Students' Loan Bureau
Annual Report 2016-2017

Our Vision

The Benchmark Institution
for Tertiary Education
Financing in Jamaica.

Our Mission

To provide affordable financing to students pursuing Tertiary Education thereby contributing to National Development.

Contents

Chairman's Message

As Chairman of the Students' Loan Bureau (SLB), it was my distinct pleasure to have worked with my fellow Board members and the management team over the past year, to ensure the success of the organization in providing funding for tertiary level studies. The SLB continues to contribute in a significant way to the development of our nation through the opportunities afforded to thousands of students to upgrade their education and training. As an organization we are quite pleased with the many lives that we continue to impact through access to higher education.

During the period under review, the SLB made much progress in advancing the strategic direction of the organization by establishing relevant policies to guide the strengthening of overall governance of the institution. One major development in 2016/17 was the change in the method of calculating interest on loans from the previous 'add-on to the Reducing Balance Method', which provide significant cost savings to beneficiaries and more affordable monthly payments, which we hope will translate into a higher rate of repayment. We continue to review and strengthen the policies governing the organization in our efforts to position the SLB as the 'Premier institution for tertiary education financing'. The plans for the upcoming year includes commencement of a Diagnostic Review of the SLB and we look forward to the findings and recommendations which will serve to support the work of the Board in further strengthening policies and guiding the future direction of the organization.

The funding available for disbursement of loans during the review year improved with the injection of proceeds from the Special Education Tax as well as collections from loan repayment which recorded significant increase. The increase in available funds have strengthened the Revolving Loan Fund and enabled more timely disbursements to the approved tertiary institutions. The policies implemented to increase collections have yielded positive results and it is expected that this trend will continue. In addition, there are plans further to incentivize specific programs of study. This should lead to increased employment opportunities, based on the projected skills needs, consistent with the national development plan and enable higher levels of loan repayment.

The level of delinquency needs to be further reduced, however critical to this is the need for strengthening of the laws to mandate repayment of student loans by all beneficiaries, including those who migrate. The Board has given approval for the acquisition and implementation of an Enterprise Management Information System to provide adequate support for the Bureau's operations.

I would like to express my gratitude to the management team and staff for their hard work and commitment in discharging their duties during the period. This has contributed in a significant way to the successful operation of the Bureau and the achievement of the collections target. The team is encouraged to continue to work hard to serve our customers and stakeholders in furtherance of the strategic plans and objectives of the organisation.

The Council continues to work diligently with our partners to fulfill the organization's mandate and better serve the needs of all stakeholders. The Bureau will continue to strive to provide Jamaican students with increased access to higher education as we continue our contribution to the educational development of our youth in building a nation where Jamaicans are empowered to achieve their fullest potential.

Dr. St. Aubyn Bartlett JP
Chairman, SLB Council

Executive Director's Message

The Students' Loan Bureau (SLB) remains committed to partnering with key stakeholders in our efforts to continue the organization's mission of contributing to human capital development through financing tertiary education. In keeping with this objective, the Bureau provided student loans to thousands of students to pursue higher education during the period under review.

The role of the SLB in financing tertiary education continues to be the subject of review in response to the changing landscape of higher education and the impact of the various options made available to students based on increased technology. Over the last 10 years demand for student loans has increased however, a decline has been noted in the last 4-5 years as overall enrollment in approved tertiary institutions has reduced. This is evidenced more in some institutions and some specific programs of study.

The capital injections from the Special Education Tax provided the necessary strengthening of SLB's capital base which facilitated the change in interest methodology and reduction in interest rates. The Reducing Balance Method (RBM) of interest was implemented in 2016 and created some system challenges which are being addressed by the Developer. The change from the 'add on' method to RBM was a major milestone for the SLB and was widely applauded by our stakeholders and in particular, borrowers who maintain their accounts on a current basis and stand to benefit from reduction in interest cost and lower monthly payments. The more manageable monthly payments should ultimately result in an increase in the rate of repayment in the future.

The SLB experienced record collections for the fiscal year ended March 2017, however delinquency remains high and is expected to improve with the proposed strengthening of laws to mandate repayment and as employment opportunities increase.

Plans are underway for acquiring a new Enterprise Management Information System to provide adequate support to SLB's operations. Work has also commenced on the implementation of a Business Intelligence Tool to improve the analytical and reporting functions. The plan is to increase the use of technology in driving the SLB's processes and engender greater operational efficiencies. The improved system support will also strengthen the capability of the Bureau to better monitor the portfolio and reduce delinquency.

The Management and Staff continue to work diligently to serve our customers in order to fulfill the SLB's mandate. The achievemnets include the sucessful processing of over 13,000 applications, disbursement of approved loans and surpassing the collections target for the year. The highest level of collections in any one month in the fiscal year was recorded in March 2017 and efforts are continuing to build on this upward trend. In addition, the enhanced promotional campaign employed during the review year served to sensitize borrowers to the importance of repaying their loans so that others can benefit.

I am grateful for the support of the management team and staff in successfully executing their duties and for their continued hard work, dedication and commitment in ensuring we deliver the best possible service to our customers. The SLB Council provided very valuable oversight and policy direction to guide the management and staff as the team executed its functions during the year.

Monica Brown
Executive Director

CORE VALUES

INTEGRITY

CUSTOMER FOCUS

RESPECT

EXCELLENCE

TEAMWORK

ACCOUNTABILITY

Students' Loan Bureau
Council

L -R: Dr St. Aubyn Bartlett (Chairman), Ms Monica Brown (Executive Director), Mr Howard Chamberlain (Director), Mrs Norma Kerr-Clarke (Director), Senator Matthew Samuda (Director),

Dr Lloyd Waller (Director), Dr Carolyn Hayle (Director) Mr Danieto Murray (Director), Mrs Veronica Warmington (Director)

Operational Report
2016-2017

Overview

The Students' Loan Bureau (SLB) recorded another successful year during 2016/17 by providing opportunities for the development of students through access to tertiary education. This was achieved through loans extended to thousands of students to cover their tuition fees and some persons also benefitted from grants. By virtue of this, the SLB continued its contribution to the social and economic mobility of our youth and by extension, national development.

For the fiscal year ended March 2017, the total loan portfolio amounted to $19.608bn (net) compared to $17.465bn as at March 2016, an increase of $1.243bn or 12.27% (March 2016: 14.04%).

The number of applications submitted during 2016/17 totaled 13,494 and was 126 or 0.93% lower than the 13,620 submitted in 2015/16. The dollar value of the loans disbursed during the 2016/17 **academic year** amounted to $3.367bn compared to $3.312bn for 2015/16, resulting in an increase of $55.22mn or 1.67%. A total of 13,175 students were approved for loans in 2016/17, compared to approximately 12,928 for 2015/16. This represents an increase of 247 applicants or 1.9%. For the **fiscal year** 2016/17, a total of $3.754bn was disbursed.

The loans issued by the SLB are provided mainly under the Targeted Loan facility for which a Means Test is administered. Despite the declining trend recorded over the last four (4) years, the demand for students' loans has remained strong and as such requires increased technology to support operational efficiencies and improve customer service.

Grant-in-Aid (GIA) assistance was provided to those students who were assessed to be most in need of additional financial support to defray other education related expenses, including lunch money, transportation costs and books. For the **academic year** 2016/17, a total of 3,694 students (3,029 - 2015/16) received grants amounting to $166.6mn ($130.9mn - 2015/16). For the **fiscal year** 2016/17 the SLB disbursed $101.388mn and disbursement of the remaining amounts continued throughout the academic year. The GIA is funded by the Government of Jamaica (GOJ) through an annual budget allocation.

Loan repayment by beneficiaries is critical to the viability of the Revolving Loan Fund and serves as one of the primary sources of providing loans to new applicants. Over the years the inflows from repayment/collections have been supplemented by borrowings from regional and domestic lending agencies. However, in 2013/14 a Special Education Tax was implemented and the proceeds were used to assist with the funding of students' loans.

For the fiscal year 2016/17 loan repayments increased by $191mn or 8.5% compared to the previous year. Despite the increasing trend in collections, the delinquency rate remains relatively high and continues to be impacted by the ability of the beneficiaries to find gainful employment within a reasonable time after graduation. The reported rate of migration among graduates also contributes to the delinquency rate. The proposed strengthening of the laws to mandate repayment of students loans would aid SLB's collection efforts and reduce delinquency. SLB continues to emphasize the need to collect outstanding loan balances so that other eligible students can benefit from a loan to pursue higher level education.

The initiatives and measures to increase collections included inter alia: data sharing with the Credit Bureaus, effecting more salary deduction orders, establishment of a Debt Recovery Unit, increase in the number of Debt Collectors, increasing public education and advertising campaigns as well as greater use of Debt Recovery Agents and Attorneys-at-Law to assist in increasing collections.

Efforts continue to strengthen the risk management capabilities of the Bureau and overall Corporate Governance as the institution seeks to achieve greater accountability to the stakeholders. It is against this background that a Risk Management Unit was recently established and is expected to aid the Bureau in identifying, managing and mitigating risks to the organisation.

Loan Facilities

The SLB provides three (3) types of loans: Targeted, Pay As You Study (PAYS) and Post Graduate loan facilities. The Targeted loan continues to be the most popular among borrowers as there is a moratorium period (the in school years) during which students are not required to start repaying their loans. Interest is accrued on the loan during the moratorium period. Repayment is normally due to commence approximately 6 months after scheduled graduation. However, students who pursue specific programmes of studies which require certification/licensing prior to being able to practice in their particular field, are allowed an extended grace period before the loans become due for repayment. The Targeted facility accounted for approximately 99% of the loans disbursed in 2016/17.

On April 1, 2016, the method of calculation of interest was changed from 'Add-on' to the Reducing Balance Method (RBM). Up to 31 March 2016, the applicable interest rate based on the 'Add-on' method was 9% (approx. 15% RBM). With the implementation of RBM interest the applicable rate was 9.5% for loans in Repayment and 7.8% for loans in Moratorium. This policy change represents a significant reduction in the interest rates charged on student loans. Borrowers who pay as scheduled are able to capitalize on the benefits of RBM interest.

The loans provided by the SLB are unsecured therefore two guarantors are normally required to undertake the risk of non-payment of the loan, i.e. the credit risk. However, one guarantor may be acceptable in some instances, subject to satisfactory assessment of their financial capability. Guarantors may be eligible individuals or corporate entities. All loans are insured against the risk of death or permanent disability, through the self-administered Insurance Fund.

The SLB continues to encourage beneficiaries and/or their parents/guardians who are able to start repaying their loans early, to do so by paying what they can during the moratorium period, to reduce the overall interest cost and the required monthly amounts when the loan enters the repayment stage.

SLB Council

During the period under review, a new Board was appointed in April 2016 (commenced June 2016), to oversee the operations of the SLB. The Council is chaired by Dr. St. Aubyn Bartlett and comprises ten (10) members who provide oversight and policy direction as part of the overall governance structure of the SLB. Meetings of Council are scheduled monthly where reports are presented by Management on the SLB's operations and activities during the period. Special meetings are also convened as necessary. The Council's appointment is for a three (3) year term. There are several committees of Council which aid in the oversight functions and interface directly with the management team.

Organization Structure

The SLB Council has oversight responsibility for the Bureau and provides policy guidance to the Management who has responsibility for policy implementation and reporting. Management has direct responsibility the day-to-day operations of the organization and the Executive Director provides interface between the Council and Management. The operations of the SLB are discharged through the work carried out in various departments.
The Departments/Units are as follows:

- Loan Processing Department
- Loan Origination & Administration Department
- Loan Servicing Department
- Legal Department
- Human Resource & Administration Department
- MIS Department
- Public Relations Department
- Accounting Department
- Internal Audit Department
- Risk Management Unit

The Loan Processing Department (LPD) has responsibility for the annual intake and processing of loan applications and directly interfaces with the customers.

The Loan Servicing Department (LSD) has as its mandate, the administration and monitoring of the loan portfolio and collection of outstanding loan amounts. The Legal Department is responsible for recovery of the chronically delinquent loans and works in conjunction with the Debt Recovery Agents and external Attorneys.

The other departments/units provide critical support to the core functions of the SLB, as the organization seeks to deliver quality service to our customers.

Loan Applications/Processing and Disbursements

The 2016/17 application intake period began on 15 February 2016 and a total of 13,494 applications were submitted. Of the 13,494 applications received in 2016/17, a total of 6,489 (48%) represented new applications and the remaining 7,005 (52%) were from returning students who submitted Status Report forms to renew their loans.

Operational Report
2016-2017

The number of applications received for the 2016/17 **academic year** declined marginally relative to the previous year with over 13,500 submitted and the approval rate was over 95%. Loans were disbursed to the 9,492 students who completed the application process with a value of $3.367bn for the **fiscal year**, compared to $3.312bn for the previous year. In addition to the loans disbursed, an amount of $101.388mn in grant in aid was also disbursed as at March 2017, to those students who were assessed to be most in need of additional financial assistance. However, for the **academic year** a total of $166.6mn in grants was disbursed.

The out-turn for 2016/17 represented a marginal decline of (0.93%) compared to the 13,620 applications submitted in 2015/16.

The major contributory factors to the decline in loan applications recorded by the SLB in recent years include the following:

- Decline in overall enrollment at some tertiary institutions
- Increase in the number of scholarships, bursaries and grants offered to students
- More manageable payment plans offered by the institutions for tuition fees
- Increased opportunities for students to take up part-time job offerings such as in Call Centres. Work and Travel opportunities have also increased allowing students to work overseas during the summer to offset tuition fees
- Low Grade Point Average (GPA) which may prevent returning students from progressing to the next year.

Table 1 below provides trend data on loan applications received for the 5 year period 2012/13 to 2016/17, as well as the number and dollar value of loans approved/disbursed.

Table 1: Application and Disbursement data for the Academic Years 2012/13-2016/17

	Applications Received		Applications Approved		Disbursements		
Year	**No. Received**	**% Change**	**No. Approved**	**% Change**	**No. Disbursed**	**$mn**	**% Increase/ Decrease**
2016/17	13,494	-0.93	13,175	1.91	9,492	3,367.02	1.67
2015/16	13,620	-8.25	12,928	-6.48	10,228	3,311.80	-4.29
2014/15	14,845	-2.95	13,824	-5.39	11,182	3,460.20	-1.76
2013/14	15,297	-7.16	14,612	-8.01	11,512	3,522.14	4.65
2012/13	16,476	21.14	15,885	32.19	11,699	3,365.50	21.81

Of the total applications received during the year, 13,175 or 98% were **approved** for loans; however loans were disbursed for the 9,492 students who completed the application process. The incomplete applications were eventually cancelled for various reasons including: failure of applicants to matriculate to their institution of choice, failure to provide all required supporting documentation to SLB and pay the relevant fees, as well as receipt of scholarships or other forms of financial assistance by some students.

The value of loans disbursed over the 5 year period increased marginally from $3.365bn to $3.367bn, representing an increase of $2mn (Refer Table 1b). This is despite a reduction in the number of loans disbursed over the period and is a direct result of the increased tuition fees charged by the tertiary institutions.

Table 1b: Number of applications received, number of loans disbursed and $ value disbursed 2012/13- 2016/17

						Change 2012/13 -2016/17	Change % 2012/13 -2016/17
	2016/17	**2015/16**	**2014/15**	**2013/14**	**2012/13**	**#/$mn**	**%**
No. of Applications Received	13,494	13,620	14,845	15,297	16,476	(2,982)	(18.10)
No. of Loans Disbursed	9,492	10,228	11,182	11,512	11,699	(2,207)	(18.86)
Value of Loans Disbursed ($mn)	3,367	3,312	3,460	3,522	3,365	2	0.06

Loan Disbursements 2016/17

For the academic year, a total of $3.367bn was disbursed to approved tertiary institutions compared to $3.312bn in 2015/16, representing an increase of $55.22mn or 1.67%, as outlined in Table 2 below.

Table 2: Disbursement Amount by Institution Academic Years 2016/17and 2015/16

	Amount Disbursed 2016/17)	Amount Disbursed (2015/16)	Change	
Institution	**$mn**	**$mn**	**$mn**	**%**
UTECH	1,054.13	1,039.40	14.73	1.42
UWI, Mona & SMRT	1,178.74	1,147.60	31.14	2.71
NCU	411.26	388.50	22.76	5.86
Teachers' Colleges	178.52	241.60	(63.08)	(26.11)
Community Colleges	94.35	84.60	9.75	11.52
UWI, Regional	13.62	20.80	(7.18)	(34.52)
Other	436.40	389.30	47.10	12.09
Total	***3,367.02***	***3,311.80***	***55.22***	***1.67***

The SLB provided loans to students attending the thirty-three (33) Approved Tertiary Institutions (ATIs) during 2016/17. Of the institutions funded, the three largest accounted for approximately 78.5% of the funds disbursed: University of the West Indies (UWI Mona - $1,178mn or 35.01%), University of Technology (UTECH - $1,054.13mn or 31.30%), and Northern Caribbean University (NCU - $411.26mn or 12.21%). Teachers' Colleges, Community Colleges and regional institutions account for an aggregate of $286.5mn or 8.5%. The 'Other' institutions accounted for $436.4mn or 13% of the funds disbursed for the year. (Refer to Table 2a).

Table 2a: Dollar Value of Loans Disbursed, % Share per Institution and the number of students benefitting - academic year 2016/17

Institution	Loan Disbursed $mn	% Share Disbursement	No. of Students	% Students
UTECH	1,054.13	31.31	3,128	32.95
UWI, Mona & SMRT	1,178.74	35.01	3,106	32.72
NCU	411.26	12.21	896	9.44
Teachers' Colleges	178.52	5.30	721	7.60
Community Colleges	94.35	2.80	317	3.34
UWI, Foreign Based	13.62	0.40	31	0.33
Other	436.4	12.96	1,293	13.62
Total	***3,367.02***	***100***	***9,492***	***100***

Diagram 1 below gives a pictorial presentation of the loans disbursed to the 3 largest institutions, UWI, UTECH and NCU, as well as to the Teachers' Colleges and the Community Colleges for the review period.

When the amount disbursed to each institution for 2016/17, compared to 2015/16, is disaggregated on the basis of the number of students benefitting from loans, the result is shown in Table 2b below:

Diagram 1: Percentage Share of Value ($mn) of loans Disbursed to Institutions - 2016/17

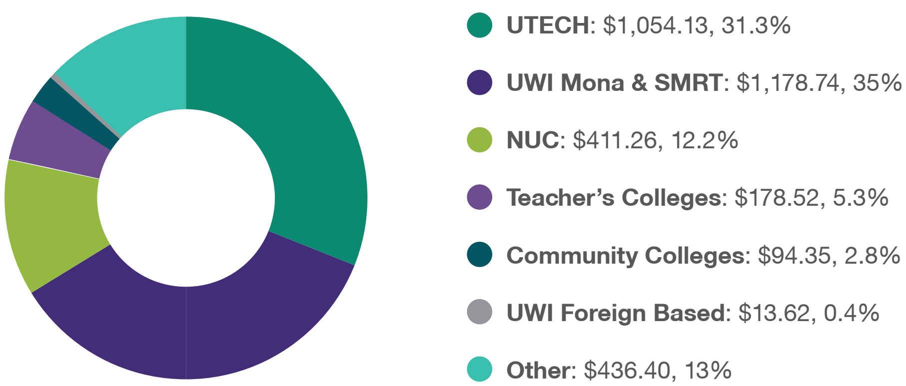


Table 2b: The number of students receiving loans based on Institutions (2016/17 and 2015/16)

	# of Students Receiving SLB Loans		Change	
Institution	**2016/17**	**2015/16**	**#**	**%**
UTECH	3,128	3,323	(195)	(5.87)
UWI, Mona & SMRT	3,106	3,244	(138)	(4.25)
NCU	896	988	(92)	(9.31)
Teachers' Colleges	721	551	170	30.85
Community Colleges	317	743	(426)	(57.34)
UWI, Foreign Based	31	47	(16)	(34.04)
Other	1,293	1,332	(39)	(2.93)
TOTAL	***9,492***	***10,228***	***(736)***	***(7.20)***

Table 2b above reveals a decline in the number of UTECH students receiving loans (195 students or 5.87%). There was also a decline for UWI Mona (by 138 students or 4.25%). NCU students receiving loans during the year decreased by 92 students or 9.31%. Similarly, the Community Colleges, UWI-Regional/Foreign Based and Other institutions declined by 57.34% (427 students), 34.04% (16 students) and 2.93% (39 students), respectively. Teachers' Colleges was the only category that showed an increase by 170 students or 30.85% for the 2016/17 academic year.

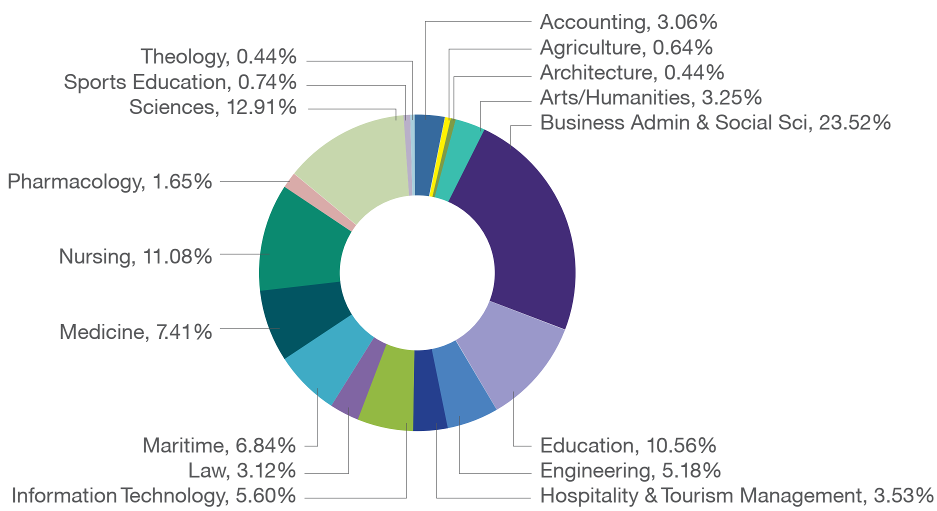
Loan Applications by Programmes/Courses – 2016/17

The 13,494 applications received during the 2016/17 application period are distributed across the various programmes of study, as outlined in Table 3 and Diagram 2 overleaf. The relative share for the top four (4) programmes were Business Administration and Social Sciences (23.53%), Sciences (12.91%), Nursing (11.08%) and Education (10.56%), and in aggregate, accounted for approximately 58.08% of the demand for the academic year.

Table 3 – Loan Applications by Programmes/Courses 2015/16 and 2016/17

	2016/17 Applicants		2015/16 Applicants		Change	
Courses	**Total #**	**% Share**	**Total #**	**% Share**	**#**	**%**
Accounting	413	3.06	349	2.56	64	0.5
Agriculture	87	0.64	92	0.68	-5	-0.04
Architecture	60	0.44	57	0.42	3	0.02
Arts/Humanities	439	3.25	424	3.11	15	0.14
Bus Admin & Social Sciences	3,174	23.53	3,229	23.71	-55	-0.18
Education	1,425	10.56	1,698	12.47	-273	-1.91
Engineering	699	5.18	683	5.01	16	0.17
Hospitality & Tourism Mgmt	477	3.53	468	3.44	9	0.09
Information Technology	756	5.60	690	5.07	66	0.53
Law	421	3.12	491	3.60	-70	-0.48
Maritime	923	6.84	755	5.54	168	1.3
Medicine	1,000	7.41	1,042	7.65	-42	-0.24
Nursing	1,495	11.08	1,489	10.93	6	0.04
Pharmacology	223	1.65	246	1.81	-23	-0.15
Sciences	1,742	12.91	1,728	12.69	14	0.22
Sports Education	100	0.74	101	0.74	-1	0
Theology	60	0.44	78	0.57	-18	-0.13
Total	***13,494***	***100***	***13,620***	***100***	***-126***	

Diagram 2: Loan Applications by Program Courses 2016/17

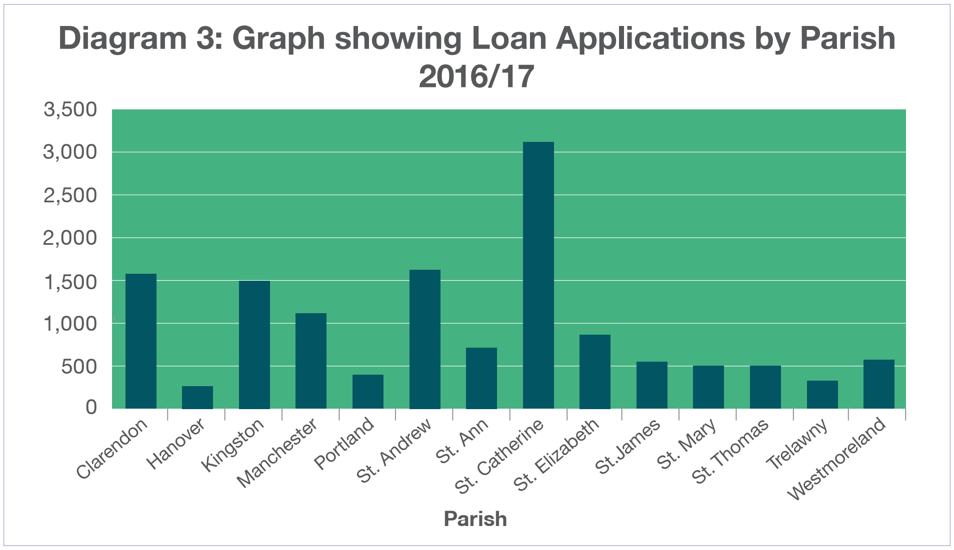


Disaggregation of the 13,494 applications by parish revealed that a total of 3,130 or 23.2% emanated from St. Catherine. This was followed by the Kingston Metropolitan Area which accounted for 3,114 or 23.1% (Kingston - 1,495 and St Andrew - 1,619). The parish of Clarendon and Manchester accounted for 1,575 (12%) and 1,109 (8%), respectively. (Refer to Table 4 and Diagram 3 overleaf).

The demand for student loans continues to reveal a higher ratio of female applicants to males. As illustrated in Table 4 below, during the 2016/17 period, more females continued to access student loans for their tertiary education, relative to their male counterparts. The statistics show that the number of loan applications submitted by females totaled 9,336 and accounted for 69.19% of the overall applications in 2016/17, relative to the 9,458 or 69.44% recorded in 2015/16. Applications from male students accounted for 4,158 or 30.81% of the overall total during the 2016/17 review year (4,162 or 30.56% - 2015/16).

Table 4: Total Loan Applications Received by Parish and Gender (Comparison between 2015/16 - 2016/17)

	2016/17			2015/16			% Change		
Parish	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Clarendon	1,121	454	1,575	1,067	404	1,471	5.06	12.38	7.07
Hanover	168	63	231	171	61	232	-1.75	3.28	-0.43
Kingston	1,026	469	1,495	1,371	629	2000	-25.16	-25.44	-25.25
Manchester	748	361	1,109	780	353	1133	-4.10	2.27	-2.12
Portland	266	120	386	276	111	387	-3.62	8.11	-0.26
St. Andrew	1,070	549	1,619	936	498	1434	14.32	10.24	12.90
St. Ann	499	218	717	471	173	644	5.94	26.01	11.34
St. Catherine	2,142	988	3,130	2,110	1047	3157	1.52	-5.64	-0.86
St. Elizabeth	621	229	850	609	214	823	1.97	7.01	3.28
St. James	353	171	524	379	154	533	-6.86	11.04	-1.69
St. Mary	356	158	514	378	147	525	-5.82	7.48	-2.10
St. Thomas	362	131	493	336	139	475	7.74	-5.76	3.79
Trelawny	219	77	296	196	73	269	11.73	5.48	10.04
Westmoreland	385	170	555	378	159	537	1.85	6.92	3.35
Total	***9,336***	***4,158***	***13,494***	***9,458***	***4,162***	***13,620***	***-1.29***	***-0.10***	***-0.93***



Funding of Loan Disbursements

During the academic year 2016/17, the SLB disbursed a total of $3.367bn representing loans provided to 9,492 students. The major sources of funding for the academic year were: the Education Tax - $2.827bn, Heart Trust Grant - $100mn, and Loan Repayments/Collections - $2.446bn. (Refer Table 5 below).

The total funds disbursed by the SLB during 2016/17 increased by 1.67% compared to the amount disbursed in 2015/16. The funds garnered by SLB during the review period totaled $5.373bn and were adequate to cover the loan disbursements, repayment of borrowings as well as administrative costs.

Table 5: Funding Sources for the 2015/2016 & 2016/17

	Funding Sources	2016/2017: $mn	2015/2016: $mn
1	Collections from Loan Repayments	2,446	2,255
2	Education Tax/ GOJ Subvention	2,827	2,880
3	HEART Trust NTA Grant	100	-
	TOTAL	***5,373***	***5,135***

In previous years the SLB incurred foreign currency liabilities totaling US$52mn, arising from borrowings from the Caribbean Development Bank (CDB) - (US$40mn) and the Petro Caribe Development Fund (US$12mn), to assist with disbursement of loans.

Two (2) loans of US$20mn each were received from the CDB, both of which are guaranteed by the Government of Jamaica (GOJ). However whereas the guarantee for the CDB Loan 1 covers credit and foreign exchange risks, the guarantee for the CDB Loan 2, does not cover foreign exchange risks. Consequently, any loss resulting from depreciation of the rate of the J$ to the US$, has to be expensed by the SLB. The Bureau started the quarterly amortization of CDB Loan 1, with the first payment of US$384,615.38 in January 2016 and these payments continued throughout the fiscal year. The exchange rate depreciation during the year resulted in FX losses being incurred on the payments on the CDB loan 1 which is reimbursable under the Guarantee. The loan balance in US dollar denominated loans was US$50.077mn as at the end of March 2017. Repayment of CDB Loan 2 will commence April 2018.

The loan from the PetroCaribe Development Fund was not guaranteed by the Government therefore SLB bears both the credit and foreign exchange risks. The foreign exchange losses recorded on the above loan facilities totaled $1.357bn as at March 2017, of which $796mn (2016: $669mn) is covered under the GOJ guarantee for CDB Loan 1. The remaining amount was expensed by the SLB.

The net foreign exchange loss incurred on the above loan facilities totaled $194.280mn as at March 2017. The US$ liabilities continue to negatively impact the Bureau's bottom line and steps are being taken to mitigate the impact of the depreciation of the rate of the J$ vs the US$.

SLB PAYS and Post Graduate Loan Facilities

In addition to the Targeted loan facility, the SLB also offers the Pay As You Study (PAYS) loan to persons seeking to further their education at the undergraduate level and the Post Graduate (PG) loan is extended to finance post graduate studies.

The PAYS loan facility caters to undergraduate students who are employed and also to parents/ guardians or other relatives who may wish to apply for the loans on behalf of their children, to pay their tuition fees whilst still in the programme. Repayment of the PAYS loan commences the month following disbursement and payments are salary deducted. The policy governing the PAYS loan has been revised to allow for more affordable monthly payments. In that regard, the loan tenure was extended to 84 months, and the loan ceiling increased to $1mn. Effective April 1, 2017, the interest rate on PAYS loans will be reduced to 6% on the RBM from 9.5% (2015/16).

The Post Graduate loan facility enables Masters and Doctoral students who are employed to obtain loans of up to $1.2mn to pay their tuition fees. This loan can also be accessed by parents and other relatives who may wish to apply for the loan on behalf of their children or other relatives. Repayment of the Post Graduate loan is also salary deducted and there is no moratorium period; payment commences the month following disbursement. The interest rate on the Post Graduate loans will be reduced to 9.5% on the RBM from the previous 13%. This will take effect April 1, 2017.

The PAYS and Post Graduate Loan facilities continued to be accessed by a growing number of persons and efforts are being made to grow these loan portfolios. The demand for the PAYS loan has increased as more and more applicants find this facility to be an attractive option to pay tuition fees, compared to the education loans offered by other financial institutions.

Grant-in-Aid (GIA) Disbursements

For the 2016/17 period, the SLB continued to provide Grant-in-Aid (GIA) to students assessed as being most in need of additional financial assistance to defray the costs of their education related expenses. Beneficiaries are able to access grants through: automatic qualification through the application of the Means Test, recommendations from the tertiary institutions, requests from loan beneficiaries for consideration via letters to the SLB and referrals by the Appeals Committee of SLB.

For the 2016/17 **fiscal year**, the SLB received $150mn from the Ministry of Finance and the Public Service to fund the Grant-in-Aid programme. The SLB disbursed approximately $166.6mn in Grants to 3,694 students for the **academic year**. The GIA disbursement represented an increase of $35.7mn or 27.27% more than the $130.9mn disbursed to 3,029 students, in the 2015/16 academic year (Refer to Table 6 overleaf).

Table 6: # of Students receiving Grants and the $ Value Disbursed for Academic Years 2012/13 to 2016/17

Academic Year	# Loan Applicants received Grants	# of Applicants change	% Change	$ Value of Grant Disbursed ($mn)	$mn Change	% Change
2016/17	3,694	665	21.95	166.6	35.7	27.27
2015/16	3,029	63	2.12	130.9	4.3	3.39
2014/15	2,966	106	3.7	126.6	3	2.42
2013/14	2,860	(772)	(21.26)	123.6	(34.6)	(21.87)
2012/13	3,632	629	20.95	158.2	28.41	21.88

Table 6a below provides a further breakdown of disbursements of GIA on an institution basis for the 2016/17 academic year, compared to 2015/16. The table below also shows the dollar value and the number of beneficiaries awarded Grant-in-Aid.

Table 6a: Grant-In-Aid Disbursed: Institution basis during the Academic Period 2015/16-2016/17, # of Beneficiaries and $ Value

	2016/2017		2015/2016		Difference		
Institution	**$mn**	**# of Students**	**$mn**	**# of Students**	**$mn**	**# of Students**	**% Change (per $ value)**
UTECH	72.4	1448	48.2	987	24.2	461	50.21
UWI, Mona & SMART	58.7	1177	46.6	940	12.1	237	25.97
NCU	16.55	335	17.2	347	-0.65	-12	-3.78
Teachers' Colleges	4.5	182	7.6	306	-3.1	-124	-40.79
Community Colleges	2.32	94	2.1	88	0.22	6	10.48
UWI, Foreign Based	0.57	12	0.5	10	0.07	2	14
Other	11.56	446	8.7	351	2.86	95	32.87
Total	***166.6***	***3,694***	***130.9***	***3,029***	***35.7***	***665***	***27.27***

Initiatives to Improve Customer Service during the Loan Application Period

During the review period SLB continued its initiatives to improve the service provided to our customers particularly during the peak application period. Applicants were able to utilize the facilities/options below which served to reduce the need for them and their guarantors to visit the SLB's office to complete the application process. These included:

- The SLB **'On the Road'** facility under which the services of the Bureau are made available at strategic locations across the island for the convenience of our applicants/beneficiaries. This is normally done in conjunction with the tertiary institutions and has proven to be quite successful over the years.
- The document **"Drop-off Facility"** which was instituted to facilitate submission of documents to support SLB loan applications, which eliminated the need for customers to wait in line for the application to be processed.
- Returning SLB beneficiaries may complete and submit their Status Report/update forms online and pay the requisite fees at any Bill Express or Paymaster location island-wide.
- The **"Online Guarantor Facility"** enables guarantors to download the relevant documents from the SLB's website - www.slbja.com, have them completed, witnessed and certified by authorized persons and submitted to the SLB. Certification of guarantor documents is done by authorized persons, such as, an Attorney-at-Law, a Justice of the Peace or a Medical Doctor.
- Memoranda of Understanding (MoU) have been signed with several tertiary institutions to improve information sharing and to provide assistance in the collection of required documents to support applications from their students.

The above measures have served to improve the processing of applications.

Operational Report
2016-2017

Financial Position 2016/17

SLB recorded total assets of $25.063bn for the fiscal year ended March 2017 compared to $21.404bn at the end of March 2016, which represented an increase of $3.659bn or 17.09%. A surplus of $328.710mn was recorded for the 2016/17 fiscal year (2015/16: $245.396mn), after accounting for foreign exchange loss of $194.280mn (2015/16: $208.252mn), which was incurred mainly on the non GOJ-guaranteed portion of the US$ denominated debt held by the SLB.

Loan Portfolio

Of the total assets of $25.063bn as at March 31, 2017, loans issued to students amounted to $19.608bn, (after provision for impairment), and accounted for 78.23% of total assets. This represents an increase of $5.455bn or 31.23% over the $17.465bn (net) as at March 31, 2016. The current portion of the Loan portfolio (due within the fiscal year), as at March 2017 was $2.648bn or 13.50% of total loans ($3.162bn or 18.10% March 2016). The Long Term portion was $16.960bn or 86.50% ($14.303bn or 81.90% March 2016).

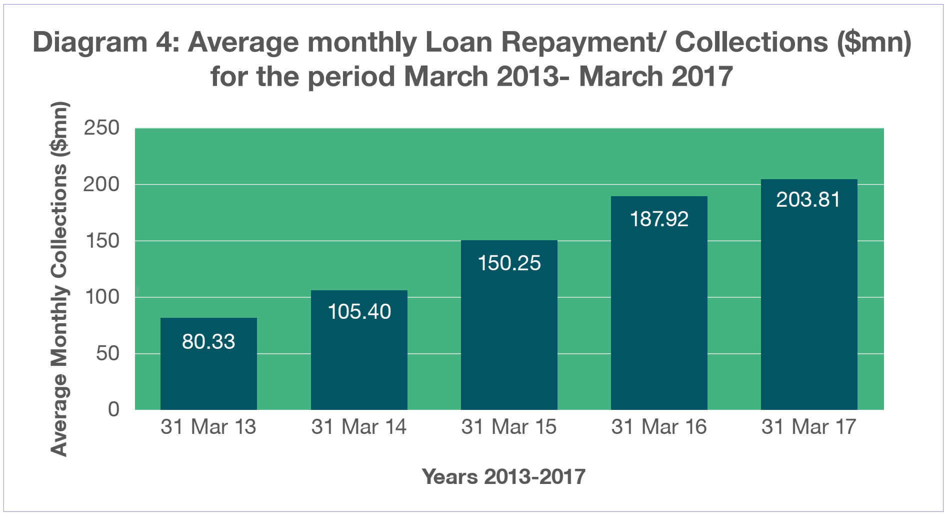
Loans in Moratorium as at March 2017 amounted to $9.030bn or 38% of loans in the portfolio totaling $23.763bn (gross). This compares with $8.883bn or 43.67% of the net portfolio balance as at March 31, 2016, which amounted to $20.340bn.

Loans in Repayment as at March 2017 totaled $14.733bn or 62% of the net portfolio balance, of which $2.648bn represented the current portion due in the fiscal year 2016/17. As at March 2016, the balance for Repayment Loans was $11.456bn or 56.33% of the net portfolio balance.

Loan Repayments/Collections

During the year ended March 31, 2017, beneficiaries repaid $2.446bn compared to $2.255bn collected during the year ended March 31, 2016 and represented an increase of $191mn or 8.5% over the previous year. The amount collected for financial year 2016/17 accounted for 92.4% of the current portion of the loan portfolio as at March 2017, compared to 71.3% as at March 2016.

The average monthly amount collected during the fiscal year 2016/17, was approximately $203.81mn compared to $187.92mn for the previous year. The average monthly loan repayments have increased over the years, moving from a monthly average of $80.33mn as at March 2013 to $203.81mn for year ended March 31, 2017, as highlighted in Diagram 4.



Collections continue to increase and the Bureau has noted an increasing trend in the number of SLB beneficiaries seeking to restructure or reschedule their loans and/or defer loan repayments until they become employed or are in a position to make payments.

In an effort to improve collections and reduce delinquency the SLB has embarked on several initiatives including:

- Increased implementation of Salary Deduction Orders for beneficiaries employed in the Public and Private Sectors
- Encouraging beneficiaries and/or their parents to exercise the option to commence repayment during the moratorium period (in school years) which would reduce interest cost and ultimately the monthly payment upon the loan entering repayment
- Sharing of loan data with the Credit Bureaus. This measure is intended to provide an incentive for beneficiaries to repay their loans in order to avoid a bad credit report
- Encouraging early closure of loans by offering incentives such as waivers of some charges and fees
- Periodic publication of the names and faces of delinquent beneficiaries in the media
- Proposed amendments to the SLB Fund Act to enable inter alia, garnishing of wages
- Increased use of Tax Administration of Jamaica's database to track beneficiaries and their place of employment to facilitate salary deductions
- Partnering with relevant Public and Private Sector Stakeholders with a view to strengthen the SLB's ability to collect.
- Increased restructuring of loans to facilitate more manageable monthly amounts by beneficiaries.
- Consultations with various stakeholder groups with a view towards gaining support for the SLB's collection efforts.
- Increasing the use of Debt Collectors/Bailiffs and ultimately litigation, to collect on outstanding loans and curtail delinquency.
- Continue to work with the Developer to improve the current Loan Management System to strengthen loan monitoring and collections.

The above initiatives are at various stages of implementation and have contributed to the increased collections recorded for the review year.

It is anticipated that the increasing trend will continue as the SLB seeks to increase its public education and advertising campaign, to encourage beneficiaries to take responsibility for repayment of their student loans and reduce delinquency.

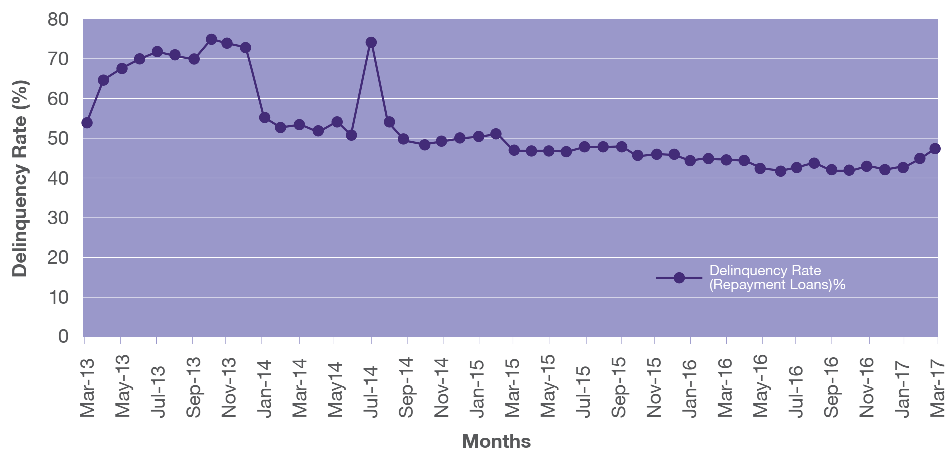
Loan Delinquency

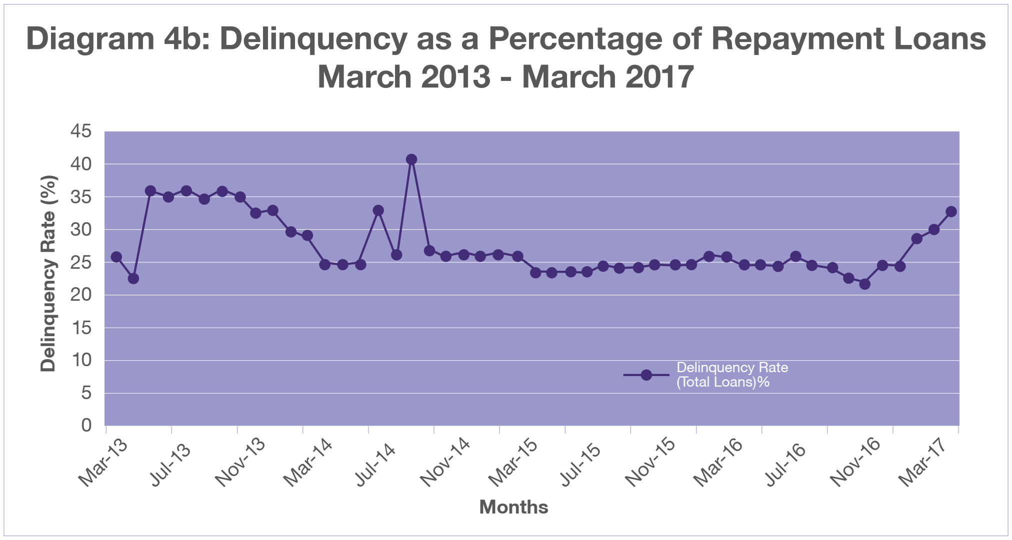
Delinquency continued to be a challenge throughout the year and the measures outlined above to increase collections are intended to positively impact delinquency over the medium to long term.

The overall loan balance net of write-offs was $23.763bn as at March 2017. Of that amount, $7.459bn or 31.39% was assessed as delinquent, i.e. amounts past due for 90 days or more. The delinquent amount $7.459bn also represented 50.63% of the Loans in Repayment as at the end of March 2017.

Diagrams 4a and 4b (overleaf) show the trend in delinquency rate over the last 4 years.

Diagram 4a: Delinquency as a Percentage of Total Loans March 2013 - March 2017





Loan Management System

Work continued with the Developers geared towards improving the current Loan Management System (LMS). Following approval by Council, an Enterprise Management Information System (EMIS) is to be acquired and implemented to facilitate a better end to end flow of data and information needed to support the strategic direction of the organization.

Public Education and Customer Focused Initiatives

For the academic year 2016/2017, the SLB's public education campaign included visits to one hundred and twenty-two (122) institutions inclusive of high schools, tertiary institutions, social development/community organizations (Social Development Commission, Service Clubs, etc.) and several public fora. This compares with the number of public education visits conducted during the 2015/16 period: ninety-seven (97), and eighty-five (85) in the 2014/15 academic year as outlined in Table 7 below.

Table 7 – Number of Institution Visits - 2012/2013 to 2016/17

Year	# Institutions Visited	Nos.	% Increase
2016/17	122	25	25.77
2015/16	97	12	14.12
2014/15	85	15	21.43
2013/14	70	6	9.38
2012/13	64	1	1.59

The major institutions UWI, UTECH and NCU held a number of activities in which the SLB participated by providing information not only to existing students, but also to the respective incoming cohorts.

Operational Report
2016-2017

The organization continued to reach out to students outside of the Kingston Metropolitan Area through its **"SLB On the Road"** initiative. In June 2016, over the course of a five day period the SLB OTR Team assisted approximately 400 persons with the loan Application process including the submission of documents and payment of fees.

The SLB continued to maintain a presence in the media through the weekly information sharing radio segments - **"The SLB & You"** which is aired each Wednesday on Nationwide News Network and a similar programme aired on FAME 95 FM - **"Inside the SLB"** which is aired every Thursday. Each medium seeks to inform and educate the general public on the SLB and to encourage repayment. The results have been positive giving the general public an opportunity to not only voice their concerns but to also have their queries addressed.

The Bureau remained accessible to the media through the Executive Director and the Public Education & Public Relations Manager through the provision of responses for the formulation of newspaper articles, television and radio interviews.

The **"Every Dollar Counts"** Campaign continued in 2016/17 and as aimed at reducing delinquency and increasing loan collections. The SLB's radio time signals all pushed the message of loan repayment and has yielded some success.

Staff Training & Development

The Human Resource and Administration function continued its activities through the programmes and initiatives in recruitment, performance management, employee welfare and procurement.

During the period under review, the Bureau's Establishment stood at 104 with the approval of some new positions to the organizational structure - the Deputy Executive Director, Risk Manager and, Corporate Planner. The new functions have made valuable contributions to the overall performance of the Bureau.

The staff activity in the Performance Management Process continued to show improvement. The implementation of the training plan yielded positive results and several staff were provided opportunities to further develop their skills and competencies.

A decision was made to conduct a Job Evaluation exercise with the aim of assessing the jobs, pay scales and recommending an appropriate structure for the expanded organization.

Several activities and initiatives were embarked on to enhance staff morale and camaraderie through the work of the Social Committee. The aim is focused on increasing productivity and fostering a positive work environment.

Projects Initiated

The projects initiated during the 2016/17 fiscal year include :

- Diagnostic Review of the SLB
- Records and Information Management (RIM)
- Planning towards acquisition of an EMIS
- Business Intelligence (BI) Tool

These projects, when successfully completed, should positively impact the overall performance of the organization.

Conclusion

The SLB experienced some improvements in its functionality during the review period, notwithstanding, the organization encountered some challenges which required implementation of initiatives to address them. The Bureau will continue on the path of improving operational efficiencies through upgrading and strengthening of the Information Technology System, which is critical to improving the service provided to our customers. The recent addition of some critical functions to the organization structure and the increase in staff complement, have enabled improvement in the general operations and the overall customer service.

Several initiatives were embarked on to strengthen and sustain the operational side of the Bureau including: the CDB funded Consultancy for the Diagnostic Review of the SLB, the Records and Information Management (RIM) Project to enable increased electronic storage of data and information, development of a Business Intelligence Tool to improve analysis and reporting. These initiatives are at various stage of commencement/execution and are expected to continue in the upcoming financial year.

The measures to increase collections and reduce delinquency continue to pay dividends as evidenced by the record increase in collections and the re-flows to the Revolving Loan Fund during the review year. The Public Education campaign continues and borrowers have become more sensitized to their student loan obligations. The collections measures are expected to yield even greater results in future years. There is a greater recognition of borrowers' responsibility to repay their loans so that other students can benefit from tertiary education through the Revolving Loan Fund. However the 'entitlement' culture among some Borrowers continues to impede our ability to collect.

The implementation of RBM interest has benefitted SLB borrowers and particularly those who maintain their loans on a current basis. It is anticipated that the more manageable monthly payments will lead to an increase in the rate of repayment and strengthen the Revolving Loan Fund over the medium to long term. Efforts are continuing to reduce delinquency, however strengthening of the laws is critical to addressing the delinquency problem.

The proceeds of the Special Education Tax served to improve the capitalization to the Revolving Loan Fund during the 2016/17 fiscal year. This along with the increased collections, placed the organization in a better position to meet its commitment to approved applicants for disbursement of their tuition fees. The increased funding also facilitated the change in interest calculation from 'Add on' to RBM and the reduction in applicable interest rates.

The increased focus on Public Education has served to heighten awareness of the available SLB products and services as well as the responsibility of borrowers to repay their loans. The message has been reaching the SLB's target market and the efforts will continue into the next fiscal year as we seek to build greater public awareness.

The outlook for demand for student loans is positive as demand for education loans continues to be relatively high. Based on the projected inflows from the Special Education Tax and increased collections, the SLB should be in a position to satisfy the projected demand in the short to medium term.

For the upcoming 2017/18 financial year the SLB will continue to incentivize some specific programs of study that are targeted for national development.

The SLB Council, Management and Staff remain committed to facilitate increased access to higher education by providing loans and grants. The team will continue to capitalize on the successes recorded during the review year and seek to improve overall risk management and organisational efficiency.

Audited Financial Statements
March 31, 2017

EY
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INDEPENDENT AUDITOR'S REPORT

To the Council Members of the Students' Loan Bureau

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Students' Loan Bureau (the "Bureau"), which comprise the statement of financial position as at 31 March 2017 and the statements of comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bureau as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bureau in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Council Members for these Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so.

The Council Members are responsible for overseeing the Bureau's financial reporting process.

Building a better working world

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Council Members of the Students' Loan Bureau (Continued)

Report on the Financial Statements (Continued)

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Council Members of the Students' Loan Bureau (Continued)

Report on the Financial Statements (Continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Chartered Accountants
Kingston, Jamaica

31 July 2018

STUDENTS' LOAN BUREAU

Statement of Financial Position
As at 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and short term investments	6	3,693,692	2,529,126
Insurance fund investments	7	799,342	600,000
Loans, accrued interest and fee receivable	8	19,607,514	17,465,107
Other receivables	9	21,153	14,697
Due from Government of Jamaica	10	796,397	669,536
Intangible assets	11	11,292	2,066
Property and equipment	12	133,596	123,850
Total Assets		25,062,986	21,404,382
LIABILITIES AND ACCUMULATED FUND			
Liabilities			
Other payables and accrued charges	13	171,939	116,360
Long term loans	14	6,443,257	6,299,250
Insurance fund	7	799,342	600,000
Total Liabilities		7,414,538	7,015,610
Accumulated Fund			
Government contribution	15	9,272,057	6,344,234
Accumulated surplus		8,376,391	8,044,538
Total Accumulated Fund		17,648,448	14,388,772
Total Liabilities and Accumulated Fund		25,062,986	21,404,382

The financial statements were approved for issue by the Council on 31 July 2018 and signed on its behalf by:

__________________________ Chairman
Dr. St. Aubyn Bartlett, J.P.

__________________________ Executive Director
Ms. Monica Brown, J.P.

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

STUDENTS' LOAN BUREAU

Statement of Comprehensive Income
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Interest on student advances		1,903,039	1,520,631
Interest on short term deposits and monetary instruments		188,474	121,332
Total interest income	5(n)	2,091,513	1,641,963
Net finance cost	18	(369,160)	(382,904)
Net interest income		1,722,353	1,259,059
Grant income	19	101,388	142,875
Other income	20	449,606	374,083
		2,273,347	1,776,017
Loan loss expenses	8	(1,459,781)	(1,069,395)
Net operating surplus		813,566	706,622
Administration expenses	21	(484,856)	(461,226)
Surplus for year		328,710	245,396
Other Comprehensive Income:			
Item that will not be reclassified to (deficit)surplus			
Remeasurement of pension obligation - gain	17	3,143	1,079
Total comprehensive income for the year		331,853	246,475

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

STUDENTS' LOAN BUREAU

Statement of Changes in Accumulated Fund
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Capital contribution	Accumulated surplus	Total
		$'000	$'000	$'000
Balance at 1 April 2015		3,464,234	6,255,713	9,719,947
Capital contribution	15	2,880,000	-	2,880,000
Insurance fund loan converted to equity	7 (d)	-	1,300,000	1,300,000
Transfer of Insurance surplus to equity	7 (d)		242,350	242,350
Other comprehensive income for the year	17	-	1,079	1,079
Surplus for the year		-	245,396	245,396
Balance at 1 April 2016		6,344,234	8,044,538	14,388,772
Capital contribution	15	2,927,823	-	2,927,823
Other comprehensive income for the year	17	-	3,143	3,143
Surplus for the year		-	328,710	328,710
Balance at 31 March 2017		9,272,057	8,376,391	17,648,448

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

STUDENTS' LOAN BUREAU

Statement of Cash Flows
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		328,710	245,396
Adjustments for:			
Interest income		(2,091,513)	(1,641,963)
Interest expense	18	171,972	171,853
Depreciation and amortization	11,12	10,036	7,629
Remeasurement of pension obligation		3,143	1,079
Withholding tax recoverable written off	7	11,987	-
Loan loss expense	8	1,459,781	1,069,395
Foreign exchange loss		194,280	208,252
Loss on disposal of property and equipment		114	778
		88,510	62,419
Other accounts receivable		1,739	(928)
Other payables and accrued charges		53,867	15,327
Cash provided by operating activities		144,116	76,818
Interest received		1,244,905	744,938
Interest paid		(170,260)	(173,409)
Net cash provided by operating activities		1,218,761	648,347
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans disbursed, net of repayments		(2,760,407)	(2,327,119)
Increase in short term deposit		(644,280)	(197,826)
Insurance fund investments		(199,342)	(152,791)
Additions to intangible assets and property and equipment	11,12	(29,122)	(25,792)
Net cash used in investing activities		(3,633,151)	(2,703,528)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution received	15	2,927,823	2,880,000
Loan repayments		(194,857)	(46,521)
Insurance fund		199,342	152,791
Net cash provided by financing activities		2,932,308	2,986,270
Net increase in cash and cash equivalents		517,918	931,089
Effect of exchange rates changes on cash and cash equivalents		2,368	15,704
Cash and cash equivalents at beginning of year		1,851,753	904,960
Cash and cash equivalents at end of year	6	2,372,039	1,851,753

Note 23 details the non-cash transactions which impacted the statement of cash flows.

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

1. Corporate information

The Students' Loan Bureau (the "Bureau"), which is incorporated under the Students' Loan Fund Act, is the administrator of the Students' Loan Fund. The Bureau is domiciled in Jamaica and its registered office is located at 63 – 67 Knutsford Boulevard, Kingston 5.

The main activity of the Bureau is the provision of loans to students to assist with the furtherance of their education at the tertiary level. Audited financial statements are required to be submitted to the Ministry of Finance and the Public Service within four (4) months of the reporting date of March 31.

2. Basis of preparation

The financial statements are prepared using the historical cost basis. The financial statements are presented in Jamaican dollars ($), which is the functional currency of the Bureau.

Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Students' Loan Fund Act.

Presentation of financial statements:

The Bureau presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Notes 8 and 14.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the financial position date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting judgements, estimates and assumptions (Continued)

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. (Note 8).

(ii) Pension and other post-employment benefits:

The amounts recognised in the statement of financial position and comprehensive income statement for post-employment 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-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will affect the amounts recorded in the financial statements. (Note 17)

4. Changes in accounting policies and disclosures and future changes in accounting standards

a) Standards and interpretations adopted during the year

The accounting policies adopted are consistent with those of the previous financial year for the preparation of the Bureau's annual financial statements for the year ended 31 March 2017.

The following new standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations became effective in the current year but had no effect on the financial position or financial performance of the Bureau. The nature and the impact of each new standard or amendment is described below:

4. Changes in accounting policies and disclosures and future changes in accounting standards (Continued)

a) Standards and interpretations adopted during the year (Continued)

***IAS 1 Disclosure Initiative – Amendments to IAS 1*- Effective for annual periods beginning on or after 1 January 2016**
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Application of the amendments had no impact on the Bureau's financial statements.

***IAS 16 Property, Plant and Equipment IAS 41 Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41* – Effective for annual periods beginning on or after 1 January 2016**
The amendments to IAS 16 and IAS 41 change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16 including the choice between the cost model and revaluation model for subsequent measurement. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of IAS 41. The Bureau is not involved in agriculture; therefore these amendments are not applicable.

***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* - Effective for annual periods beginning on or after 1 January 2016**
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments are not expected to have any impact on the Bureau given that the Bureau has not used a revenue-based method to depreciate its non-current assets.

4. Changes in accounting policies and disclosures and future changes in accounting standards (Continued)

a) Standards and interpretations adopted during the year (Continued)

***IAS 27 Equity Method in Separate Financial Statements* - *Amendments to IAS 27* - Effective for annual periods beginning on or after 1 January 2016**

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39)

Or

- Using the equity method
- The entity must apply the same accounting for each category of investments.

This amendment did not have any impact on the Bureau's financial statements.

***IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28* - Effective for annual periods beginning on or after 1 January 2016**

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. This amendment did not have any impact on the Bureau's financial statements.

***IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11* - Effective for annual periods beginning on or after 1 January 2016**

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share all of the principles of IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11.The amendments increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. This amendment did not have any impact on the Bureau's financial statements.

***IFRS 14 Regulatory Deferral Accounts* - Effective for annual periods beginning on or after 1 January 2016**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS.

4. Changes in accounting policies and disclosures and future changes in accounting standards (Continued)

a) Standards and interpretations adopted during the year (Continued)

***IFRS 14 Regulatory Deferral Accounts* - Effective for annual periods beginning on or after 1 January 2016 (Continued)**
Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Bureau is an existing IFRS preparer, this standard would not apply.

***Annual improvements 2012-2014* Cycle**
These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Company. They include:

- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The application of these amendments did not have any impact on the Bureau's financial statements.

b) Future changes in accounting standards and interpretations

The Bureau has not adopted early the following new and revised IFRS's and IFRIC interpretations that have been issued but are not yet effective for 2016/2017:

- IAS 7 Disclosure Initiative – Amendments to IAS 7- Effective for annual periods beginning on or after 1 January 2017
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - Effective for annual periods beginning on or after 1 January 2017
- IFRS Practice Statement 2: Making Materiality Judgements – Applicable to financial statements prepared any time after 14 September 2017.
- IAS 40 Investment Property - Transfers of Investment Property (Amendments to IAS 40) - Effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 2: IFRS 2 Classification and Measurement of Share-based Payment Transactions - Effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 9 *Financial Instruments:* Effective for annual periods beginning on or after 1 January 2018
- IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Effective for annual periods beginning on or after 1 January 2018

4. Changes in accounting policies and disclosures and future changes in accounting standards (Continued)

b) Future changes in accounting standards and interpretations (Continued)

- IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - Effective for annual periods beginning on or after 1 January 2018
- Annual Improvements 2014-2016 Cycle (issued in December 2016) - Effective for annual periods beginning on or after 1 January 2018
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - Effective for annual periods beginning on or after 1 January 2019
- Amendments to IAS 28 - Long-term interests in associates and joint ventures - Effective for annual periods beginning on or after 1 January 2019
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation - Effective for annual periods beginning on or after 1 January 2019
- IFRS 16 Leases - Effective for annual periods beginning on or after 1 January 2019
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments - Effective for annual periods beginning on or after 1 January 2019
- Annual Improvements 2015-2017 cycle (issued in December 2017) - Effective for annual periods beginning on or after 1 January 2019
- IFRS 17 Insurance Contracts - Effective for annual periods beginning on or after 1 January 2021
- Amendments to IFRS 10 and IAS 28: IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture - The IASB has deferred the effective date of these amendments indefinitely

Management is still evaluating the impact that these new and amended standards and interpretations may have on the financial statements of the Bureau.

5. Summary of significant accounting policies

(a) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and include short-term deposits and other monetary investments with original maturities of three months or less.

(b) Insurance fund:

The Bureau operates a self-administered insurance fund (the "Fund") which was established to settle outstanding debts in the event of permanent disability (both mental and physical), or death of beneficiaries.

5. Summary of significant accounting policies (Continued)

(b) Insurance fund (continued):

Insurance is charged to students at 0.05% (2016: 0.06%) on initial disbursement and at 0.05% (2016: 0.06%) during the repayment period. Interest earned on insurance fund investments increases the value of the Fund. Insurance charged but not received is not included in the value of the Fund.

(c) Investments:

Securities purchased under repurchase agreements ('reverse repo') are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

Government of Jamaica ('GOJ') securities with fixed or determinable payment and fixed maturity dates that the entity has the positive intent and ability to hold to maturity are classified as held-to-maturity and are initially measured at cost and subsequently at amortised cost, using the effective interest rate method, less impairment losses (Note 5(m)).

Other investments are recognised or derecognised on the day they are transferred to/by the entity.

(d) Loans and accrued interest receivable:
Advances originated by the Bureau are classified as loans and receivables. Loans and accrued interest are stated at cost less provision for any doubtful balances. Accrued interest represents unpaid accumulated interest computed based on the rates and methods specified in (Note 5(n)).

(e) Other receivables:

Other receivables are stated at cost
less impairment losses (Note 5(m)).

(f) Accounts payable:

Other payables are stated at cost representing the consideration for goods or services received by the statement of financial position date, whether or not billed.

5. Summary of significant accounting policies (Continued)

(g) Property and equipment and depreciation:

(i) Property and equipment

Property and equipment are stated at cost less accumulated depreciation (see (ii) below) and impairment losses (Note 5(m)). The cost of replacing part of an item of property 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 Bureau and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(ii) Depreciation:

Property and equipment are depreciated on a straight line basis at annual rates estimated to write off the assets to their estimated residual values at the end of their expected useful lives. The depreciation rates are as follows:

Leasehold improvement	10%
Office furniture, fittings and equipment	10 – 33⅓%
Motor vehicles	20%
Building	2%

No depreciation is charged on work in progress and land.

Depreciation methods, useful lives and residual values are reassessed annually.

(h) Intangible asset:

This represents computer software and software under development and is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the estimated useful life of the intangible asset. Software under development is not amortised. The estimated useful life for computer software is 3 years.

(i) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

5. Summary of significant accounting policies (Continued)

(j) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and

b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

5. Summary of significant accounting policies (Continued)

(j) Related parties (continued):

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

(k) Provisions:

A provision is recognised in the statement of financial position when the Bureau has a legal and constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 obligation.

(l) Employee benefits:

The Bureau operates a defined benefit pension plan for employees meeting certain minimum service requirements.

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the Bureau's post-employment benefit assets and obligations as computed by the actuary. The valuation report is done annually at 31 January and updated to 31 March for any material changes.

The Bureau is the sponsoring employer in a defined benefit pension plan administered by trustees, the assets of which are held separately from those of the Bureau. The adoption of IAS 19 does not affect the pension scheme, which continues to be governed by the approved trust deeds and rules, and remains under the full control of the appointed trustees.

The calculation is performed by a qualified independent actuary using the Projected Unit Credit Method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to accumulated surplus through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

(Expressed in Jamaican dollars unless otherwise indicated)

5. Summary of significant accounting policies (Continued)

(l) Employee benefits (continued):

The Bureau's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that participating 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 scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognized is restricted to the discounted value of future benefits available to the Bureau. The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the terms of the Bureau's obligation.

(m) Impairment:

The carrying amounts of the Bureau's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

On 1 April 2016, the Students' Loan Bureau (SLB) implemented a change in the calculation of interest on student loans receivable from Add-on to Reducing Balance Method (RBM) (See Note 5) n)). In the loan repayment period, once a loan (group of loans) is assessed as impaired, appropriate provisions for probable losses must be established to cover the risk of loss. Impaired loans include but are not limited to those which are past due for more than 90 days. Loans are grouped as outlined below for purposes of provisioning and the minimum provision to be set aside, are as follows:-

Past Due Period	**Impairment Rate (%)**	
	2017	**2016**
Not yet due	-	-
Not past due	2	-
Past due 1-30 days	4	10
Past due 31-90 days	12	10
Past due 91-365 days	15	50
Past due 1-2 years	40	50
Past due 2-3 years	65	80
Past due 3-4 years	85	100
Past due more than 4 years	100	-* written off

5. Summary of significant accounting policies (Continued)

(m) Impairment (continued):

Effective 31 March 2017, delinquent loans greater than 4 years (2016: 3 years) in arrears shall be written off. Loans deemed to be uncollectible must be written off in instances where they are in arrears for a period greater than or equal to 1,460 days (4 years), (2016: 1,095 days (3 years)).

(i) Calculation of recoverable amount:

The recoverable amount of the Bureau's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognised in profit or loss.

When a loan is known to be uncollectible, that is, all the necessary legal procedures have been completed and the final loss determined, the loan is written off directly to the net surplus or loss.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through profit or loss.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

5. Summary of significant accounting policies (Continued)

(m) Impairment (continued):

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized accordingly.

(n) Revenue recognition:

(i) Interest on student advances:

Interest income is recognized on the accrual basis using the effective interest rate method, except when collectability is considered doubtful. Where payment of interest income is outstanding for more than 90 days, collectability is deemed to be doubtful, interest will be taken into account on the cash basis.

Interest is charged to students as follows:

Principal and interest become due for repayment after a maximum grace period of six months following the end of the prescribed duration of the study program, which is usually three to four years. Beginning the first working day of January after the end of the study program, all interest accrued in the period of study is capitalized and interest is charged on the amended loan balance at an agreed rate. Effective 1 April 2017, interest was charged on the reducing balance basis. In the prior year, interest was charged using an add on method. The applicable rate for the year is 7.80% charged during the beneficiary's period of study and 9.50% on loans in the repayment period (2016: 9.0% on all loans on the add-on basis). The standard loan tenure is 15 years, inclusive of the prescribed period of study. However, the loan tenure may be extended to 20 years for persons who are in study programs that exceed the general 3-4 year duration and attract higher tuition costs.

5. Summary of significant accounting policies (Continued)

(n) Revenue recognition (continued):

(i) Interest on short-term deposit and monetary instrument:

Interest income is recognised in profit or loss for all interest-bearing instruments on the accrual basis using the effective yield method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. Interest income includes coupons earned on fixed income investments.

(o) Grant-in-aid income:

Grant-in-aid income allocated from amounts received from the Government of Jamaica is recognized as income in the period in which the grant is made to the qualifying students.

(p) Penalty charge:

Penalty of $750 (2016: $750) per month is charged on accounts in arrears, up to the date of write off, as outlined in the loan policy.

(q) Foreign currencies:

(i) Balances denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are converted at the rates of exchange ruling on the transaction dates. Gains or losses arising from fluctuations in exchange rates are included in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognized in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the relevant balances.

(ii) That portion of the Bureau's loan advances which is repayable in United States dollars has been adjusted to reflect the increased cost of repayment of such advances caused by devaluations of the Jamaica dollar. The increased cost of repayment on the CDB Loans is recoverable from the Government of Jamaica (Refer to Note 10).

5. Summary of significant accounting policies (Continued)

(r) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, material bank charges and foreign exchange gains and losses recognized in profit or loss.

(s) Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bureau incurs in connection with the borrowing of funds.

(t) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, other accounts receivable and advances and accrued interest. Similarly, financial liabilities include other payables, cess payable and loans payable.

(u) Grants:

The Bureau receives funding from international lending institutions and the Government of Jamaica for special projects and on-lending.

i) Special projects:

Grants that are governed by donor-imposed stipulations, which stipulations must be complied with to the satisfaction of the donor for the project expenditure to be approved, are credited to capital grants.

When funds are spent in accordance with the donor's stipulations, the amount is charged off as special project expenses. An equivalent amount is then transferred from capital grants to the project expenditure account.

ii) On-lending:

Grants may be obtained from non-shareholders from time to time to assist with the Bureau's funding needs. These grants are recognized in the statement of comprehensive income as revenue when received except those received directly from the GOJ which are recognized in the accumulated fund as contributions.

5. Summary of significant accounting policies (Continued)

(v) Determination of fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

(w) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bureau as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Bureau as a lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5. Summary of significant accounting policies (Continued)

(x) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

Short term investments of $238.655 million were reclassified from the insurance fund to the Bureau's cash and short term investments line in the prior year.

6. Cash and short term investments

Cash in interest-bearing accounts consist of:

	2017	**2016**
	$'000	**$'000**
Cash	121,595	103,507
Short - term investments	3,572,097	2,425,619
	3,693,692	2,529,126

Cash in interest bearing accounts earns interest at a floating rate of 6.35% (2016: 5.6%) based on daily bank deposits. Short-term investments earn interest at an average rate of 6.38% for JMD (2016: 5.38%) and 2.10% USD (2016: 2.00%). These short-term investments have an average maturity of 30 - 90days.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017	**2016**
	$'000	**$'000**
Cash and short term investments	3,693,692	2,529,126
Less balance with maturity dates over 90 days	(1,321,653)	(677,373)
	2,372,039	1,851,753

Investments with maturity dates over 90 days earn interest at an average rate of 6.45% (2016: 6.64%). These investments have an average maturity of 90 - 181 days (2016: 93 - 182 days) and are all fully backed by Government of Jamaica securities.

7. Insurance fund

	2017 $'000	2016 $'000
Investments including withholding tax:		
Government of Jamaica (GOJ) Bonds (Note 7 (a))	54,120	52,800
Resale agreements (Note 7 (b))	745,222	774,868
Withholding tax recoverable (Note 7 (c))	-	11,987
	799,342	839,655
Other	-	2,695
Transfer of surplus to the Bureau - Insurance Fund (Note 7(d))	-	(242,350)
	799,342	600,000

The Fund is maintained out of insurance premiums collected from borrowers.

(a) During 2013, the Bureau participated in the National Debt Exchange which resulted in certain GOJ bonds being exchanged for fixed rate accreting bonds issued at a discount of 20% of the original bonds. The loss arising of $13.2 million was recognized directly in the accumulated fund. Accretion of the bonds commenced in 2016/17. The bonds are classified as held-to-maturity and are scheduled to mature in August 2028.

(b) The fair value of the underlying collateral (GOJ bonds) held on securities purchased under resale agreements at 31 March 2017 amounted to $1.7 billion (2016: 810.2 million).

(c) Withholding tax recoverable was written off as at 31 March 2017 as the recoverability was unlikely.

(d) An actuarial assessment of the fund conducted in 2015 determined that it carries a significant surplus in terms of the covered risk of student loans. In light of the assessment and by way of Resolution of the Board of Directors dated December 16, 2015, the Bureau decided that $600 million is adequate to provide coverage for the loans. The Board also authorized the conversion the $1.3 billion due to the fund to be transferred to equity. An amount of $242.4 million representing surplus was also transferred to the accumulated fund in the prior year.

7. Insurance fund (Continued)

The movement in the insurance fund balance during the year was as follows:

	2017 $'000	2016 $'000
Balance at beginning of the year	600,000	1,986,863
Premiums received	159,834	114,680
Interest earned on funds invested	54,997	42,103
Benefits paid	(3,502)	(1,296)
Transfer of surplus to the Bureau - Insurance fund	-	(242,350)
Loan from insurance fund converted to equity	-	(1,300,000)
Withholding tax recoverable now written off	(11,987)	-
Balance at the end of the year	799,342	600,000

8. Loans, accrued interest and fee receivable

At 31 March 2017, the total balances receivable for advances and interest accrued under the New Student Loan Scheme are calculated based on the business rules approved by the Council.

Loans, accrued interest and fee receivable are shown net of provision for doubtful debts totaling $4.2 billion (2016: $2.9 billion).

	2017 $'000	2016 $'000
Principal	22,690,116	19,739,014
Interest receivable, penalty and other charges	1,251,658	1,257,459
	23,941,774	20,996,473
Less: Loans and other charges written off	(178,476)	(656,887)
	23,763,298	20,339,586
Less: Allowance for impairment loss	(4,155,784)	(2,874,479)
	19,607,514	17,465,107

8. Loans, accrued interest and fee receivable (Continued)

Loans, accrued interest and fee receivable balance is broken down as follows:

	2017 $'000	2016 $'000
Current portion	2,647,576	3,161,612
Long term portion	16,959,938	14,303,495
	19,607,514	17,465,107

The aging of loans, accrued interest and fee receivable at the reporting date:

	2017		2016	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not yet due	9,029,798	-	8,883,215	-
Neither past due nor impaired	2,297,560	34,463	3,077,269	-
Past due 1-30 days	2,372,205	94,888	626,773	62,677
Past due 31-90 days	2,605,168	312,620	2,624,991	262,499
Past due 91-180 days	295,879	44,382	440,057	88,011
Past due 181-365 days	1,543,112	231,467	1,195,322	358,597
Past due 1-2 years	2,488,872	995,549	2,315,869	1,157,935
Past due 2-3 years	1,964,514	1,276,225	1,176,090	944,760
Past due 3-4 years	1,166,190	1,166,190	-	-
	23,763,298	4,155,784	20,339,586	2,874,479

Allowance for impairment relates to beneficiaries who have not serviced their accounts for a protracted period of time.

The movement in the allowance for impairment in respect of loans receivables during the year was as follows:

	2017 $'000	2016 $'000
Balance at 1 April	2,874,479	2,461,971
Charge for the year	1,459,781	1,069,395
Write-offs	(178,476)	(656,887)
Balance at 31 March	4,155,784	2,874,479

9. Other receivables

	2017 $'000	2016 $'000
Interest receivable	13,137	8,425
Withholding tax recoverable	24	19
Advances and other receivables	7,992	6,253
	21,153	14,697

10. Due from Government of Jamaica

Excess of increased costs of loan advances in United States dollars are arrived at as follows:

	2017 $'000	2016 $'000
Provision for increased cost of repayment of US$ loan advances due to exchange loss - Caribbean Development Bank (CDB) Loan	796,397	669,536

11. Intangible assets

	Computer software $'000	Software under development $'000	Total $'000
At cost:			
31 March 2015	99,559	-	99,559
Additions	590	1,000	1,590
31 March 2016	100,149	1,000	101,149
Additions	10,043	-	10,043
Transfers	1,000	(1,000)	-
31 March 2017	111,192	-	111,192
Amortisation:			
31 March 2015	98,958	-	98,958
Charge for the year	125	-	125
31 March 2016	99,083	-	99,083
Charge for the year	817	-	817
31 March 2017	99,900	-	99,900
Net book values:			
31 March 2017	11,292	-	11,292
31 March 2016	1,066	1,000	2,066

12. Property and equipment

	Land and building $'000	Leasehold improvements $'000	Motor vehicles $'000	Office fittings $'000	Office furniture and equipment $'000	Total $'000
At cost:						
1 April 2015	79,409	16,098	7,553	3,206	77,508	183,774
Additions	-	9,890	-	155	14,157	24,202
Disposals	-	-	(4,646)	(4)	(2,899)	(7,549)
1 April 2016	79,409	25,988	2,907	3,357	88,766	200,427
Additions	-	2,823	4,028	293	11,935	19,079
Disposals	-	-	-	-	(844)	(844)
31 March 2017	79,409	28,811	6,935	3,650	99,857	218,662
Depreciation:						
1 April 2015	-	1,921	6,111	2,574	65,238	75,844
Charge for the year	-	1,770	697	34	5,003	7,504
Eliminated on disposals	-	-	(4,026)	(4)	(2,741)	(6,771)
1 April 2016	-	3,691	2,782	2,604	67,500	76,577
Charge for the year	-	2,798	67	71	6,283	9,219
Eliminated on disposals	-	-	-	-	(730)	(730)
31 March 2017	-	6,489	2,849	2,675	73,053	85,066
Net book values:						
31 March 2017	79,409	22,322	4,086	975	26,804	133,596
31 March 2016	79,409	22,297	125	753	21,266	123,850

13. Other payables and accrued charges

	2017 $'000	2016 $'000
Deferred grant-in-aid (a)	97,463	45,425
Accrued charges	58,073	58,368
Other payables	16,403	12,567
	171,939	116,360

(a) This represents the unallocated balance of $150 million received from the Government of Jamaica during the 2016/17 financial year. The balance is earmarked to finance grants-in-aid to qualifying students. The Bureau received $150 million for grant-in-aid in 2015/2016.

Movements in deferred grant-in-aid consists of the following:

	2017 $'000	2016 $'000
Balance at 1 April	45,425	38,300
Amounts received for the year	150,000	150,000
Disbursements	(101,388)	(142,875)
Returned grant in aid disbursements	3,426	-
Balance 31 March	97,463	45,425

14. Long term loans

		2017 $'000	2016 $'000
Caribbean Development Bank – OCR Loan 1	(a) US$4,519,230	581,477	598,476
Caribbean Development Bank – SFR Loan 1	(b) US$13,557,692	1,744,430	1,795,427
Caribbean Development Bank – OCR Loan 2	(c) US$10,000,000	1,286,672	1,220,421
Caribbean Development Bank – SFR Loan 2	(d) US$10,000,000	1,286,672	1,220,421
PetroCaribe Development Fund (PDF)	(e) US$12,000,000	1,544,006	1,464,505
		6,443,257	6,299,250

(a) This represents balance from the US$5 million loan facility issued by the CDB and lent from the Ordinary Capital Reserves (OCR) of the bank. The purpose of the loan is to assist the Bureau in granting sub-loans to qualified beneficiaries. The loan is guaranteed by the GOJ, which also bears exchange losses incurred in respect of the loan repayments. The loan is to be repaid by the Bureau on a quarterly basis on 1 January, 1 April, 1 July and 1 October, of each year. The loan principal is due to be repaid in fifty two (52) equal or approximately equal and consecutive quarterly installments on each due date commencing on the first due date after the expiry of five (5) years following the date of the loan agreement which was 25 November 2010. The first installment of loan repayment was made in January 2016. It bears interest at 3.30% (2016: 2.97%) and there is a commitment charge of 0.25% on the undisbursed portion of the loan. This charge shall accrue from 24 January 2011, which is 60 days following the date of the first loan agreement. The commitment charges are repayable quarterly and carry same due dates as the principal and interest payments. As at 31 March 2017, the OCR portion was fully drawn down.

(b) This represents balance from the US$15 million loan facility granted by the CDB and lent from the Special Fund Resources (SFR) of the bank. The purpose and terms of the loan are the same as the loan outlined in (a) above, except that there is no commitment charge and the rate of interest is fixed at 2.50%. The first installment of loan repayment was made in January 2016.

14. Long term loans (Continued)

(c) This represents drawdown from the US$10 million loan facility granted by the CDB to be lent from the SFR of the CDB. The purpose and terms of the loan are the same as the loan outlined in (c) above, except that there is no commitment charge and the rate of interest is fixed at 2.50%. As at 31 March 2017, the SFR portion was fully drawn down.

(d) This represents a loan of US$12 million from the PetroCaribe Development Fund (PDF). The purpose of the loan is to assist in providing additional loans to qualified beneficiaries. The loan is not guaranteed by the GOJ and exchange losses are incurred by the Bureau, in respect of the loan repayments. It is secured by an assigned portfolio of SLB sub-loans, with current status, that were financed from the PDF loan. The value of the assigned portfolio is US$24 million. Interest is repayable quarterly on 31 March, 30 June, 30 September and 31 December, respectively. There is, however, a moratorium of five (5) years in respect of principal payments and two (2) years in respect of interest payments. The loan bears 2.50%, fixed rate of interest, per annum. The interest charge has started to accrue from 16 May 2012. The loan was fully drawn down in 2013. The repayment start date is scheduled in September 2017.

The long term loan principal balances are broken down as follows:

	2017 $'000	2016 $'000
Current portion	536,938	524,938
Long term portion	5,906,319	5,774,312
	6,443,257	6,299,250

15. Capital contribution

During the year, the Bureau received funds amounting to $2.928 billion (2016: $2.880 billion) from the Government of Jamaica, which included $100 million from HEART Trust/NTA. The amount is non-refundable and represents capital contribution by the Government of Jamaica to finance student loans.

	2017 $'000	2016 $'000
Balance at 1 April	6,344,234	3,464,234
Amount received for the year:		
Special Education Tax	2,827,823	2,880,000
HEART Trust Contribution	100,000	-
	2,927,823	2,880,000
Balance at 31 March	9,272,057	6,344,234

16. Related party balances

The Bureau has related party relationships with the Government of Jamaica, its council members and key management personnel representing certain senior officers of the entity. Balances due to/from related parties are disclosed in the relevant notes to the financial statements (See Note 10 - Due from Government of Jamaica, Note 15 - Government Contribution, Note 17 (c) - Employee benefits and Note 19 - Grant income).

17. Employee benefits

Students' Loan Bureau Superannuation Fund is a defined benefit pension fund which was established by Trust Deed on February 1, 1988. It is sponsored by Students' Loan Bureau (the employer) for the purpose of providing post-retirement benefits to its employees. It is administered by NCB Insurance Company Limited (fund manager) under a management agreement. The Board of Trustees is responsible for monitoring the level of funding and the risks faced by the fund.

Contributions to the fund are based on members' pensionable salary which is defined as regular gross earnings, excluding overtime pay, shift premiums, laundry allowance, reimbursable expenses and other ad hoc payments. Members are required to contribute 5% of pensionable salary, but may also make an additional voluntary contribution of up to 10%.

The employer is required to make ordinary annual contributions, as determined by the fund's actuaries, Eckler Consultants Limited, to be adequate, which in addition to the members' compulsory contributions, to provide the benefits payable by the Fund and to cover the expenses of administering the Fund. The employer is also required to make such additional contributions, as recommended by the actuaries, to fund benefits or to provide for improvements required from time to time.

(a) Defined benefit plan

(i) Plan assets and obligations are as follows:

	2017 $'000	2016 $'000
Present value of funded obligations	(145,447)	(138,750)
Fair value of plan assets	230,743	197,703
	85,296	58,953
Unrecognized amount due to limitation	(85,296)	(58,953)
Recognised asset	-	-

17. Employee benefits (Continued)

(a) Defined benefit plan (continued)

(ii) Movements in net assets are as follows:

	2017 $'000	2016 $'000
Contributions paid	(8,770)	(8,045)
Income recognized in profit or loss	11,913	9,124
Income not eligible for recognition due to limit	3,143	1,079
Other comprehensive income	(3,143)	(1,079)
Net asset at end of year	-	-

Plan assets consist of the following:

	2017 $'000	2016 $'000
Resale agreements	16,023	61,301
GOJ bonds	44,774	43,524
Corporate bonds	48,377	25,235
Certificate of deposit	19,150	11,017
Equities	82,399	43,639
Real Estate	6,432	-
Finance lease	6,210	8,695
Cash	3,367	1,022
Net current assets	4,011	3,270
Fair value of plan assets	230,743	197,703

17. Employee benefits (Continued)

(a) Defined benefit plan (continued)

(iii) The fair value of the plan assets is analysed as follows:

The percentage distribution of the major categories of plan assets at the reporting date for each category is as follows:

	2017 %	**2016** %
Resale agreements	6.94	31.01
GOJ bonds	19.40	22.01
Corporate bonds	20.97	12.76
Certificate of deposit	8.30	5.57
Equities	35.71	22.07
Real estate	2.79	-
Finance lease	2.69	4.41
Cash	1.46	0.52
Net current assets	1.74	1.65
Closing fair value of plan assets	100.00	100.00

(iv) Changes in the present value of the obligation:

	2017 $'000	**2016 $'000**
Present value obligation	138,750	100,803
Current service cost	9,165	6,608
Interest cost	11,907	9,733
Benefits paid and admin expenses	(6,353)	(3,164)
Employees contribution	7,473	7,711
Actuarial gain on obligation due to:		
- Experience	(3,722)	(1,822)
- Changes in financial assumptions	(11,773)	18,881
Present value of obligation	145,447	138,750

	2017 $'000	**2016 $'000**
The remeasurement gain (loss) on the staff pension plan comprises:		
Changes in financial assumptions	(11,773)	18,881
Experience adjustment	(3,722)	(1,822)
	(15,495)	17,059

17. Employee benefits (Continued)

(a) Defined benefit plan (continued)

(v) Changes in the fair value of the plan assets:

	2017 $'000	**2016 $'000**
Fair value of plan assets	197,703	168,821
Contributions	16,242	15,756
Expected return on plan assets	17,148	16,464
Benefits paid and administration expenses	(9,330)	(5,950)
Actuarial loss	8,980	2,612
Fair value of plan assets	230,743	197,703

(vi) Expense recognised in profit or loss:

	2017 $'000	**2016 $'000**
Current service cost	9,165	6,608
Interest cost	11,907	9,733
Expected return on plan assets	(17,148)	(16,464)
Administration fees	2,977	2,786
Interest on effect of asset ceiling	5,011	6,462
Change in effect of asset ceiling	21,332	(15,526)
Pension expense (income)	33,244	(6,401)
Net pension income (expense)	(33,244)	6,401
Actual return on plan assets	-	-

(vii) Remeasurement gains/(loss) recognised in other comprehensive income

	2017 $'000	**2016 $'000**
Remeasurement of the defined benefit liability	(15,495)	17,059
Remeasurements of the plan assets	(8,980)	(2,612)
Change in effect of asset ceiling	21,332	(15,526)
	(3,143)	(1,079)

(Expressed in Jamaican dollars unless otherwise indicated)

17. Employee benefits (Continued)

(a) Defined benefit plan (continued)

(viii) Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages based on the assets of the plan).

	2017	**2016**
Discount rate at 31 January (Note 5(l))	9.00%	8.50%
Future salary increases	6.00%	6.00%
Future pension increases	3.00%	2.50%
Inflation	6.00%	5.00%

Assumptions regarding future mobility are based on the 1994 Group Annuity Mortality Tables ((GAM (94) (U.S. mortality tables)).

Mortality in service and retirement Attained age	**Males**	**Females**
20 – 30	0.33 – 0.71	0.20 – 0.28
30 – 40	0.71 – 0.89	0.28 – 0.50
40 – 50	0.89 – 1.70	0.50 – 0.96
50 – 60	1.70 – 5.50	0.96 – 3.96
60 – 70	5.50–14.53	3.96 – 8.63

Defined benefit obligations maturity profile:

	2017 Years	**2016 Years**
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	25.7	26.5
Pensioners	9.5	9.3
All participants	25.2	26.3

The effect on the present value of the obligation of an increase of one year in the life expectancy is an increase of $1.9 million.

The Bureau expects to pay $9.7 million in contributions to the defined benefit plan in 2017 (2016: $8.3 million).

17. Employee benefits (Continued)

(b) Sensitivity analysis

	2017 $'000		2016 $'000	
	1% Decrease	1% Increase	1% Decrease	1% Increase
Discount rate	41,230	(29,903)	41,195	(29,707)
Pension increase	(11,260)	13,124	(10,930)	12,746
Salary escalation rate	(19,761)	23,890	(19,895)	24,130

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the present value of the net defined benefit asset as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The plan is exposed to inflation, market and interest rate risk and changes in the life expectancy for pensioners. The Trustees manage the risks through constant monitoring and interactions with the fund manager

(c) Transactions with key management personnel:

Key management personnel compensation is as follows:

	2017 $'000	2016 $'000
Short-term employee benefits	32,832	27,289

18. Net finance cost

		2017 $'000	2016 $'000
Foreign exchange losses, net		(194,280)	(208,252)
Bank charges		(2,908)	(2,799)
Interest expense	- CDB loans	(134,083)	(137,245)
	- PetroCaribe loan	(37,889)	(34,608)
		(369,160)	(382,904)

19. Grant income

	2017 $'000	2016 $'000
Grant in aid	101,388	142,875

Grant in aid of $101.3 million (2016: $142.8 million) was disbursed to qualifying students during the year (Refer to Notes 13 and 21).

20. Other income

	2017 $'000	2016 $'000
Loss on disposal of property and equipment	114	728
Processing fees	50,438	52,589
Penalty charges	103,430	48,383
Other	41,347	28,796
Bad debts recovered	254,277	243,587
	449,606	374,083

21. Staff costs and administrative expenses

	2017 $'000	2016 $'000
Salaries and related costs	222,878	192,165
Grant-in-aid	101,388	142,875
Rent	16,421	12,163
Repairs and maintenance	23,088	16,622
Printing and stationery	4,813	3,760
Postage	3,781	4,693
Telephone and advertising	8,048	6,921
Electricity	15,577	10,732
Insurance	308	1,261
Public awareness	13,082	13,105
Consulting and professional fees	8,082	7,387
Travelling expenses	895	1,240
Security	1,688	1,054
Audit fees		
Current year	4,600	4,200
Prior year	-	950
Depreciation and amortization	10,036	7,629
GCT expense	25,154	20,382
Withholding tax recoverable written off	11,987	-
Other expenses	13,030	14,087
Staff costs and administrative expenses	484,856	461,226

22. Commitments and contingencies

Capital commitments:

The Bureau had no capital commitments as of 31 March 2017.

Approved loan commitments:

The Bureau approves loans for each beneficiary's entire course of study but records the amounts in respect of each year as at the date of disbursement. As at 31 March 2017, the Bureau's commitment in relation to approved loans for the current and future years' disbursements are estimated at $19.3 million (2016: $139.65 million) and $17.6 billion (2016: $12.1 billion), respectively. The estimate for future years is based on the current year's actual fees paid and is subject to change if there is a change in the fees charged by the institution that the beneficiary attends.

Operating lease commitments

The Bureau as a lessee
During the year, the Bureau entered into a new operating lease arrangement with lease term up to five years. The operating lease is in respect of its offices.

The Bureau does not have an option to purchase the leased asset at the expiry of lease period. The minimum lease payments under this contract are as follows:

	2017 $'000	**2016 $'000**
Within 1 year	40,627	38,930
1 – 2 years	41,275	39,304
2 – 3 years	42,213	40,276
	124,115	118,510

Lease payments recognised by the Bureau as an expense during the year totaled $36,594,000 (2016: $27,336,000).

23. Financial risk management

Exposure to various types of financial instruments risk arises in the ordinary course of the Bureau's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

The Bureau has exposure to credit risk, market risk, and liquidity risk from the use of financial instruments.

Senior management has responsibility for monitoring the Bureau's risk management policies and periodically report to the council members on their activities.

The risk management policies are established to identify and analyze the risks faced by the Bureau, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the Bureau's activities. The council members have monitoring oversight of the risk management policies.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bureau has exposure to credit risk primarily through the unsecured loans granted to individuals pursuing tertiary level education, and deposits held in financial institutions.

Balances arising from those activities are cash and cash equivalents, insurance fund, investments, loans and accrued interest receivable and other accounts receivable.

Appropriate credit procedures are in place to minimise exposure to credit risk generally. These include credit evaluations on all new applicants for loans and comprehensive procedures to pursue and recover amounts due in the event of default. Investments and cash and cash equivalents are placed with substantial financial institutions which are believed to have minimal risk of default. The maximum credit exposure is represented by the carrying amount of financial assets on the statement of financial position.

Investments and cash and cash equivalents

Investments and cash and cash equivalents are placed with counter parties who are believed to have minimal risk of default. The Bureau is precluded from investing more than thirty percent of the investment portfolio in any single financial institution.

23. Financial risk management (Continued)

(i) Credit risk (continued)

Insurance fund investments

The Bureau maintains an insurance fund supported by short-term investments. The purpose of this fund is to settle loan amounts due from beneficiaries in the event of death or permanent incapacity.

The following table summarises the Bureau's credit exposure for cash and investments at the carrying amounts, as categorised by the following:

	2017 $'000	**2016 $'000**
Cash	121,595	103,507
Government of Jamaica	54,120	52,800
Resale agreements	4,317,319	2,972,819
Total	4,493,034	3,129,126

Loans and accrued interest receivable

The Bureau's exposure to credit risk is influenced mainly by the individual characteristics of each loan beneficiary. Management has established a credit policy under which each loan applicant is analysed for need and creditworthiness prior to being granted the loan. Each loan applicant is subjected to a comprehensive review conducted using a means test. Applicants are required to have one or more qualified guarantors who will undertake to accept liability in the event that the beneficiary does not service the loan. Loan amounts are paid directly to the institution to which the applicant is enrolled. Beneficiaries enjoy a moratorium on the repayment of loan principal and interest during the period of study. Refer to Note 8 for provisions made for credit risk exposure.

Other accounts receivable

The Bureau's exposure to credit risk is also influenced by the interest that is due on the investments held with third party entities and on staff loans. These investments are placed with counter parties who are believed to have minimal risk of default.

The Bureau establishes an allowance for impairment that represents its estimate of incurred losses in respect of advances and accrued interest. Some advances and accrued interest are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration number of days past due, past default experience, current economic conditions and expected receipts and recoveries once impaired.

23. Financial risk management (Continued)

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Bureau's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return, given the risk.

(a) 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. Interest-bearing financial assets are primarily represented by deposits, insurance fund investments and loan advances receivable, which are materially contracted at fixed interest rates for the duration of the term.

Financial liabilities subject to interest include primarily third party loans which are contracted at both fixed and variable rates of interest.

At the reporting date the interest profile of the Bureau's interest-bearing financial instruments was:

	Carrying amount	
	2017	**2016**
	$'000	**$'000**
Fixed rate instruments:		
Financial assets	23,978,953	20,490,726
Financial liabilities	(4,575,108)	(4,480,353)
	19,403,845	16,010,373
Variable rate instruments:		
Financial liabilities	(1,868,149)	(1,818,897)

Interest rate sensitivity

The Bureau does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in the interest rates at the reporting date would not affect the reported surplus for the year or accumulated surplus.

Cash flow sensitivity for variable rate instruments

A change of 100 basis points (2016:100 bps) in respect of interest rates would have increased or decreased profit or loss by $1.86 million (2016: $1.81 million). This analysis assumes that all other variables, in particular foreign currency rates remain constant.

23. Financial risk management (Continued)

(ii) Market risk (continued):

(a) Interest rate risk (continued):

The nature of the Bureau's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

(b) 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 Bureau incurs foreign currency risk primarily on borrowings that are denominated in a currency other than the Jamaican dollar. The currency transactions giving rise to this are primarily denominated in United States dollars (US$). The table below shows the Bureau's foreign currency exposure, at the reporting date.

	Net foreign currency monetary (liability)/assets	
	2017	**2016**
	$'000	**$'000**
Long term loans	(32,000)	(32,000)
Cash and cash equivalents	2,840	2,774
	(29,160)	(29,226)

The exchange rate, in terms of Jamaica dollars, was as follows:

	J$
March 31, 2017:	128.6672
March 31, 2016:	122.0421

Sensitivity analysis

A 5% strengthening of the US$ against the Jamaican dollar would have decreased the surplus by $188 million (2016: decreased by $178 million) and a 2% weakening of US$ against the Jamaica dollar would have increased the surplus by $75 million (2016: $71 million).

23. Financial risk management (Continued)

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Bureau will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the Bureau aims at maintaining flexibility in funding, by keeping lines of funding available, as well as by maintaining prudent financial assets in appropriate terms and currencies.

The table below summaries the maturity profile of the Bureau's financial liabilities at 31 March 2017 based on contractual undiscounted payments (both interest and principal).

	Carrying amount $'000	Contractual cash flows $'000	0-12 months $'000	2-3 years $'000	4-5 Years $'000	6-10 years $'000	11-15 years $'000	16-22 years $'000
31 March 2017								
CDB loans	4,899,251	6,186,088	341,909	1,499,423	2,277,965	2,006,791	-	-
PetroCaribe loan	1,544,006	1,507,190	194,384	742,449	570,357	-	-	-
Accounts payable	113,866	113,866	113,866	-	-	-	-	-
	6,557,123	7,807,144	650,159	2,241,872	2,848,322	2,006,791	-	-
31 March 2016								
CDB loans	4,834,745	5,875,747	316,166	818,118	904,551	2,095,774	1,448,529	292,609
PetroCaribe loan	1,464,505	1,643,101	36,613	432,498	464,271	709,719	-	-
Accounts payable	57,992	57,992	57,992	-	-	-	-	-
	6,357,242	7,576,840	410,771	1,250,616	1,368,822	2,805,493	1,448,529	292,609

23. Financial risk management (Continued)

(iv) Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Bureau would realize in a current market exchange.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long term fixed rate receivables are evaluated by the Bureau based on parameters such as credit worthiness of the borrowers based on payment history. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 March 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Fair values of the Bureau's interest bearing borrowings and loans are determined by using discounted cash flow methods using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

The fair value measurement for the Bureau's investments and long term debt (which are both carried at amortised cost) are categorized in level 3 of the fair value hierarchy as they are measured using non-market observable inputs. Management has assessed that the carrying values of cash and short term deposits, investments, repurchase agreements, trade receivables and payables approximate their fair values largely due to the short-term nature of these instruments. Set out below is a comparison by class of the carrying amounts and fair value of the Bureau's financial instruments, other than those with carrying amounts are reasonable approximation of fair value.

	2017 Carrying Value	2017 Fair value
	$'000	$'000
Assets		
Insurance fund investments	54,120	56,100
Liabilities		
Long term loans – fixed rate loans	4,575,109	4,570,838

23. Financial risk management (Continued)

(iv) Fair value (continued)

	2016 Carrying value $'000	2016 Fair Value $'000
Assets		
Insurance fund investments	52,800	55,454
Liabilities		
Long term loans – fixed rate loans	4,486,221	4,475,534

(v) Capital management

The Bureau's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue to grant loans to tertiary level students who would not be able to finance their education otherwise. The Council members, together with responsible senior management of the Bureau, monitor the operations of the Bureau.

The objective is to maintain a strong capital base so as to sustain future growth and development of the business.

There were no changes in the Bureau's approach to capital management during the year. Also, the Bureau is not exposed to any externally imposed capital requirements.

24. Non-cash transactions

The following are the non- cash transactions which impacted the statement of cash flows:

	2017 $'000	2016 $'000
Investing activities		
Interest on loans capitalized	847,582	813,968
Financing activities		
Foreign exchange loss on CDB loan (Note 10)	(126,861)	(139,553)
Due from Government of Jamaica (Note 10)	126,861	139,553

Directors' Compensation

April 2016 - March 2017

Position	Fees	Mileage/ Traveling ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total
Chairman	557,300.00	40,640	Nil	Nil	597,940.00
Director	271,500.00	Nil	Nil	Nil	271,500.00
Director	322,600.00	Nil	Nil	Nil	322,600.00
Director	254,800.00	Nil	Nil	Nil	254,800.00
Director	264,400.00	680	Nil	Nil	265,080.00
Director	214,000.00	48,000	Nil	Nil	262,000.00
Director	120,400.00	Nil	Nil	Nil	120,400.00
Director	179,800.00	Nil	Nil	Nil	179,800.00

Senior Management Compensation

April 2016 - March 2017

Position of Senior Executive	Salary ($)	Performance Incentive ($)	Traveling Allowance ($)	Pension or Other Retirement Benefits ($)	Other Allowance ($)	Value of Assignment of Motor Vehicle ($)	Total ($)
Executive Director	9,766,293.97	466,085.70	1,341,624.00	-	2,998,241.87		14,572,245.54
Deputy Executive Director *	1,306,380.48	-	328,192.97	-	38,053.02		1,672,626.47
Management Accountant	4,007,224.23	191,389.82	707,448.00	328,592.42	203,391.32		5,438,045.79
MIS Manager	4,333,673.21	106,098.98	716,808.00	355,361.20	126,253.44		5,638,194.83
Loan Processing Manager	4,087,573.18	99,946.48	707,448.00	335,181.04	477,333.98		5,707,482.68
Loan Origination Manager	3,455,524.20	93,940.99	650,395.75	280,003.76	339,868.08		4,819,732.78
Loan Servicing Manager	4,087,573.18	99,946.48	707,448.00	335,181.04	211,182.17		5,441,330.87
Internal Audit Manager	3,757,639.44	93,940.99	707,448.00	308,126.40	97,191.00		4,964,345.83
Human Resources Manager	3,645,971.52	91,149.29	707,448.00	-	1,066,949.50		5,511,518.31
Attorney	3,571,926.38	93,940.99	674,104.13	292,897.94	107,172.12		4,740,041.56
Public Relations Manager	2,840,519.44		811,745.55	222,133.03	144,231.00		4,018,629.02
Risk Manager	2,306,642.96			62,121.93	67,424.48		2,436,189.37

** Deputy Executive Director was employed on January 3, 2017.*

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