JMMB GROUP LIMITED

Financial Statements

31 March 2018

JMMB GROUP LIMITED

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31 March 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of JMMB Group Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 8 to 88, which comprise the group's and company's statements of financial position as at 31 March 2018, the group's and company's profit or loss accounts, statements of profit or loss and other comprehensive income, changes in stockholders' equity 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 group and the company as at 31 March 2018, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Fair value of investments*

Key Audit Matter *[see notes 15 and 29(a)]*	*How the matter was addressed in our audit*
The group's investments measured at fair value represent 62% (2017: 61%) of the group's total assets. 99% (2017: 99%) of these investments were categorised as Level 2 in the fair value hierarchy, as no quoted prices are available for these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. These assumptions are subject to significant judgement, and could therefore result in a material misstatement.	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the group's controls over the determination and computation of fair values. • Challenging the reasonableness of yields/prices by comparison to independent third party pricing sources. • Assessing the reasonableness of significant assumptions used by such third-party pricing sources. • Involving our own valuation specialists to determine/obtain yields/prices of specific securities and comparing these yield/prices to those used by management. • Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. *Impairment of investments, loans and notes receivable*

Key Audit Matter *[see notes 34(b)(iv), 12 and 15 to the financial statements]*	*How the matter was addressed in our audit*
The estimation of impairment allowances on investments, loans and notes receivable on an individual and aggregate basis requires management to make judgements to determine whether these instruments should be classified as impaired arising from repayment default or adverse economic conditions. Management also makes assumptions in determining the estimated future cash flows from the instruments, the values of collateral held, cost to sell the collateral and the time to liquidate such collateral, as relevant, to determine the impairment allowance. The combination of estimates and judgements increases the risk that management's estimate could be materially misstated.	Our procedures in this area included the following: • Testing controls over the group's impairment process, such as: (a) controls over the completeness and accuracy of the data used to determine impaired loans. (b) management review of the recoverable value calculations. • Challenging management's identification of impaired instruments by reviewing a sample of instruments and assessing whether or not they were appropriately classified, based on the criteria for determining objective evidence of impairment. • Testing a sample of impairment calculations by assessing the forecasts of expected cash flows and challenging assumptions using externally available information as well as historical trends. • Assessing whether disclosures in the financial statements are adequate in respect of the group's exposure to credit risk and measurement of impairment allowances.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' report that includes our opinion.

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Cynthia Lawrence.

KPMG

Chartered Accountants
Kingston, Jamaica

May 30, 2018

To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report

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 group'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the company 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 achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

JMMB GROUP LIMITED

Consolidated Profit or Loss Account

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
Net Interest Income and Other Revenue			
Interest income	5	15,879,081	14,712,377
Interest expense	5	(8,138,561)	(7,944,690)
Net interest income		**7,740,520**	**6,767,687**
Fee and commission income		1,185,993	918,301
Gains on securities trading, net		4,873,382	5,376,536
Fees earned from managing funds on behalf of clients		690,421	369,014
Foreign exchange margins from cambio trading		1,350,641	1,218,518
Operating revenue net of interest expense		**15,840,957**	**14,650,056**
Other income			
Dividends		23,677	31,258
Other		70,598	12,167
		15,935,232	**14,693,481**
Operating Expenses			
Staff costs	6	(6,021,797)	(5,390,462)
Other expenses	7	(5,417,151)	(5,055,760)
		(11,438,948)	(10,446,222)
Operating Profit		**4,496,284**	**4,247,259**
Impairment loss on financial assets	15	(143,981)	(8,745)
Loss on acquisition of net assets of overseas entity	26	-	(87,646)
Gain on disposal of property, plant and equipment		686	5,178
Profit before Taxation		**4,352,989**	**4,156,046**
Taxation	8	(748,585)	(805,515)
Profit for the Year		**3,604,404**	**3,350,531**
Attributable to:			
Equity holders of the parent		3,555,260	3,312,838
Non-controlling interest	27	49,144	37,693
		3,604,404	**3,350,531**
Earnings per stock unit	9	**$2.18**	**$2.03**

The notes on pages 19 to 88 are an integral part of these financial statements

JMMB GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
Profit for the Year		**3,604,404**	**3,350,531**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Unrealised (losses)/gains on available-for-sale securities		(242,119)	1,333,917
Related tax	20	4,487	(257,695)
Foreign exchange differences on translation of foreign subsidiaries		(456,586)	303,586
Total other comprehensive (loss)/income, net of tax		(694,218)	1,379,808
Total comprehensive income for year		**2,910,186**	**4,730,339**
Total comprehensive income attributable to:			
Equity holders of the parent		2,706,562	4,633,975
Non-controlling interest	27	203,624	96,364
		2,910,186	**4,730,339**

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	11	27,837,273	20,895,153
Interest receivable		3,429,115	2,941,556
Income tax recoverable		999,611	1,252,062
Loans and notes receivable	12	55,625,743	47,133,134
Other receivables	13	2,055,252	1,545,162
Securities purchased under agreements to resell	14	1,120,001	915,006
Investment securities	15	194,905,868	171,571,803
Investment properties	17	489,616	473,132
Intangible assets	18	1,602,513	1,516,500
Property, plant and equipment	19	3,217,877	3,070,590
Deferred income tax assets	20	115,130	43,902
Customers' liability under acceptances, guarantees and letters of credit as per contra		317,731	198,110
		291,715,730	**251,556,110**

JMMB GROUP LIMITED

Consolidated Statement of Financial Position (Continued)

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
STOCKHOLDERS' EQUITY			
Share capital	21	1,864,554	1,864,554
Retained earnings reserve	22(a)	9,605,055	9,605,055
Investment revaluation reserve	22(b)	1,752,810	2,202,115
Cumulative translation reserve	22(c)	(87,147)	312,246
Retained earnings		14,776,222	11,922,100
		27,911,494	25,906,070
Non-controlling interest	27	1,092,253	888,629
		29,003,747	**26,794,699**
LIABILITIES			
Customer deposits		52,165,066	49,087,517
Due to other financial institutions		347,948	418,313
Securities sold under agreements to repurchase	23	158,167,289	156,647,595
Notes payable	24	27,561,706	4,525,306
Redeemable preference shares	21	17,843,757	8,837,821
Deferred income tax liabilities	20	451,084	1,232,702
Interest payable		1,385,823	1,158,780
Income tax payable		1,292,843	208,477
Other payables		3,178,736	2,446,790
Liabilities under acceptances, guarantees and letters of credit as per contra		317,731	198,110
		262,711,983	**224,761,411**
		291,715,730	**251,556,110**

Approved for issue by the Board of Directors on 30 May 2018 and signed on its behalf by:

Archibald Campbell — Chairman

Keith P. Duncan — Group Chief Executive Officer

The notes on pages 19 to 88 are an integral part of these financial statements

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings Reserve $'000	Investment Revaluation Reserve $'000	Cumulative Translation Reserve $'000	Retained Earnings $'000	Total Attributable to Equity holders of the Parent $'000	Non-Controlling Interest $'000	Total $'000
Balances at 31 March 2016		**1,864,554**	**9,605,055**	**1,152,069**	**41,155**	**9,261,483**	**21,924,316**	**792,265**	**22,716,581**
Profit for the year		-	-	-	-	3,312,838	3,312,838	37,693	3,350,531
Other comprehensive income for 2017:									
Unrealised gains on available-for-sale securities, net of tax		-	-	1,050,046	-	-	1,050,046	26,176	1,076,222
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	271,091	-	271,091	32,495	303,586
Total other comprehensive income		-	-	1,050,046	271,091	-	1,321,137	58,671	1,379,808
Total comprehensive income		-	-	1,050,046	271,091	3,312,838	4,633,975	96,364	4,730,339
Transactions with owners of the company:									
Dividends	10	-	-	-	-	(652,221)	(652,221)	-	(652,221)
Balances at 31 March 2017		**1,864,554**	**9,605,055**	**2,202,115**	**312,246**	**11,922,100**	**25,906,070**	**888,629**	**26,794,699**
Profit for the year		-	-	-	-	3,555,260	3,555,260	49,144	3,604,404
Other comprehensive loss for 2018:									
Unrealised losses on available-for-sale securities, net of tax		-	-	(449,305)	-	-	(449,305)	211,673	(237,632)
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	(399,393)	-	(399,393)	(57,193)	(456,586)
Total other comprehensive loss		-	-	(449,305)	(399,393)	-	(848,698)	154,480	(694,218)
Total comprehensive income		-	-	(449,305)	(399,393)	3,555,260	2,706,562	203,624	2,910,186
Transactions with owners of the company:									
Dividends	10	-	-	-	-	(701,138)	(701,138)	-	(701,138)
Balances at 31 March 2018		**1,864,554**	**9,605,055**	**1,752,810**	**(87,147)**	**14,776,222**	**27,911,494**	**1,092,253**	**29,003,747**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Profit for the year		3,604,404	3,350,531
Adjustments for:			
Interest income	5	(15,879,081)	(14,712,377)
Interest expense	5	8,138,561	7,944,690
Income tax charge	8	748,585	805,515
Loss on acquisition of net assets of overseas entity	26	-	87,646
Impairment loss on financial assets	15	143,981	8,745
Impairment loss on loans and notes receivable	12	286,673	271,977
Amortisation of intangible assets	18	193,038	195,015
Depreciation of property, plant and equipment	19	393,675	349,001
Gain on sale of property, plant and equipment		(686)	(5,178)
Dividend income		(23,677)	(31,258)
Unrealised gains on trading securities		(56,690)	(147,543)
Foreign currency translation gains		109,246	104,915
		(2,341,971)	(1,778,321)
Changes in operating assets and liabilities:			
Income tax recoverable, net		252,451	194,427
Loans and notes receivable		(8,779,282)	(9,619,190)
Other receivables		(510,090)	256,667
Securities purchased under agreements to resell		(204,995)	(693,500)
Customer deposits		3,077,549	6,762,421
Due to other financial institutions		(70,365)	(80,853)
Other payables		731,946	656,791
Securities sold under agreements to repurchase		1,519,694	7,385,226
		(6,325,063)	3,083,668
Interest received		15,391,522	14,448,447
Interest paid		(7,911,518)	(7,956,312)
Taxation paid		(512,578)	(295,367)
Net cash provided by operating activities (Page 14)		**642,363**	**9,280,436**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities (Page 13)		**642,363**	**9,280,436**
Cash Flows from Investing Activities			
Investment securities, net		(24,087,626)	(12,000,038)
Dividend received		23,677	31,258
Investment properties, net		(16,484)	(15,541)
Purchase of intangible assets	18	(305,909)	(304,276)
Purchase of property, plant and equipment	19	(583,446)	(986,987)
Proceeds from disposal of property, plant and equipment		4,788	14,650
Net cash used in investing activities		**(24,965,000)**	**(13,260,934)**
Cash Flows from Financing Activities			
Proceeds from issue of redeemable preference shares	21	9,209,334	-
Notes payable		23,036,400	-
Dividends paid	10	(701,138)	(652,221)
Net cash provided by/(used in) financing activities		**31,544,596**	**(652,221)**
Effect of exchange rate changes on cash and cash equivalents		(279,839)	18,151
Net increase/(decrease) in cash and cash equivalents		6,942,120	(4,614,568)
Cash and cash equivalents at beginning of year		20,895,153	25,509,721
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**27,837,273**	**20,895,153**

JMMB GROUP LIMITED

Company Statement of Profit or Loss Account and Other Comprehensive Income

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
Net Interest Income and Other Revenue			
Dividends	25	1,252,100	652,221
Foreign exchange gains/(losses)		66,371	(3,353)
		1,318,471	648,868
Operating Expenses	7	(116,069)	(63,125)
Operating profit		1,202,402	585,743
Interest income	5	455,554	460,008
Interest expense	5	(500,548)	(467,767)
Profit before Taxation		1,157,408	577,984
Taxation	8	(60)	(120)
Profit for the year, being total other comprehensive income		**1,157,348**	**577,864**

JMMB GROUP LIMITED

Company Statement of Financial Position

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	11	1,090	642
Interest receivable		106,507	73,957
Income tax recoverable		34,060	31,293
Loans and notes receivable	12	5,821,425	5,934,345
Other receivables	13	36,333	13,960
Securities purchased under agreements to resell	14	9,484,200	343,412
Investment securities	15	19,556	919,556
Due from subsidiary	25	758,212	227,377
Interest in subsidiaries	16	10,297,644	6,800,019
Property, plant and equipment	19	313	313
		26,559,340	**14,344,874**
STOCKHOLDERS' EQUITY			
Share capital	21	1,864,554	1,864,554
Retained earnings		596,610	140,400
		2,461,164	**2,004,954**
LIABILITIES			
Redeemable preference shares	21	16,374,398	7,368,462
Interest payable		115,054	77,709
Due to subsidiary	25	7,586,011	4,890,595
Other payables		22,713	3,154
		24,098,176	**12,339,920**
		26,559,340	**14,344,874**

Approved for issue by the Board of Directors on 30 May, 2018 and signed on its behalf by:

Archibald Campbell — Chairman

Keith P. Duncan — Group Chief Executive Officer

JMMB GROUP LIMITED

Company Statement of Changes in Stockholders' Equity

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2016		**1,864,554**	**214,757**	**2,079,311**
Profit, being total comprehensive income for the year		-	577,864	577,864
Transaction with owners of the company:				
Dividends	10	-	(652,221)	(652,221)
Balances at 31 March 2017		**1,864,554**	**140,400**	**2,004,954**
Profit, being total comprehensive income for the year		-	1,157,348	1,157,348
Transaction with owners of the company:				
Dividends	10	-	(701,138)	(701,138)
Balances at 31 March 2018		**1,864,554**	**596,610**	**2,461,164**

JMMB GROUP LIMITED

Company Statement of Cash Flows

Year ended 31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Profit for the year		1,157,348	577,864
Adjustments for:			
Interest income	5	(455,554)	(460,008)
Interest expense	5	500,548	467,767
Dividend income	25	(1,252,100)	(652,221)
		(49,758)	(66,598)
Changes in operating assets and liabilities:			
Income tax recoverable, net		(2,767)	(18,145)
Loans and notes receivable		112,920	(253,876)
Other receivables		(22,373)	(4,423)
Other payables		19,559	-
Securities purchased under agreements to resell		(9,140,788)	163,544
Due from subsidiary		(530,835)	(227,377)
Due to subsidiaries		715,727	181,007
		(8,898,315)	(225,868)
Interest received		423,004	409,957
Interest paid		(463,203)	(464,109)
Net cash used in operating activities		**(8,938,514)**	**(280,020)**
Cash Flows from Investing Activities			
Dividend received		1,252,100	652,221
Investment securities, net		900,000	-
Investment in subsidiaries		(1,517,936)	(8,000)
Net cash provided by investing activities		**634,164**	**644,221**
Cash Flows from Financing Activities			
Proceeds from the issuance of redeemable preference shares	21	9,005,936	281,039
Dividends paid	10	(701,138)	(652,221)
Net cash provided by/(used in) financing activities		**8,304,798**	**(371,182)**
Net increase/(decrease) in cash and cash equivalents		448	(6,981)
Cash and cash equivalents at beginning of year		642	7,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**1,090**	**642**

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2018

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

(a) JMMB Group Limited (the "company") is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. The principal activity of the company is that of holding equity investments in business enterprises.

(b) JMMB Group Limited has interest in several subsidiaries which are listed below. The company and its subsidiaries are collectively referred to as "the Group".

Name of Subsidiary	**% Shareholding Held by Parent/Subsidiary**		**Country of Incorporation**	**Principal Activities**
	Parent	Subsidiary		
Jamaica Money Market Brokers Limited and its subsidiaries	100		Jamaica	Securities brokering
JMMB Securities Limited		100	Jamaica	Stock brokering
JMMB Insurance Brokers Limited		100	Jamaica	Insurance brokering
JMMB Real Estate Holdings Limited		100	Jamaica	Real estate holding
Capital & Credit Securities Limited		100	Jamaica	Investment holding
JMMB Fund Managers Limited		99.8	Jamaica	Fund management
JMMB International Limited		100	St. Lucia	Investment holding and management
JMMB Bank (Jamaica) Limited (formerly JMMB Merchant Bank Limited)	100		Jamaica	Commercial banking
JMMB Money Transfer Limited	100		Jamaica	Funds transfer
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	100		Trinidad and Tobago	Financial holding company
JMMB Investments (Trinidad and Tobago) Limited and its subsidiary		100	Trinidad and Tobago	Securities brokering
JMMB Securities (T&T) Limited		100	Trinidad and Tobago	Stock brokering
JMMB Bank (T&T) Limited, formerly Intercommercial Bank Limited and its subsidiary,		100	Trinidad and Tobago	Commercial banking
Intercommercial Trust and Merchant Bank Limited		100	Trinidad and Tobago	Merchant banking
JMMB Holding Company, SRL and its subsidiaries	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa,S.A.		80	Dominican Republic	Securities brokering
JMMB Sociedad Administradora de Fondos de Inversion, S.A.		70	Dominican Republic	Mutual fund administration
Banco Rio De Ahorro Y Credito JMMB Bank S.A		90	Dominican Republic	Savings and loans bank
AFP JMMB BDI S.A.		50	Dominican Republic	Pension funds administration services

(c) During the year, Jamaica Money Market Brokers Limited transferred ownership of Jamaica Money Market Brokers (Trinidad and Tobago) Limited to the company.

2. Statement of Compliance and Basis of Preparation

(a) 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).

Details of the Group's accounting policies, including changes during the year, are included in notes 33 and 34.

(b) Basis of preparation:

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

- Certain financial instruments measured at fair value through profit or loss.
- Available-for-sale financial assets measured at fair value.
- Investment properties measured at fair value.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the company, and are expressed in thousands of dollars unless otherwise stated.

(d) Use of estimates and judgements:

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

(e) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to the current year's presentation.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, include the following:

(a) Key sources of estimation uncertainty

(i) Allowance for losses

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from investments, loans, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes assumptions about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

(ii) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach. The fair values determined in this way are classified as Level 2 fair values. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction (see notes 15 and 29).

(iii) Impairment of intangible assets

Impairment of intangible assets with indefinite useful lives is dependent upon management's internal assessment of future cash flows from the intangibles. That internal assessment determines the amount recoverable from future use of these assets. The estimate of the amount recoverable from future use of these assets is sensitive to the discount rates and other assumptions used (note 18).

(b) *Critical accounting judgements in applying the Group's accounting policies*

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading'', the Group has determined that they meet the description of trading assets and liabilities set out in accounting policy 34(b).
- In designating financial assets and liabilities at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 34(b).

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4. Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's activities are organised into three main business segments:

(i) Financial and related services which include securities brokering, stock brokering, portfolio planning, funds management and investment advisory services.
(ii) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.
(iii) Other represents remittance and related services, insurance brokering, investment and real estate holding.

	The Group				
	2018				
	Financial & Related Services $'000	Banking & Related Services $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	17,139,431	6,784,443	149,919	-	24,073,793
Inter-segment revenue	1,116,401	50,496	-	(1,166,897)	-
Total segment revenue	18,255,832	6,834,939	149,919	(1,166,897)	24,073,793
Segment results	3,459,991	1,038,586	(2,293)	-	4,496,284
Impairment loss on financial asset					(143,981)
Gain on disposal of property plant and equipment					686
Profit before tax					4,352,989
Taxation					(748,585)
Profit for the year					3,604,404
Total segment assets	259,306,390	88,644,730	1,553,156	(57,788,546)	291,715,730
Total segment liabilities	231,315,422	75,735,726	1,507,620	(45,846,785)	262,711,983
Interest income	10,717,493	5,155,311	6,277	-	15,879,081
Interest expense	6,419,995	1,718,566	-	-	8,138,561
Operating expenses	7,208,949	4,077,787	152,212	-	11,438,948
Depreciation and amortisation	387,579	187,259	11,875	-	586,713
Capital expenditure	563,204	294,329	48,306	-	905,839

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4. Segment Reporting (Continued)

	The Group				
	2017				
	Financial & Related Services $'000	Banking & Related Services $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	16,503,446	6,002,351	132,374	-	22,638,171
Inter-segment revenue	956,775	249,246	2,226	(1,208,247)	-
Total segment revenue	17,460,221	6,251,597	134,600	(1,208,247)	22,638,171
Segment results	3,049,937	1,201,805	(4,483)	-	4,247,259
Impairment loss on financial asset					(8,745)
Loss on acquisition of net assets of overseas entity					(87,646)
Gain on disposal of property plant and equipment					5,178
Profit before tax					4,156,046
Taxation					(805,515)
Profit for the year					3,350,531
Total segment assets	226,090,958	74,362,468	1,472,884	(50,370,200)	251,556,110
Total segment liabilities	202,098,714	61,841,430	1,419,668	(40,598,401)	224,761,411
Interest income	10,493,688	4,213,051	5,638	-	14,712,377
Interest expense	6,399,342	1,545,348	-	-	7,944,690
Operating expenses	6,787,822	3,519,317	139,083	-	10,446,222
Depreciation and amortisation	366,717	164,666	12,633	-	544,016
Capital expenditure	614,279	348,676	343,849	-	1,306,804

5. Net Interest Income/(Expense)

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest income				
Cash and cash equivalents	60,828	82,494	10	-
Loans and notes receivable	4,649,552	3,790,416	368,078	367,687
Resale agreements	81,833	30,236	73,571	24,596
Investment securities	11,086,868	10,809,231	13,895	67,725
Total interest income	**15,879,081**	**14,712,377**	**455,554**	**460,008**
Interest expense				
Repurchase agreements	5,854,204	5,880,575	-	-
Notes payable	544,540	498,246	-	-
Customer deposits	1,170,479	987,797	-	-
Redeemable preference shares	569,338	578,072	500,548	467,767
Total interest expense	**8,138,561**	**7,944,690**	**500,548**	**467,767**
Net interest income/(expense)	**7,740,520**	**6,767,687**	**(44,994)**	**(7,759)**

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6. Staff Costs

	The Group	
	2018	**2017**
	$'000	**$'000**
Salaries and benefits, including profit-related pay	4,737,246	4,175,618
Statutory payroll contributions	406,630	374,062
Pension costs (Note 30)	198,856	172,107
Training and development	121,560	104,349
Other staff benefits	557,505	564,326
	6,021,797	**5,390,462**

7. Other Expenses

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Marketing, corporate affairs and donations	541,797	531,947	55,293	30,394
Depreciation and amortisation	586,713	544,016	-	-
Directors' fees	95,166	152,007	35,385	16,259
Irrecoverable – GCT	279,109	291,940	-	3,517
Insurance	172,146	138,900	-	-
Auditors' remuneration	94,757	93,446	5,680	5,356
Asset tax	430,079	404,543	-	-
Information technology	577,460	515,697	-	12
Legal and professional fees	774,186	634,586	12,233	4,538
Repairs and maintenance	187,359	162,508	-	-
Travel and entertainment	117,792	101,842	1,670	131
Office rental	348,581	375,830	-	-
Loan loss	198,664	256,280	-	-
Security	178,956	159,925	2,727	544
Stationery, printing and postage	122,008	111,176	-	179
Utilities	238,772	207,103	-	-
Bank charges and interest	173,217	171,751	186	85
Other	300,389	202,263	2,895	2,110
	5,417,151	**5,055,760**	**116,069**	**63,125**

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8. Taxation

(a) Income tax for the company is computed at 25% on the profit for the year adjusted for tax purposes. Income taxes for all other subsidiaries are based on statutory income tax rates prevailing in each jurisdiction:

	The Group		The Company	
	2018 **$'000**	**2017** **$'000**	**2018** **$'000**	**2017** **$'000**
Green fund and business levy	13,743	11,465	-	-
Current income tax	1,581,098	374,922	60	120
Prior year under/(over) provision	2,103	(338)	-	-
	1,596,944	386,049	60	120
Deferred income tax (Note 20)				
Origination and reversal of temporary differences	(944,794)	169,784	-	-
Tax benefit of losses carried forward	96,435	249,682	-	-
	(848,359)	419,466	-	-
	748,585	**805,515**	**60**	**120**

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 25% as follows:

	The Group		The Company	
	2018 **$'000**	**2017** **$'000**	**2018** **$'000**	**2017** **$'000**
Profit before taxation	4,352,989	4,156,046	1,157,408	577,984
Tax calculated at 25% (2017: 25%)	1,088,247	1,039,011	289,352	144,496
Adjusted for the effects of:				
Income not subject to tax	(667,487)	(341,057)	(289,292)	(144,376)
Disallowed expenses	460,079	186,663	-	-
Tax losses not recognised	4,827	64,219	-	-
Tax losses recovered	(167,203)	(145,754)	-	-
Effect of taxation under different tax regime	12,965	(27,792)	-	-
Green fund and business levy	13,743	11,465	-	-
Other	1,311	19,098	-	-
Prior year under/(over) provision	2,103	(338)	-	-
	748,585	**805,515**	**60**	**120**

8. Taxation (Continued)

(c) At the reporting date, taxation losses, subject to agreement with the relevant Tax Authorities, available for set off against future taxable profits, amounted to approximately $3,159,340,000 (2017: $2,646,885,000) for the Group and $208,364,000 (2017: $114,635,000) for the company.

9. Earnings per Stock Unit

Earning per stock unit ("EPS'') is computed by dividing the profit attributable to stockholders of the parent of $3,555,260,000 (2017: $3,312,838,000) by the weighted average number of ordinary stock units in issue during the year, numbering 1,630,552,532 (2017: 1,630,552,532).

10. Dividends

	The Group	
	2018	**2017**
	$'000	**$'000**
Final dividend in respect of 2017 @ 23.0 cents per stock unit	375,027	-
Interim dividend in respect of 2018 @ 20.0 cents per stock unit	326,111	-
Final dividend in respect of 2016 @ 18.0 cents per stock unit	-	293,499
Interim dividend in respect of 2017 @ 22.0 cents per stock unit	-	358,722
	701,138	**652,221**

11. Cash and Cash Equivalents

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash	15,136,789	10,493,830	-	-
Balances with Central Bank	10,318,918	8,854,033	-	-
Cash equivalents	2,381,566	1,547,290	1,090	**642**
	27,837,273	**20,895,153**	**1,090**	**642**

Cash equivalents of the Group include $1,868,024,000 (2017: $1,126,575,000) held by an investment broker as security for funding provided on certain investment securities, which is not available for immediate use. In addition, the Group also has a restricted amount of $7,745,000 (2017: $7,745,000) deposited at an interest rate of 1% (2017: 1.5%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the Group's Jamaican employees.

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12. Loans and Notes Receivable

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	29,826,428	21,103,648	-	-
Financial institutions	1,182,298	1,803,139	5,821,425	5,934,345
Individuals	25,937,753	25,547,307	-	-
	56,946,479	48,454,094	5,821,425	5,934,345
Less: allowance for impairment	(1,320,736)	(1,320,960)	-	-
	55,625,743	**47,133,134**	**5,821,425**	**5,934,345**

Allowance for impairment:

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance at 1 April	1,320,960	1,127,790
Charge for year	286,673	271,977
Recoveries	(84,299)	-
Write-offs	(199,988)	(83,894)
Translation (losses)/gains	(2,610)	5,087
Balance at 31 March	**1,320,736**	**1,320,960**

Notes receivable for the company represents loan advances to subsidiaries repayable on 14 January 2024. Interest is payable monthly at a fixed rate of 6.0% and 7.5% and the notes are per annum.

Notes receivable include the balance on an interest-free revolving advance of $324,037,000 (2017: $324,037,000) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not been fixed. The number of stock units held by the ESOP at 31 March 2018 was 149,776,832 (2017: 158,170,762).

13. Other Receivables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Other receivables	1,452,462	1,110,373	36,333	13,960
Staff loans	604,509	435,688	-	-
	2,056,971	1,546,061	36,333	13,960
Less: allowance for impairment	(1,719)	(899)	-	-
	2,055,252	**1,545,162**	**36,333**	**13,960**

Allowance for impairment

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at 1 April	899	592	-	-
Charge for year	820	307	-	-
Balance at 31 March	1,719	899	-	-

14. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	1,120,001	915,006	4,166,004	-
Denominated in United States dollars	-	-	5,318,196	343,412
	1,120,001	**915,006**	**9,484,200**	**343,412**

Resale agreements include balances with related parties as set out in Note 25. All resale agreements mature within twelve months after the reporting date.

The securities that the Group obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (Note 23).

At the reporting date, the fair value of the securities obtained and held under resale agreements was $1,120,000,000 (2017: $934,173,000) and $9,484,000,000 (2017: $343,412,000) for the Group and Company respectively.

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15. Investment Securities

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Loans and receivables:				
Certificates of deposit	648	-	648	-
Government of Jamaica securities	11,062,317	14,492,680	-	-
Other sovereign bonds	239,312	240,597	-	-
Corporate:				
Government of Jamaica guaranteed	2,746,513	3,101,770	-	-
Other	145,497	161,812	-	-
	14,194,287	17,996,859	648	-
Available-for-sale securities:				
Government of Jamaica securities	101,977,287	97,061,290	-	-
Certificates of deposit	9,030,982	5,009,441	-	900,648
Government of Jamaica guaranteed	3,174,475	4,675,555	-	-
Corporate bonds	18,579,588	13,033,897	-	-
Other sovereign bonds	43,661,025	31,072,165	-	-
Quoted securities	1,036,332	422,491	-	-
Units in unit trusts	286,429	162,198	-	-
Money market funds	944,003	1,376,520	-	-
Other	447,328	88,992	18,908	18,908
	179,137,449	152,902,549	18,908	919,556
Fair value through profit or loss:				
Corporate bonds	721,494	416,038	-	-
Other sovereign bonds	615,629	47,075	-	-
Quoted securities	231,145	445,331	-	-
	1,568,268	908,444	-	-
Held-to-maturity:				
Sovereign bonds	368,732	57,060	-	-
	195,268,736	171,864,912	19,556	919,556
Less: allowance for impairment losses	(362,868)	(293,109)	-	-
	194,905,868	**171,571,803**	**19,556**	**919,556**

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15. Investment Securities (Continued)

Allowance for impairment:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	293,109	284,364	-	-
Recoveries	(74,222)	-	-	-
Charge for the year	143,981	8,745	-	-
Balance at 31 March	362,868	293,109	-	-

Investments mature, from the reporting date, as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities:				
Within 3 months	51,307	8,216,864	-	-
From 3 months to 1 year	2,269,491	-	-	-
From 1 year to 5 years	17,758,509	30,298,905	-	-
Over 5 years	92,960,297	73,038,202	-	-
	113,039,604	111,553,971	-	-
Certificates of deposit:				
Within 3 months	8,834,776	4,827,335	648	900,648
From 3 months to 1 year	176,275	100,000	-	-
From 1 year to 5 years	20,580	82,103	-	-
	9,031,631	5,009,438	648	900,648
Sovereign and corporate bonds:				
Within 3 months	2,402,539	84,025	-	-
From 3 months to 1 year	1,571,851	243,596	-	-
From 1 year to 5 years	20,920,514	10,756,608	-	-
Over 5 years	44,290,147	41,201,082	-	-
	69,185,051	52,285,311	-	-
Other [see (c) below]	3,649,582	2,723,083	18,908	18,908
	194,905,868	**171,571,803**	**19,556**	**919,556**

(a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (Note 23) and notes payable (Note 24).

(b) Government of Jamaica securities having an aggregate face value of $281,084,100 (2017: $199,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.

(c) Other includes quoted equities, unit trusts and interest in pooled money market fund, for which there are no fixed maturity dates.

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16. Interest in Subsidiaries

	Company 2018 $'000	Company 2017 $'000
Shares at cost:		
Jamaica Money Market Brokers Limited	1,864,054	1,864,054
JMMB Bank (Jamaica) Limited (formally JMMB Merchant Bank Limited)	4,885,176	4,885,176
JMMB Money Transfer Limited	50,789	50,789
Jamaica Money Market Brokers (Trinidad and Tobago) Limited	3,497,625	-
	10,297,644	**6,800,019**

17. Investment Properties

The properties are measured at fair value, as appraised by professional, independent valuers every three years and in the intervening years by the directors. The valuation model considers the present value of the net cash flows that can be generated from the property, the condition of the buildings and their location (prime vs secondary), in addition to recent market transactions in the same proximity.

Investment properties generated revenue of $526,000 (2017: $1,437,000) and incurred expenses of $16,089,000 (2017: $8,434,000) for the year.

The fair value of the Group's investment properties is categorised as Level 3 in the fair value hierarchy as described in Note 29.

The technique used to determine the fair value of the Group's investment properties is as follows.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market approach. This model takes into account: • The assumed intention to dispose of the property in an open market transaction • The assumed sale would take place on the basis of a willing seller and willing buyer; • A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market; • Values are expected to remain stable throughout the period of market exposure and disposal (hypothetical); and • The property will be freely exposed to the market.	• Judgements about whether the property can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its use class. • The strength of demand for the property, given its condition, location and range of potential uses. • The potential rental value of the property in the current investment climate.	The estimated fair value would increase/(decrease) if: • The strength of the demand is greater/(less) than judged. • The potential rental income from the property is greater/ (less) than judged.

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18. Intangible Assets

	Computer Software	Customer List and Core Deposits	Licence	Goodwill	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
31 March 2016	1,064,633	572,814	282,592	27,978	356,445	2,304,462
Acquired in business combination (Note 26)	-	15,123	-	-	-	15,123
Additions	304,276	-	-	-	-	304,276
Reclassification	14,616	-	-	-	-	14,616
Exchange rate adjustment	192	22,702	6,797	323	4,668	34,682
31 March 2017	1,383,717	610,639	289,389	28,301	361,113	2,673,159
Additions	305,909	-	-	-	-	305,909
Reclassification	12,638	-	-	-	-	12,638
Exchange rate adjustment	(31,507)	(6,691)	(5,760)	-	(3,956)	(47,914)
31 March 2018	1,670,757	603,948	283,629	28,301	357,157	2,943,792
Accumulated Amortisation						
31 March 2016	505,661	181,074	-	-	268,569	955,304
Charge for the year	137,278	57,737	-	-	-	195,015
Exchange rate adjustment	(1)	1,673	-	-	4,668	6,340
31 March 2017	642,938	240,484	-	-	273,237	1,156,659
Charge for the year	129,312	55,519	-	-	8,207	193,038
Exchange rate adjustment	(2,228)	(2,234)	-	-	(3,956)	(8,418)
31 March 2018	770,022	293,769	-	-	277,488	1,341,279
Net Book Value						
31 March 2018	**900,735**	**310,179**	**283,629**	**28,301**	**79,669**	**1,602,513**
31 March 2017	**740,779**	**370,155**	**289,389**	**28,301**	**87,876**	**1,516,500**
31 March 2016	**558,972**	**391,740**	**282,592**	**27,978**	**87,876**	**1,349,158**

18. Intangible Assets (Continued)

Impairment testing for intangible assets with indefinite useful lives

Licences recognised in JMMB (Trinidad & Tobago) Limited and JMMB Holding Company Limited, SRL

The recoverable amount of the cash generating units (CGUs) in which the licences are included was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The licences were valued using "with-and-without" (WOW) method which compares the present value of the cash flows "with the asset" in place to the present value of cash flows "without the asset."

The key assumptions used in the estimation of the recoverable amounts were as follows:

	2018	**2017**
Discount rate	14.5%,15.8%	14%, 15.5%
Long-term growth rate	3%	3%
Time to obtain licence	3-5 years	3-5 years

The discount rates were post-tax measures determined based on rates used for similar assets in the relevant countries, business risks and other company specific risks.

The cash flow projections include specific estimates for ten and eleven years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compounded annual growth rates, consistent with assumption that a market participant would make. The ten and eleven year cash flow projections are considered more reflective of a stabilized level of earnings to estimate terminal value.

The estimated recoverable amounts of the CGUs were estimated to be higher than their recoverable amounts and no impairment was identified.

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19. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	**Leasehold Improvement**	**Motor Vehicles**	**Computer Equipment**	**Equipment, Furniture and Fittings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost						
31 March 2016	**1,529,759**	**736,816**	**59,417**	**743,791**	**1,684,774**	**4,754,557**
Additions	569,490	56,710	-	199,871	160,916	986,987
Transfer	(204,267)	117,544	-	-	86,723	-
Reclassification	(5,815)	(40,289)	-	-	31,488	(14,616)
Disposals	-	(26,061)	(11,452)	-	(11,533)	(49,046)
Exchange rate adjustment	3,202	19,270	60	1,648	31,112	55,292
31 March 2017	**1,892,369**	**863,990**	**48,025**	**945,310**	**1,983,480**	**5,733,174**
Additions	154,193	17,436	17,867	159,108	234,842	583,446
Transfer	(3,500)	-	-	3,500	-	-
Reclassification	-	-	-	-	(12,638)	(12,638)
Disposals	-	(39,392)	(8,749)	(25,857)	(945)	(74,943)
Exchange rate adjustment	(1,715)	(27,758)	(706)	9,417	(44,931)	(65,693)
31 March 2018	**2,041,347**	**814,276**	**56,437**	**1,091,478**	**2,159,808**	**6,163,346**
Accumulated Depreciation						
31 March 2016	**145,536**	**412,527**	**37,525**	**568,484**	**1,152,389**	**2,316,461**
Charge for the year	29,012	68,346	8,367	175,306	67,970	349,001
Disposals	-	(19,982)	(8,422)	-	(11,170)	(39,574)
Exchange rate adjustment	-	19,059	-	(73,560)	91,197	36,696
31 March 2017	**174,548**	**479,950**	**37,470**	**670,230**	**1,300,386**	**2,662,584**
Charge for the year	30,812	67,141	9,280	203,842	82,600	393,675
Disposals	-	(39,355)	(8,749)	(21,922)	(815)	(70,841)
Exchange rate adjustment	-	(11,475)	(500)	(55,679)	27,705	(39,949)
31 March 2018	**205,360**	**496,261**	**37,501**	**796,471**	**1,409,876**	**2,945,469**
Net Book Value						
31 March 2018	**1,835,987**	**318,015**	**18,936**	**295,007**	**749,932**	**3,217,877**
31 March 2017	**1,717,821**	**384,040**	**10,555**	**275,080**	**683,094**	**3,070,590**
31 March 2016	**1,384,223**	**324,289**	**21,892**	**175,307**	**532,385**	**2,438,096**

19. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
Acquired on group reorganisation and balance at 31 March 2016, 31 March 2017 and 31 March 2018	10,271	3,493	45	13,809
Depreciation				
Acquired on group reorganisation and balance at 31 March 2016, 31 March 2017 and 31 March 2018	9,958	3,493	45	13,496
Net Book Value				
Acquired on group reorganisation and balance at 31 March 2016, 31 March 2017 and 31 March 2018	313	-	-	313

20. Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same fiscal authority on either the taxable entity or a different taxable entity where there is an intention to settle the balances on the net basis.

Deferred income tax is calculated in full on temporary differences under the liability method using the principal tax rate applicable to the jurisdictions in which the temporary differences arise.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group	
	2018	2017
	$'000	$'000
Deferred income tax assets	115,130	43,902
Deferred income tax liabilities	(451,084)	(1,232,702)
Net deferred income tax liabilities	(335,954)	(1,188,800)

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20. Deferred Income Tax (Continued)

Deferred income tax assets and deferred income tax liabilities are due to the following items:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Investments	1,028,219	898,838	-	-
Unrealised foreign exchange loss	1,916	-	-	-
Other payables	20,433	22,028	-	-
Property, plant and equipment	52,548	22,618	-	-
Interest payable	387,395	343,554	-	-
Tax losses carried forward	126,086	222,521	-	-
	1,616,597	1,509,559	-	-
Deferred income tax liabilities -				
Investments	1,344,843	467,927	-	-
Unrealised foreign exchange gains	12,694	1,669,934	-	-
Property, plant and equipment	485	9,261	-	-
Interest receivable	594,529	551,237	-	-
	1,952,551	2,698,359	-	-
Net deferred income tax liabilities	**(335,954)**	**(1,188,800)**	**-**	**-**

The movement for the year in the net deferred tax is as follows:

	2018			
	The Group			
	Balance at Beginning of Year	**Recognised in Income**	**Recognised in Other Comprehensive Income**	**Balance at End of Year**
	$'000	**$'000**	**$'000**	**$'000**
		(Note 8)		
Tax losses carried forward	222,521	(96,435)	-	126,086
Investments	430,911	(752,022)	4,487	(316,624)
Accounts payable	22,028	(1,595)	-	20,433
Property, plant and equipment	13,357	38,706	-	52,063
Interest payable	343,554	43,841	-	387,395
Unrealised loss	-	1,916	-	1,916
Unrealised gains	(1,669,934)	1,657,240	-	(12,694)
Interest receivable	(551,237)	(43,292)	-	(594,529)
	(1,188,800)	**848,359**	**4,487**	**(335,954)**

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20. Deferred Income Tax (Continued)

	2017			
	The Group			
	Balance at Beginning of Year	Recognised in Income	Recognised in Other Comprehensive Income	Balance at End of Year
	$'000	$'000	$'000	$'000
		(Note 8)		
Tax losses carried forward	472,203	(249,682)	-	222,521
Investments	748,927	(60,321)	(257,695)	430,911
Accounts payable	24,535	(2,507)	-	22,028
Property, plant and equipment	(1,222)	14,579	-	13,357
Interest payable	342,828	726	-	343,554
Unrealised gains	(1,606,552)	(63,382)	-	(1,669,934)
Interest receivable	(492,358)	(58,879)	-	(551,237)
	(511,639)	**(419,466)**	**(257,695)**	**(1,188,800)**

21. Share Capital

	2018 Number of Shares ('000)	2017 Number of Shares ('000)
Authorised:		
Ordinary stock units of no par value	1,816,400	1,816,400
Fixed rate cumulative redeemable preference shares of no par value	6,000,000	6,000,000
	7,816,400	7,816,400

	2018 Number of Shares ('000)	2017 Number of Shares ('000)
Issued ordinary share capital:		
Ordinary stock units in issue	1,630,552	1,630,552

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21. Share Capital (Continued)

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Stated capital:				
1,630,552,532 (2017: 1,630,552,532) ordinary stock units	1,864,554	1,864,554	1,864,554	1,864,554
715,482,000 7.50% cumulative redeemable preference stock units	1,430,964	1,430,964	-	-
15,358,000 7.25% cumulative redeemable preference stock units	38,395	38,395	-	-
9,434,000 7.25% cumulative redeemable preference stock units	14,151	14,151	14,151	14,151
1,827,548,000 7.50% cumulative redeemable preference stock units	1,827,548	1,827,548	1,827,548	1,827,548
213,500 5.75% cumulative redeemable preference stock units	40,134	41,063	40,134	41,063
42,783,500 US$ 6.00% cumulative redeemable preference stock units	5,361,628	5,485,700	5,361,628	5,485,700
32,177,000 7.00% cumulative redeemable preference stock units	64,354	-	64,354	-
1,848,937,000 7.25% cumulative redeemable preference stock units	3,697,874	-	3,697,874	-
155,000 US$ 5.50% cumulative redeemable preference stock units	38,849	-	38,849	-
21,265,000 US$ 5.75% cumulative redeemable preference stock units	5,329,860	-	5,329,860	-
	19,708,311	10,702,375	18,238,952	9,233,016
Less: redeemable preference stock units classified as liability	(17,843,757)	(8,837,821)	(16,374,398)	(7,368,462)
	1,864,554	**1,864,554**	**1,864,554**	**1,864,554**

21. Share Capital (Continued)

During August 2013, the company issued 715,482,000 7.50% fixed rate cumulative redeemable preference shares and 15,358,000 7.25% fixed rate cumulative redeemable preference shares at a price of $2.00 and $2.50 per share, respectively, to the public by public offering. The redeemable preference shares mature August 2018.

On 14 January 2016, the company issued 9,434,000 and 1,827,548,000 7.25% and 7.50% variable rate cumulative redeemable preference shares and 213,500 and 42,783,500 5.75% and 6.00% fixed rate cumulative redeemable preference shares at a price of J$1.50, J$1.00, US$1.50 and US$1.00 per share, respectively, by public offering. The redeemable preference shares mature on 14 January 2024.

On 7 March 2018, the company issued 32,177,000 and 1,848,937,000 7.00% and 7.25% JMD variable rate cumulative redeemable preference shares and 155,000 and 21,265,000 5.50% and 5.75% USD fixed rate cumulative redeemable preference shares at a price of J$2.00 and US$2.00 per share, respectively, by public offering. The redeemable preference shares mature 6 March 2025.

The significant terms and conditions of the preference stock units are as follows:

(i) The right to a cumulative preferential dividend payable monthly at the rate agreed for each class;

(ii) The right, on winding up, to receive all arrears of dividend and repayment of the capital in priority to the ordinary shareholders; and

(iii) No right to vote, except where dividends are not paid for twelve months or on winding up of the company.

The rights attaching to the ordinary shares include the following:

(i) Entitlement of dividends as declared from time to time (Note 10).

(ii) Entitlement to one vote per share at meetings of the company.

22. Reserves

(a) Retained Earnings Reserve

In previous years, in accordance with a board resolution, a subsidiary transferred a portion of its profit after tax to a non-distributable retained earnings reserve. This reserve constitutes a part of the subsidiary's regulatory capital.

(b) Investment Revaluation Reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, net of deferred tax, until the assets are derecognised or impaired.

(c) Cumulative Translation Reserve

The cumulative translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23. Securities Sold Under Agreements to Repurchase

	The Group	
	2018	2017
	$'000	$'000
Denominated in Jamaica dollars	48,859,585	39,998,213
Denominated in United States dollars	81,575,204	95,245,532
Denominated in Pound Sterling	3,101,671	3,009,170
Denominated in Euro	79,523	22,470
Denominated in Dominican Republic Peso	19,776,783	14,645,279
Denominated in Canadian dollars	417,674	510,345
Denominated in Trinidad and Tobago dollars	4,356,849	3,216,586
	158,167,289	**156,647,595**

Repurchase agreements are collateralised by certain securities and other instruments held by the Group with a carrying value of $169,115,284,000 (2017: $166,522,193,000) (Notes 14 and 15).

24. Notes Payable

		The Group	
		2018	2017
		$'000	$'000
(i)	Senior Unsecured US$ Fixed Note	2,388,975	2,444,258
(ii)	Subordinated debt	1,852,000	1,521,600
(iii)	Subordinated debt	540,015	559,448
(iv)	Senior secured TT$ Fixed Note	1,109,348	-
(v)	Senior secured US$ Fixed Note	1,870,808	-
(vi)	Promissory Note US$ Note	1,002,560	-
(vii)	Promissory Note US$ Fixed Note	18,798,000	-
		27,561,706	**4,525,306**

(i) The note is unsecured and bore interest at 6.75% per annum, with interest payable on a quarterly basis. The note matured on July 18, 2016; however, noteholders exercised their option to extend the maturity to July 18, 2019 at an interest rate of 7.75% per annum.

(ii) This represents subordinated debts of TT$80M issued by a subsidiary for a term of eight (8) years, maturing on 28 March 2022, at a fixed rate of 4.5% per annum. This debt was increased to TT$100 million in February 2018 under the same terms.

(iii) This represents subordinated debt of US$4,151,000 issued by a subsidiary for a term of (5) years, maturing on 29 June 2020, at a fixed rate of 7.0% per annum.

24. Notes Payable (Continued)

(iv) This represents fixed rate debt issued in two tranches bearing interest at 2.75% and 3.1% per annum, payable on a semi-annual basis. The notes mature in November 2018 and November 2019 and are secured by investment securities (Note 15).

(v) This represents fixed rate US$ debt issued in three tranches bearing interest at 2.85%-3.55% per annum, payable on a semi-annual basis. The notes mature in November 2018, November 2019 and November 2020 and are secured by investment securities (Note 15).

(vi) The amount above represents a short-term unsecured funding facility from Citibank N. A of US$8,000,000 at an interest rate of 3.97% for the period October 10, 2017 to April 6, 2018.

(vii) This note is unsecured and bears interest at 2.5% per annum, payable quarterly. The note matures on 30 April 2019.

25. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions or if both are subject to control or significant influence by the same party.

Related companies include subsidiaries and major shareholders. Related parties include directors, key management and companies for which the Group provides management services.

(i) The statement of financial position includes balances, arising in the normal course of business, with related parties, as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Directors-				
Notes receivable	152,504	138,658	-	-
Interest payable	(279)	(202)	-	-
Customer deposits	(86,496)	(101,189)	-	-
Repurchase agreements	(37,582)	(39,364)	-	-
Major shareholders -				
Notes receivable	324,037	324,037	-	-
Subsidiaries -				
Resale agreements	-	-	9,484,200	343,412
Notes receivable	-	-	5,821,425	5,934,345
Interest receivable	-	-	106,507	73,957
Due from subsidiary	-	-	758,212	227,377
Payables	-	-	(7,586,011)	(4,890,595)

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25. Related Party Transactions and Balances (Continued)

(ii) The profit or loss account includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Directors:				
Interest income	9,671	12,103	-	-
Interest expense	(1,342)	(2,078)	-	-
Major shareholders:				
Interest income	127	184	-	-
Interest expense	(7,842)	(15,571)	-	-
Subsidiaries:				
Dividend income	-	-	1,252,100	652,221
Interest income	-	-	455,554	460,008
Interest expense	-	-	(500,548)	(467,767)
Managed funds:				
Gain on sale of securities	801,646	1,404,631	-	-
Interest expense	(410,979)	(982,325)	-	-

(iii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Such persons comprise the directors and senior management of the Group. The compensation paid or payable to key management for employee services is as shown below:

	The Group	
	2018	**2017**
	$'000	**$'000**
Directors emoluments:		
Fees (note 7)	95,166	152,007
Management remuneration	59,814	58,921
Other key management compensation:		
Short-term employee benefits	423,224	332,004
Post-employment benefits	16,876	13,762
	595,080	556,694

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26. Business Combinations

Acquisition of assets and liabilities of Corporacion de Credito America S.A.

On 20 February 2017, JMMB Holding Company, SRL, a 100% owned subsidiary, acquired control of the assets and liabilities of Corporation de Credito America S.A. a savings and loan bank in the Dominican Republic. The acquisition of the portfolio resulted in net liabilities of RD$32.2 million (J$87.6 million).

The net liabilities acquired were transferred simultaneously to Banco Rio De Ahorro Y Credito JMMB Bank S.A. (Banco Rio) (at the same values at which they were acquired).

JMMB Holding Company, SRL has invested RD$32.2 milion (J$87.6 million) in Banco Rio to cover the losses incurred on the acquisition.

Valuations of acquired tangible and intangible assets are finalised. Details of the purchase price allocation among net assets acquired are as follows:

	2017
	$'000
Purchase consideration – cash paid	-
Fair value of net liabilities acquired	(87,646)
Loss on acquisition of portfolio	(87,646)

The assets and liabilities arising from the acquisition are as follows:

	Fair Value
	$'000
Cash and cash equivalents	112,744
Investment securities	484,646
Loans and notes receivable	335,664
Intangible assets	15,123
Accounts receivable	10,591
Customer deposits	(1,028,723)
Accounts payable	(17,691)
Net liabilities acquired	(87,646)
Cash consideration	-
Cash equivalents acquired	112,744
Net cash inflow on acquisition	112,744

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27. Non-Controlling Interest

The following table summarises information relating to the Group's material non-controlling interest (NCI), JMMB Puesto de Bolsa, S.A. before any intra-group eliminations.

(a) Statement of financial position

	2018	2017
NCI percentage	**20%**	**20%**
	$'000	**$'000**
Total assets	29,564,742	25,257,375
Total liabilities	(25,674,654)	(21,838,391)
Net assets	3,890,088	3,418,984
Carrying amount of NCI	1,092,253	888,629

(b) Profit and loss account and other comprehensive income

	2018	2017
Revenue	2,965,950	2,548,498
Profit	443,538	188,464
Other comprehensive income	737,053	290,892
Profit allocated to NCI, net	49,144	37,693
Other comprehensive income allocated to NCI	203,624	96,364

(c) Statement of cash flows

	2018	2017
Cash flows from operating activities	5,477,154	2,366,348
Cash flows from investing activities	(5,515,621)	(2,255,689)
Cash flows from financing activities	(39,236)	(145,697)
Net decrease in cash and cash equivalents	(77,703)	(35,038)

28. Financial Risk Management

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

(a) Introduction and overview

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

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

Risk management framework

The risks are managed through an established risk management framework for the Group, which involves the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:

(i) Risk Management Committee

The Risk Management Committee is a Board Committee responsible for the supervision of the overall risk management functions of the Group. The committee decides the policies and strategy for integrated risk management of the various risk exposures of the Group.

(ii) Board Credit Committees

The respective Bank Board Credit Committees are responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in the Credit Risk Policy. The committees are ultimately responsible for determining the composition and management of the credit portfolios and have available a number of measures they can employ in this respect, including making specific and general allowances against actual or potential impairment. The committees are supported in their work by the Management Credit Committee.

28. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

(iii) Audit Committees

The Audit Committees monitor the quality of the Group's internal controls and compliance with regulatory requirements. The Audit Committee is assisted in its oversight role by the Internal Audit Function and the Risk Management Unit and Compliance Unit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported quarterly to the Audit Committee.

The management of certain specific aspects of operational risk, such as fraud, is also within the purview of the Audit Committee.

(iv) Investment Committees

The Investment Committees are management committees responsible for the management of market risks. The committees monitor the composition of assets and liabilities, evaluate potential market risk involved in launching new products, review and articulate funding policy and decide optimal ways of managing the Group's liquidity.

(b) Credit risk

The Group assumes credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, or groups of related counterparties and to geographical and industry segments.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and notes receivable

The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Rating grades	Description of the grade
1	Excellent
2	Good credit
3	Average credit
4	Acceptable
5	Marginal
6	Substandard
7	Doubtful

28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Credit review process (continued)

(i) Loans and notes receivable (continued)

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and to take corrective action.

Loans and notes receivable that are cash-secured are included in the credit classification as Risk Rated 1, based on the Group's rating grades.

(ii) Investments and resale agreements

The Group limits its exposure to credit risk by investing in liquid securities with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

The Group has documented investment policies which facilitate the management of credit risk on investment securities and resale agreements. The Group's exposure and the credit ratings of its counterparties are continually monitored.

(iii) Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the Risk Management Committee.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and notes receivable – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, marketable securities and motor vehicles.

Resale agreements – Government of Jamaica and Bank of Jamaica securities. The collateral obtained (including accrued interest) is at least 100% of the sum of the principal value of the resale agreement plus interest to be earned.

Management monitors the market value of collateral held and where necessary, requests additional collateral in accordance with the underlying agreement.

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Impairment

The main considerations for the loans and notes receivable impairment assessments include arrears of principal, or interest overdue by more than 90 days, or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and notes receivable with risk ratings of 5 and above.

Individually assessed allowances are made for financial assets based on a review conducted at least quarterly, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

Credit quality

The credit quality of the Group's loan portfolio is stated below:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due nor impaired – standard	46,521,652	38,841,508	5,821,425	5,934,345
Past due but not impaired	5,595,891	5,937,433	-	-
Past due and impaired	4,828,936	3,675,153	-	-
	56,946,479	48,454,094	5,821,425	5,934,345
Less: allowance for impairment	(1,320,736)	(1,320,960)	-	-
	55,625,743	**47,133,134**	**5,821,425**	**5,934,345**

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

The aging of the Group's past due loans at the reporting date was as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Past due 1 – 30 days	3,413,755	3,964,420
Past due 31 – 60 days	1,687,041	1,783,478
Past due 61 – 90 days	684,467	1,157,934
More than 90 days	4,639,564	2,706,754
	10,424,827	9,612,586

Loans become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

Exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum credit exposure, that is, the amount of loss that would be suffered if every counter-party to the Group's financial assets were to default at once, is represented as follows:

(1) For financial assets recognised at the reporting date:

The carrying amounts of financial assets as shown on the statement of financial position.

(2) For financial assets not recognised at the reporting date:

	The Group	
	2018	**2017**
	$'000	**$'000**
Loan commitments	4,086,135	2,194,035
Guarantees and letters of credit	1,786,034	1,395,058
	5,872,169	3,589,093

(i) Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not occupy repossessed properties for business or other use.

The carrying value of the loans on which the collateral was repossessed during the year was $72,220,000 (2017: $55,503,000).

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

(ii) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continual review.

There are no loans that would otherwise be past due or impaired, whose terms have been renegotiated.

(iii) The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	The Group				
	2018				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Government of Jamaica	-	-	-	116,164,079	116,164,079
Other sovereign bonds	-	-	-	38,856,654	38,856,654
Bank of Jamaica	4,110,055	-	-	8,833,374	12,943,429
Corporate	-	25,818,470	-	27,625,449	53,443,919
Financial institutions	23,727,218	1,182,298	1,120,001	2,230,631	28,260,148
Retail	-	28,624,975	-	1,195,681	29,820,656
	27,837,273	**55,625,743**	**1,120,001**	**194,905,868**	**279,488,885**
Concentration by location					
Jamaica	13,947,223	31,368,041	1,120,001	137,155,716	183,590,981
North America	3,378,175	267,409	-	1,850,025	5,495,609
Trinidad and Tobago	8,776,175	21,708,818	-	22,139,380	52,624,373
Dominican Republic	1,645,513	1,937,597	-	28,133,937	31,717,047
Other	90,187	343,878	-	5,626,810	6,060,875
	27,837,273	**55,625,743**	**1,120,001**	**194,905,868**	**279,488,885**

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

	The Group				
	2017				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Government of Jamaica	-	-	-	111,695,795	111,695,795
Other sovereign bonds	-	-	-	37,696,764	37,696,764
Bank of Jamaica	3,063,479	-	-	4,903,388	7,966,867
Corporate	-	20,113,191	-	15,076,939	35,190,130
Financial institutions	17,831,674	1,803,139	915,006	2,198,917	22,748,736
Retail	-	25,216,804	-	-	25,216,804
	20,895,153	47,133,134	915,006	171,571,803	240,515,096
Concentration by location					
Jamaica	8,803,724	24,438,256	915,006	126,275,409	160,432,395
North America	1,894,188	135,390	-	1,849,322	3,878,900
Trinidad and Tobago	7,598,973	20,582,029	-	19,270,138	47,451,140
Dominican Republic	2,403,079	1,785,779	-	22,604,756	26,793,614
Other	195,189	191,680	-	1,572,178	1,959,047
	20,895,153	47,133,134	915,006	171,571,803	240,515,096

	The Company				
	2018				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Financial institutions	1,090	5,821,425	9,484,200	19,556	15,326,271
Concentration by location					
Jamaica	1,090	5,194,825	9,484,200	19,556	14,699,671
Trinidad and Tobago	-	626,600	-	-	626,600
	1,090	5,821,425	9,484,200	19,556	15,326,271

28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

	The Company				
	2017				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Financial institutions	642	5,934,345	343,412	919,556	7,197,955
Concentration by location					
Jamaica	642	5,293,245	343,412	919,556	6,556,855
Trinidad and Tobago	-	641,100	-	-	641,100
	642	5,934,345	343,412	919,556	7,197,955

Collateral and other credit enhancements held against financial assets

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Collateral and other credit enhancements held against financial assets (continued)

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	The Group				The Company			
	Loans and notes receivable		Resale agreements		Loans and notes receivable		Resale agreements	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:								
Cash secured	3,660,423	4,785,446	-	-	5,821,425	5,934,345	9,484,200	343,412
Property	18,325,743	22,248,080	-	-	-	-	-	-
Debt securities	6,519,984	5,299,408	1,120,001	934,173	-	-	-	-
Liens on motor vehicles	6,670,219	4,777,259	-	-	-	-	-	-
Equities	-	190,542	-	-	-	-	-	-
Other	2,514,479	6,357,081	-	-	-	-	-	-
Subtotal	**37,690,848**	**43,657,816**	**1,120,001**	**934,173**	**5,821,425**	**5,934,345**	**9,484,200**	**343,412**
Against past due but not impaired financial assets:								
Cash secured	225,493	93,705	-	-	-	-	-	-
Property	5,242,283	4,837,339	-	-	-	-	-	-
Liens on motor vehicles	1,546,764	1,064,882	-	-	-	-	-	-
Debt securities	168,447	817,425	-	-	-	-	-	-
Other	2,082,085	1,510,816	-	-	-	-	-	-
Subtotal	**9,265,072**	**8,324,167**	**-**	**-**	**-**	**-**	**-**	**-**
Against past due and impaired financial assets:								
Property	16,500,602	1,627,640	-	-	-	-	-	-
Liens on motor vehicles	185,821	54,751	-	-	-	-	-	-
Equities	104,471	-	-	-	-	-	-	-
Other	4,196,576	367,332	-	-	-	-	-	-
Subtotal	**20,987,470**	**2,049,723**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**67,943,390**	**54,031,706**	**1,120,001**	**934,173**	**5,821,425**	**5,934,345**	**9,484,200**	**343,412**

28. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil loan commitments.

The Group is exposed to daily calls on its available cash resources from overnight placement of funds, maturing placement of funds and loan draw-downs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty.

The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management process

The Group's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investments; and

(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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28. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

The tables below present the residual contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and the company's financial liabilities.

	2018				
	The Group				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Customer deposits	24,589,936	14,799,725	13,634,622	53,024,283	52,165,066
Due to other banks	-	-	420,246	420,246	347,948
Securities sold under agreements to repurchase	106,142,637	39,306,844	14,797,609	160,247,090	158,167,289
Notes payable	4,074,686	138,859	24,281,509	28,495,054	27,561,706
Redeemable preference shares	356,848	2,475,677	23,499,570	26,332,095	17,843,757
Interest payable	1,385,823	-	-	1,385,823	1,385,823
Payables	3,178,736	-	-	3,178,736	3,178,736
	139,728,666	56,721,105	76,633,556	273,083,327	260,650,325

	2017				
	The Group				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Customer deposits	29,776,612	6,272,519	13,613,201	49,662,332	49,087,517
Due to other banks	301	-	524,536	524,837	418,313
Securities sold under agreements to repurchase	108,001,514	46,851,241	4,313,204	159,165,959	156,647,595
Notes payable	21	-	4,597,009	4,597,030	4,525,306
Redeemable preference shares	-	-	9,018,707	9,018,707	8,837,821
Interest payable	1,158,780	-	-	1,158,780	1,158,780
Payables	2,446,790	-	-	2,446,790	2,446,790
	141,384,018	53,123,760	32,066,657	226,574,435	223,122,122

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28. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2018				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Redeemable preference shares	-	-	16,563,052	16,563,052	16,374,398
Due to subsidiary	7,586,011	-	-	7,586,011	7,586,011
Interest payable	115,054	-	-	115,054	115,054
Payables	22,713	-	-	22,713	22,713
	7,723,778	-	16,563,052	24,286,830	24,098,176

	2017				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Redeemable preference shares	-	-	7,461,646	7,461,646	7,368,462
Due to subsidiary	4,890,595	-	-	4,890,595	4,890,595
Interest payable	77,709	-	-	77,709	77,709
Payables	3,154	-	-	3,154	3,154
	4,971,458	-	7,461,646	12,433,104	12,339,920

(d) Market risk

The Group assumes market risk, which is the risk of changes in market prices, such as interest rates, equity prices, foreign exchange rates and commodity prices that will affect the Group's income or fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return on risk.

The overall responsibility for market risk management is vested in the Board Risk Management Committee. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board Risk Management Committee) and for the day-to-day review of their implementation.

The principal tool used to measure and control market risk exposures within the Group is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (the holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based on a 99 percent confidence level and assumes a 10 day holding period. The VaR model used is based mainly on the Monte Carlo simulation model. Taking account of market data from the previous year and observed relationships between differences in market prices, the model generates a wide range of plausible future scenarios for market price movements.

JMMB GROUP LIMITED

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 10 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a reasonable assumption, but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data to determine the relationships between different market prices may not cover all possible scenarios, as these relationships may break down in times of market stress; and
- The VaR measure is dependent on the Group's positions and volatility of market prices. The VaR of an unchanged position reduces if the market prices volatility declines and vice-versa.

The Group uses VaR limits for its overall portfolio and for sub-portfolios. The overall structure of VaR limits is subject to review and approval by the Board Risk Management Committee. VaR is measured at least once daily. Daily reports of utilization of VaR limits are prepared by the Risk department and regular summaries submitted to the Board Risk Management Committee.

A summary of the VaR position of the Group's overall portfolio as at 31 March 2018 and during the year then ended is as follows:

	31 March	Average for Year	Maximum during Year	Minimum during Year
	$'000	$'000	$'000	$'000
2018 Overall VaR	3,938,439	2,522,346	8,192,010	755,688
2017 Overall VaR	2,239,790	5,981,726	12,410,350	1,636,423

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration of risks within the portfolio.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognised during the year. Such exposures comprise the assets and liabilities of the Group that are not denominated in its functional currency. The Group ensures that the risk is kept to an acceptable level by monitoring its value at risk exposure.

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

At the reporting date, the Jamaica dollar equivalents of net foreign currency assets/(liabilities) were as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
United States dollars	9,104,949	(5,533,400)
Great Britain Pounds	33,369	(18,861)
Euros	83,677	47,740
Trinidad and Tobago dollars	329,202	277,225
Canadian dollars	319,777	41,169

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and the estimated effect of changes in rates on profit for the year. The change in currency rates below represents management's assessment of a reasonably probable change in foreign exchange rates at the reporting date:

	The Group			
	2018		**2017**	
	Change in Currency Rate	**Effect on Profit**	**Change in Currency Rate**	**Effect on Profit**
	%	**$'000**	**%**	**$'000**
Currency:		**$'000**		
USD	4	364,198	6	(332,004)
GBP	4	1,335	6	(1,132)
EUR	4	3,347	6	2,864
TT	4	13,168	6	16,634
CAD	4	12,791	6	2,470
		394,839		(311,168)

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The following tables summarise the Group's and the company's exposures to interest rate risk and the possible effect to earnings. It includes the Group's and the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2018					
	The Group					
	Within 3 Months	**3 to 6 Months**	**6 to 12 Months**	**1 to 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	27,837,273	-	-	-	-	27,837,273
Interest receivable	-	-	-	-	3,429,115	3,429,115
Loans and notes receivable	11,177,626	2,244,563	15,313,611	25,575,063	1,314,880	55,625,743
Other receivables	-	-	-	-	2,055,252	2,055,252
Securities purchased under agreements to resell	1,120,001	-	-	-	-	1,120,001
Investment securities	24,851,003	2,197,181	1,260,973	163,918,958	2,677,753	194,905,868
Total financial assets	64,985,903	4,441,744	16,574,584	189,494,021	9,477,000	284,973,252
Financial Liabilities						
Deposits	22,086,993	19,535,146	2,858,857	2,156,609	5,527,461	52,165,066
Due to other financial institutions	-	-	-	347,948	-	347,948
Securities sold under agreements to repurchase	105,588,901	19,621,040	23,355,461	9,601,887	-	158,167,289
Notes payable	3,982,716	-	-	23,578,990	-	27,561,706
Redeemable preference shares	623,624	1,469,359	-	15,750,774	-	17,843,757
Interest payable	-		-	-	1,385,823	1,385,823
Other payables	-	-	-	-	3,178,736	3,178,736
Total financial liabilities	132,282,234	40,625,545	26,214,318	51,436,208	10,092,020	260,650,325
Total interest rate sensitivity gap	(67,296,331)	(36,183,801)	(9,639,734)	138,057,813	(615,020)	24,322,927
Cumulative interest rate sensitivity gap	(67,296,331)	(103,480,132)	(113,119,866)	24,937,947	24,332,927	

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2017					
	The Group					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	20,895,153	-	-	-	-	20,895,153
Interest receivable	-	-	-	-	2,941,556	2,941,556
Loans and notes receivable	23,833,413	57,222	2,966,780	18,783,914	1,491,805	47,133,134
Other receivables	-	-	-	-	1,545,162	1,545,162
Securities purchased under agreements to resell	915,006	-	-	-	-	915,006
Investment securities	13,289,304	25,287	476,227	155,070,853	2,710,132	171,571,803
Total financial assets	58,932,876	82,509	3,443,007	173,854,767	8,688,655	245,001,814
Financial Liabilities						
Deposits	37,165,481	-	5,349,876	1,422,945	5,149,215	49,087,517
Due to other financial institutions	299	-	-	418,014	-	418,313
Securities sold under agreements to repurchase	107,399,909	13,883,293	31,267,649	4,096,744	-	156,647,595
Notes payable	2,444,259	-	-	2,081,047	-	4,525,306
Redeemable preference shares	5,293,245	-	3,544,576	-	-	8,837,821
Interest payable	-	-	-	-	1,158,780	1,158,780
Other payables	-	-	-	-	2,446,790	2,446,790
Total financial liabilities	152,303,193	13,883,293	40,162,101	8,018,750	8,754,785	223,122,122
Total interest rate sensitivity gap	(93,370,317)	(13,800,784)	(36,719,094)	165,836,017	(66,130)	21,879,692
Cumulative interest rate sensitivity gap	(93,370,317)	(107,171,101)	(143,890,195)	21,945,822	21,879,692	

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2018					
	The Company					
	Within 3 Months $'000	3 to 6 Months $'000	6 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	1,090	-	-	-	-	1,090
Interest receivable	-	-	-	-	106,507	106,507
Loans and notes receivable	-	5,821,425	-	-	-	5,821,425
Other receivables	-	-	-	-	36,333	36,333
Securities purchased under agreements to resell	9,484,200	-	-	-	-	9,484,200
Investment securities	-	-	-	-	19,556	19,556
Total financial assets	9,485,290	5,821,425	-	-	162,396	15,469,111
Financial Liabilities						
Redeemable preference shares	-	1,469,359	-	14,905,039	-	16,374,398
Interest payable	-	-	-	-	115,054	115,054
Other payables	-	-	-	-	22,713	22,713
Due to subsidiary	-	-	-	-	7,586,011	7,586,011
Total financial liabilities	-	1,469,359	-	14,905,039	7,723,778	24,098,176
Total interest rate sensitivity gap	9,485,290	4,352,066	-	(14,905,039)	(7,561,382)	(8,629,065)
Cumulative interest rate sensitivity gap	9,485,290	13,837,356	13,837,356	(1,067,683)	(8,629,065)	

	2017					
	The Company					
	Within 3 Months $'000	3 to 6 Months $'000	6 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	642	-	-	-	-	642
Interest receivable	-	-	-	-	73,957	73,957
Loans and notes receivable	-	5,934,345	-	-	-	5,934,345
Other receivables	-	-	-	-	13,960	13,960
Securities purchased under agreements to resell	343,412	-	-	-	-	343,412
Investment securities	-	900,648	-	-	18,908	919,556
Total financial assets	344,054	6,834,993	-	-	106,825	7,285,872
Financial Liabilities						
Redeemable preference shares	-	-	-	7,368,462	-	7,368,462
Interest payable	-	-	-	-	77,709	77,709
Other payables	-	-	-	-	3,154	3,154
Due to subsidiary	-	-	-	-	4,890,595	4,890,595
Total financial liabilities	-	-	-	7,368,462	4,971,458	12,339,920
Total interest rate sensitivity gap	344,054	6,834,993	-	(7,368,462)	(4,864,633)	(5,054,048)
Cumulative interest rate sensitivity gap	344,054	7,179,047	7,179,047	(189,415)	(5,054,048)	

28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable probable change in interest rates, with all other variables held constant, on the Group's interest income in the profit or loss account and gains recognised in other comprehensive income.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net profit based on the floating rate financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed and variable rate available-for-sale financial assets for the gross effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. Movements in these variables are non-linear and are assessed individually.

	The Group			
	2018		2017	
	Effect on Profit 2018 $'000	Effect on Equity 2018 $'000	Effect on Profit 2017 $'000	Effect on Equity 2017 $'000
Change in basis points				
JMD/USD				
-100/-50 (2017: -100/-50)	(219,944)	6,422,395	(212,947)	5,585,006
+100/+50 (2017:+100/+100)	223,326	(9,102,986)	208,892	(8,041,340)

(iii) Equity price risk

Equity price risk arises on equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximize investment returns while managing risk so as to minimise potential adverse effects on the Group's financial performance.

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago stock exchanges. A 15% (2017: 5%) increase or decrease in quoted bid prices at the reporting date would result in an increase or decrease, respectively, in equity of $140,345,000 (2017: $69,882,000) for the Group.

28. Financial Risk Management (Continued)

(e) Operational risk

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

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

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

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

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

28. Financial Risk Management (Continued)

(f) Capital management

The Company and its subsidiaries have regulatory oversight from several regulators that impose capital requirements for various entities.

The objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management based on the guidelines developed by the Group's regulators and the Risk Management Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The regulated authorities require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

Certain subsidiaries' regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, share premium, retained earnings, investment revaluation reserve and cumulative translation reserve.

(ii) Tier 2 capital: redeemable preference shares and investment revaluation reserve.

The risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The regulated companies within the Group with prescribed capital requirements are Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Fund Managers Limited (JMMBFM), JMMB Insurance Brokers Limited (JMMBIB), JMMB Money Transfer Limited (JMMBMT), JMMB Puesto de Bolsa, Banco Rio De Ahorro Y Credito JMMB Bank S.A (JMMBBR), JMMB Sociedad Administradora De Fondos De Inversion, S.A. (SAFI), JMMB Bank (Jamaica) Limited (JMMBBJL) [formerly JMMB Merchant Bank Limited (JMMBMB)], JMMB Bank (T&T) Limited (JMMBBTT), Intercommercial Trust and Merchant Bank Limited (ITMBL), JMMB Investment (Trinidad and Tobago) Limited (JMMBITT) and JMMB Securities (T&T) (JMMBSTT).

The table and notes below summarise the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2018 and 31 March 2017.

There have been no material changes in the Group's management of capital during the year.

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28. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMB		JMMBSL		JMMBIB	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Regulatory capital –						
Tier 1 capital	16,734,971	16,091,617	494,972	524,526	98,848	90,906
Tier 2 capital	5,194,825	5,603,408	29,337	6,470	-	-
Total regulatory capital	21,929,796	21,695,025	524,309	530,996	98,848	90,906
Risk-weighted assets –						
On-balance sheet	128,166,976	124,056,531	924,885	719,652	-	-
Foreign exchange exposure	6,401,175	9,345,749	492,425	352,713	-	-
Total risk-weighted assets	134,568,151	133,402,280	1,417,310	1,072,365	-	-
Actual regulatory capital to risk weighted assets	16%	16%	37%	50%	-	-
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	-	-

	ITMBL		JMMBBTT		JMMBBJL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	TT$'000	**TT$'000**	**TT$'000**	**TT$'000**	**J$'000**	**J$'000**
Regulatory capital –						
Tier 1 capital	24,248	23,934	166,690	129,130	6,116,022	5,634,880
Tier 2 capital	170	326	95,261	77,444	263,671	187,471
Total regulatory capital	24,418	24,260	261,951	206,574	6,379,693	5,822,351
Total required capital	-	-	-	-	3,885,674	3,527,902
Risk-weighted assets –						
On balance sheet	13,177	15,982	1,150,663	1,065,372	33,570,522	29,929,071
Off balance sheet	-	-	-	-	4,121,195	3,435,211
Foreign exchange exposure	-	-	-	-	1,165,024	1,914,738
	13,177	15,982	1,150,663	1,065,372	38,856,741	35,279,020
Actual regulatory capital to risk weighted assets	185%	152%	23%	19%	16%	17%
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	10%	10%

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28. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMBFM	
	2018	**2017**
	$'000	**$'000**
Tier 1 capital	527,597	455,594
Tier 2 capital	-	-
Actual regulatory capital	527,597	455,594
Required level of regulatory capital	104,742	77,905
Total risk-weighted assets	748,159	556,462
Tier one capital ratio to risk-weighted assets capital	71%	82%

(i) The capital requirement for JMMBIB is to maintain a minimum capital base of $10 million.

(ii) The capital requirement for JMMB Puesto de Bolsa S.A. is RD$153 million.

(iii) The capital requirement of JMMB Investments (Trinidad and Tobago) Limited and JMMB Securities (T&T) Limited is to maintain a minimum capital base of TT15 million and TT6 million respectively.

(iv) The capital requirement for JMMB Sociedad Administradora De Fondos De Inversion, S.A. (SAFI) is to maintain a minimum capital base of RD$15 million or at least 1% of the ratio of total asset to funds under management (AUM/Capital).

(v) The capital requirement for AFP JMMB BDI S.A. is to maintain a minimum capital base of RD$10 million.

(vi) The capital requirement for Banco Rio De Ahorro Y Credito JMMB Bank S.A is to maintain a minimum capital to risk weighted asset (CAR) in excess of 10%. The company's CAR at 31 March was 13.3%.

The regulated entities within the Group have complied with all externally imposed capital requirements throughout the year.

29. Financial Instruments – Fair Value

(a) Definition and measurement of fair values

The Group's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Group using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of available input data; the Group uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There were no transfers between levels during the year.

JMMB GROUP LIMITED

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29. Financial Instruments - Fair Value (Continued)

(b) Techniques for measuring fair value of financial instruments

Type of Financial Instrument	Method of estimating fair value
Cash and cash equivalents, other receivables, resale agreements, accounts payable, repurchase agreements, Bank of Jamaica certificates of deposit	Considered to approximate their carrying values, due to their short-term nature.
Quoted securities	Bid prices quoted by the relevant stock exchanges.
Units in unit trusts	Prices quoted by unit trust managers
Non-Jamaican sovereign bonds and corporate bonds	Estimated using bid-prices published by major overseas brokers.
Government of Jamaica securities:	
Traded overseas	Estimated using bid-prices published by major overseas brokers.
Other	Estimated using mid-market prices from the Jamaica Securities Dealers Association yield curve.
Interest in money market fund	Considered to be the carrying value because of the short-term nature and variable interest rate.
Loans and notes receivable	Considered to be carrying value as the coupon rates approximate the market rates.
Notes payable	Considered to be carrying value as the coupon rates approximate the market rates.

(c) Accounting classifications and fair values

The following table shows the classification of financial assets and financial liabilities and their carrying amounts.

Where the carrying amounts of financial assets and financial liabilities are measured at fair value, their levels in the fair value hierarchy are also shown. Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information (including amounts, and levels in the fair value hierarchy) is not disclosed.

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29. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

	The Group							
	2018							
	Carrying amount					Fair value		
	Loans and receivables $'000	Available-for-sale $'000	At fair value through profit & loss account $'000	Held to maturity $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value								
Government of Jamaica securities	-	101,977,287	-	-	101,977,287	-	101,977,287	101,977,287
Certificates of deposit	-	9,030,982	-	-	9,030,982	-	9,030,982	9,030,982
Government of Jamaica guaranteed	-	3,174,475	-	-	3,174,475	-	3,174,475	3,174,475
Corporate bonds	-	18,579,588	721,494	-	19,301,082	-	19,301,082	19,301,082
Foreign Government Securities	-	43,661,025	615,629	-	44,276,654	-	44,276,654	44,276,654
Ordinary shares quoted	-	1,036,332	231,145	-	1,267,477	1,267,477	-	1,267,477
Units in unit trusts	-	286,429	-	-	286,429	-	286,429	286,429
Money market funds	-	944,003	-	-	944,003	-	944,003	944,003
Other	-	447,328	-	-	447,328	-	447,328	447,328
	-	**179,137,449**	**1,568,268**	**-**	**180,705,717**	**1,267,477**	**179,438,240**	**180,705,717**
Financial assets not measured at fair value								
Certificate of deposits	648	-	-	-	648	-	648	648
Government of Jamaica Securities	11,062,317	-	-	-	11,062,317	-	12,458,448	12,458,448
Sovereign bonds	239,312	-	-	368,732	608,044	-	441,618	441,618
Government of Jamaica guaranteed	2,746,513	-	-	-	2,746,513	-	2,953,792	2,953,792
Other	145,497	-	-	-	145,497	-	145,497	145,497
	14,194,287	**-**	**-**	**368,732**	**14,563,019**	**-**	**16,000,003**	**16,000,003**

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29. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

The Group

	2017							
	Carrying amount					Fair value		
	Loans and receivables $'000	Available-for-sale $'000	At fair value through profit & loss account $'000	Held to maturity $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value								
Government of Jamaica securities	-	97,061,290	-	-	97,061,290	-	97,061,290	97,061,290
Certificates of deposit	-	5,009,441	-	-	5,009,441	-	5,009,441	5,009,441
Government of Jamaica guaranteed	-	4,675,555	-	-	4,675,555	-	4,675,555	4,675,555
Corporate bonds	-	13,033,897	416,038	-	13,449,935	-	13,449,935	13,449,935
Foreign Government Securities	-	31,072,165	47,075	-	31,119,240	-	31,119,240	31,119,240
Ordinary shares quoted	-	422,491	445,331	-	867,822	867,822	-	867,822
Units in unit trusts	-	162,198	-	-	162,198	-	162,198	162,198
Money market funds	-	1,376,520	-	-	1,376,520	-	1,376,520	1,376,520
Other	-	88,992	-	-	88,992	-	88,992	88,992
	-	**152,902,549**	**908,444**	**-**	**153,810,993**	**867,822**	**152,943,171**	**153,810,993**
Financial assets not measured at fair value								
Government of Jamaica Securities	14,492,680	-	-	-	14,492,680	-	17,556,076	17,556,076
Sovereign bonds	240,597	-	-	57,060	297,657	-	123,091	123,091
Government of Jamaica guaranteed	3,101,770	-	-	-	3,101,770	-	3,296,304	3,296,304
Other	161,812	-	-	-	161,812	-	161,812	161,812
	17,996,859	**-**	**-**	**57,060**	**18,053,919**	**-**	**21,137,283**	**21,137,283**

29. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

	The Company	
	2018	
	Carrying amount	Fair value
	Available for-sale $'000	Level 2 $'000
Financial assets measured at fair value		
Certificates of deposit	648	648
Ordinary shares unquoted	18,908	18,908
	19,556	**19,556**

	The Company	
	2017	
	Carrying amount	Fair value
	Available for-sale $'000	Level 2 $'000
Financial assets measured at fair value		
Certificates of deposit	900,648	900,648
Ordinary shares unquoted	18,908	18,908
	919,556	**919,556**

30. Post-employment Benefits

Pensions are the only post-employment benefits to which the Group is committed. To better secure the payment of promised benefits, a subsidiary company operates a defined-contribution pension fund for the Group's Jamaican employees who have satisfied certain minimum service requirements. The fund is financed by equal contributions of employer and employees of 5% of pensionable salaries with an option for employees to contribute up to an additional 10% of pensionable salaries.

The fund is administered by trustees and the assets are held separately from those of the Group. Under the rules of the Fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the fund was done as at 31 December 2014 by ACTMAN International Limited, independent actuaries. The valuation report revealed a funding surplus.

The pension benefit is the annuity that can be purchased by the amount standing to the credit of the member's account at the date of retirement.

The Trinidadian subsidiaries operate a two tiered defined contribution plan which is in compliance with the provisions of the Income Tax Act of Trinidad & Tobago section 134(6). Under the terms of employment, the entities are obligated to contribute on behalf of all eligible employees an amount of 10% of the employees' pensionable salary directly to the plan. In addition, all eligible employees contribute an amount of 5% of their pensionable salary to individual annuities.

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30. Post-employment Benefits (Continued)

Eligible employees of the Dominican Republic subsidiaries contribute an amount of 2.87% of their pensionable salaries to various authorised pension plans. Employers contribute a corresponding 7.10%.

The contributions for the year amounted to $198,856,000 (2017: $172,107,000) for the Group.

31. Managed Funds

The Group acts as agent and earns fees for managing clients' and investment funds on a non-recourse basis under management agreements. This includes some of the assets of the Group's pension fund (Note 30). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested have been excluded from these financial statements.

At 31 March 2018, funds managed in this way by the Group amounted to $118,466,786,000 (2017:$ 88,662,224,000) which includes assets of the Group's pension fund (Note 30), amounting to $3,012,250,000 (2017: $2,572,052,000). The Group's financial statements include the following assets/(liabilities) relating to the funds:

	The Group	
	2018	**2017**
	$'000	**$'000**
Investments	906,300	802,061
Interest payable	(3,268)	(2,459)
Securities sold under agreements to repurchase	(23,699,815)	(42,107,145)
Customer deposits	(3,058,961)	(3,019,652)

32. Commitments

(i) Endowment Fund

The JMMB Group and the JMMB Joan Duncan Foundation established an endowment Fund ("the Fund") of US$1 million which will be administered by the University of the West Indies and Mona school of Business and Management. The main purpose of the Fund is to provide scholarships, bursaries, student training and development, academic staff development and case writing. Disbursements to the Fund are being made over a period of six years.

(ii) Operating Leases

The Group has entered into several lease agreements for rental of offices. The amount charged to profit or loss during the year is $348,581,000 (2017: $375,830,000).

As at 31 March 2018, the Group is committed to make future lease payments as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Less than one year	367,073	375,830
Between one and five years	1,076,656	1,126,742
More than five years	264,132	467,281
	1,707,861	1,969,853

33. Change in Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 34 to all periods presented in these financial statements.

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to IAS 12, *Income Taxes*, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the amounts recognised or disclosed in the financial statements.

34. Significant Accounting Policies

Except for the changes explained in note 33, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries presented as a single economic entity.

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights of an investee, where there is exposure to variability of returns and the company can use its power to influence the returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

34. Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued)

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiaries are consistent with those of the Group.

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit or loss account.

The Group uses predecessor value (book value) method of accounting for business combinations with entities under common control. Any differences between the consideration paid and the net assets of the acquired entity is recognised in equity.

(i) Non-controlling interests

Non-controlling interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value.

(b) Financial instruments

General

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

(i) Classification of financial instruments

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

34. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

General (continued)

(i) Classification of financial instruments

Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased. The Group classifies non-derivative financial assets into the following categories:

Loans and receivables: This comprises securities acquired, loans granted with fixed or determinable payments and which are not quoted in an active market.

Held-to-maturity: This comprises securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Fair value through profit or loss: This comprises securities that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such at the time of acquisition.

Available-for-sale: The Group's financial instruments included in this classification are securities with prices quoted in an active market or for which the fair values are otherwise determinable, and which are designated as such upon acquisition or not classified in any of the other categories.

(ii) Recognition and derecognition - non-derivative financial assets and financial liabilities

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

General (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets

Loans and receivables: On initial recognition these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange, dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: On initial recognition these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which the sale or reclassification occurs and the following two financial years.

Financial assets at fair value through profit or loss: On initial recognition these are measured at fair value, with directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in profit or loss.

Available-for-sale: On initial recognition, these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

(i) Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers. Cash equivalents are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), which are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are measured at cost.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets (continued)

(ii) Investment securities

Investment securities are classified, recognised/derecognised and measured in the manner set out for financial assets under "General" in this note 34(b) above.

(iii) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements ('resale agreements' or reverse repos') or sales of securities under repurchase agreements ('repurchase agreements' or 'repos) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the Group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

Interest earned on resale agreements and interest incurred on repurchase agreements is recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

(iv) Loans and notes receivable and other receivables

Loans and notes receivable and other receivables are measured at amortised cost less allowance for impairment.

An allowance for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms.

When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific allowances for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

For non-performing and impaired loans, the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan.

34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets (continued)

(iv) Loans and notes receivable and other receivables (continued)

Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in arriving at profit or loss for the year.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(v) Account payable

Accounts payable are measured at amortised cost.

(vi) Interest-bearing borrowings

Interest-bearing borrowings [other than repos, which are described in Note 34(b)(iii)] are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(vii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

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34. Significant Accounting Policies (Continued)

(c) Property, plant and equipment (continued)

Property, plant and equipment, with the exception of freehold land and paintings, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2½% - 5%
Leasehold improvements	The shorter of the estimated useful life and the period of the lease
Motor vehicles	20%
Computer equipment	20% - 25%
Other equipment, furniture and fittings	10% - 20%

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

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs meeting the criteria of IAS 38, are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at a minimum at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. Intangible assets with infinite useful lives are measured at cost less impairment losses. They are assessed for impairment at least annually.

(i) Computer software

Computer software is measured at cost, less accumulated amortisation and impairment losses. Amortisation is charged on the straight-line basis over the useful lives of the assets ranging from 20% to 25% per annum, from the date it is available for use.

(ii) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the cost is less than the fair value (negative goodwill), it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses and is assessed for impairment at least annually.

(iii) Customer lists and core deposits

Acquired customer lists are measured initially at historical cost. Customer lists have a finite useful life and are measured at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the expected retention period with the Group, which ranges from 8 to 15 years.

34. Significant Accounting Policies (Continued)

(d) Intangible assets (continued)

(iv) Licences

These assets represent the value of JMMB Securities Limited's seat on the Jamaica Stock Exchange and the banking licence and securities licence acquired for JMMB Bank (T&T) Limited and JMMB Securities (T&T) Limited, which have indefinite useful lives. These assets are tested for impairment annually, and whenever there is an indication that the asset is impaired, the carrying amount is reduced to the recoverable amount.

(v) Other intangibles

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at the reporting date.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in profit or loss (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rates at the reporting date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

34. Significant Accounting Policies (Continued)

(f) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary. Dividends thereon are recognised as interest in profit or loss.

The Group's redeemable preference shares are redeemable on specific dates, and bear entitlements to distributions that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as financial liabilities.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(g) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

(i) Current income tax

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

(ii) Deferred income tax

Deferred income tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amounts of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

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34. Significant Accounting Policies (Continued)

(h) Impairment

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

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

(i) Calculation of recoverable amount

The recoverable amount of the Group'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.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

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

34. Significant Accounting Policies (Continued)

(i) Revenue recognition

The principal types of revenue and the manner in which they are recognised are as follows:

(i) Interest income
Interest income is recorded on the accrual basis. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on the effective interest basis. When financial assets become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount, which is the original effective interest rate of the instrument calculated at the acquisition or origination date.

(ii) Fees and commissions
Fee and commission income are recognised on the accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

(iii) Dividends
Dividend income is recognised when the right to receive payment is irrevocably established.

(j) Employee benefits

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

Pensions are the Group's only post-employment benefit. Pension fund costs included in Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 30). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged as expense when due.

34. Significant Accounting Policies (Continued)

(k) Operating leases

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

(l) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

(m) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(n) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(o) Investment properties

Investment properties are held for rental income and fair value gains. Investment properties are treated as a long-term investment and are measured at fair value. Fair value is determined every third year by an independent professional valuer, and in each of the two intervening years by the directors. Changes in fair values are recognised in profit or loss. Rental income from investment properties is recognised in profit or loss on the straight line basis over the tenure of the leases.

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34. Significant Accounting Policies (Continued)

(p) New and amended standards and interpretations issued but are not yet effective

Certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the financial statements.

(i) The Group is required to adopt IFRS 9 *Financial Instruments* from April 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on management's preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for loans, notes and other receivables, investment in debt securities and investment in equity securities that are managed on a fair value basis.

However, the Group is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. Lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. However, the Group is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Group's assessment included an analysis to identify data gaps in current processes and the Group is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

34. Significant Accounting Policies (Continued)

(p) New and amended standards and interpretations issued but are not yet effective (continued)

(i) The Group is required to adopt IFRS 9 *Financial Instruments* from April 1, 2018 (continued)

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at April 1, 2018.

- The Group will determine the business model within which a financial asset is held based on the facts and circumstances that exist at the date of initial application.

(ii) The Group is required to adopt IFRS 15 *Revenue from Contracts with Customers* from April 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that the main impact of this standard is in respect of fees and commission income. The Group earns fees and commission income on provision of asset management, advisory and portfolio management services. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fee and commission income. However, management has not yet completed its assessment and the financial impact has not yet been determined.

(iii) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Group is assessing the impact that the standard will have on its 2020 financial statements.

34. Significant Accounting Policies (Continued)

(p) New and amended standards and interpretations issued but are not yet effective (continued)

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Group is assessing the impact that the interpretation will have on its 2019 financial statements.

(v) Amendments to IAS 40, *Transfers of Investment Property,* effective for annual reporting periods beginning on or after January 1, 2018, clarifies when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or cease to meet the definition of investment property and there is evidence of the change in use.

The entity has a choice on transition to apply the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or apply the amendments retrospectively in accordance with IAS 8, but only if it does not involve the use of hindsight.

The Group is assessing the impact that the amendments will have on its 2019 financial statements.

(vi) IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

34. Significant Accounting Policies (Continued)

(p) New and amended standards and interpretations issued but are not yet effective (continued)

(vi) IFRIC 23, *Uncertainty Over Income Tax Treatments*, (continued)

If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding

- judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- assumptions and other estimates used; and
- potential impact of uncertainties that are not reflected in the financial statements.

The Group is assessing the impact that the interpretation will have on its 2020 financial statements.

(vii) Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Group is assessing the impact that these amendments will have on its 2020 financial statements.