" Morris, OJ  
Hon. Dorothy Pine-McLarty, OJ  
Dr. Don Robotham  
Alfred Simms  
J. A. Lester Spaulding, CD

#### JN SMALL BUSINESS LOANS LIMITED

Parris Lyew-Ayee, CD, Chairman  
James Burrowes  
Dr. Hon. Oliver Clarke, OJ  
Cosma Earle  
Earl Jarrett, CD  
Roy Megarry  
Mary Smith  
Frank Whylye

#### MANAGEMENT CONTROL SYSTEMS LIMITED

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

#### NEM INSURANCE COMPANY (JAMAICA) LIMITED

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

#### THE CREATIVE UNIT LIMITED

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

#### NATIONAL BUILDING SOCIETY OF CAYMAN

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

#### JNBS FOUNDATION

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

#### JN FINANCE LIMITED

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

#### TOTAL CREDIT SERVICES LIMITED

Earl Jarrett, CD  
Llewelyn Bailey

### COMMITTEES OF THE JNBS BOARD

#### AUDIT COMMITTEE

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

#### FINANCE & INVESTMENT COMMITTEE

Earl Jarrett, CD Chairman (Acting)  
Peter Morris  
Christopher Roberts  
Dr. Dhiru Tanna  
Kathleen Moss  
Keith Senior  
Carlton Barclay  
Mary Smith  
Errol Ziadie

#### PROXY COMMITTEE

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

#### COMPENSATION COMMITTEE

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

#### LOANS COMMITTEE

Hon Dorothy Pine-McLarty OJ  
Jennifer Martin  
Peter Morris  
William Mahfood





## 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.  
DunnCox  
Edward Hanna & Co.  
Frater Ennis & Gordon  
G. Anthony Levy & Co.  
Gentles & Willis  
Grant, Stewart, Phillips & Co.  
Hamilton & Craig  
Harrison & Harrison  
Ian Phillipson & Co.  
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.  
O G Harding & Co.  
Patterson Mair Hamilton

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

### AUDITORS

KPMG

### BANKERS

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



# Auditors' Report



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

P.O. Box 76  
Kingston  
Jamaica, W.I.  
Telephone +1 (876) 922 -6640  
Fax +1 (876) 922 -7198  
+1 (876) 922 -4500  
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) together with its subsidiaries (Group), set out on pages 87 to 162, which comprise the Group's and the Society's statements of financial position as at March 31, 2010, and the Group's and the Society's statements of revenue and expenses, comprehensive income, changes in capital and reserves and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG, a Jamaican partnership 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. Dalley -Smith

Linroy J. Marshall  
Cynthia L. Lawrence  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers



# Auditors' Report



To the Members of  
THE JAMAICA NATIONAL BUILDING SOCIETY

## **Report on the Financial Statements (continued)**

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

### *Opinion*

In our opinion, the financial statements, which have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the financial positions of the Group and the Society as at March 31, 2010, and of the Group's and the Society's financial performance, changes in equity and cash flows for the year then ended.

## **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.

A faint, stylized version of the KPMG logo, appearing as a watermark or light signature.

Chartered Accountants  
Kingston, Jamaica

June 23, 2010





# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Statement of Financial Position

**March 31, 2010**

		Group		Society	
	Notes	2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	7	4,986,638	5,346,888	3,807,894	3,759,752
Securities purchased under resale agreements	8	14,446,344	12,168,061	8,445,722	5,095,663
Investments	9	51,999,493	44,588,476	30,891,792	28,682,488
Taxation recoverable		1,433,866	769,427	961,096	574,387
Interest in subsidiaries	11	-	-	1,584,035	1,794,857
Interest in associates	12	289,243	265,378	735	735
Loans	13	43,399,853	38,302,998*	39,122,133	35,208,334*
Other assets	14	2,096,562	2,581,518*	414,205	453,746*
Investment properties	15	337,395	331,839	81,871	84,259
Property, plant and equipment	16	2,247,902	2,027,361	1,677,592	1,478,076
Intangible assets	17	353,984	354,977	182,743	201,134
Deferred tax assets	18	72,808	57,507	37,210	6,931
Total assets		121,664,088	106,794,430	87,207,028	77,340,362
SAVINGS FUND, LIABILITIES AND EQUITY					
SAVINGS FUND					
Shareholders' savings	19	67,712,306	59,135,514*	65,370,732	57,292,634*
Depositors' savings	20	2,642	2,499	-	-
Total savings fund		67,714,948	59,138,013	65,370,732	57,292,634
LIABILITIES					
Due to specialised financial institution		6,848,633	5,410,957*	6,848,633	5,410,957*
Bank overdraft	7(d)	136,085	8,606	120,545	-
Securities sold under repurchase agreements	21	19,464,087	16,473,334	-	791,016
Taxation payable		84,225	285,456	33,138	239,284
Other payables	7(b)	2,360,521	2,425,819	747,003	917,885
Deferred tax liabilities	18	131,029	72,359	-	-
Employee benefit obligation	22(a)	221,731	202,817	165,575	151,960
Insurance contract provisions	23	4,262,601	3,814,488	-	-
Long-term loans	24	167,773	319,445	2,521	31,000
Total liabilities		33,676,685	29,013,281	7,917,415	7,542,102

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

\* - Reclassified to conform with current year presentation.



## Financial Statements

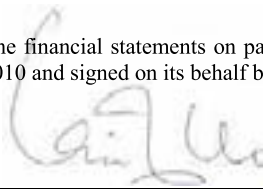
### THE JAMAICA NATIONAL BUILDING SOCIETY


#### Statement of Financial Position (Continued)

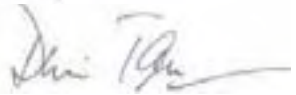
**March 31, 2010**

		<b>Group</b>		<b>Society</b>	
	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		\$'000	\$'000	\$'000	\$'000
<b>EQUITY</b>					
Permanent capital fund	25	4,740,000	4,740,000	4,740,000	4,740,000
Reserve fund	26	<u>5,600,000</u>	<u>5,600,000</u>	<u>5,600,000</u>	<u>5,600,000</u>
Capital base		10,340,000	10,340,000	10,340,000	10,340,000
Capital reserve		116,494	116,438	-	-
Contractual savings reserve	27	14,223	14,223	14,223	14,223
Other reserves	28	783,237	301,916	553,320	124,374
Retained earnings		<u>8,974,650</u>	<u>7,805,605</u>	<u>3,011,338</u>	<u>2,027,029</u>
Total equity attributable to equity holders of the Society		20,228,604	18,578,182	13,918,881	12,505,626
Minority interest		<u>43,851</u>	<u>64,954</u>	<u>-</u>	<u>-</u>
Total equity		<u>20,272,455</u>	<u>18,643,136</u>	<u>13,918,881</u>	<u>12,505,626</u>
Total savings fund, liabilities and equity		<u>121,664,088</u>	<u>106,794,430</u>	<u>87,207,028</u>	<u>77,340,362</u>

The financial statements on pages 87 to 162 were approved for issue by the Board of Directors on June 23, 2010 and signed on its behalf by:

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

  
 \_\_\_\_\_ Director  
 E. W. Jarrett

  
 \_\_\_\_\_ Director  
 Dr. Dhiru Tanna

# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Statement of Revenue and Expenses Year ended March 31, 2010

	Notes	Group		Society	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest revenue:					
Interest on loans		5,237,288	4,616,515	4,463,493	3,914,821
Interest on investments		<u>8,491,955</u>	<u>6,232,078</u>	<u>4,297,356</u>	<u>3,429,823</u>
		13,729,243	10,848,593	8,760,849	7,344,644
Interest expense	29	( 6,411,955)	( 4,941,491)	(3,747,389)	(3,103,149)
Net interest revenue		7,317,288	5,907,102	5,013,460	4,241,495
Other operating income	30	3,070,587	3,276,232	1,868,836	1,297,270
Operating expenses	31	( 8,739,146)	( 7,915,883)	(5,653,796)	(4,833,274)
Operating surplus		1,648,729	1,267,451	1,228,500	705,491
Unrealised foreign exchange gains/(losses)		15,423	873,400	( 17,425)	656,200
Gain on disposal of business unit		-	196,950	-	-
Gain/(loss) on disposal of investments		16,548	( 805)	16,548	( 3,570)
Impairment loss on equities		( 4,334)	( 561,535)	( 4,194)	( 559,175)
Share of profit of associates		<u>23,864</u>	<u>31,138</u>	<u>-</u>	<u>-</u>
Surplus for the year before taxation		1,700,230	1,806,599	1,223,429	798,946
Taxation	32	( 474,365)	( 650,231)	( 172,629)	( 389,940)
Surplus after taxation		<u>1,225,865</u>	<u>1,156,368</u>	<u>1,050,800</u>	<u>409,006</u>
Attributable to:					
The Society		1,246,875	1,143,633	1,050,800	409,006
Minority interest		( 21,010)	12,735	-	-
		<u>1,225,865</u>	<u>1,156,368</u>	<u>1,050,800</u>	<u>409,006</u>
Dealt with in the financial statements of:					
The Society		1,050,800	409,006	1,050,800	409,006
Subsidiaries		172,211	703,489	-	-
Associates		<u>23,864</u>	<u>31,138</u>	<u>-</u>	<u>-</u>
		<u>1,246,875</u>	<u>1,143,633</u>	<u>1,050,800</u>	<u>409,006</u>

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

# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Statement of Comprehensive Income Year ended March 31, 2010

	Note	Group		Society	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		\$'000	\$'000	\$'000	\$'000
Surplus for the year		<u>1,225,865</u>	<u>1,156,368</u>	<u>1,050,800</u>	<u>409,006</u>
Other comprehensive income/(loss):					
Translation of foreign subsidiaries' balances		18,996	127,580	-	-
Increase/(decrease) in fair value of investments		396,672	( 901,525)	374,809	(647,986)
Impairment of available-for-sale investments recognised in statement of revenue and expenses		4,334	561,535	4,194	559,175
Realised (gains)/losses on investments recognised in statement of revenue and expenses		( <u>16,548</u> )	<u>805</u>	( <u>16,548</u> )	<u>3,570</u>
Total other comprehensive income/(loss) for the year	32 (e)	<u>403,454</u>	( <u>211,605</u> )	<u>362,455</u>	( <u>85,241</u> )
Total comprehensive income for the year		<u>1,629,319</u>	<u>944,763</u>	<u>1,413,255</u>	<u>323,765</u>
Attributable to:					
The Society		1,650,200	929,636	1,413,255	323,765
Minority interest		( <u>20,881</u> )	<u>15,127</u>	-	-
		<u>1,629,319</u>	<u>944,763</u>	<u>1,413,255</u>	<u>323,765</u>

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



# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Statement of Changes in Equity Year ended March 31, 2010

	Permanent capital fund \$'000 (note 25)	Reserve fund \$'000 (note 26)	Capital reserve \$'000	Contractual savings reserve \$'000 (note 27)	Other reserves \$'000 (note 28)	Retained earnings \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
<b>Group:</b>									
Balances at March 31, 2008	<u>3,960,000</u>	<u>5,210,000</u>	<u>116,438</u>	<u>14,223</u>	<u>491,542</u>	<u>7,856,343</u>	<u>17,648,546</u>	<u>72,392</u>	<u>17,720,938</u>
<b>Changes in equity:</b>									
Surplus for the year	-	-	-	-	-	<u>1,143,633</u>	<u>1,143,633</u>	<u>12,735</u>	<u>1,156,368</u>
<b>Other comprehensive income/(loss):</b>									
Translation of foreign subsidiaries balances	-	-	-	-	125,188	-	125,188	2,392	127,580
Decrease in fair value of investments	-	-	-	-	(901,525)	-	( 901,525)	-	( 901,525)
Impairment of available-for-sale investments recognised in statement of comprehensive income	-	-	-	-	561,535	-	561,535	-	561,535
Realised losses on investments recognised in statement of revenue and expenses	-	-	-	-	<u>805</u>	-	<u>805</u>	-	<u>805</u>
Total other comprehensive income/(loss)	-	-	-	-	<u>(213,997)</u>	-	<u>( 213,997)</u>	<u>2,392</u>	<u>( 211,605)</u>
Total comprehensive income/(loss)	-	-	-	-	<u>(213,997)</u>	<u>1,143,633</u>	<u>929,636</u>	<u>15,127</u>	<u>944,763</u>
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control:</b>									
Movement in share of reserves in associates and subsidiaries	-	-	-	-	-	-	-	(22,565)	( 22,565)
<b>Movement between reserves:</b>									
Transfers	780,000	390,000	-	-	-	(1,170,000)	-	-	-
Transfer to credit loss reserve	-	-	-	-	<u>24,371</u>	<u>( 24,371)</u>	-	-	-
Total movement between reserves	<u>780,000</u>	<u>390,000</u>	-	-	<u>24,371</u>	<u>(1,194,371)</u>	-	-	-
Balances at March 31, 2009	<u>4,740,000</u>	<u>5,600,000</u>	<u>116,438</u>	<u>14,223</u>	<u>301,916</u>	<u>7,805,605</u>	<u>18,578,182</u>	<u>64,954</u>	<u>18,643,136</u>
<b>Changes in equity:</b>									
Surplus for the year	-	-	-	-	-	<u>1,246,875</u>	<u>1,246,875</u>	<u>(21,010)</u>	<u>1,225,865</u>
<b>Other comprehensive income/(loss):</b>									
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 comprehensive income	-	-	-	-	4,334	-	4,334	-	4,334
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	<u>( 16,548)</u>	-	<u>( 16,548)</u>	-	<u>( 16,548)</u>
Total other comprehensive income/(loss)	-	-	-	-	<u>403,325</u>	-	<u>403,325</u>	<u>129</u>	<u>403,454</u>
Total comprehensive income/(loss)	-	-	-	-	<u>403,325</u>	<u>1,246,875</u>	<u>1,650,200</u>	<u>(20,881)</u>	<u>1,629,319</u>
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control:</b>									
Movement in share of reserves in associates and subsidiaries	-	-	56	-	166	-	222	( 222)	-
<b>Movement between reserves:</b>									
Transfer to credit loss reserve	-	-	-	-	<u>77,830</u>	<u>( 77,830)</u>	-	-	-
Balances at March 31, 2010	<u>4,740,000</u>	<u>5,600,000</u>	<u>116,494</u>	<u>14,223</u>	<u>783,237</u>	<u>8,974,650</u>	<u>20,228,604</u>	<u>43,851</u>	<u>20,272,455</u>

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



# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Statement of Changes in Equity (Continued) Year ended March 31, 2010

	Permanent capital fund \$'000 (note 25)	Reserve fund \$'000 (note 26)	Contractual savings reserve \$'000 (note 27)	Other reserves \$'000 (note 28)	Retained earnings \$'000	Total \$'000
<b>Society:</b>						
Balances at March 31, 2008	<u>3,960,000</u>	<u>5,210,000</u>	<u>14,223</u>	<u>186,448</u>	<u>2,811,190</u>	<u>12,181,861</u>
<b>Changes in equity:</b>						
Surplus for the year	-	-	-	-	<u>409,006</u>	<u>409,006</u>
<b>Other comprehensive income:</b>						
Impairment of available-for-sale investments recognised in statement of comprehensive income	-	-	-	559,175	-	559,175
Increase in fair value of investments	-	-	-	(647,986)	-	( 647,986)
Realised losses on investments recognised in statement of revenue and expenses	-	-	-	<u>3,570</u>	-	<u>3,570</u>
Total other comprehensive loss	-	-	-	( 85,241)	-	( 85,241)
Total comprehensive income	-	-	-	( 85,241)	<u>409,006</u>	<u>323,765</u>
<b>Movements in reserves:</b>						
Transfers	780,000	390,000	-	-	(1,170,000)	-
Transfer to credit loss reserve	-	-	-	<u>23,167</u>	( 23,167)	-
Total movements in reserves	<u>780,000</u>	<u>390,000</u>	-	<u>23,167</u>	<u>(1,193,167)</u>	-
Balances at March 31, 2009	<u>4,740,000</u>	<u>5,600,000</u>	<u>14,223</u>	<u>124,374</u>	<u>2,027,029</u>	<u>12,505,626</u>
<b>Changes in equity:</b>						
Surplus for the year	-	-	-	-	<u>1,050,800</u>	<u>1,050,800</u>
<b>Other comprehensive income:</b>						
Impairment of available-for-sale investments recognised in statement of comprehensive income	-	-	-	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	-	-	-	<u>362,455</u>	-	<u>362,455</u>
Total comprehensive income	-	-	-	<u>362,455</u>	<u>1,050,800</u>	<u>1,413,255</u>
<b>Movements in reserves:</b>						
Transfer to credit loss reserve	-	-	-	<u>66,491</u>	( 66,491)	-
Balances at March 31, 2010	<u>4,740,000</u>	<u>5,600,000</u>	<u>14,223</u>	<u>553,320</u>	<u>3,011,338</u>	<u>13,918,881</u>

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

# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Group Statement of Cash Flows Year ended March 31, 2010

	<u>2010</u> \$'000	<u>2009</u> \$'000
<b>Cash flows from operating activities</b>		
Surplus for the year	1,225,865	1,156,368
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment property	403,969	363,837
Amortisation of intangible assets	81,520	91,527
Gain on disposal of property, plant and equipment and investment property	( 8,983)	( 7,743)
(Gain)/loss on disposal of investments	( 16,548)	805
Gain on disposal of business unit	-	( 196,950)
Gains from foreign exchange rate changes	( 125,705)	( 1,025,277)
Impairment of goodwill	17,718	17,263
Impairment loss on equities	4,334	561,535
Impairment of investment in joint venture	-	1,701
Translation differences	18,868	125,188
Dividend income	( 69,813)	( 61,066)
Share of profit of associates	( 23,864)	( 31,138)
Interest income	(13,729,243)	(10,848,593)
Interest expense	6,411,955	4,941,491
Tax expense	430,996	613,804
Net increase in provision for loan losses	294,825	68,344
Deferred taxation, net	43,369	36,427
Employee benefit obligation	18,914	21,525
Insurance contract provisions	448,113	142,636
	( 4,573,710)	( 4,028,316)
Changes in operating assets and liabilities:		
Net addition to loans	( 5,266,942)	( 5,874,595)
Taxation recoverable	( 664,438)	( 235,563)
Other assets	493,078	3,397,699
Other payable	( 75,996)	( 806,917)
Net receipts from savings	7,598,906	8,851,810
Due to specialised financial institutions	1,437,676	1,435,908
Securities purchased under resale agreements	( 2,352,187)	3,080,410
Securities sold under repurchase agreements	3,018,844	4,357,371
	( 384,769)	10,177,807
Interest paid	( 6,401,866)	( 4,974,889)
Interest received	5,171,292	4,449,753
Income tax paid	( 632,225)	( 445,203)
Net cash (used)/provided by operating activities (page 94)	( 2,247,568)	9,207,468

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

## Financial Statements

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Group Statement of Cash Flows (Continued) Year ended March 31, 2010

	2010 \$'000	2009 \$'000
Net cash (used)/provided by operating activities (page 93)	( 2,247,568)	9,207,468
<b>Cash flows from investing activities</b>		
Investments	( 6,525,157)	(13,488,022)
Interest received	8,802,618	5,692,384
Dividend received	69,813	61,066
Investment in associate	-	( 93,600)
Intangible assets	( 97,455)	( 217,922)
Acquisition of minority interest	-	( 85,516)
Purchase of property, plant and equipment and investment property	( 646,803)	( 809,353)
Proceeds from disposal of business unit	-	217,355
Proceeds from disposal of property, plant and equipment	24,314	44,614
Proceeds from disposal of investments	<u>186,148</u>	<u>397,790</u>
Net cash provided/(used) by investing activities	<u>1,813,478</u>	<u>( 8,281,204)</u>
<b>Cash flows from financing activities</b>		
Long-term loans, being net cash (used)/provided by financing activities	( 151,672)	<u>221,120</u>
Net (decrease)/increase in cash and cash equivalents	( 585,762)	1,147,384
Effects of exchange rate changes on cash and cash equivalents	98,033	( 55,222)
Cash and cash equivalents at beginning of the year	<u>5,338,282</u>	<u>4,246,120</u>
Cash and cash equivalents at end of the year	<u>4,850,553</u>	<u>5,338,282</u>
Comprised of:		
Cash and cash equivalents	4,986,638	5,346,888
Bank overdraft	<u>( 136,085)</u>	<u>( 8,606)</u>
	<u>4,850,553</u>	<u>5,338,282</u>

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



# Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Society Statement of Cash Flows March 31, 2010

	<u>2010</u> \$'000	<u>2009</u> \$'000
<b>Cash flows from operating activities</b>		
Surplus for the year	1,050,800	409,006
Depreciation on property, plant and equipment and investment properties, intangible assets	317,068	258,846
Gain on disposal of property, plant & equipment and investment properties	( 9,227)	( 7,986)
(Gain)/loss on disposal of investments	( 16,548)	3,570
Impairment loss on equities	4,194	559,175
Gains from foreign exchange rate changes	( 57,827)	( 951,527)
Dividend income	( 588,135)	( 61,066)
Interest income	(8,760,849)	(7,344,644)
Interest expense	3,747,389	3,103,149
Tax expense	202,908	369,125
Net increase in provision for loan losses	253,543	47,683
Deferred taxation, net	( 30,279)	20,814
Employee benefit	<u>13,615</u>	<u>15,921</u>
	(3,873,348)	(3,577,934)
Changes in operating assets and liabilities:		
Net additions to loans	(4,050,929)	(5,825,353)
Taxation recoverable	( 386,714)	( 282,733)
Other assets	46,212	2,817,693
Other payables	( 177,951)	( 536,932)
Net receipts from savings	7,152,722	8,478,562
Due to specialised financial institutions	1,437,676	1,435,908
Securities purchased under resale agreements	(3,321,432)	( 250,115)
Securities sold under repurchase agreements	( 791,016)	<u>791,016</u>
	(3,964,780)	3,050,112
Interest paid	(3,743,464)	(3,104,195)
Interest received	4,388,855	3,766,403
Income tax paid	( 409,052)	( 166,828)
Net cash (used)/provided by operating activities	<u>(3,728,441)</u>	<u>3,545,492</u>
<b>Cash flows from investing activities</b>		
Investments and securities purchased under resale agreements	(1,564,972)	(5,296,826)
Interest received	4,671,559	3,049,897
Interest in subsidiaries	210,822	( 64,037)
Acquisition of minority interest in subsidiary	-	( 7,516)
Dividend received	588,135	61,066
Acquisition of intangible assets	( 27,796)	( 178,716)
Purchase of property, plant & equipment and investment property	( 481,491)	( 387,521)
Proceeds from disposal of property, plant & equipment	22,709	12,764
Proceeds from disposal of investments	<u>186,148</u>	<u>86,941</u>
Net cash provided/(used) by investing activities	<u>3,605,114</u>	<u>(2,723,948)</u>
Net cash (used)/provided by operating and investing activities (page 96)	<u>( 123,327)</u>	<u>821,544</u>

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



## Financial Statements

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Society Statement of Cash Flows (Continued)

March 31, 2010

	<u>2010</u> \$'000	<u>2009</u> \$'000
Net cash (used)/provided by operating and investing activities (page 95)	( <u>123,327</u> )	<u>821,544</u>
<b>Cash flows from financing activities</b>		
Long term loans, being net cash (used)/provided by financing activities	( <u>28,478</u> )	<u>6,000</u>
Net (decrease)/increase in cash and cash equivalents	( 151,805 )	827,544
Effects of exchange rate changes on cash and cash equivalents	79,402	40,029
Cash and cash equivalents at beginning of the year	<u>3,759,752</u>	<u>2,892,179</u>
Cash and cash equivalents at end of the year	<u>3,687,349</u>	<u>3,759,752</u>
Comprised of:		
Cash and cash equivalents	3,807,894	3,759,752
Bank overdraft	( <u>120,545</u> )	<u>-</u>
	<u>3,687,349</u>	<u>3,759,752</u>

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements

**March 31, 2010**

#### 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 2010</u>	<u>Percentage ownership 2009</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	Mortgage lending on residential properties, money transfers and other financial services
Jamaica National Overseas (USA) Inc.	United States of America	100	100	Money transmission services and mortgage lending on New York State and Florida residential properties
Jamaica National Overseas (Canada) Limited	Canada	100	100	Money transmission services and mortgage lending on commercial and residential properties.
J.N. Properties Limited	Jamaica	100	100	Development and rental of real 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 <sup>1</sup>	100	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.

<sup>1</sup> JNFM issued an additional \$300 million in ordinary shares and redeemed \$7 million in preference shares during the year.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 1. The Society (continued)

<u>Subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2010</u>	<u>Percentage ownership 2009</u>	<u>Nature of business</u>
NEM Insurance Company (Jamaica) Limited (note 41)	Jamaica	99.5 <sup>2</sup>	99.2	General insurance services
Management Control Systems Limited and its wholly-owned subsidiaries:	Jamaica	95.67	95.67	Provision of information technology solutions and services, inclusive of cellular top-up services
MC Data Limited	Jamaica	- <sup>3</sup>	100	Data entry
Caribbean Technology Inc.	United States of America	100	100	Provision of network solutions
Total Credit Services Limited	Jamaica	100	100	Debt management
The Jamaica Automobile Association (Services) Limited	Jamaica	100	100	Automobile related services
Manufacturers' Credit & Information Services Limited (note 41)	Jamaica	100	100	Fleet management services
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro business for periods not exceeding 40 weeks. The Society has given a commitment not to take profits out of this company.
National Building Society of Cayman	Cayman Islands	96.7	96.7	Mortgage lending on residential properties and other financial services
The Creative Unit Limited	Jamaica	100	100	Creative and ad-placement services
Jamaica Popular Investment Company Limited	Jamaica	100	100	Owners of commercial buildings
JN Finance Limited	Jamaica	100	100	Insurance premium financing, consumer loan, bridge financing, and other credit facilities.
Blue Sapphire Limited	Jamaica	100	100	Acquisition & sale of business unit

<sup>2</sup> 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.

<sup>3</sup> MC Data Limited was struck off the Register of Companies in February 2010.



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 1. The Society (continued)

<u>Associates and Joint Ventures</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2010</u>	<u>Percentage ownership 2009</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.
GKJNO Inc.	United States of America	40	40	Money transmission services.
Transaction EPins Limited	Jamaica	19.5	19.5	Distribution of electronic prepaid air time.

NEM Insurance Company Limited, First Metropolitan Building Society, Knutsford Holdings Limited, Jamaica Joint Venture Investment Company 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 saving. It is funded principally by contributions from the Society. The company is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempted from income tax under Section 12(h) of that Act.

Mutual Building Society 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 company 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, 2010

#### 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, basis of preparation and consolidation

(a) Statement of compliance:

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

As at April 1, 2009, the Group changed its accounting policies as follows:

- The Group applies revised *IAS 1 –Presentation of Financial Statements*: The effect of this revision is to present two statements of income and expenses (an income statement and a statement of comprehensive income), separately from owner changes in equity. The tax effect of each component of other comprehensive income is shown in the notes to the financial statements. The balance sheet is now referred to as the statement of financial position.
- Amendments to *IFRS 7 Financial Instruments: Disclosures* requires enhanced disclosures in respect of two aspects: disclosures over fair value measurement relating to financial instruments, specifically, in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk to address current diversity in practice. The revisions resulted in additional disclosures in the financial statements (note 36).

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

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

- Revised *IFRS 3 Business Combinations* and amended *IAS 27 Consolidated and Separate Financial Statements* are effective for annual reporting periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions are not expected to have any significant impact on the 2011 financial statements.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 3. Statement of compliance, basis of preparation and consolidation (continued)

##### (a) Statement of compliance (continued):

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

- *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. Management is evaluating the impact that the standard will have on the financial statements.

There are a number of other amendments which are unlikely to have a material impact on the Group's and Society's financial statements and have, therefore, not been analysed in detail.

##### (b) Basis of preparation:

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

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported 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.

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

Wherever appropriate, comparative amounts have been reclassified to facilitate comparability with current year presentation.

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

Judgements and critical assumptions are discussed in note 5.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 3. Statement of compliance, basis of preparation and consolidation (continued)

(c) Basis of consolidation:

(i) Subsidiaries

A “subsidiary” is an enterprise controlled by the Society. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The subsidiary companies are listed in note 1 and are referred to as “subsidiaries” or “subsidiary” in 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) and First Metropolitan Building Society (FMBS) which financial statements are prepared to December 31, annually. Consequently, the consolidated results include the results of NEM and FMBS for the year ended December 31, 2009 (2009: December 31, 2008), updated for significant transactions to March 31, 2010 (2009: March 31, 2009).

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of revenue and expenses.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total 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 shares of those profits only after its share of profits equal the share of losses not recognised.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 3. Statement of compliance, basis of preparation and consolidation (continued)

(c) Basis of consolidation (continued):

(iii) Transactions eliminated on consolidation

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

#### 4. Significant accounting policies

(a) Taxation:

(i) Income tax:

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

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

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

(b) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [see note 4(k)]. Cost include expenditures that are 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 the statement of revenue and expenses as incurred.



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 4. Significant accounting policies (continued)

(b) 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.

(c) Foreign currencies:

- (i) Foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US\$1.00 = J\$88.96 (2009: J\$87.95), UK£1.00 = J\$133.30 (2009: J\$124.88) and Cdn\$1.00 = J\$86.06 (2009: J\$69.68), 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\$119.45 (2009: J\$116.16) and Cayman Dollar 1.00 = J\$106.80 (2009: J\$105.88).
- (ii) Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses, except as stated in note 4(c) (iii).
- (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 included in the exchange equalisation reserve [note 28(a)].

(d) Joint ventures and related investments:

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 4. **Significant accounting policies (continued)**

(e) Provision for credit losses:

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

General provisions for 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 the minimum ½% established by the Bank of Jamaica and at 5% of the loan portfolio for a subsidiary and is included in loan loss reserve.

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

(f) Interest income and expense:

Interest income and expense are recognised in the statement of revenue and expenses on the accrual basis, using the effective yield method, except that, where collection of interest income is considered doubtful, or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Bank of Jamaica (Building Societies) Regulations, 1995. A subsidiary recognises interest on a cash basis where payment is outstanding for over 30 days on a 10-20 week loan, or over 60 days on a 21-60 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 Bank of Jamaica (Building Societies) Regulations 1995, 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 4. Significant accounting policies (continued)

(h) Employee benefits:

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

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

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

The benefits are accounted for as follows:

(i) Defined-contribution pension plan:

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

(ii) Defined-benefit 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 appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit 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 balance sheet date on long-term government instruments of terms approximating those of the Group's obligation. The calculation is performed by the qualified 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 the statement of revenue and expenses on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised in the statement of revenue and expenses.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 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 the statement of revenue and expenses 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

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#### 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 38). 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 accounting date, which are attributable to subsequent periods, are calculated substantially on the "twenty-fourths" basis on the total premiums ceded.

Reinsurance assets are assessed for impairment at each 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 the statement of revenue and expenses.

[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, 2010

#### 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) Impairment:

(i) Identification and measurement:

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows 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 or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of revenue and expenses.

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

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

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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 4. Significant accounting policies (continued)

(k) Impairment (continued):

(ii) Calculation of recoverable amount:

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

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

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

(iii) Reversals of impairment:

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 4. **Significant accounting policies (continued)**

##### (l) 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, 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.

Financial investments at fair value through profit or loss are those held for trading. Such investments are those which the Society and Group manages and makes purchase and sale decisions based on their fair value in accordance with its 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.

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

##### (ii) Recognition:

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

##### (iii) Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is 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, 2010

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#### 4. Significant accounting policies (continued)

(l) Financial instruments (continued):

(iv) Measurement:

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

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

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

The fair value of available-for-sale and trading investments 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, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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

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

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 4. Significant accounting policies (continued)

(n) 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.

(o) Long-term loan:

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 in the statement of revenue and expenses on the effective interest rate basis. The associated costs are included in interest expense.

(p) Deferred credit:

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

(q) Other assets:

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

(r) 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.

(s) Operating leases:

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



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

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#### **4. Significant accounting policies (continued)**

(t) Related party balances and transactions:

A party is related to the Society, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Society (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Society that gives it significant influence over the Society; or has joint control over the Society;
- (ii) the party is an associate of the Society;
- (iii) the party is a joint venture in which the Society is a venturer;
- (iv) the party is a member of the key management personnel of the Society or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is 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.

(u) Intangible assets:

(i) Goodwill:

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

Goodwill is stated at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised directly in the statement of revenues and expenses.

(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, 2010

#### 4. Significant accounting policies (continued)

(u) Intangible assets (continued):

(iv) Amortisation:

Amortisation is charged to the statement of revenue and expenses 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 balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Trademarks	5 years
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(v) Other payables:

Other payables are stated at amortised cost.

(w) 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 its 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

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#### 4. Significant accounting policies (continued)

(x) 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.

#### 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) 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.

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.

(b) Allowance for loan losses

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 5. Accounting estimates and judgements (continued)

(c) Held-to maturity investments

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

(d) Significant risks and uncertainties in money transfer business

Money transfer has been significantly impacted by the global economic slowdown and money transfers reduced in volume and value during the year. Some subsidiaries operate from branches and through agents in markets in the United States of America, Canada, the United Kingdom, the Caribbean and Ghana. The majority of the inflows are concentrated in the United States of America.

The subsidiaries experienced challenges during the year in collecting amounts owed by agents, resulting in a significant increase in allowance for doubtful debts. The current economic conditions combined with the general slowdown in consumer spending caused by uncertainty about future market conditions continue to adversely impact customer's discretionary funds. As such, it is reasonably probable that the financial condition of our customers may deteriorate significantly from current levels in the near term. It cannot be predicted whether, when or the manner in which the economic conditions described above will change.

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

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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 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 a 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 valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

#### 7. Cash and cash equivalents

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Cash reserve with Bank of Jamaica [see (a)]	646,512	554,425	646,512	554,425
Cash and bank balances				
[see (b), (c), (d) and note 38(i)]	<u>4,340,126</u>	<u>4,792,463</u>	<u>3,161,382</u>	<u>3,205,327</u>
Total cash and cash equivalents [see (e)]	<u>4,986,638</u>	<u>5,346,888</u>	<u>3,807,894</u>	<u>3,759,752</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, 2010, the stipulated percentage was 40% (2009: 40%) compared to the Society's holding of qualifying assets of 43.69% (2009: 48.45%).

- (b) Cash and bank balances include deposits held on behalf of clients of \$32,421,000 (2009: \$25,276,000) 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, Florida and Washington D.C. The regulations require a minimum total net worth of US\$1,310,000 (2009: US\$1,481,492) in lieu of a surety bond in favour of the Superintendent. As at March 31, 2010, the subsidiary had US\$2,253,827 (2009: US\$2,203,610) invested in certificates of deposit to meet minimum requirements established by the States in which the subsidiary operates.



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 7. Cash and cash equivalents (continued)

(d) The Society has the following securities pledged:

- (i) \$179,000,000 to facilitate settlement of multilink transactions,
- (ii) \$90,000,000 with a commercial bank to cover uncleared funds up to a limit of \$900,000,000,
- (iii) \$2,361,684 with a commercial bank to cover a third party guarantee.

A subsidiary has a \$25,000,000 overdraft facility with a commercial bank, which is secured by a lien on a fixed deposit account in the amount of US\$87,700 and hypothecation of certain deposits in the amount of US\$100,000.

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

#### 8. Securities purchased under resale agreements

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Principal	14,310,673	11,958,487	8,365,489	5,044,057
Interest receivable	<u>135,671</u>	<u>209,574</u>	<u>80,233</u>	<u>51,606</u>
	<u>14,446,344</u>	<u>12,168,061</u>	<u>8,445,722</u>	<u>5,095,663</u>

At March 31, 2010, securities obtained and held under resale agreements had a fair value of \$16,163,970,000 (2009: \$12,397,224,000) for the Group and \$9,627,122,000 (2009: \$5,169,059,000) for the Society.

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

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	11,249,474	10,359,582	5,497,383	5,016,504
3 months to 1 year	<u>3,196,870</u>	<u>1,808,479</u>	<u>2,948,339</u>	<u>79,159</u>
	<u>14,446,344</u>	<u>12,168,061</u>	<u>8,445,722</u>	<u>5,095,663</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 9. Investments

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
<b>Held-to-maturity</b>				
Government of Jamaica securities	18,952,872	14,898,997	8,443,935	7,554,432
Treasury bills	612,721	310,067	119,094	10,118
Debenture	<u>5,502,000</u>	<u>2,824,500</u>	<u>-</u>	<u>-</u>
	<u>25,067,593</u>	<u>18,033,564</u>	<u>8,563,029</u>	<u>7,564,550</u>
<b>Loans and receivables:</b>				
Debentures	295	2,240	295	2,240
Corporate bonds	1,144,850	1,108,552	1,086,135	1,048,977
Certificates of deposit	4,178,579	4,329,267	3,922,362	4,326,189
Foreign currency certificates of deposit	<u>19,419,172</u>	<u>18,936,417</u>	<u>15,905,063</u>	<u>14,166,879</u>
	<u>24,742,896</u>	<u>24,376,476</u>	<u>20,913,855</u>	<u>19,544,285</u>
<b>Available-for-sale securities:</b>				
Quoted equities [see (i)]	1,329,230	1,073,199	1,063,509	810,721
Unquoted equities [see (ii)]	<u>3,216</u>	<u>7,405</u>	<u>3,216</u>	<u>7,405</u>
	<u>1,332,446</u>	<u>1,080,604</u>	<u>1,066,725</u>	<u>818,126</u>
<b>At fair value through profit/loss:</b>				
Quoted equities	<u>4,225</u>	<u>8,738</u>	<u>4,225</u>	<u>8,738</u>
Interest receivable	<u>852,333</u>	<u>1,089,094</u>	<u>343,958</u>	<u>746,789</u>
	<u>51,999,493</u>	<u>44,588,476</u>	<u>30,891,792</u>	<u>28,682,488</u>

At March 31, 2010, the fair value of held-to-maturity securities for the Group aggregated \$25,118,232,000 (2009: \$18,386,496,000) and for the Society \$8,583,191,000 (2009: \$7,563,456,000). The fair value of loans and receivables approximated their carrying value due to their short-term nature, except for corporate bonds which had a fair value of \$1,044,243,000 (2009: \$1,002,925,000).

- (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 (2009: \$5,600,000).

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 9. Investments (continued)

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
No specific maturity	1,462,922	1,163,285	1,197,201	900,807
Within 3 months	25,403,361	15,628,389	15,469,717	8,233,408
3 months to 1 year	4,479,741	12,590,320	2,722,748	9,462,733
1 year to 5 years	14,598,649	12,598,045	5,964,543	7,828,194
5 years and over	<u>5,202,487</u>	<u>1,519,343</u>	<u>5,193,625</u>	<u>1,510,557</u>
	<u>51,147,160</u>	<u>43,499,382</u>	<u>30,547,834</u>	<u>27,935,699</u>

Investments in a subsidiary totalling \$50,000,000 (2009: \$50,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001.

Bank of Jamaica ('BOJ') certificates of deposit with a carrying value of \$30,000,000 (2009:\$30,000,000) are being held by the BOJ as collateral in the event the company overdraws its account with BOJ. The account is 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 Dec. 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, with the effect on the maturity profile as disclosed above. 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 \$23,696,357,000 (2009: \$18,079,432,000) represent:

- (i) 27.16% (2009: 23.38%) of the Society's total assets; and
- (ii) 32.81% (2009: 28.83%) of the Society's total savings fund.

#### 11. Interest in subsidiaries

	<b>Society</b>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Shares, at cost or written down value (see note 1)	818,088	525,088
Debentures, loans, advances and deposits	504,464	946,522
Current accounts	<u>261,483</u>	<u>323,247</u>
	<u>1,584,035</u>	<u>1,794,857</u>



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 12. Interest in associates

	<u>Group</u>		<u>Society</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Shares, net (see note 1)	153	153	153	153
Group's share of reserves	274,921	251,057	-	-
Debentures	<u>14,169</u>	<u>14,168</u>	<u>582</u>	<u>582</u>
	<u>289,243</u>	<u>265,378</u>	<u>735</u>	<u>735</u>

#### 13. Loans

Loans, less allowances for losses, are as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Mortgage loans - principal	40,541,259	36,047,225	37,788,241	34,083,512
- accrued interest	<u>328,206</u>	<u>262,210</u>	<u>296,403</u>	<u>221,764</u>
	40,869,465	36,309,435	38,084,644	34,305,276
Share loans	781,866	582,186	781,866	582,186
Other loans	<u>1,748,522</u>	<u>1,411,377</u>	<u>255,623</u>	<u>320,872</u>
	<u>43,399,853</u>	<u>38,302,998</u>	<u>39,122,133</u>	<u>35,208,334</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:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Within 3 months	410,811	694,800	11,584	18,803
3 months to 1 year	1,691,548	581,032	601,958	142,628
1 year to 5 years	1,472,936	2,006,492	1,196,513	1,820,635
5 years and over	<u>39,824,558</u>	<u>35,020,674</u>	<u>37,312,078</u>	<u>33,226,268</u>
	<u>43,399,853</u>	<u>38,302,998</u>	<u>39,122,133</u>	<u>35,208,334</u>

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

	<u>Number of Accounts</u>		<u>Value</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Professional & other services	51	52	408,326	202,813
Individuals	44,128	36,581	41,511,974	36,442,402
Corporations	561	499	1,443,180	1,617,711
Tourism	<u>4</u>	<u>4</u>	<u>36,373</u>	<u>40,072</u>
	<u>44,744</u>	<u>37,136</u>	<u>43,399,853</u>	<u>38,302,998</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 13. Loans (continued)

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

	<b>Number of Accounts</b>		<b>Value</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Professional and other services	42	48	241,514	202,793
Individuals	22,108	20,361	37,962,489	33,831,823
Corporations	117	117	881,757	1,133,646
Tourism	<u>4</u>	<u>4</u>	<u>36,373</u>	<u>40,072</u>
	<u>22,271</u>	<u>20,530</u>	<u>39,122,133</u>	<u>35,208,334</u>

Loans and advances on which interest is no longer accrued [see note 4(f)] amounted to \$5,418,973,000 (2009: \$4,708,836,000) and represent 13.60% (2009: 13.19%) 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:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
At beginning of the year	588,237	519,903	503,849	456,167
Additional allowance made during the year	322,086	142,246	233,122	108,333
Written back during the year	( 27,261)	( 73,912)	( 27,261)	( 60,651)
At end of the year [note 35(b)]	<u>883,062</u>	<u>588,237</u>	<u>709,710</u>	<u>503,849</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Specific allowance	883,062	588,237	709,710	503,849
General allowances [note 28(c)]	<u>244,804</u>	<u>166,974</u>	<u>214,667</u>	<u>148,176</u>
	<u>1,127,866</u>	<u>755,211</u>	<u>924,377</u>	<u>652,025</u>

Included in mortgage loans for the Society are balances due from directors and companies controlled by directors amounting to \$704,000 (2009: \$2,312,000) and interest due on these loans of \$Nil (2009: \$Nil).



## Notes to Financial Statements

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (Continued)

March 31, 2010

#### 14. Other assets

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	1,404,010	1,836,019	384,185	422,718
Reinsurance assets	576,809	654,380	-	-
Development in progress	44,357	42,119	-	-
Inventories	<u>71,386</u>	<u>49,000</u>	<u>30,020</u>	<u>31,028</u>
	<u>2,096,562</u>	<u>2,581,518</u>	<u>414,205</u>	<u>453,746</u>

#### 15. Investment properties

	<u>Group</u>	<u>Society</u>
	\$'000	\$'000
At cost:		
March 31, 2008	314,753	111,670
Addition	<u>77,093</u>	<u>-</u>
March 31, 2009	391,846	111,670
Addition	<u>9,707</u>	<u>-</u>
March 31, 2010	<u>401,553</u>	<u>111,670</u>
Depreciation:		
March 31, 2008	57,811	25,023
Charge for the year	<u>2,196</u>	<u>2,388</u>
March 31, 2009	60,007	27,411
Charge for the year	<u>4,151</u>	<u>2,388</u>
March 31, 2010	<u>64,158</u>	<u>29,799</u>
Carrying value:		
March 31, 2010	<u>337,395</u>	<u>81,871</u>
March 31, 2009	<u>331,839</u>	<u>84,259</u>
March 31, 2008	<u>256,942</u>	<u>86,647</u>

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Fair value of investment properties	1,034,021	940,434	614,500	614,500
Income earned from the properties	68,389	60,036	45,283	44,449
Expenses incurred by the properties	<u>83,894</u>	<u>84,539</u>	<u>35,148</u>	<u>33,296</u>

Investment properties include properties held by a subsidiary, which were revalued on May 12, 2009 an open market basis by Edwin Tulloch-Reid & Associates.

## Notes to Financial Statements

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (Continued)

**March 31, 2010**

#### 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, 2008	815,493	121,730	1,792,882	353,316	77,182	3,160,603
Additions	178,990	26,633	307,021	71,561	148,055	732,260
Transfers	61,314	15,249	55,556	-	(132,119)	-
Acquired on acquisition of division	-	-	45,291	-	-	45,291
Disposals	-	-	( 151,220)	( 43,957)	-	( 195,177)
March 31, 2009	1,055,797	163,612	2,049,530	380,920	93,118	3,742,977
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	<u>1,278,887</u>	<u>252,018</u>	<u>2,356,531</u>	<u>342,184</u>	<u>93,189</u>	<u>4,322,809</u>
Depreciation:						
March 31, 2008	142,652	61,939	1,011,787	190,340	-	1,406,718
Charge for the year	22,735	48,700	226,877	63,329	-	361,641
Acquired on acquisition of division	-	-	43,147	-	-	43,147
Eliminated on disposals	-	-	( 58,295)	( 37,595)	-	( 95,890)
March 31, 2009	165,387	110,639	1,223,516	216,074	-	1,715,616
Charge for the year	27,310	66,938	242,436	63,134	-	399,818
Translation adjustment	233	8,251	14,558	375	-	23,417
Eliminated on disposals	-	-	( 6,254)	( 57,690)	-	( 63,944)
March 31, 2010	<u>192,930</u>	<u>185,828</u>	<u>1,474,256</u>	<u>221,893</u>	<u>-</u>	<u>2,074,907</u>
Net book values:						
March 31, 2010	<u>1,085,957</u>	<u>66,190</u>	<u>882,275</u>	<u>120,291</u>	<u>93,189</u>	<u>2,247,902</u>
March 31, 2009	<u>890,410</u>	<u>52,973</u>	<u>826,014</u>	<u>164,846</u>	<u>93,118</u>	<u>2,027,361</u>
March 31, 2008	<u>672,841</u>	<u>59,791</u>	<u>781,095</u>	<u>162,976</u>	<u>77,182</u>	<u>1,753,885</u>

## Notes to Financial Statements

### THE JAMAICA NATIONAL BUILDING SOCIETY

#### Notes to the financial statements (Continued) March 31, 2010

#### 16. Property, plant and equipment (continued)

##### Society

	<u>Freehold land and buildings</u> \$'000	<u>Leasehold land and buildings</u> \$'000	<u>Computers and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
At cost:						
March 31, 2008	709,177	58,089	1,092,257	270,128	67,512	2,197,163
Additions	4,189	2,650	209,821	65,500	105,361	387,521
Transfers	61,314	16,215	44,920	-	(122,449)	-
Disposals	-	-	( 285)	( 36,286)	-	( 36,571)
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
Transfers	36,091	13,630	93,602	-	(143,323)	-
Disposals	-	( 984)	-	( 57,489)	-	( 58,473)
March 31, 2010	<u>989,212</u>	<u>93,028</u>	<u>1,606,012</u>	<u>253,894</u>	<u>28,985</u>	<u>2,971,131</u>
Depreciation:						
March 31, 2008	119,058	11,406	626,411	141,345	-	898,220
Charge for the year	17,703	22,181	114,376	49,350	-	203,610
Eliminated on disposals	-	-	( 7)	( 31,786)	-	( 31,793)
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	<u>155,530</u>	<u>62,693</u>	<u>914,345</u>	<u>160,971</u>	<u>-</u>	<u>1,293,539</u>
Net book values:						
March 31, 2010	<u>833,682</u>	<u>30,335</u>	<u>691,667</u>	<u>92,923</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>
March 31, 2008	<u>590,119</u>	<u>46,683</u>	<u>465,846</u>	<u>128,783</u>	<u>67,512</u>	<u>1,298,943</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 17. Intangible assets

##### Group

	<u>Trademarks</u> \$'000	<u>Goodwill</u> \$'000	<u>Licence</u> \$'000	<u>Software</u> \$'000	<u>Total</u> \$'000
At cost:					
March 31, 2008	389	114,163	271	370,306	485,129
Additions	-	63,291	77	217,845	281,213
Amount written off	-	( 22,051)	-	-	( 22,051)
March 31, 2009	389	155,403	348	588,151	744,291
Additions	-	-	82	97,373	97,455
Translation adjustment	-	-	-	2,168	2,168
March 31, 2010	<u>389</u>	<u>155,403</u>	<u>430</u>	<u>687,692</u>	<u>843,914</u>
Depreciation:					
March 31, 2008	389	53,278	-	248,908	302,575
Charge for the year	-	-	-	91,527	91,527
Eliminated on write off	-	( 4,788)	-	-	( 4,788)
March 31, 2009	389	48,490	-	340,435	389,314
Charge for the year	-	-	-	81,520	81,520
Goodwill impairment	-	17,718	-	-	17,718
Translation adjustment	-	-	-	1,378	1,378
March 31, 2010	<u>389</u>	<u>66,208</u>	<u>-</u>	<u>423,333</u>	<u>489,930</u>
Net book values:					
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>
March 31, 2008	<u>-</u>	<u>60,885</u>	<u>271</u>	<u>121,398</u>	<u>182,554</u>

##### Society

	<u>Software</u> \$'000	<u>Development in progress</u> \$'000	<u>Total</u> \$'000
At cost:			
March 31, 2008	246,289	-	246,289
Additions	<u>55,265</u>	<u>123,451</u>	<u>178,716</u>
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	<u>322,989</u>	<u>129,812</u>	<u>452,801</u>
Depreciation:			
March 31, 2008	171,023	-	171,023
Charge for the year	<u>52,848</u>	<u>-</u>	<u>52,848</u>
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	<u>270,058</u>	<u>-</u>	<u>270,058</u>
Net book values:			
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>
March 31, 2008	<u>75,266</u>	<u>-</u>	<u>75,266</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 18. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

##### Group

	Assets		Liabilities		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Other assets	383	9,907	(234,483)	(174,048)	(234,100)	(164,141)
Property, plant and equipment	(45,651)	(54,286)	( 12,296)	( 13,686)	( 57,947)	( 67,972)
Employee benefits	49,673	45,588	18,719	16,952	68,392	62,540
Other payables	26,208	25,066	96,796	100,951	123,004	126,017
Contractual savings reserve	( 4,267)	( 4,267)	-	-	( 4,267)	( 4,267)
Tax losses carried forward	32,778	33,426	-	1,112	32,778	34,538
Unrealised foreign exchange gains	13,684	2,073	235	( 3,640)	13,919	( 1,567)
Net deferred tax assets/(liabilities)	<u>72,808</u>	<u>57,507</u>	<u>(131,029)</u>	<u>( 72,359)</u>	<u>( 58,221)</u>	<u>( 14,852)</u>

##### Society

	Assets		Liabilities		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property, plant and equipment	-	-	( 43,160)	( 48,111)	( 43,160)	( 48,111)
Employee benefits	49,671	45,588	-	-	49,671	45,588
Other payables	22,425	14,045	-	-	22,425	14,045
Contractual savings reserve	-	-	( 4,267)	( 4,267)	( 4,267)	( 4,267)
Unrealised foreign exchange gains	<u>12,541</u>	<u>-</u>	<u>-</u>	<u>( 324)</u>	<u>12,541</u>	<u>( 324)</u>
Net deferred tax assets	<u>84,637</u>	<u>59,633</u>	<u>( 47,427)</u>	<u>( 52,702)</u>	<u>37,210</u>	<u>6,931</u>

Movement in temporary differences during the year:

	Group		Society	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net deferred tax assets/(liabilities) at beginning of year	( 14,852)	21,575	6,931	27,745
Recognised in statement of revenue and expenses [note 32(a)(ii)]	( 43,369)	(36,427)	30,279	(20,814)
Net deferred tax (liabilities)/assets at end of year	<u>( 58,221)</u>	<u>(14,852)</u>	<u>37,210</u>	<u>6,931</u>



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 19. Shareholders' savings

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Paid-up investment shares	62,839,145	54,954,957	62,918,783	54,846,767
General investment and subscription shares	4,347,407	3,692,985	1,960,452	1,958,295
Accrued interest	<u>525,754</u>	<u>487,572</u>	<u>491,497</u>	<u>487,572</u>
	<u>67,712,306</u>	<u>59,135,514</u>	<u>65,370,732</u>	<u>57,292,634</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	62,814,398	54,421,405	61,503,831	54,345,661
From 3 months to 1 year	4,695,640	4,204,750	3,664,633	2,437,614
Over 1 year	<u>202,268</u>	<u>509,359</u>	<u>202,268</u>	<u>509,359</u>
	<u>67,712,306</u>	<u>59,135,514</u>	<u>65,370,732</u>	<u>57,292,634</u>

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

	<b>Number of Accounts</b>		<b>Value</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
			\$'000	\$'000
Public authorities	74	80	7,225	7,788
Financial institutions	99	79	304,297	354,772
Commercial and business	1,770	1,452	953,205	1,192,639
Individuals	<u>1,140,190</u>	<u>1,028,257</u>	<u>66,447,579</u>	<u>57,580,315</u>
	<u>1,142,133</u>	<u>1,029,868</u>	<u>67,712,306</u>	<u>59,135,514</u>

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

	<b>Number of Accounts</b>		<b>Value</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
			\$'000	\$'000
Public authorities	68	80	7,224	7,788
Financial institutions	82	79	304,297	354,772
Commercial and business	1,742	1,452	953,205	1,192,639
Individuals	<u>1,136,392</u>	<u>1,025,595</u>	<u>64,106,006</u>	<u>55,737,435</u>
	<u>1,138,284</u>	<u>1,027,206</u>	<u>65,370,732</u>	<u>57,292,634</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 20. Depositors' savings

Depositors' savings are time deposits with certain preferential rights and, for the Group, represent 0.0061% (2009: 0.0066%) and, for the Society, Nil% (2009: Nil%) of loan balances outstanding (see note 13).

#### 21. Securities sold under repurchase agreements

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Principal	19,206,722	16,187,877	-	777,831
Interest payable	<u>257,365</u>	<u>285,457</u>	<u>-</u>	<u>13,185</u>
	<u>19,464,087</u>	<u>16,473,334</u>	<u>-</u>	<u>791,016</u>

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

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	19,464,087	13,820,745	-	791,016
From 3 months to 1 year	-	2,132,479	-	-
Over 1 year	<u>-</u>	<u>520,110</u>	<u>-</u>	<u>-</u>
	<u>19,464,087</u>	<u>16,473,334</u>	<u>-</u>	<u>791,016</u>

At March 31, 2010, 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 \$19,206,721,000 (2009: \$16,230,047,000) and \$Nil (2009: \$820,000,000) 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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 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:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	227,202	114,874	160,195	64,855
Unrecognised actuarial (gain)/losses	( 12,520)	80,756	5,380	87,105
Supplementary benefit [note 22(g)]	<u>7,049</u>	<u>7,187</u>	<u>-</u>	<u>-</u>
	<u>221,731</u>	<u>202,817</u>	<u>165,575</u>	<u>151,960</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	114,874	104,703	64,855	72,499
Benefits paid	( 2,404)	( 2,256)	( 1,545)	( 1,398)
Service and interest costs	24,783	27,255	18,487	19,598
Actuarial loss/(gains)	<u>89,949</u>	<u>( 14,828)</u>	<u>78,398</u>	<u>(25,844)</u>
Balance at end of year	<u>227,202</u>	<u>114,874</u>	<u>160,195</u>	<u>64,855</u>

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	11,707	12,199	7,098	9,083
Interest on obligation	19,910	15,056	11,389	10,515
Curtailement gain	( 7,548)	-	-	-
Net actuarial gains recognised	<u>( 2,613)</u>	<u>( 2,355)</u>	<u>( 3,327)</u>	<u>( 2,279)</u>
	<u>21,456</u>	<u>24,900</u>	<u>15,160</u>	<u>17,319</u>

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

	<u>2010</u>	<u>2009</u>
	%	%
Discount rate at March 31	11.50	16.00
Rate of salary increase	<u>9.00</u>	<u>9.00</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 22. Employee benefit obligation (continued)

##### (e) Historical information

<b>Group</b>	<u>2006</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000
Experience adjustment arising on the plan liabilities	( 20,572)	( 2,821)	( 29,569)	( 5,857)	( 26,657)
Present value of defined benefit obligation	100,923	127,754	104,703	114,874	227,202
Deficit in the plan	<u>100,923</u>	<u>127,754</u>	<u>104,703</u>	<u>114,874</u>	<u>227,202</u>
<b>Society</b>	<u>2006</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000
Experience adjustment arising on the plan liabilities	(16,995)	( 3,882)	(34,522)	5,083	( 14,392)
Present value of defined benefit obligation	71,849	96,830	72,499	64,855	160,195
Deficit in the plan	<u>71,849</u>	<u>96,830</u>	<u>72,499</u>	<u>64,855</u>	<u>160,195</u>

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

	<b>Group</b>		<b>Society</b>	
	1% <u>increase</u> \$'000	1% <u>decrease</u> \$'000	1% <u>increase</u> \$'000	1% <u>decrease</u> \$'000
Effect on the aggregate service and interest cost	8,351	( 6,165)	4,462	( 3,347)
Effect on the defined benefit obligation	<u>30,887</u>	<u>(23,168)</u>	<u>13,144</u>	<u>(10,082)</u>

##### (g) Supplementary pension benefit

A subsidiary company provides supplementary pension for 6 pensioners (2009: 6). The defined-benefit obligation in respect of these pensioners was \$7,049,000 at March 31, 2010 (2009: \$7,187,000).

#### 23. Insurance contract provisions

##### (a) **Group:**

	<u>2010</u>			<u>2009</u>		
	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000	<u>Gross</u> \$'000	<u>Reinsurance</u> \$'000	<u>Net</u> \$'000
Claims outstanding	2,813,830	152,623	2,661,207	2,457,208	248,272	2,208,936
Provision for unexpired risks	83,726	-	83,726	-	-	-
Unearned premiums	<u>1,365,045</u>	<u>424,186</u>	<u>940,859</u>	<u>1,357,280</u>	<u>406,108</u>	<u>951,172</u>
	<u>4,262,601</u>	<u>576,809</u>	<u>3,685,792</u>	<u>3,814,488</u>	<u>654,380</u>	<u>3,160,108</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 23. Insurance contract provisions (continued)

##### (b) Analysis of movements in insurance contract provisions:

Claims outstanding

	2010			2009		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims notified	1,921,321	225,890	1,695,431	1,803,488	266,073	1,537,415
Claims incurred but not reported	<u>535,887</u>	<u>22,383</u>	<u>513,504</u>	<u>395,047</u>	<u>3,722</u>	<u>391,325</u>
Balance at April 1	<u>2,457,208</u>	<u>248,273</u>	<u>2,208,935</u>	<u>2,198,535</u>	<u>269,795</u>	<u>1,928,740</u>
Claims incurred	2,082,201	137,879	1,944,322	1,784,703	161,506	1,623,197
Claims paid in year	<u>(1,725,579)</u>	<u>(233,529)</u>	<u>(1,492,050)</u>	<u>(1,526,030)</u>	<u>(183,029)</u>	<u>(1,343,001)</u>
Change in outstanding claims provision	<u>356,622</u>	<u>(95,650)</u>	<u>452,272</u>	<u>258,673</u>	<u>(21,523)</u>	<u>280,196</u>
Balance at March 31	<u>2,813,830</u>	<u>152,623</u>	<u>2,661,207</u>	<u>2,457,208</u>	<u>248,272</u>	<u>2,208,936</u>
Claims notified [note 35(c)]	2,049,656	166,156	1,883,500	1,921,321	225,890	1,695,431
Claims incurred but not reported	<u>764,174</u>	<u>(13,533)</u>	<u>777,707</u>	<u>535,887</u>	<u>22,382</u>	<u>513,505</u>
Balance March 31	<u>2,813,830</u>	<u>152,623</u>	<u>2,661,207</u>	<u>2,457,208</u>	<u>248,272</u>	<u>2,208,936</u>

Outstanding claims include claims payable of \$7,404,000 (2009: \$4,612,000) under policies issued to related parties.

##### (c) Unearned premiums:

	2010			2009		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	1,357,280	406,107	951,173	1,412,636	427,537	985,099
Premiums written during the year	3,137,152	1,151,202	1,985,950	3,221,189	1,065,199	2,155,990
Premiums earned during the year	<u>(3,129,387)</u>	<u>(1,133,123)</u>	<u>(1,996,264)</u>	<u>(3,276,545)</u>	<u>(1,086,628)</u>	<u>(2,189,917)</u>
Balance March 31	<u>1,365,045</u>	<u>424,186</u>	<u>940,859</u>	<u>1,357,280</u>	<u>406,108</u>	<u>951,172</u>

##### (d) Gross unearned premiums are analysed as follows:

	2010 \$'000	2009 \$'000
Liability	42,651	40,425
Motor	825,247	848,430
Pecuniary loss	3,533	15,031
Pecuniary Accident	853	694
Marine	-	1,417
Property	471,858	434,036
Engineering	<u>20,903</u>	<u>17,247</u>
	<u>1,365,045</u>	<u>1,357,280</u>



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 23. Insurance contract provisions (continued)

- (e) Provision for unexpired risks:

	2010			2009		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance April 1	-	-	-	60,682	-	60,682
New provisions established in the year	83,726	-	83,726	(60,682)	-	(60,682)
Balance March 31	<u>83,726</u>	<u>-</u>	<u>83,726</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 24. Long-term loans

	Group		Society	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Development Bank of Jamaica Limited (i)	-	25,000	-	25,000
Development Bank of Jamaica Limited (ii)	45,833	50,000	-	-
Development Bank of Jamaica Limited (iii)	150,000	200,000	-	-
Development Bank of Jamaica Limited (iv)	280	-	-	-
Pan Caribbean Financial Services Limited (v)	43,321	36,667	-	-
Unsecured bonds (vi)	56,487	56,487	-	-
National Investment Fund (vii)	43,773	39,415	-	-
Manhart Properties (viii)	2,521	6,000	2,521	6,000
Less: current maturities (included in other payables)	(174,442)	(94,124)	-	-
	<u>167,773</u>	<u>319,445</u>	<u>2,521</u>	<u>31,000</u>

- (i) This loan was obtained by the Society for on-lending to a subsidiary to assist it with alleviating some of the costs associated with lending to small and micro enterprises. The subsidiary is required, under the loan agreement, to invest the loan principal and use only the interest earned therefrom. The loan bore interest at 5% per annum and was repaid during the year.
- (ii) 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.
- (iii) The loan has a moratorium of six months and is repayable over eight payments of \$25,500,000 and one final payment of \$25,000,000. The last payment is due on September 30, 2011. Interest is payable at 12% per annum.
- (iv) The loan has a moratorium of six months and is repayable over eight payments of \$31,111 and one final payment of \$31,111. The last payment is due on June 30, 2012. Interest is payable at 1% per annum.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 24. Long-term loans (continued)

- (v) The purpose of this loan is for on-lending to small and micro enterprises and is repayable in quarterly instalments. The line of credit commenced on June 30, 2008 for 3 years at an interest rate of 9%. 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.
- (vi) 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% (2009: 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% (2009: 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.
- (vii) 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 carried 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.
- (viii) 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%, due for repayment in October 2013.

#### 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 \$4,740,000,000 (2009: \$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, 2010, the Society's reserve fund aggregated \$5,600,000,000 (2009: \$5,600,000,000).



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 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 to it.

#### 28. Other reserves

These represent the following:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Exchange equalisation reserve [see (a)]	201,065	182,197	-	-
Investment revaluation reserve [see (b)]	337,368	( 47,255)	338,653	( 23,802)
Credit loss reserve [see (c)]	<u>244,804</u>	<u>166,974</u>	<u>214,667</u>	<u>148,176</u>
	<u>783,237</u>	<u>301,916</u>	<u>553,320</u>	<u>124,374</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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
On shareholders' savings	3,849,294	3,109,031	3,747,389	3,103,149
Other	<u>2,562,661</u>	<u>1,832,460</u>	<u>-</u>	<u>-</u>
	<u>6,411,955</u>	<u>4,941,491</u>	<u>3,747,389</u>	<u>3,103,149</u>

#### 30. Other operating income

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Realised foreign exchange gain on trading	945,230	886,494	369,245	484,167
Management fees	-	-	226,067	218,878
Fee and commission income	1,382,521	1,043,962	354,261	216,127
Net underwriting insurance (expense)/ income before operating expenses	( 93,296)	516,720	-	-
Dividend	69,813	55,156	588,135	61,066
Other	<u>766,319</u>	<u>773,900</u>	<u>331,128</u>	<u>317,032</u>
	<u>3,070,587</u>	<u>3,276,232</u>	<u>1,868,836</u>	<u>1,297,270</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 31. Operating expenses

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Administration, including employee costs (note 33)	8,063,902	7,295,789	5,219,713	4,501,469
Directors' fees	26,107	21,382	19,892	17,297
Directors' remuneration	30,335	30,149	30,335	30,149
Audit fees	58,293	45,821	16,500	15,500
Depreciation and amortisation	485,489	455,364	317,068	258,846
Bad debts written-off for loans and other receivables	<u>75,020</u>	<u>67,378</u>	<u>50,288</u>	<u>10,013</u>
	<u>8,739,146</u>	<u>7,915,883</u>	<u>5,653,796</u>	<u>4,833,274</u>

#### 32. Taxation

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

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax expense:				
Income tax on the Society	202,908	369,126	202,908	369,126
Taxation on subsidiaries	<u>228,088</u>	<u>244,678</u>	<u>-</u>	<u>-</u>
	430,996	613,804	202,908	369,126
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 18)	<u>43,369</u>	<u>36,427</u>	<u>( 30,279)</u>	<u>20,814</u>
Total taxation in statement of revenue and expenses	<u>474,365</u>	<u>650,231</u>	<u>172,629</u>	<u>389,940</u>

- (b) Reconciliation of effective tax rate:

Taxation is based on the surplus for the year, as adjusted for tax purposes, and is computed at rates of 30% for the Society and two of its subsidiaries, and 33⅓% for local subsidiaries. The effective tax rate for 2010 was 27.90% (2009: 36.02%) of \$1,700,230,000 (2009: \$1,806,599,000) pre-tax surplus for the Group and 14.11% (2009: 48.81%) of \$1,223,429,000 (2009: \$798,946,000) for the Society. The actual charge differs from the "expected" tax charge for the year as follows:

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 32. Taxation (continued)

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

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Surplus before taxation	<u>1,700,230</u>	<u>1,806,599</u>	<u>1,223,429</u>	<u>798,946</u>
Computed "expected" tax expense at 30%	367,028	239,684	367,028	239,684
Computed "expected" tax expense at 33 1/3%	<u>273,389</u>	<u>( 312,418)</u>	<u>-</u>	<u>-</u>
	640,417	( 72,734)	367,028	239,684
Difference between surplus for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	3,084	29,249	3,241	45,816
Gain on disposal of property, plant and equipment	( 2,768)	( 2,396)	( 2,768)	( 2,396)
Unfranked and exempt income	( 224,239)	( 161,811)	( 220,183)	( 89,139)
Gain on disposal of investments	( 32,666)	( 98,038)	( 9,149)	3,082
Prior year over provision	-	( 1,216)	-	-
Disallowed expenses	1,258	168,539	1,258	167,752
Other	<u>89,279</u>	<u>788,638</u>	<u>33,202</u>	<u>25,141</u>
Actual tax expense	<u>474,365</u>	<u>650,231</u>	<u>172,629</u>	<u>389,940</u>

(c) March 31, 2010, 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 \$43,144,000 (2009: \$101,492,000). Tax losses available to overseas subsidiaries, for relief against their future taxable profits amounted to approximately \$380,024,000 (2009: \$363,409,000).

(d) At March 31, 2010, a deferred tax liability of approximately \$1,351,775,000 (2009: \$1,362,972,000) relating to investment in certain subsidiaries and associated companies has not been recognised, as the Society controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

(e) Other comprehensive income:

There is no taxation attributable to other comprehensive income.

#### 33. Employee costs

The aggregate staff costs were as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	2,915,747	2,628,323	1,716,345	1,491,418
Pension, group life and health contributions	183,696	180,170	121,307	122,970
Statutory contributions	304,247	250,392	193,359	153,270
Other	<u>846,167</u>	<u>801,436</u>	<u>561,697</u>	<u>534,354</u>
	<u>4,249,857</u>	<u>3,860,321</u>	<u>2,592,708</u>	<u>2,302,012</u>



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 34. Related party 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:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Loans				
Directors	3,204	2,312	704	2,312
Key management personnel	86,664	63,017	86,664	63,017
Other related parties	-	31,474	-	31,474
Shareholders' savings				
Directors	123,193	141,531	38,204	51,599
Subsidiaries	-	-	388,889	277,406
Key management personnel	43,788	36,227	43,788	29,526
Other related parties	4,451	4,934	4,451	4,934
Securities sold under repurchase agreements				
Directors	227,376	277,746	-	-
Other related parties	859,311	1,250,249	-	-
Other payables				
Subsidiaries	-	-	5,694	6,117
Other assets				
Subsidiaries	-	-	1,806	13,567
Long term loans				
Other related parties	<u>59,008</u>	<u>62,487</u>	<u>2,521</u>	<u>6,000</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:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiaries				
Dividends	-	-	(517,397)	( 5,910)
Interest income	-	-	( 57,347)	(112,203)
Management fees	-	-	(226,067)	(218,878)
Other income	-	-	( 29,383)	( 28,263)
Commission	-	-	( 38,984)	( 34,496)
Maintenance expenses	-	-	34,572	19,896
Management fees	-	-	66,165	55,620
Computer development expenses	-	-	143,193	94,260
Marketing	-	-	106,011	115,821
Commission	-	-	90,355	69,415
Insurance	-	-	33,371	35,972
Other expenses	-	-	125,949	60,763
Other related parties				
Interest expense	129,079	243,503	-	-
Contribution (to JN Foundation)	<u>28,100</u>	<u>23,767</u>	<u>28,100</u>	<u>23,767</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 34. Related party transactions (continued)

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

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	290,359	227,864	183,140	129,830
Post-employment benefits	<u>8,735</u>	<u>9,182</u>	<u>6,608</u>	<u>5,813</u>
	<u>299,094</u>	<u>237,046</u>	<u>189,748</u>	<u>135,643</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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

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#### 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 Internal Audit 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 customers 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 debtors' ability to repay loans, ensuring that:

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

Exposure to credit risk attaching to liquid funds is monitored through credit rating and lending limits, which are regularly reviewed. Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds and amounts are held in financial institutions which management regards as strong.

#### **Credits to customers**

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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

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#### 35. Financial risk management (continued)

##### (b) Credit risk (continued):

###### **Collateral**

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

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

Impaired credits to customers 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 customers**

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed 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 customers (and any related allowances for impairment losses) when it determines that the balances are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Credits to customers for write-off must be submitted to the Board of Directors for approval.

###### **Concentration by class and geographical area**

The 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 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 by geographic area (based on the entity's country of ownership) were as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Jamaica	61,101,626	44,858,575	34,733,258	21,401,775
United States of America	7,064,711	6,372,148	6,674,757	5,989,779
United Kingdom	759,534	9,537,359	596,475	9,373,512
Canada	2,073,890	787,070	1,140,918	772,837
Cayman Islands	<u>432,714</u>	<u>548,273</u>	<u>-</u>	<u>-</u>
	<u>71,432,475</u>	<u>62,103,425</u>	<u>43,145,408</u>	<u>37,537,903</u>

##### Credit quality of loans

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

	<b>2010</b>	
	<b>Group</b>	<b>Society</b>
	\$'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>



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 35. Financial risk management (continued)

(b) Credit risk (continued):

#### **Credit quality of loans (continued)**

	<b>2009</b>	
	<b>Group</b>	<b>Society</b>
	<b>\$'000</b>	<b>\$'000</b>
Neither past due nor impaired	33,694,913	30,577,818
Past due but not impaired:		
30 to 60 days	2,974,591	2,962,838
60 to 90 days	1,019,170	1,012,014
Individually impaired:		
90-180 days	812,305	809,055
180-365 days	198,755	198,598
12-18 months	62,744	62,744
18 months and over	128,757	89,116
Less allowance for losses (note 13)	( 588,237)	( 503,849)
	<u>38,302,998</u>	<u>35,208,334</u>
Estimated fair value of collateral held	<u>40,489,579</u>	<u>37,230,988</u>
Value of renegotiated loans	<u>1,556,541</u>	<u>1,106,350</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.

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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4,986,638	5,346,888
Securities purchased under resale agreements	14,446,344	12,168,061
Investments	50,662,822	43,499,134
Loans	43,399,853	38,302,998
Other assets	<u>1,980,819</u>	<u>2,490,399</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 35. Financial risk management (continued)

##### (b) Credit risk (continued)

##### Exposure to credit risk (continued)

	Society	
	<u>2010</u> \$'000	<u>2009</u> \$'000
Cash and cash equivalents	3,807,894	3,759,752
Securities purchased under resale agreements	8,445,722	5,095,663
Investments	29,820,842	27,855,624
Loans	39,122,133	35,208,334
Other assets	<u>384,185</u>	<u>422,718</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>2010</u> %	<u>2009</u> %	<u>2010</u> %	<u>2009</u> %
Jamaica Dollar	5	5	21	15
United States of America Dollar	5	5	38	34
Canadian Dollar	5	5	9	9
Pound Sterling	<u>5</u>	<u>5</u>	<u>104</u>	<u>104</u>

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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 35. Financial risk management (continued)

##### (c) Liquidity risk (continued):

##### Management of liquidity risk (continued)

Group	Carrying Amount \$'000	Contractual undiscounted cash flows							No specific maturity \$'000
		Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5 -10 years \$'000	More than 10 years \$'000	
<b>March 31, 2010</b>									
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	-	-	-	-	-	-
Other payables	2,360,521	2,439,315	2,428,652	2,668	7,995	-	-	-	-
Securities sold under repurchase agreements	19,464,087	20,562,447	17,317,113	2,854,580	390,754	-	-	-	-
Long-term loans	<u>167,773</u>	<u>202,138</u>	<u>6,322</u>	<u>17,402</u>	<u>132,101</u>	<u>46,313</u>	-	-	-
	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	<u>2,049,656</u>	<u>2,049,656</u>	<u>281,828</u>	<u>845,483</u>	<u>717,380</u>	<u>163,973</u>	<u>40,992</u>	-	-
	<u>98,741,703</u>	<u>103,314,613</u>	<u>93,193,486</u>	<u>8,083,953</u>	<u>1,785,896</u>	<u>210,286</u>	<u>40,992</u>	-	-
<b>March 31, 2009</b>									
Savings fund	59,138,013	59,451,739	54,495,319	4,375,958	580,462	-	-	-	-
Due to specialised institutions	5,410,957	5,478,594	5,478,594	-	-	-	-	-	-
Bank overdraft	8,606	8,606	8,606	-	-	-	-	-	-
Other payables	2,425,819	2,672,357	1,221,094	1,330,209	12,295	-	-	-	108,759
Securities sold under repurchase agreements	16,473,334	17,768,951	15,220,206	2,426,202	122,543	-	-	-	-
Long-term loans	<u>319,445</u>	<u>515,207</u>	-	<u>181,192</u>	-	<u>285,244</u>	<u>48,771</u>	-	-
	83,776,174	85,895,454	76,423,819	8,313,561	715,300	285,244	48,771	-	108,759
Unrecognised loan commitments	-	2,763,071	2,763,071	-	-	-	-	-	-
Insurance contract liabilities	<u>1,921,321</u>	<u>1,921,321</u>	-	<u>680,732</u>	<u>556,105</u>	<u>516,402</u>	<u>157,486</u>	<u>10,596</u>	-
	<u>85,697,495</u>	<u>90,579,846</u>	<u>79,186,890</u>	<u>8,994,293</u>	<u>1,271,405</u>	<u>801,646</u>	<u>206,257</u>	<u>10,596</u>	<u>108,759</u>

##### Society

	Carrying Amount \$'000	Contractual undiscounted cash flows				
		Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000
<b>March 31, 2010</b>						
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	<u>2,521</u>	<u>2,521</u>	<u>521</u>	-	-	<u>2,000</u>
	73,089,434	73,498,831	69,461,739	3,821,296	213,796	2,000
Unrecognised loan commitments	-	<u>2,467,555</u>	<u>2,467,555</u>	-	-	-
	<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>
<b>March 31, 2009</b>						
Savings fund	57,292,634	57,608,859	54,419,575	2,608,822	580,462	-
Due to specialised institutions	5,410,957	5,478,594	5,478,594	-	-	-
Other payables	917,885	917,885	917,885	-	-	-
Securities sold under repurchase agreements	791,016	804,845	804,845	-	-	-
Long-term loans	<u>31,000</u>	<u>32,112</u>	-	<u>25,312</u>	-	<u>6,800</u>
	64,443,492	64,842,295	61,620,899	2,634,134	580,462	6,800
Unrecognised loan commitments	-	<u>2,467,555</u>	<u>2,467,555</u>	-	-	-
	<u>64,443,492</u>	<u>67,309,850</u>	<u>64,088,454</u>	<u>2,634,134</u>	<u>580,462</u>	<u>6,800</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 35. Financial risk management (continued)

##### (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.

##### **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 managed and monitored. 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 their 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 balance sheet 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

#### Group

	2010						Weighted average interest rate %
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	
<b>Assets</b>							
Cash and cash equivalents	2,000,666	465,600	-	-	2,520,372	4,986,638	0.94
Securities purchased under resale agreement	-	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	-
<b>Total assets</b>	<b>2,000,666</b>	<b>80,869,070</b>	<b>12,750,195</b>	<b>13,615,309</b>	<b>12,428,848</b>	<b>121,664,088</b>	
<b>Liabilities and equity</b>							
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 agreement	-	19,206,722	-	-	257,365	19,464,087	11.85
Due to specialised 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 funds	-	-	-	-	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	-
<b>Total liabilities, capital and reserves</b>	<b>51,542,536</b>	<b>37,450,657</b>	<b>4,309,946</b>	<b>254,434</b>	<b>28,106,515</b>	<b>121,664,088</b>	
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)	-	
<b>Cumulative gap</b>	<b>(49,541,870)</b>	<b>( 6,123,457)</b>	<b>2,316,792</b>	<b>15,677,667</b>	<b>-</b>	<b>-</b>	



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 35. Financial risk management (continued)

(d) Market risk (continued):

(i) Interest rate risk (continued):

#### Group (continued)

	2009					Total \$'000	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		
<b>Assets</b>							
Cash and cash equivalents	1,612,688	879,099	-	-	2,855,101	5,346,888	2.57
Securities purchased under resale agreement	-	8,809,165	3,149,322	-	209,574	12,168,061	13.26
Investments	-	15,169,218	15,137,879	12,432,462	1,848,917	44,588,476	13.28
Taxation recoverable	-	-	-	-	769,427	769,427	-
Interest in associates	-	-	-	-	265,378	265,378	-
Loans	-	37,721,856	-	-	581,142	38,302,998	13.40
Other assets	-	-	-	-	2,581,518	2,581,518	-
Investment properties	-	-	-	-	331,839	331,839	-
Property, plant and equipment	-	-	-	-	2,027,361	2,027,361	-
Intangible assets	-	-	-	-	354,977	354,977	-
Deferred tax assets	-	-	-	-	57,507	57,507	-
<b>Total assets</b>	<b>1,612,688</b>	<b>62,579,338</b>	<b>18,287,201</b>	<b>12,432,462</b>	<b>11,882,741</b>	<b>106,794,430</b>	
<b>Liabilities and equity</b>							
Savings fund	47,575,235	8,128,233	2,437,614	509,359	487,572	59,138,013	5.56
Bank overdraft	8,606	-	-	-	-	8,606	-
Due to specialised institutions	-	5,410,957	-	-	-	5,410,957	4.85
Securities sold under repurchase agreement	-	13,535,288	2,132,479	520,110	285,457	16,473,334	12.31
Taxation payable	-	-	-	-	285,456	285,456	-
Other payables	-	1,333	4,000	11,167	2,409,319	2,425,819	9.00
Deferred tax liabilities	-	-	-	-	72,359	72,359	-
Employee benefit obligation	-	-	-	-	202,817	202,817	-
Minority interest	-	-	-	-	64,954	64,954	-
Insurance funds	-	-	-	-	3,814,488	3,814,488	-
Long-term loans	-	25,000	174,710	119,735	-	319,445	8.46
Equity	-	-	-	-	18,578,182	18,578,182	-
<b>Total liabilities and equity</b>	<b>47,583,841</b>	<b>27,100,811</b>	<b>4,748,803</b>	<b>1,160,371</b>	<b>26,200,604</b>	<b>106,794,430</b>	
On-statement of financial position gap, being total interest rate sensitivity gap	(45,971,153)	35,478,527	13,538,398	11,272,091	(14,317,863)	-	
<b>Cumulative gap</b>	<b>(45,971,153)</b>	<b>(10,492,626)</b>	<b>3,045,772</b>	<b>14,317,863</b>	<b>-</b>	<b>-</b>	

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 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 %
<b>Assets</b>							
Cash and cash equivalents	1,878,570	407,571	-	-	1,521,753	3,807,894	0.94
Securities purchased under resale agreement	-	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	-
<b>Total assets</b>	<b>1,878,570</b>	<b>60,946,781</b>	<b>10,901,213</b>	<b>4,878,879</b>	<b>8,601,585</b>	<b>87,207,028</b>	
<b>Liabilities and equity</b>							
Savings fund	50,093,242	10,919,092	3,664,633	202,268	491,497	65,370,732	5.70
Due to specialised 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	-
<b>Total liabilities, capital and reserves</b>	<b>50,213,787</b>	<b>17,767,725</b>	<b>3,664,633</b>	<b>202,789</b>	<b>15,358,094</b>	<b>87,207,028</b>	
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)	-	
<b>Cumulative gap</b>	<b>(48,335,217)</b>	<b>( 5,156,161)</b>	<b>2,080,419</b>	<b>6,756,509</b>	<b>-</b>	<b>-</b>	

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 35. Financial risk management (continued)

(d) Market risks (continued):

(i) Interest rate risk (continued):

#### Society (continued)

	2009						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
<b>Assets</b>							
Cash and cash equivalents	1,661,062	625,433	-	-	1,473,257	3,759,752	2.31
Securities purchased under resale agreement	-	4,964,898	79,159	-	51,606	5,095,663	13.52
Investments	-	8,233,408	9,462,733	9,412,693	1,573,654	28,682,488	10.50
Taxation recoverable	-	-	-	-	574,387	574,387	-
Interest in subsidiaries	-	-	-	-	1,794,857	1,794,857	-
Interest in associates	-	-	-	-	735	735	-
Loans	-	34,667,638	-	-	540,696	35,208,334	12.30
Other assets	-	-	-	-	453,746	453,746	-
Investment properties	-	-	-	-	84,259	84,259	-
Property, plant and equipment	-	-	-	-	1,478,076	1,478,076	-
Intangible assets	-	-	-	-	201,134	201,134	-
Deferred tax assets	-	-	-	-	6,931	6,931	-
<b>Total assets</b>	<b>1,661,062</b>	<b>48,491,377</b>	<b>9,541,892</b>	<b>9,412,693</b>	<b>8,233,338</b>	<b>77,340,362</b>	
<b>Liabilities and equity</b>							
Savings fund	47,497,032	6,361,057	2,437,614	509,359	487,572	57,292,634	5.60
Due to specialised Institutions	-	5,410,957	-	-	-	5,410,957	4.82
Securities sold under resale agreement	-	777,831	-	-	13,185	791,016	21.34
Taxation payable	-	-	-	-	239,284	239,284	-
Other payables	-	-	-	-	917,885	917,885	-
Employee benefit obligation	-	-	-	-	151,960	151,960	-
Long-term loans	-	-	25,000	6,000	-	31,000	5.00
Equity	-	-	-	-	12,505,626	12,505,626	-
<b>Total liabilities and equity</b>	<b>47,497,032</b>	<b>12,549,845</b>	<b>2,462,614</b>	<b>515,359</b>	<b>14,315,512</b>	<b>77,340,362</b>	
On-statement of financial position, being total interest rate sensitivity gap	(45,835,970)	35,941,532	7,079,278	8,897,334	(6,082,174)	-	-
Cumulative gap	(45,835,970)	(9,894,438)	(2,815,160)	6,082,174	-	-	-

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 35. Financial risk management (continued)

##### (d) Market risks (continued):

##### (i) Interest rate risk (continued):

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease of 500 basis points (2009: increase of 500 basis points and a decrease of 800 basis points) would adjust reserves and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<u>Effect on Group Surplus</u>	
	<u>500 bp Increase \$'000</u>	<u>500 bp Decrease \$'000</u>
March 31, 2010		
Variable rate instruments	<u>397,988</u>	<u>(397,988)</u>
	<u>500 bp Increase \$'000</u>	<u>800 bp Decrease \$'000</u>
March 31, 2009		
Variable rate instruments	<u>548,939</u>	<u>(878,302)</u>
	<u>Effect on Society Surplus</u>	
	<u>500 bp Increase \$'000</u>	<u>500 bp Decrease \$'000</u>
March 31, 2010		
Variable rate instruments	<u>315,506</u>	<u>(315,506)</u>
	<u>500 bp Increase \$'000</u>	<u>800 bp Decrease \$'000</u>
March 31, 2009		
Variable rate instruments	<u>373,948</u>	<u>(598,317)</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 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 20% (2009: 20%) increase or decrease in the market price at the reporting date would result in an increase and an equal decrease, respectively, in reserves for the Group of \$266,691,000 (2009: \$216,387,000) and \$213,547,000 (2009: \$163,892,000) 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 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:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	'000	'000	'000	'000
United States dollars	43,803	21,867	30,601	12,666
Canadian dollars	1,449	11	1,449	2
Pounds sterling	2,386	3,183	2,348	2,243
Euro	1,810	1,616	1,810	1,616
Cayman Dollars	<u>22,252</u>	<u>26,679</u>	<u>22,252</u>	<u>26,679</u>

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

Sensitivity analysis:

A 10% (2009: 10%) weakening of the Jamaica dollar against the following currencies at March 31 would have increased operating surplus by the amounts shown. A 2% (2009: 5%) 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.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 35. Financial risk management (continued)

(d) Market risks (continued):

(iii) Foreign currency risk (continued):

	Group				Society			
	2010		2009		2010		2009	
	\$'000		\$'000		\$'000		\$'000	
	10%	2%	10%	5%	10%	2%	10%	5%
United States dollar	184,579	36,916	219,071	109,535	81,352	16,270	111,401	55,701
Canadian dollars	18	4	664	332	18	4	14	7
Pounds sterling	28,664	5,733	39,426	19,713	28,664	5,733	28,013	14,007
Euro	19,309	3,862	18,777	9,388	19,309	3,862	18,777	9,388
Cayman Dollars	<u>284,923</u>	<u>56,985</u>	<u>282,472</u>	<u>141,236</u>	<u>284,923</u>	<u>56,985</u>	<u>282,472</u>	<u>141,236</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 action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 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, 2010 was 19% (2009: 23%).

The Financial Services Commission requires the insurance subsidiary's ratio of available assets to required assets to be 135% (2009:135%). At December 31, 2009 for the purposes of the Insurance Regulation, the subsidiary's available assets were 143.29% (2008: 148.68%) of the required assets.

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, 2010 and 2009, 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	2010 minimum for regulatory capital and capital adequacy purposes	Actual	2009 minimum for regulatory capital and capital adequacy purposes
Regulatory capital	5,809,916	2,009,982	5,712,824	1,568,841
Risk asset ratio	34.69%	12%	43.74%	12%

The subsidiary was in compliance for the current and prior financial years.

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 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.

The Group considers relevant and observable market prices in its valuations where possible.

	2010			
	Level 1	Level 2	Level 3	Total
<b>Group</b>				
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>
<b>Society</b>				
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>
	2009			
	Level 1	Level 2	Level 3	Total
<b>Group</b>				
Available-for-sale financial assets	1,073,199	-	-	1,073,199
At fair value through profit/loss	<u>8,738</u>	<u>-</u>	<u>-</u>	<u>8,738</u>
	<u>\$1,081,937</u>	<u>-</u>	<u>-</u>	<u>1,081,937</u>
<b>Society</b>				
Available-for-sale financial assets	810,721	-	-	810,721
At fair value through profit/loss	<u>8,738</u>	<u>-</u>	<u>-</u>	<u>8,738</u>
	<u>\$ 819,459</u>	<u>-</u>	<u>-</u>	<u>819,459</u>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 37. Commitments

At March 31, 2010, the Group and the Society had:

- (a) Unexpired lease commitments payable as follows:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Within one year	107,903	70,579	59,599	35,004
Subsequent years	<u>188,097</u>	<u>178,836</u>	<u>134,200</u>	<u>102,788</u>
	<u>296,000</u>	<u>249,415</u>	<u>193,799</u>	<u>137,792</u>

- (b) Undisbursed approved mortgages amounting to approximately \$2,027,123,000 (2009: \$2,763,071,000) for the Group and \$2,009,060,000 (2009: \$2,467,555,000) for the Society.

- (c) Capital commitments

Commitments for capital expenditure amount to:

	<b>Group</b>		<b>Society</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
	<u>69,238</u>	<u>32,270</u>	<u>11,428</u>	<u>5,114</u>

#### 38. Contingent liabilities

- (i) At March 31, 2010, the Society had contingent liabilities in respect of guarantees provided to regulators in respect of the licence of an overseas subsidiary aggregating \$nil [2009: \$87,954,000 (US\$1 million)] supported by an assignment of liquid funds held at overseas banks aggregating \$nil [2009: \$87,954,000 (US\$1 million)].
- (ii) The Society has also pledged its commitment to provide financial support, if required, to fund the activities of four (2009: five) of its subsidiaries until March 31, 2011. A subsidiary, which is dependent on the Society for financial support, has committed to provide financial support to one of its subsidiaries until March 31, 2011. Another subsidiary has given an undertaking to provide financing to one of its subsidiary to meet its future operating obligations.
- (iii) 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 exceed \$Nil (2009: \$11,050,000).

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 38. Contingent liabilities (continued)

- (iv) 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 (2009: \$2.6 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 (2009: \$81 million) for property claims, \$25 million on bonds, \$10 million on motor, personal accident, public and employer's liability, \$5 million on fidelity guarantee and \$5 million on contractors all risks for the period January 1, 2009 to December 31, 2009 (2009: January 1, 2008 to December 31, 2008).

- (v) 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 expires on February 23, 2011. This facility was previously held with Citibank N.A. As at March 31, 2010 and 2009, there were no balances drawn under the facility.
- (vi) During the year, the Internal Revenue Service (IRS) completed an assessment of the 2007 employment tax returns for a subsidiary, and raised an assessment for additional taxes of US\$292,237 plus interest of US\$54,801 totalling US\$347,038. The subsidiary has provided evidence to support its objection and the assessment is being reviewed by the IRS. Based on recommendation by the subsidiary's legal representative, no liability was recognised nor payment made in this regard.

#### 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

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 39. Insurance risk management (continued)

##### (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.

##### (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>

# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

**March 31, 2010**

#### 39. Insurance risk management (continued)

##### (c) Terms and conditions of general insurance contracts (continued)

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

##### 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.



# Notes to Financial Statements

## THE JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued) March 31, 2010

#### 39. Insurance risk management (continued)

##### (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.

	<u>Liability</u>	<u>Property</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
	\$	\$	\$	\$	\$
At 31 March 2010					
Gross	323,606,090	52,121,986	2,407,304,604	29,996,600	2,813,029,280
Net of reinsurance	<u>323,502,772</u>	<u>14,931,749</u>	<u>2,308,441,583</u>	<u>14,330,882</u>	<u>2,661,206,986</u>
At 31 March 2009					
Gross	286,300,821	77,046,702	2,050,730,348	43,130,442	2,457,208,313
Net of reinsurance	<u>266,672,567</u>	<u>18,747,921</u>	<u>1,906,338,168</u>	<u>17,177,458</u>	<u>2,208,936,114</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.

Analysis of net claims development:

	<u>Accident year</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Estimate of cumulative claims							
at end of accident year	1,210,107	1,071,857	1,321,080	1,482,241	1,541,414	1,046,157	-
- one year later	1,242,991	1,007,841	1,338,106	1,478,692	1,459,412	-	-
- two years later	1,239,446	1,043,803	1,386,372	1,645,877	-	-	-
- three years later	1,179,019	1,052,387	-	-	-	-	-
- four years later	1,234,765	1,051,676	-	-	-	-	-
- five years later	1,243,364	-	-	-	-	-	-
Estimate of cumulative claims	1,243,364	1,051,676	1,386,372	1,645,877	1,459,412	1,046,157	7,832,858
Cumulative payments	( 918,981)	( 932,674)	(1,151,341)	(1,318,585)	(1,083,024)	( 544,753)	(5,949,358)
Net outstanding liabilities	<u>324,383</u>	<u>119,002</u>	<u>235,031</u>	<u>327,292</u>	<u>376,388</u>	<u>501,404</u>	<u>1,883,500</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 JAMAICA NATIONAL BUILDING SOCIETY

### Notes to the financial statements (Continued)

March 31, 2010

#### 40. Concentration of insurance risks (continued)

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 significant 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:

- (a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the subsidiary's underwriting policy [note 39(a)].
- (b) 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.

#### 41. Acquisition of minority interest

During the previous year, the Group acquired an additional 0.2% interest in NEM Insurance Company (Jamaica) Limited for \$7,516,000 increasing its ownership from 99 to 99.2%. The carrying amount of NEM's net assets in the consolidated financial statements on the date of acquisition was \$2,769,138,000. The Group recognised a decrease in minority interests of \$5,538,000 and gain of \$1,978,000.

During the 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.

During the previous year, the Group acquired the remaining 25% interest in Manufacturers Credit & Information Services Limited (MCIS) for \$78,000,000. The carrying amount of MCIS's net assets in the consolidated financial statements on the date of acquisition was \$58,838,814. The Group recognised a decrease in minority interest of \$14,709,669 and an increase in goodwill of \$63,290,297.

#### 42. Subsequent event

The exchange rate of the Jamaica dollar is determined daily. At June 23, 2010, the Bank of Jamaica weighted average exchange rate of the Jamaica dollar was US\$1.00 to J\$85.21, £1.00 to J\$125.23 and Cdn\$1.00 to J\$ 81.60 compared to US\$1.00 to J\$ 88.96, UK£1.00 to J\$133.30 and Cdn\$1.00 to J\$86.06 at March 31, 2010.

## NOTES





## NOTES



## NOTES



## NOTES