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INDEPENDENT AUDITORS' REPORT

To the Members of
PROVEN INVESTMENTS LIMITED

Opinion

We have audited the separate financial statements of Proven Investments Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 11 to 100, which comprise the Group's and Company's statements of financial position as at March 31, 2019, the Group's and Company's statements of profit or loss and other comprehensive income, changes in 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 present fairly, in all material respects, the financial position of the Group and the Company as at March 31, 2019, and the Group's and Company's financial performance and the Group's and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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) together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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
PROVEN INVESTMENTS LIMITED

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. *Acquisition of International Financial Planning Limited and Embassy Loans Inc.*

Key Audit Matter	*How the matter was addressed in our audit*
Accounting for the acquisitions of International Financial Planning Limited and Embassy Loans Inc. as business combinations required significant judgement and estimation to determine the fair value of the net assets acquired and the goodwill arising on each acquisition, in accordance with IFRS 3 *Business Combinations.* The determination of fair values involved judgment in the application of fair value analysis, including the projected cash flows, discount rates reflecting the business risks and capital structure. These measurements, being subject to significant judgement, are therefore, subject to higher risk of error. *See notes 13(a) and 13(b) of the financial statements.*	In performing our audit in respect of this matter, we did the following: • Involved our own valuation specialists in challenging the valuation methodologies and assumptions used by management's valuation experts to identify and measure the net assets, including intangible assets. We considered historical customer retention rates and growth trends, and reconciled underlying data to customer contracts and relationship databases. • Tested the mathematical accuracy of the calculations including cash flow projections performed by management and management's expert and which formed the basis of accounting measurement for the transactions. • Evaluated the adequacy of disclosures in respect of the acquisitions and the assumptions involved in the measurement of net assets, acquired in the transactions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Key Audit Matters (Continued)

2. Measurement of Expected Credit Losses

Key Audit Matter	*How the matter was addressed in our audit*
IFRS 9, *Financial Instruments*, was implemented by the Group effective April 1, 2018. The standard is new and complex and requires the Group to recognise expected credit losses ('ECL') on financial assets measured at amortised cost and fair value through other comprehensive income. The determination of ECL is highly subjective and requires management to make significant judgements and estimates, including the identification of significant increase in credit risk ('SICR') and the application of forward-looking information. • The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12 month or lifetime allowance is recorded. • IFRS 9 requires the Group to incorporate forward-looking information, reflecting a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios and management overlay.	We performed the following procedures: • Obtained an understanding of the models used by management for the calculation of expected credit losses on investments and loans. • Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the criteria used for significant increases in credit risk and independently assessed the assumptions for probabilities of default, losses given default and exposures at default. • Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's methodology for determining management overlay. • Assessed the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Key Audit Matters (Continued)

2. *Measurement of Expected Credit Losses (continued)*

Key Audit Matter	*How the matter was addressed in our audit*
We therefore determined that the estimates of impairment in respect of investments and loans have a high degree of estimation uncertainty. In addition, disclosures regarding the Group's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results. *See notes 3, 4(j) and 36(b) of the financial statements.*	

3. *Impairment of goodwill and intangible assets*

Key Audit Matter	*How the matter was addressed in our audit*
The carrying value of the Group's goodwill and intangible assets may not be recoverable due to changes in the business and economic environment in which the relevant subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability. *See note 12 of the financial statements.*	Our audit procedures included testing the reasonableness of the Group's forecasts and discounted cash flow calculations, including: • Using our own enterprise valuation specialists to evaluate the assumptions and methodologies used by management and test the mathematical accuracy of the computations.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Key Audit Matters (Continued)

3. Impairment of goodwill and intangible assets (continued)

Key Audit Matter	*How the matter was addressed in our audit*
	• Comparing the Group's assumptions to externally derived data as well as our own assessments of key inputs, such as projected economic growth, competition, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions. • Comparing the sum of the discounted cash flows to the subsidiaries' market capitalisation, where applicable, to assess the reasonableness of those cash flows. • Assessing the adequacy of the Group's disclosures about the key assumptions and the sensitivity of the impairment assessment to changes in key assumptions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Key Audit Matters (Continued)

4. Valuation of investment securities and derivatives

Key Audit Matter	*How the matter was addressed in our audit*
The valuation of the Group's investment securities, including derivatives, requires significant estimation, which is impacted by uncertainty of market factors, pricing assumptions and general business and economic conditions. This is particularly relevant for structured notes, which do not have readily comparable instruments for pricing purposes. *See notes 6 and 37 of the financial statements.*	In performing our audit in respect of this matter, we did the following: • Involved our own valuation specialists in challenging the valuation methodologies and assumptions used by management to determine the fair value of investment securities and derivatives. This included independent computations and comparison of the fair value of structured notes and derivatives. • Reviewed management's assessment and considered whether impairment is appropriately considered and reflected in the measurement of investments and presented in profit or loss. • Assessed the adequacy of the Group's disclosures about fair value measurements and the sensitivity of the fair values to changes in key assumptions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

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

In preparing the financial statements, management is responsible for assessing the 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 Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

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. 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 9-10, forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Lisa Brathwaite.

KPMG

Chartered Accountants
Castries
Saint Lucia

June 6, 2019

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
PROVEN INVESTMENTS LIMITED

Appendix to the Independent Auditors' Report (continued)

- 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.

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.

PROVEN INVESTMENTS LIMITED

Statements of Financial Position
As of March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Cash and cash equivalents	4(c)(ii)	69,108	89,363	2,036	261
Resale agreements	5	10,056	24,373	600	5,500
Investment securities	6	336,740	369,085	62,570	117,487
Loans receivable	7	53,924	43,903	18,577	25,030
Other assets	8	9,307	10,350	1,163	2,326
Property development in progress	9	10,597	-	-	-
Owed by subsidiaries	16	-	-	1,940	47
Income tax recoverable		66	51	66	51
Guarantees and letters of credit		2,366	-	-	-
Property, plant and equipment	10	1,355	1,039	-	-
Investment property	11	14,229	17,348	-	-
Intangible assets	12	35,423	20,014	-	-
Investment in subsidiaries	13	-	-	86,774	56,988
Investment in associates	14	80,972	-	570	-
Deferred tax asset	21	1,768	1,389	-	-
Total assets		625,911	576,915	174,296	207,690
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Repurchase agreements	15	88,625	93,709	-	4,384
Owed to subsidiaries	16	-	-	-	1,269
Owed to related parties	16	423	98	423	98
Notes payable	17	185,550	110,961	86,891	101,144
Current income tax payable		688	1,143	-	-
Other liabilities	18	8,082	4,220	1,110	979
Due to banks		522	2,187	-	-
Due to customers	19	221,051	240,829	-	-
Deferred income		2,854	-	-	-
Guarantees and letters of credit		2,382	-	-	-
Preference shares	20	1	16,416	1	16,416
Total liabilities		510,178	469,563	88,425	124,290
Stockholders' equity					
Share capital	22	86,716	86,716	86,716	86,716
Fair value reserve	23	2,689	(8,194)	(836)	(4,638)
Foreign exchange translation reserve	24	(7,063)	(6,875)	-	-
Retained earnings		9,671	13,448	(9)	1,322
Equity attributable to owners of the company		92,013	85,095	85,871	83,400
Non-controlling interest	25	23,720	22,257	-	-
Total stockholders' equity		115,733	107,352	85,871	83,400
Total liabilities and stockholders' equity		625,911	576,915	174,296	207,690

The financial statements on pages 11 to 100 were approved for issue by the Board of Directors on June 6, 2019 and signed on its behalf by:

Director
Rhory McNamara

Director
Jeffrey Gellineau

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

PROVEN INVESTMENTS LIMITED

Statements of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Net interest income and other revenue					
Interest income, calculated using the effective interest method	26	26,206	28,490	5,348	7,034
Interest expense	26	(7,475)	(8,099)	(3,660)	(4,921)
		18,731	20,391	1,688	2,113
Dividends		342	807	8,734	7,599
Fees and commissions		8,202	5,076	-	-
Net fair value adjustments and realised gains	27	1,139	4,293	(1,324)	414
Net foreign exchange gains/(losses)		1,633	(444)	522	(594)
Pension management income		2,832	2,360	-	-
Operating revenue, net of interest expense		32,879	32,483	9,620	9,532
Other income		4,841	3,667	2,011	5
Total		37,720	36,150	11,631	9,537
Operating expenses					
Staff costs	28	11,640	8,608	94	92
Depreciation and amortisation	10,12	1,848	1,659	-	-
Impairment loss/(reversal) on loans and other assets	7,8	1,089	2,273	(144)	349
Impairment (reversal)/loss on investments		(476)	-	(128)	1
Property expenses		116	2,155	-	-
Other operating expenses	29	11,672	8,866	4,272	2,919
Total		25,889	23,561	4,094	3,361
Operating profit		11,831	12,589	7,537	6,176
Preference share dividend	31(f)	(1,289)	(976)	(1,289)	(976)
Gain on acquisition of business	13(b)(ii)	-	48	-	-
Share of profit of associates	14	1,308	-	-	-
Profit before income tax		11,850	11,661	6,248	5,200
Income tax (charge)/credit	30	(1,665)	(2,154)	-	-
Profit for the year		10,185	9,507	6,248	5,200
Profit attributable to:					
Owners of the company		6,968	5,682	6,248	5,200
Non-controlling interest		3,217	3,825	-	-
Profit for the year		10,185	9,507	6,248	5,200
Earnings per stock unit	32	1.11¢	0.94¢		

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

PROVEN INVESTMENTS LIMITED

Statements of Profit or Loss and Other Comprehensive Income (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit for the year	10,185	9,507	6,248	5,200
Other comprehensive income/(loss)				
Items that are or may be reclassified to profit or loss:				
Realised gains on securities at FVOCI (2018: available-for-sale securities)	1,596	3,052	2,700	3,254
Unrealised losses on securities at FVOCI (2018: available-for-sale securities, net of tax)	(204)	(6,854)	(1,411)	(4,642)
Deferred tax on fair value adjustment on securities at FVOCI and ECL (2018: available-for-sale securities)	878	(95)	-	-
Exchange differences on translation of foreign operations	(188)	689	-	-
Share of other comprehensive income in associates	5,049	-	-	-
Total other comprehensive income/(loss)	7,131	(3,208)	1,289	(1,388)
Total comprehensive income for the year	17,316	6,299	7,537	3,812
Total comprehensive income attributable to:				
Owners of the Company	14,099	2,474	7,537	3,812
Non-controlling interests	3,217	3,825	-	-
Total comprehensive income for the year	17,316	6,299	7,537	3,812

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

PROVEN INVESTMENTS LIMITED

Group Statement of Changes in Equity
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

	Share capital $'000 (note 22)	Fair value reserve $'000 (note 23)	Foreign exchange translation reserve $'000 (note 24)	Retained earnings $'000	Attributable to equity holders of the Company $'000	Non-controlling interest $'000 (note 25)	Total $'000
Balances at March 31, 2017	69,248	(4,297)	(7,564)	14,149	71,536	18,321	89,857
Total comprehensive income for 2018							
Profit for the year	-	-	-	5,682	5,682	3,825	9,507
Other comprehensive loss for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	689	-	689	-	689
Unrealised gain on available-for-sale securities	-	3,052	-	-	3,052	-	3,052
Unrealised losses on fair value of available-for-sale securities	-	(6,854)	-	-	(6,854)	-	(6,854)
Deferred tax credit on fair value adjustments	-	(95)	-	-	(95)	-	(95)
Other comprehensive loss for year, net of tax	-	(3,897)	689	-	(3,208)	-	(3,208)
Total comprehensive income for the year	-	(3,897)	689	5,682	2,474	3,825	6,299
Transactions with owners recorded directly in equity							
Issue of ordinary shares (note 22)	17,468	-	-	-	17,468	-	17,468
Dividends to equity holders (note 33)	-	-	-	(6,383)	(6,383)	(1,364)	(7,747)
Change in ownership interest							
Acquisition of non-controlling interest without change in control	-	-	-	-	-	1,475	1,475
Balances at March 31, 2018	**86,716**	**(8,194)**	**(6,875)**	**13,448**	**85,095**	**22,257**	**107,352**
Adjustment on impact of initial application of IFRS 9, net of tax [note 3(c)]	-	3,564	-	(5,679)	(2,115)	-	(2,115)
Adjusted balances at April 1, 2018	86,716	(4,630)	(6,875)	7,769	82,980	22,257	105,237
Total comprehensive income for 2019							
Profit for the year	-	-	-	6,968	6,968	3,217	10,185
Other comprehensive loss for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	(188)	-	(188)	-	(188)
Realised gain on securities at FVOCI (2018: transferred to profit or loss)	-	1,596	-	-	1,596	-	1,596
Unrealised gain on debt securities at FVOCI	-	(204)	-	-	(204)	-	(204)
Deferred tax credit on fair value adjustments	-	878	-	-	878	-	878
Share of associates' other comprehensive income	-	5,049	-	-	5,049	-	5,049
Other comprehensive loss for year, net of tax	-	7,319	(188)	-	7,131	-	7,131
Total comprehensive income	-	7,319	(188)	6,968	14,099	3,217	17,316
Transactions with owners recorded directly in equity							
Dividends to equity holders (note 33)	-	-	-	(5,066)	(5,066)	(1,754)	(6,820)
Balances at March 31, 2019	**86,716**	**2,689**	**(7,063)**	**9,671**	**92,013**	**23,720**	**115,733**

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

PROVEN INVESTMENTS LIMITED

Company Statement of Changes in Equity
Year ended March 31, 2019
Presented in United States dollars, except as otherwise stated)

	Share capital $'000 (note 22)	Fair value reserve $'000 (note 23)	Retained earnings/ (accumulated deficit) $'000	Total $'000
Balances at March 31, 2017	**69,248**	**(3,250)**	**2,505**	**68,503**
Total comprehensive income for 2018				
Profit for the year	-	-	5,200	5,200
Other comprehensive loss for the year				
Realised gains on available-for-sale securities	-	3,254	-	3,254
Unrealised loss on fair value of available-for-sale securities	-	(4,642)	-	(4,642)
Total other comprehensive loss	-	(1,388)	-	(1,388)
Total comprehensive income for the year	-	(1,388)	5,200	3,812
Transactions with owners recorded directly in equity				
Issue of ordinary shares (note 22)	17,468	-	-	17,468
Dividends to equity holders (note 33)	-	-	(6,383)	(6,383)
Balances at March 31, 2018	**86,716**	**(4,638)**	**1,322**	**83,400**
Adjustment on impact of initial application of IFRS 9, net of tax [note 3(c)]	-	2,513	(2,513)	-
Adjusted balances at April 1, 2018	86,716	(2,125)	(1,191)	83,400
Total comprehensive income for 2019				
Profit for the year	-	-	6,248	6,248
Other comprehensive income for the year				
Unrealised losses on debt securities at FVOCI	-	(1,411)	-	(1,411)
Realised gain on securities at FVOCI (2018: transferred to profit or loss)	-	2,700	-	2,700
Other comprehensive income	-	1,289	-	1,289
Total comprehensive income for the year	-	1,289	6,248	7,537
Transactions with owners recorded directly in equity				
Dividends to equity holders (note 33)	-	-	(5,066)	(5,066)
Balances at March 31, 2019	**86,716**	**(836)**	**(9)**	**85,871**

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

PROVEN INVESTMENTS LIMITED

Statements of Cash Flows
Year ended March 31, 2019
Presented in United States dollars, except as otherwise stated)

	Notes	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Cash flows from/(used in) operating activities					
Profit for the year		10,185	9,507	6,248	5,200
Adjustments for:					
Amortisation	12	1,462	1,336	-	-
Depreciation	10	386	323	-	-
Interest income	26	(26,206)	(28,490)	(5,348)	(7,034)
Interest expense	26	7,475	8,099	3,660	4,921
Dividend income		(342)	(807)	(8,734)	(7,599)
Impairment loss on loans and other assets		1,089	2,448	(144)	-
Gain on acquisition of subsidiary	13(b)	-	(48)	-	-
Share of profit of associates	14	(1,308)	-	-	-
Fair value adjustment on investment property		(1,978)	-	-	-
Equity-settled share based payment		-	199	-	-
Unrealised exchange loss on preference shares		-	-	-	375
Unrealised foreign exchange (gain)/loss		(1,633)	444	(522)	594
Amortisation of transaction cost on issue of preference shares		323	63	323	63
Income tax charge/(credit)	30	1,665	2,154	(15)	-
		(8,882)	(4,772)	(4,532)	(3,480)
Change in operating assets and liabilities					
Investment securities		36,504	(10,628)	56,350	(6,814)
Loans receivable		(6,314)	(5,062)	6,453	(6,142)
Other assets		4,038	3,705	2,122	2,067
Owed by subsidiaries		-	-	(1,893)	(47)
Other liabilities		1,193	(9,390)	(150)	(727)
Due to customers		(19,778)	(29,226)	-	-
Due to other banks		(1,665)	(28)	-	-
Repurchase agreements		(5,084)	(49,290)	(4,384)	(10,461)
Resale agreements		14,317	14,125	4,900	(5,500)
Owed to subsidiaries		-	-	(1,269)	532
Owed to related party		325	(851)	325	(995)
Deferred income		2,854	-	-	-
Guarantees and letters of credit		16	-	-	-
Development in progress		(1,507)	-	-	-
		16,017	(91,417)	57,922	(31,567)
Interest received		24,079	26,009	4,389	4,903
Dividend received		342	807	8,734	7,599
Interest paid		(8,815)	(7,458)	(3,379)	(5,314)
Income tax paid		(2,206)	(2,405)	-	-
Net cash provided/(used) by operating activities		29,417	(74,464)	67,666	(24,379)
Cash flows provided/(used) by investing activities					
Acquisition of subsidiaries, net of cash acquired	13	(19,829)	(644)	(29,786)	-
Acquisition of associate		(74,615)	-	(570)	-
Development in progress		-	194	-	-
Purchase of investment property		(3,993)	(11,184)	-	-
Purchase of property, plant and equipment	10	(702)	(344)	-	-
Purchase of intangible asset	12	(377)	(79)	-	-
Repayment of preference shares		(16,737)	-	(16,737)	-
Net cash used by investing activities		(116,253)	(12,057)	(47,093)	-
Net cash flows (used)/provided by operating and investing activities (carried forward to page 17)		(86,836)	(86,521)	20,573	(24,379)

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

PROVEN INVESTMENTS LIMITED

Statements of Cash Flows (Continued)
Year ended March 31, 2019
Presented in United States dollars, except as otherwise stated)

	Notes	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Cash flows (used)/provided by operating and investing activities (brought forward from page 16)		(86,836)	(86,521)	20,573	(24,379)
Cash flows from/(used in) financing activities					
Proceeds from issue of shares	22	-	17,468	-	17,468
Translation adjustment in respect of foreign subsidiaries		(188)	575	-	-
Notes payable		73,589	14,274	(13,732)	13,235
Dividends paid	33	(6,820)	(7,747)	(5,066)	(6,383)
Net cash provided/(used) by financing activities		66,581	24,570	(18,798)	24,320
Net (decrease)/increase in cash and cash equivalents		(20,255)	(61,951)	1,775	(59)
Cash and cash equivalents at beginning of year		89,363	151,314	261	320
Cash and cash equivalents at end of year		69,108	89,363	2,036	261

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

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements
Year ended March 31, 2019
(Presented in United States dollars, except as otherwise stated)

1. Identification

Proven Investments Limited ("the Company") is incorporated and domiciled in Saint Lucia under the International Business Companies Act, with registered office at 20 Micoud Street, Castries, Saint Lucia. The Company's shares are listed on the Jamaica Stock Exchange.

The primary activities of the Company are the holding of tradable securities for investment purposes and holding equity in investments.

The Company has the following subsidiaries and associated companies:

Subsidiaries	Country of incorporation	Nature of Business	Percentage ownership 2019	2018
Boslil Bank Limited	Saint Lucia	Private Banking	75	75
Boslil International Holdings Limited	Saint Lucia	Holding company	100	100
Boslil Bond Fund Limited	Saint Lucia	Structured finance services investment management	100	100
Boslil Equity Fund Limited	Saint Lucia	Private mutual fund	100	100
Boslil Secretarial Services	Saint Lucia	Private secretarial services	100	100
Boslil Corporate Services Limited	Saint Lucia	Registered agent services	100	100
Boslil Finance Limited	Saint Lucia	Structured finance services investment management	100	100
Boslil Sudamenco S.A.	Uruguay	Market research translation and business development services	100	100
Access Financial Services Limited and its wholly owned subsidiary	Jamaica	Retail lending	49.72	49.72
Embassy Loans Inc.	U.S.A.	Retail lending	100	-
Proven Wealth Limited	Jamaica	Fund management, investment advisory services, and money market and equity trading	100	100
Proven Fund Managers Limited	Jamaica	Pension fund management	100	100
International Financial Planning (Cayman Limited)	Cayman Islands	Fund management	100	-
Asset Management Company Limited	Jamaica	Hire purchase financing	100	100
Real Properties Limited and its wholly-owned subsidiaries	Saint Lucia	Real estate investment	100	100
Proven Kingsway Limited	Saint Lucia	Real estate investment	100	100
Real Millsborough Limited	Saint Lucia	Real estate investment	100	100
Real Bloomfield Limited	Saint Lucia	Real estate investment	100	100
Real PP Limited	Saint Lucia	Real estate investment	100	-
Real 53 NPW Limited	Saint Lucia	Real estate investment	100	-
Proven Reit Limited	Jamaica	Management services	100	100
Proven Holding Limited	Jamaica	Investment advisory services	100	-
Associate companies				
JMMB Group Limited	Jamaica	Investment advisory, Banking, Market and equity	20	-
Dream Entertainment Limited	Jamaica	Entertainment	20	-

2. 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.

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 its operations and has determined that the following are likely to have an effect on its financial statements:

(i) 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 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 the amendment will have on its 2020 financial statements.

(ii) *Annual Improvements to IFRS* 2015-2017 cycle contain amendments to IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.

(i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. But if a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

(ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) *Annual Improvements to IFRS* 2015-2017 cycle (continued)

(iii) IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. The change will apply to borrowing costs incurred on or after the date of initial adoption of the amendment.

The Group is assessing the impact that the amendments in respect of income taxes and borrowing costs will have on its 2020 financial statements.

(iii) Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Group does not expect the amendment to have a significant impact on its 2021 financial statements.

(iv) 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.

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

(v) 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 treatment for income tax treatments that are yet to be accepted by tax authorities, whilst aiming to enhance transparency.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

(v) IFRIC 23, *Uncertainty over income tax treatments (continued)*

IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that is used or plans to use in its income tax filing.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to 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.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

IFRIC 23 does not add any new disclosure requirements. However, it highlights that an entity shall determine whether it should disclose judgements made in the process of applying its accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in accordance with paragraph 122 of IAS 1, *Presentation of Financial Statements*.

IFRIC 23 requires that when it is probable that a taxation authority will accept an uncertain tax treatment, paragraph 88 of IAS 12 should be applied to determine the disclosure of a tax- related contingency. 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 policies 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.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of financial assets at fair value through other comprehensive income (2018: available-for-sale) and at fair value through profit or loss and investment property.

2. Basis of preparation (continued)

(c) Functional and presentation currency

The financial statements are presented in United States dollars (USD), which is the functional currency of the Company, rounded to the nearest thousand, unless otherwise indicated. The financial statements of those subsidiaries which have other functional currencies, are translated into USD in the manner set out in note 4(h).

(d) Estimates critical to reported amounts, and judgements made in applying accounting policies:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgements 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.

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:

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

Applicable under IFRS 9 from April 1, 2018

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in notes 4(j) and 36(b).

2. Basis of preparation (continued)

(d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

(i) Key sources of estimation uncertainty (continued)

(1) Impairment of financial assets (continued):

Applicable before April 1, 2018

In determining amounts, if any, to be recorded for impairment of securities and receivables in the financial statements for 2018 and prior years, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances.

Management also makes estimates of the likely estimated future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant the amount and timing of cash flows are estimated for each receivable individually.

Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

(2) 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 estimates the yield curve on the basis of 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 6 and 37).

(3) Impairment of goodwill and other intangible assets

Impairment of goodwill and other intangibles is dependent upon management's internal assessment of future cash flows from the cash-generating units that gave rise to the goodwill and intangible assets. That internal assessment determines the amount recoverable from the cash generating units and is sensitive to the discount rates used and the projections of future cash flows (note 12).

2. Basis of preparation (continued)

(d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

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

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Management is sometimes also required to make critical judgements in applying accounting policies. These include the following judgements:

- Whether the criteria are met for classifying financial assets. For example, the determination of whether a security may be classified as at "fair value through profit or loss (FVTPL)", "fair value through other comprehensive income (FVOCI)" or "amortised cost" (note 6) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 37) requires judgement as to whether a market is active. [see note 4(b)]
- In determining whether the Group has control or significant influence over an investee and how to account for that investee, management considers the percentage of the investee's share capital that it holds and makes judgements about other relevant factors affecting control or significant influence over the relevant activities of the investee [see notes 4(a), 13 and 14].

3. Changes in accounting policies

The Group has applied IFRS 9 and IFRS 15 from April 1, 2018. A number of other new standards are also effective from January 1, 2018, but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related contract assets and liabilities recognised by the Group.

The effect of applying IFRS 9 is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- reclassification of fair value measurement of investment securities; and
- additional disclosures related to IFRS 9 [see note 36(b)].

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1, *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Group has adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

As permitted by the transitional provisions of IFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities, as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation on how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 4(b).

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost or FVOCI. Under IFRS 9, credit loss allowances are recognised earlier than under IAS 39 [see note 36(b)].

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

(c) The impact, net of tax, of transition to IFRS 9 on the opening retained earnings and fair value reserve is as follows:

(i) Retained earnings:

	Group $'000	Company $'000
Balance as at March 31, 2018	13,448	1,322
Reclassification of investment at FVOCI to FVTPL	(2,794)	(2,273)
Recognition of expected credit losses under IFRS 9:		
Investment securities and loans receivable, net of taxes	(2,885)	(240)
	(5,679)	(2,513)
Opening balance under IFRS 9 at April 1, 2018	7,769	(1,191)

(ii) Fair value reserve:

	Group $'000	Company $'000
Balance as at March 31, 2018 under IAS 39	(8,194)	(4,638)
Movement in fair value on reclassification of investments securities from FVOCI to FVTPL	2,794	2,273
Recognition of expected credit losses on investments, net of taxes	770	240
	3,564	2,513
Opening balance under IFRS 9 at April 1, 2018	(4,630)	(2,125)

(d) The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's and the Company's financial assets as at April 1, 2018.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Group

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 Carrying amount at March 31, 2018	mpairment losses	IFRS 9 carrying amount at April 1, 2018
			$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	89,364	-	89,364
Resale agreements	Loans and receivables	Amortised cost	24,373	-	24,373
Loans receivable	Loans and receivables	Amortised cost	43,903	(2,163)	41,740
Quoted equities:					
FVTPL	FVTPL	FVTPL	64	-	64
Available-for-sale	Available-for-sale	FVTPL	5,547	-	5,547
Credit linked notes	FVTPL	Mandatory at FVTPL	1,998	-	1,998
Available-for-sale	Available for sale	FVOCI	337,211	(1,616)	335,595
Mutual Funds	Available-for-sale	FVTPL	10,977		10,977
Term deposits and global bonds	Loans and receivables	FVOCI	13,288	-	13,288
Total financial assets			526,725	(3,779)	522,946

Company

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 Carrying amount at March 31, 2018	Impairment losses	IFRS 9 carrying amount at April 1, 2018
			$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	261	-	261
Resale agreements	Loans and receivables	Amortised cost	5,500	-	5,500
Loans receivable	Loans and receivables	Amortised cost	25,030	-	25,030
Quoted equities:					
Available-for-sale	Available-for-sale	FVTPL	3,279	-	3,279
Credit linked notes	FVTPL	Mandatory at FVTPL	1,998	-	1,998
Available-for-sale	Available for sale	FVOCI	101,233	(240)	100,993
Mutual Funds	Available-for-sale	FVTPL	10,977	-	10,977
Total financial assets			148,278	(240)	148,038

4. Significant accounting policies

(a) Basis of consolidation:

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

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

(ii) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirees' identifiable net assets at the date of acquisition, plus accumulated share of changes in equity of the relevant subsidiary. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(iv) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates are accounted for using the equity method.

They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to Nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of accumulated losses not recognised.

(v) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary and any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(vi) Transactions eliminated on consolidation

Balances and transactions between companies within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Financial instruments – Classification, recognition and de-recognition, and measurement

Policy applicable from April 1, 2018

(i) Classification of financial assets

In applying IFRS 9, the Group classified its financial assets in the following measurement categories:

a. Fair value through profit or loss (FVTPL);
b. Fair value through other comprehensive income (FVOCI); or
c. Amortised cost.

4. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement

Policy applicable from April 1, 2018 (continued)

(i) Classification of financial assets (continued)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 36(b). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

4. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

Policy applicable from April 1, 2018 (continued)

(i) Classification of financial assets (continued)

Equity instruments (continued)

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Other operating income' caption in the income statement.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

4. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

(i) Classification of financial assets (continued)

Business model assessment (continued)

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(ii) Measurement of gains and losses on financial assets

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Gains and losses on equity instruments classified at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(iii) Financial liabilities

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies related to financial liabilities, as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

4. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

Policy applicable before April 1, 2018

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

(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.

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

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

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.

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category.

(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 but 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.

4. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

Policy applicable before April 1, 2018 (continued)

(iii) Recognition and derecognition - non-derivative financial assets and financial liabilities (continued)

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

(iv) 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.

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 and 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, the fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

4. Significant accounting policies (continued)

(c) Financial instruments - Other

(i) Non-trading derivatives

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

The Group evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a "host contract"). The Group accounts for an embedded derivative separately from the host contract when (i) the host contract is not itself carried at fair value through profit or loss, (ii) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and (iii) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated as at fair value through profit or loss.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

(ii) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. These include certificates of deposit where the maturities do not exceed three months from the date of acquisition.

Cash and cash equivalents are measured at amortised cost.

(iii) Other assets

Other assets are measured at amortised cost less impairment losses.

(iv) Other liabilities

Other liabilities are measured at amortised cost.

4. Significant accounting policies (continued)

(c) Financial instruments – Other (continued)

(v) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending, and are classified as at amortised cost (2018: loans and receivables). On initial recognition they are measured at fair value. Subsequent to initial recognition they are measured at amortised cost. The difference between the purchase cost and the resale consideration is recognised in profit or loss as interest income using the effective interest method.

Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. The difference between the sale consideration and the repurchase cost is recognised in profit or loss over the life of each agreement as interest expense using the effective interest method.

(vi) 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. In the case of its preference share capital, it is classified as:

(1) equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as distributions within equity;

(2) liability if it is redeemable on a specific date or at the option of the holders, or if dividends are not discretionary; in such a case dividends thereon are recognised as interest in profit or loss.

The Group's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are classified as financial liabilities.

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

(vii) Loans and notes receivable and other receivables

Loans and notes receivable and other receivables are measured at amortised cost less impairment allowances, see note 4(j).

(viii) Accounts payable

Accounts payable are measured at amortised cost.

4. Significant accounting policies (continued)

(c) Financial instruments – Other (continued)

(ix) Interest-bearing borrowings

Interest-bearing borrowings 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 being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(x) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(xi) Amortised cost

Amortised cost is calculated using the effective interest method. Premiums, discounts and initial transaction costs are included in the carrying amount of the related instruments and amortised based on the effective interest rates.

(d) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. These costs comprise the value of land contributed to the development, direct costs related to property development activities and indirect costs that are attributable to the development activities and can be allocated to the projects.

(e) Investment properties

Investment properties, comprising principally land and buildings, are held for rental yields and capital appreciation and are treated as long-term investments. They are measured initially at cost, including related transaction costs and are subsequently measured at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss.

4. Significant accounting policies (continued)

(e) Investment properties (continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(f) Property, plant and equipment

(i) Cost

Items of 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 an asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied in the part will flow to the Group and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(i) Depreciation

Property, plant and equipment 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:

Computers	25% - 33⅓%
Furniture, fixtures and equipment	10% - 20%
Leasehold improvements	10% - 20%
Motor vehicles	20% - 25%

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

(g) Intangible assets

(i) Customer relationships and non-compete agreements that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Trade names, licences and other intangible assets that have indefinite useful lives are carried at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

4. Significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Software

Acquired computer software licenses as well as third party and internal costs directly associated with the development of software are capitalised as intangible assets on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortised over their estimated useful lives (three to eight years). Internal costs associated with developing or maintaining computer software programs are recognised as expense as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets with finite asset lives, are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Customer relationships 6 to 20 years
- Non-compete agreement 2-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. These rates represent the weighted average rates at which the Group trades in foreign currency.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI (2018: available-for-sale) are analysed between translation differences resulting from changes in the 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. Other changes in the carrying amount are recognised in other comprehensive income and presented in fair value reserve.

4. Significant accounting policies (continued)

(h) Foreign currency translation (continued)

(i) Transactions and balances (continued)

Translation differences on non-monetary items, such as equities classified as FVOCI (2018: available-for-sale) financial assets, are recognised in other comprehensive income and presented in the fair value reserve in stockholders' equity.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into USD at the spot exchange rate at the reporting date. The income and expenses of the foreign operations are translated into USD at the average exchange rates for the period. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income and included in foreign exchange translation reserve.

(i) Income tax

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

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

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

(j) Impairment of financial assets

Policy applicable from April 1, 2018

The Group recognises loss allowances for expected credit losses (ECL) on the financial instruments measured at amortised cost and debt instruments at FVOCI. No impairment loss is recognised on equity instruments which are measured at FVTPL.

4. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Framework

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. See below for a description of how the Group determines when a significant increase in credit risk has occurred.
- A financial asset is credit impaired ('Stage 3') when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. See below and note 36(b) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. See note 36(b) for an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired ('Stage 3'). Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

4. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Credit-impaired financial assets (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Measurement of ECL

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

4. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Measurement of ECL (continued)

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- trade and lease receivables: Loss allowances for trade and lease receivables, measured at an amount equal to lifetime ECL.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

Policy applicable before April 1, 2018

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. 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.

4. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Policy applicable before April 1, 2018 (continued)

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

Loans and advances that have been assessed individually and found not to be impaired are assessed collectively in groups of assets with similar risk characteristics to determine whether provisions should be made due to incurred loss events which are not yet evident.

The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data country risk and the performance of different groups.

(1) Calculation of recoverable amount

The recoverable amount of the Group's investment securities classified as loans and receivables and other receivables such as loans and advances 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.

(a) The calculation of the present value of the estimate future cash flows of a collateralised financial asset reflects the expected cash flows from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

(b) When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amount previously written off decrease the amount of the loan impairment charge in profit or loss.

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.

(2) 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.

4. Significant accounting policies (continued)

(j) Impairment of financial assets (continued)

Policy applicable before April 1, 2018 (continued)

(2) Reversals of impairment (continued)

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 is reverse 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.

(k) Impairment of non-financial assets

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

(l) Investment in subsidiaries

Investment in subsidiaries is measured in the separate financial statements of the Company at cost, less impairment losses, if any.

(m) Revenue recognition

Revenue comprises interest income, fees and commissions, dividends, income and gains from holding and trading securities and property sales.

(i) Interest income

Policy applicable from April 1, 2018

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

4. Significant accounting policies (continued)

(m) Revenue recognition (continued)

(i) Interest income (continued)

Policy applicable before April 1, 2018

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

(ii) Fee and commission income

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-apportioned basis. Asset management fees related to investment funds are recognised as 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 income is established. For quoted securities, this is usually the ex-dividend date.

(iv) Gains or losses on holding and trading securities

Gains or loss on securities trading are recognised when the Group becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon re-measurement of those assets.

(n) 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 to its carrying amount.

The effective interest rate is established on initial recognition of the financial liability and not revised subsequently. Interest expense includes coupons paid on fixed rate liabilities and accretion of discount or amortisation of premium on instruments issued at other than par.

4. Significant accounting policies (continued)

(o) Employee benefits

Employee benefits comprise forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, National Insurance Scheme contributions, annual vacation leave, and non-monetary benefits, such as medical care and housing; post-employment benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination benefits.

(i) General benefits

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 in (ii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

(ii) Share-based payment transaction

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is recognised as staff costs.

5. Resale agreements

The Group purchases government and corporate securities and agrees to resell them at a specified dates at a specified prices [see note 4(c)(v)].

Resale agreements result in credit exposure, in that the counterparty to the transaction may be unable to fulfill its contractual obligations. At the reporting date, the fair value of the securities held as collateral for resale agreements was $12,531,000 (2018: $29,727,000) for the Group and $637,000 (2018: $5,731,000) for the Company.

6. Investment securities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss				
Quoted equities	3,839	64	-	-
Credit-linked notes	-	1,998	-	1,998
Global bonds	9,450	-	-	-
Foreign sovereign debt	576	-	-	-
Global equities	2,347	-	-	-
	16,212	2,062	-	1,998

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

6. Investment securities (continued)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets at fair value through other comprehensive income (2018: Available-for-sale)				
Global bonds	193,691	198,863	16,280	20,948
Government of Jamaica securities	49,694	31,757	-	-
Corporate bonds	53,715	72,520	43,886	58,904
Mutual funds	-	10,977	-	10,977
Certificate of deposits	2,682	21,381	2,404	21,381
Equities - Jamaica	-	332	-	332
Global equities	-	5,215	-	2,947
Commercial paper	-	1,043	-	-
Foreign sovereign debt	5,475	11,647	-	-
	305,257	353,735	62,570	115,489
Amortised cost (2018: Loans and receivables)				
Term deposits	-	7,423	-	-
Global bonds	10,105	5,865	-	-
Corporate bonds	4,516	-	-	-
Commercial papers	680	-	-	-
	15,301	13,288	-	-
Less: allowance for expected credit losses	(30)	-	-	-
	15,271	13,288	-	-
Total investments	336,740	369,085	62,570	117,487

As at March 31, 2019, $115,422,000 (2018: $293,309,000) of investment securities is expected to be recovered more than 12 months after the reporting date.

7. Loans receivable

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Loans and advances to customers	40,864	41,376	-	-
Margin loans [see (a) below]	1,601	1,683	-	-
Corporate notes	15,035	6,647	18,750	25,347
Other loans	12	-	-	-
	57,512	49,706	18,750	25,347
Less allowance for expected credit losses [see (c)]	(3,588)	(5,803)	(173)	(317)
	53,924	43,903	18,577	25,030

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

7. Loans receivable (continued)

(a) Margin loans represent advances made by the Group to facilitate the purchase of securities by its clients. The securities purchased are pledged as collateral for the outstanding advances. Certain of these securities have been re-pledged by the Group. At the reporting date, the fair value of the collateral pledged by the clients and re-pledged by the Group was $20,906,000 (2018: $7,566,000).

(b) Loans receivable, net of allowance for expected credit losses, are due from the reporting date as follows:

	Group				
	Within 3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
			2019		
Margin loans	860	741	-	-	1,601
Corporate notes	1,150	-	12,139	1,573	14,862
Hire purchase loans	-	-	12	-	12
Loans and advances to customers	3,068	16,249	18,132	-	37,449
	5,078	16,990	30,283	1,573	53,924
			2018		
Margin loans	152	1,534	-	-	1,686
Corporate notes	1,150	1,501	-	3,678	6,329
Loans and advances to customers	3,874	9,264	22,750	-	35,888
	5,176	12,299	22,750	3,678	43,903

	Company				
	Within 3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
			2019		
Corporate notes	1,234	3,571	12,199	1,573	18,577
			2018		
Corporate notes	1,420	8,426	11,505	3,679	25,030

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Notes to the Financial Statements (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

7. Loans receivable (continued)

(c) Expected credit losses (2018: Impairment losses)

(i) The ageing of loans receivable is as follows:

	Group			
	2019		2018	
	Gross	Allowance for impairment	Gross	Allowance for impairment
	$'000	$'000	$'000	$'000
Not past due and not impaired	35,301	-	41,947	-
Less than 90 days past due and impaired	3,720	1,280	2,776	892
More than 90 days past due and impaired	18,491	2,308	4,983	4,911
	57,512	3,588	49,706	5,803

(ii) The movement on the expected credit losses (2018: impairment allowance) is as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	5,803	3,594	317	-
IFRS 9 transition adjustment (see note 3)	2,081	-	-	-
Impairment allowances recognised/reversed	905	2,241	(144)	349
Bad debt recovered	-	-	-	(32)
Loans written off	(5,201)	-	-	-
Effect of exchange rate movements	-	(32)	-	-
Balance at the end of the year	3,588	5,803	173	317

8. Other assets

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Withholding tax recoverable	3,371	3,185	-	-
Interest receivable	2,128	2,481	959	2,132
Other	4,103	4,794	204	194
	9,602	10,460	1,163	2,326
Less allowance for expected credit losses	(295)	(110)	-	-
	9,307	10,350	1,163	2,326

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended March 31, 2019
(*Presented in United States dollars, except as otherwise stated)*

8. Other assets (continued)

The movement in expected credit losses (2018: allowance for impairment) is as follows:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of year	110	108
Expected credit losses recognised	184	-
Effect of exchange rate movements	1	2
Balance at end of year	295	110

During the year trade receivables of $Nil (2018: $32,000) for the Group and $Nil (2018: $32,000) for the Company were expensed directly in profit or loss.

9. Property development in progress

This comprises land and associated costs on a project to develop a residential and commercial complex, including an amount of $1,308,000 in settlement of variable consideration on the purchase of the property.

Of this amount, $9,090,000 was previously classified as investment property (note 11).

10. Property, plant and equipment

	Group						
	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Work in progress	Art-work	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
March 31, 2017	561	1,076	153	1,255	-	5	3,050
Acquired through business combination	-	43	-	-	-	-	43
Additions	50	137	110	47	-	-	344
Disposals	-	-	(59)	-	-	-	(59)
Translation adjustment	12	14	12	(42)	-	-	(4)
March 31, 2018	623	1,270	216	1,260	-	5	3,374
Additions	106	118	-	56	422	-	702
Disposals	(9)	(9)	-	-	-	-	(18)
Translation adjustment	12	8	9	12	-	-	41
March 31, 2019	732	1,387	225	1,328	422	5	4,099

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Notes to the Financial Statements (Continued)
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10. Property, plant and equipment (continued)

	Group						
	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Work in progress $'000	Art-work $'000	Total $'000
Depreciation:							
March 31, 2017	267	717	117	984	-	-	2,085
Charge for the year	104	77	34	108	-	-	323
Disposals	-	-	(59)	-	-	-	(59)
Translation adjustment	(3)	(7)	(4)	-	-	-	(14)
March 31, 2018	368	787	88	1,092	-	-	2,335
Charge for the year	63	136	39	148	-	-	386
Translation adjustment	(19)	10	18	14	-	-	23
March 31, 2019	412	933	145	1,254	-	-	2,744
Net book values:							
March 31, 2019	320	454	80	74	422	5	1,355
March 31, 2018	255	483	128	168	-	5	1,039

11. Investment property

	Group	
	2019 $'000	2018 $'000
At beginning of year	17,348	6,148
Investment property acquired	3,993	11,186
Fair value adjustment (note 27)	1,978	(4)
Transfer to property development in progress (note 9)	(9,090)	-
Foreign exchange translation adjustment	-	18
	14,229	17,348

The Group's investment properties were last revalued in September 2018 and December 2018 by independent valuators, DC Tavares Finson Realty Company Limited. The valuations were done on the basis of open market value. The fair value of the investment property is categorised as Level 3 in the fair value hierarchy.

11. Investment property (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market approach. This model takes into account: • The fact that the intention is to dispose of the property in an open market transaction. • The expected 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 by of sale (hypothetical). • The property will be freely exposed to the market; and • The potential rental value of the property in the current investment climate.	• 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 level of current and future economic activity in the location and the impact on 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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Notes to the Financial Statements (Continued)
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12. Intangible assets

	Group						
	Customer relationships	Non-compete agreements	Trade name	Goodwill	License	Computer software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
March 31, 2017	8,312	1,669	2,534	10,391	439	887	24,232
Acquired through business combination	46	-	12	-	-	-	58
Additions	-	-	-	-	-	79	79
Translation adjustment	4	-	1	1	13	10	29
March 31, 2018	8,362	1,669	2,547	10,392	452	976	24,398
Acquired through business combination	6,756	-	320	9,422	-	-	16,498
Additions	-	-	-	-	-	377	377
Translation adjustment	6	-	(7)	(8)	-	(5)	(14)
March 31, 2019	15,124	1,669	2,860	19,806	452	1,348	41,259
Amortisation:							
March 31, 2017	1,765	899	-	-	-	378	3,042
Amortisation for the year	844	182	-	-	-	310	1,336
Translation adjustment	(1)	20	-	-	-	(13)	6
March 31, 2018	2,608	1,101	-	-	-	675	4,384
Amortisation for the year	1,022	206	-	-	-	234	1,462
Translation adjustment	-	(15)	-	-	-	5	(10)
March 31, 2019	3,630	1,292	-	-	-	914	5,836
Net book values:							
March 31, 2019	11,494	377	2,860	19,806	452	434	35,423
March 31, 2018	5,754	568	2,547	10,392	452	301	20,014

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to the countries in which the businesses operate.

Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are taken over 5 years and the long-term growth rate is applied following the projection period, with a terminal value calculated based on the discount rate and growth rate applied. Each cash generating unit is regarded as saleable to a third party at any future date at a price sufficient to recover its carrying amount of goodwill. Key assumptions are set out below:

12. Intangible assets (continued)

	2019	2018
Retail lending cash generating units (CGUs)		
Discount rate	24.3%	29.5%
Growth rate	6.0%	6.0%

The fair values of the Access Financial Services Limited and International Financial Planning Limited (IFP) trade names were calculated using the relief from royalty method and compared to the carrying value of the trade names as at March 31, 2019.

13. Investment in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Ordinary shares at cost:		
Proven Wealth Limited	16,567	16,567
Real Properties Limited *(formerly Proven REIT Limited)*	16,214	641
Asset Management Company Limited	412	412
Boslil Bank Limited	10,435	10,435
Proven Fund Managers Limited	18,176	18,176
Access Financial Services Limited	10,757	10,757
International Financial Planning (Cayman) Limited [see (a) below]	14,213	-
	86,774	56,988

(a) Acquisition of International Financial Planning Limited

Effective August 22, 2018, the Company acquired 100% of the common shares of IFP, a licensed securities dealer, with offices in the Cayman Islands and thoroughout the Caribbean. The principal activities of IFP are investment management. The acquisition is expected to provide an enhanced level of income, above-average returns, and preservation of capital for shareholders of the Company.

IFP contributed revenue of $2,725,000 and attributable post-acquisition profit of $525,000 to the Group's results in the period to March 31, 2019. If the acquisition had occurred on April 1, 2018, management estimates that consolidated revenue from IFP would have been $4,514,133, and consolidated profit for the year would have been $835,933. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2018. The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition.

13. Investment in subsidiaries (continued)

(a) Acquisition of International Financial Planning Limited (continued)

(i) Identifiable assets acquired and liabilities assumed:

	2019 $'000
Cash and cash equivalents	720
Other receivables	37
Intangible assets	6,672
Other liabilities	(51)
Net assets acquired	7,378
Goodwill acquired	6,835
Total consideration on acquisition	14,213

(ii) Cash flow on acquisition

	2019 $'000
Total consideration transferred	(14,213)
Less: cash acquired	720
Net cash outflow on acquisition	(13,493)

(iii) The fair values of material asset categories were established as follows:

- Intangible assets: The value of brands and trademarks was assessed using the relief - from-royalty method. The value of customer relationships was assessed through the multi-period excess earnings method, performed by a qualified independent valuator. The value of non-compete agreements was valued using the incremental cash flow method.

- The other receivables comprise gross contractual amounts which were expected to be fully collectible at the date of acquisition.

(iv) Acquisition-related costs

The Group incurred acquisition-related costs of $462,244 on legal fees and due diligence costs. These costs have been included in 'administrative expenses' in profit for the year ended March 31, 2019.

(b)(i) Acquisition of Embassy Loans Inc.

On December 15, 2018, Access Financial Services acquired 100% shareholding in Embassy Loans Inc as a going concern.

13. Investment in subsidiaries (continued)

(b)(i) Acquisition of Embassy Loans Inc. (continued)

- Identifiable assets acquired and liabilities assumed:

	2019 $'000
Loans receivable	4,612
Other assets	1,015
Cash and cash equivalents	481
Intangible asset	400
Other liabilities and accruals	(1,278)
Subordinated notes payable	(1,000)
Net assets acquired	4,230
Goodwill acquired	2,587
Total consideration on acquisition	6,817

- Cash flow on acquisition

	2019 $'000
Cash and cash equivalents	(5,817)
Shareholder notes for two years at a rate of 10% per annum	(1,000)
	(6,817)
Less cash acquired	481
Net cash outflow on acquisition	(6,336)

(b)(ii) Acquisition of Micro Credit Limited

On May 27, 2017, Access Financial Services acquired the net assets, comprising the business of Micro Credit Limited, as a going concern comprising mainly loan portfolio, property, plant and equipment, trademark and customer relationship.

Identifiable assets acquired and liabilities assumed:

	2018 $'000
Loans receivable	591
Intangible assets	58
Property, plant and equipment	43
	692
Consideration transferred:	
Cash	(644)
Gain on acquisition	48

14. Investment in associates

	2019 $'000
Carrying amount of interest in associate:	
JMMB Group Limited	80,402
Dream Entertainment Limited	570
	80,972

(i) Investment in Dream Entertainment Limited

Effective February 6, 2019, the Company acquired 2,500 shares or 20% of the participating voting shares in Dream Entertainment Limited. The purpose of the acquisition is to generate dividend income.

(ii) Investment in JMMB Group Limited

Effective December 27, 2018, Proven Holdings Limited acquired 326,277,325 shares or 20% shareholding in JMMB Group Limited (JMMBGL). The principal activities of JMMBGL are investment management and banking services. The purpose of the acquisition is to generate dividend income. JMMBGL is listed on Jamaica Stock Exchange.

The following table summarises the financial information of JMMBGL as included in the Group's financial statements as at March 31, 2019, reflecting adjustments for differences in accounting policies.

	2019 $'000
Percentage ownership interest	20%
Statement of financial position	
Assets	2,559,878
Liabilities	(2,311,084)
Net assets attributable to equity holders (100%)	248,794
Group's share of net assets (20%)	49,758
Fair value difference at date of investment	32,504
Foreign exchange adjustment	(1,860)
Carrying amount of investment	80,402
Revenue	206,973
Profit from continuing operations	29,784
Other comprehensive loss, net of tax	(4,258)
Total comprehensive income	25,526

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Notes to the Financial Statements (Continued)
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14. Investment in associates

(ii) Investment in JMMB Group Limited shares (continued)

	2019 $'000
Share of total comprehensive income since date of investment:	
Profit from continuing operations	1,308
Other comprehensive income	5,409
	6,717

15. Repurchase agreements

The Group sells Government and corporate securities and agrees to repurchase them on specified dates and at specified prices.

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Denominated in Jamaica Dollars	27,358	28,868	-	2,730
Denominated in United States Dollars	61,218	64,841	-	1,654
Denominated in Pound Sterling	3	-	-	-
Denominated in Canadian Dollars	46	-	-	-
	88,625	93,709	-	4,384

16. Owed by/(to) related parties

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Owed by subsidiaries - current account	-	-	1,940	47
Owed to subsidiaries - current account	-	-	-	(1,269)
Owed to other related parties				
Current accounts	(129)	(85)	(129)	(85)
Dividend payable	(294)	(13)	(294)	(13)
	(423)	(98)	(423)	(98)

Current accounts represent accrued management fees and amounts payable to Proven Management Limited.

17. Notes payable

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Structured notes [see (i)]	70,612	59,577	70,612	59,577
Margin loans payable [see (ii)]	16,954	41,567	16,279	41,567
Other	23,584	9,817	-	-
Long-term loan [see (iii)]	74,400	-	-	-
	185,550	110,961	86,891	101,144

(i) Structured notes represent short to medium-term debt obligations issued by the Group. The notes are secured by a basket of securities and typically have fixed quarterly coupon payments, with bullet payments of principal at maturity.

(ii) Margin loans payable represent short-term debt facilities provided by brokerage firms to the Group to:

- acquire securities on its own account. The facilities are collateralised by the securities held with the brokerage firms.
- fund facilities offered to its clients. The clients have agreed with the Group that the securities purchased may be re-pledged or otherwise offered by the Group as collateral for the margin facility extended to the Group by the brokerage firm [note 7(a)].

(iii) During the year, the Company issued a Jamaican Dollar Corporate Bond of J$10.5 billion through NCB Capital Markets Limited to assist with the acquisition of ordinary shares in JMMB Group Limited. The bond was issued in three facilities (A, B & C) with maturity of ten (10) years, six (6) years and two (2) years respectively.

- Facility A represents J$6.4 billion, matures in 10 years, bears fixed interest of 5% per annum for years 1-3, fixed interest of 6.5% per annum for years 4-6, and fixed interest of 7.5% thereafter.
- Facility B represents J$2.9 billion, matures in 6 years, bears fixed interest of 6% per annum for years 1-3 and fixed interest of 7.5% thereafter.
- Facility C represents J$1.2 billion, which will be drawn down for a maximum period of 2 years and bears fixed interest of 6% per annum.

All coupon payments are required to be paid semi-annually.

18. Other liabilities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest payable	1,340	641	281	393
Payable to clients	116	342	-	-
Statutory payments	22	24	-	-
Accrued charges	1,011	295	140	131
Other	5,593	2,918	689	455
	8,082	4,220	1,110	979

19. Due to customers

	Group	
	2019	2018
	$'000	$'000
Time deposits	-	15,983
Term deposits	22,348	-
Interest bearing accounts	1,962	7,228
Non-interest bearing accounts	196,741	217,618
	221,051	240,829

20. Preference shares

		Group and Company	
		2019	2018
	J$'000	$'000	$'000
Manager's preference shares [see (a)]		1	1
8.25% Cumulative redeemable preference shares [see (b)]			
At beginning of year	2,097,967	16,416	15,976
Repayment	(2,097,967)	(16,737)	-
Amortisation of transaction costs	-	322	64
Effect of exchange rate fluctuation	-	-	376
At end of year	-	1	16,416

(a) The terms and conditions of the manager's preference shares include the following:

(i) the manager's preference shares rank *pari passu* as between and among themselves;

(ii) each manager's preference share is entitled to a cumulative annual preference dividend in the sum which is equal to:

(1) 25% of the profits and gains of the Company in each financial year in excess of the Annual Earnings Hurdle (computed in accordance with the formula set out in the terms and conditions of issue) for such financial year, divided by

(2) the number of manager's preference shares in issue when the said cumulative annual preference dividend is paid; and for this purpose the Annual Earnings Hurdle shall be the amount which results when the hurdle rate is applied to the average equity of the Company during such financial year.

(iii) Apart from the right to the cumulative annual preference dividend, the manager's preference shares have no economic rights or entitlements save for the right on a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units.

(iv) Each manager's preference share has votes attaching to it that are a multiple of the votes attaching to each ordinary stock unit on all resolutions and decisions at a general meeting, such that the preference share votes will be at least equal to the votes of the ordinary stock units, except on any resolution intended to vary the formula for computing the dividend payable to the preference shareholders, in which case each manager's preference share is entitled to one vote.

20. Preference shares (continued)

(b) The terms and conditions of the manager's preference shares include the following:

(i) the manager's preference shares rank *pari passu* as between and among themselves;

(ii) each manager's preference share is entitled to a cumulative annual preference dividend in the sum which is equal to:

(1) 25% of the profits and gains of the Company in each financial year in excess of the Annual Earnings Hurdle (computed in accordance with the formula set out in the terms and conditions of issue) for such financial year, divided by

(2) the number of manager's preference shares in issue when the said cumulative annual preference dividend is paid; and for this purpose the Annual Earnings Hurdle shall be the amount which results when the hurdle rate is applied to the average equity of the Company during such financial year.

(iii) Apart from the right to the cumulative annual preference dividend, the manager's preference shares have no economic rights or entitlements save for the right on a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units.

(ii) Each manager's preference share has votes attaching to it that are a multiple of the votes attaching to each ordinary stock unit on all resolutions and decisions at a general meeting, such that the preference share votes will be at least equal to the votes of the ordinary stock units, except on any resolution intended to vary the formula for computing the dividend payable to the preference shareholders, in which case each manager's preference share is entitled to one vote.

(b) The terms and conditions of the 8.25% Cumulative redeemable preference shares include the following:

(i) The right to a preferential dividend at the agreed annual rate, payable out of the profits of the Company, calculated on the capital paid up on the preference stock units, and any dividend not paid shall accumulate until paid;

(ii) The right to preferential repayment of paid-up preference capital, and any arrears of preference dividend upon the winding up or the Company or other return of capital;

(iii) No right to vote at any general meeting of the Company except where the dividend on the preference stock units are past due more than twelve months, and/or the notice for the redemption of preference stock units is past due and/or a resolution to wind up the Company has been passed;

(iv) The Company may redeem all or any of the preference stock units on or before December 15, 2021 at J$5.00 each.

The dividend on both classes of preference shares is recorded as interest expense in the profit or loss for the year.

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21. Deferred tax assets

	Group 2019			
	Balance at March 31, 2018 $'000	Recognised in profit or loss $'000 (note 30)	Recognised in equity $'000	Balance at March 31, 2019 $'000
Property, plant and equipment	12	7	-	19
Loans receivable	917	(482)	625	1,060
Other receivables	(426)	9	-	(417)
Unrealised foreign exchange gains	436	63	-	499
Investment property	(9)	-	-	(9)
Investment at FVOCI (2018: available-for-sale)	190	-	221 411	
Investment at FVPTL (2018: Fair value through profit nd loss)	8	72	-	80
Impairment loss on instruments at fair value through OCI	-	(32)	32	-
Other liabilities	76	5	-	81
Tax losses	24	-	-	24
Exchange difference on translation	27	(6)	-	21
Other	134	(135)	-	(1)
	1,389	(499)	878	1,768

	Group 2018			
	Balance at March 31, 2017 $'000	Recognised in profit or loss $'000 (note 30)	Recognised in equity $'000	Balance at March 31, 2018 $'000
Property, plant and equipment	7	5	-	12
Loans receivable	917	-	-	917
Other receivables	(750)	324	-	(426)
Unrealised foreign exchange gains	914	(478)	-	436
Investment property	(5)	(4)	-	(9)
Available-for-sale investment securities	309	(24)	(95)	190
Other liabilities	143	(67)	-	76
Tax losses	24	-	-	24
Exchange difference on translation	14	13	-	27
Other	140	2	-	142
	1,713	(229)	(95)	1,389

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22. Share capital

	2019 $'000	2018 $'000
Authorised:		
2,999,990,000 Ordinary shares, par value US$0.01 each	29,999,900	29,999,900
10,000 Manager's Preference Shares, par value US$0.01 each	100	100
300,000,000 8.25% Cumulative Redeemable Preference Shares, par value US$0.01 each	3,000,000	3,000,000
700,000,000 cumulative redeemable Preference share, par value US$0.01 each	7,000,000	7,000,000
	40,000,000	40,000,000

	2019 Units	2018 Units	2019 $'000	2018 $'000
Issued and fully paid:				
Ordinary shares	625,307,963	625,307,963	86,716	86,716
Manager's Preference Shares	10,000	10,000	1	1
8.25% (2018: 8.25%) Cumulative Redeemable Preference Shares	-	419,493,412	-	16,415
			86,717	103,132
Less: Preference shares classified as liability (see note 20)			(1)	(16,416)
			86,716	86,716

(a) During 2018, the Company issued an additional 73,712,186 ordinary shares at US$0.24¢ per share for the aggregate increase in ordinary share capital of $17,468,000.

(b) The holders of the ordinary shares are entitled to receive dividends from time to time, and are entitled to one vote per share at meetings of the Company.

(c) The rights and entitlements of the holders of the preference shares are set out in note 20.

23. Fair value reserve

This represents the cumulative net unrealised gains and losses in fair value, net of taxation, on the revaluation of FVOCI (2018: available-for-sale) investment securities, and remains until the securities are disposed of or impaired.

24. Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

25. Non-controlling interest

The following table summarises information relating to each of the Group's subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations.

	2019			
	Access Financial Services Ltd. $'000	Boslil Bank Ltd. $'000	Intra-group adjustments $'000	Total $'000
NCI percentage	**50.28%**	**25%**		
Total assets	38,132	245,354		
Total liabilities	(20,764)	(222,146)		
Net assets	17,368	23,208		
Carrying amount of NCI	8,733	5,802	9,185	23,720
Revenue	13,758	8,392		
Profit for the year	4,255	4,314		
Profit allocated to NCI	2,139	1,078		3,217
Cash flows from operating activities	5,917	(20,749)		
Cash flows from investment activities	(2,535)	(447)		
Cash flows from financing activities	(2,723)	(430)		
Net decrease in cash and cash equivalents	659	(21,626)		

	2018			
	Access Financial Services Ltd. $'000	Boslil Bank Ltd. $'000	Intra-group adjustments $'000	Total $'000
NCI percentage	**50.28%**	**25%**		
Total assets	28,077	262,963		
Total liabilities	(9,697)	(243,441)		
Net assets	18,380	19,522		
Carrying amount of NCI	9,241	4,881	8,135	22,257
Revenue	14,235	8,074		
Profit for the year	5,631	3,977		
Profit allocated to NCI	2,831	994		3,825
Cash flows from operating activities	1,980	(43,655)		
Cash flows from investment activities	(356)	(22)		
Cash flows from financing activities	(1,949)	(2,279)		
Net decrease in cash and cash equivalents	(325)	(45,956)		

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26. Net interest income

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest income:				
BOJ certificates of deposit	-	9	-	-
GOJ benchmark investment notes	1,054	2,011	283	410
Regional and corporate bonds	6,502	6,648	2,485	3,046
Global bonds	4,673	5,027	1,614	1,619
Resale agreements	420	903	20	14
Corporate note	905	989	896	1,932
Other loans receivable	11,333	11,935	-	-
Other	1,319	968	50	13
	26,206	28,490	5,348	7,034
Interest expense:				
Interest on margin loans	1,002	708	1,002	708
Repurchase agreements	1,371	2,874	20	185
Notes payable	4,183	3,878	2,234	2,332
Other	919	639	404	1,696
	7,475	8,099	3,660	4,921
Net interest income	18,731	20,391	1,688	2,113

27. Net fair value adjustments and realised gains

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fair value adjustment for investment property (note 11)	1,978	(4)	-	-
Fair value (losses)/gains on fixed income securities	(604)	4,247	(1,267)	414
Fair value (losses)/gains on equity securities	(235)	50	(57)	-
	1,139	4,293	(1,324)	414

28. Staff costs

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries, wages and related costs	8,692	6,813	-	-
Bonus and ex-gratia payments	459	361	-	-
Statutory payroll contributions	289	275	-	-
Pension costs - defined contribution plan	176	134	-	-
Staff welfare	113	53	-	-
Equity-settled share based payment	-	199	-	-
Other	1,911	773	94	92
	11,640	8,608	94	92

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28. Staff costs (continued)

Included in staff costs are the following directors' emoluments:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fees	295	261	94	92
Management remuneration	623	366	-	-

29. Other operating expenses

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Audit fees	380	233	101	109
Bad debt recovery, net	(269)	(208)	-	-
Irrecoverable GCT	558	347	127	111
Insurance	75	136	-	13
Legal and other professional fees	1,596	583	799	233
Licenses and permits	473	474	-	-
Marketing and advertising	771	677	201	205
Miscellaneous	927	612	447	144
Management fees [note 31(f)]	1,657	1,690	1,657	1,690
Irrecoverable income tax withheld	84	79	84	79
Office rent	892	646	-	-
Commission expenses and fees	403	432	490	210
Printing and stationery	182	210	4	4
Repairs and maintenance	757	449	-	-
Subscriptions and donations	66	94	-	-
Courier and collection services	203	300	-	-
Travelling	322	200	43	44
Utilities	530	549	-	-
Other operating expenses	2,035	1,363	319	77
	11,672	8,866	4,272	2,919

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30. Taxation

(a) The tax charge for income tax is computed at 1%, 25% and 33⅓% (depending on the jurisdiction) of profit for the year as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
(i) Current tax charge:				
Charge/(credit) on current period's profits:				
Income tax at 1%	-	24	-	-
Income tax at 2.74%	289	-	-	-
Income tax at 25%	(81)	675	-	-
Income tax at 33⅓%	945	1,401	-	-
	1,153	2,100	-	-
Prior year under provision	13	-	-	-
	1,166	2,100	-	-
(ii) Deferred tax (note 21):				
Origination and reversal of temporary differences	499	229	-	-
(iii) Prior year over provision	-	(175)	-	-
Total income tax charge	1,665	2,154	-	-

(b) Reconciliation of actual tax expense/(credit):

The tax rates for two of the subsidiaries are 25% and 33⅓% of profit before income tax adjusted for tax purposes, while the tax rate for the Company is 1% of profits. The actual charge for the year is as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit before taxation	11,850	11,661	6,233	5,200
Computed "expected" tax expense at 1%	-	1	-	-
Computed "expected" tax expense at 2.74%	(81)	-	-	-
Computed "expected" tax expense at 25%	962	1,576	-	-
Computed "expected" tax expense at 33⅓%	1,208	1,417	-	-
	2,089	2,994	-	-
Difference between profits for financial statements and tax reporting purposes on				
Depreciation charge and capital allowances	(10)	2	-	-
Income exempt from income tax	(414)	(212)	-	-
Employer tax credit	263	(363)	-	-
Disallowed expenses		438	-	-
Unrealised foreign exchange gains		(5)	-	-
Financial asset at fair value	(3)	3	-	-
Tax remission in subsidiary	(633)	(661)	-	-
Provision for loan loss	453	-	-	-
Prior period over-accrual	13	(175)	-	-
Other	(93)	133	-	-
Actual tax expense/(credit)	1,665	2,154	-	-

31. Related party transactions

(a) Definition of related party

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

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

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

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

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

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Group.

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

(b) Identity of related parties

The Group has related party relationships with its subsidiaries and associates and with its directors and executive officers and those of its subsidiaries and associates.

(c) The Group has engaged a related party, Proven Management Limited, to provide investment management services in relation to financial instruments held in a number of funds, and the business and operations of the Group, for a fee. The fee is charged at 2% of the Group's Average Net Asset Value in the financial year [see note 31(f)].

	Group and Company	
	2019	2018
	$'000	$'000
Investment management fees paid for the year	1,514	1,545
Fees accrued at end of year	143	145
	1,657	1,690

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31. Related party transactions (continued)

(d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the relevant activities of the Group, directly or indirectly. Such persons comprise the directors and executive officers. Key management compensation for the year is included in staff costs (note 28).

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

	Directors and key management	
	2019	2018
	$'000	$'000
Resale agreements	32	63
Other receivables	19	273
Repurchase agreements	1,092	-

Other amounts with related parties are disclosed in note 16.

(f) The statement of profit or loss and other comprehensive income includes the following income earned from, and expenses incurred in, transactions with related parties:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Proven Wealth Limited				
Interest income	-	-	19	139
MPS Holding Limited				
Dividends paid	1,289	976	1,289	976
Proven Management Limited				
Management fees	1,657	1,690	1,657	1,690

32. Earnings per stock unit

Earning per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent, of $6,968,000 (2018: $5,682,000), by the weighted average number of ordinary stock units in issue during the year, numbering 625,307,963 (2018: 601,881,624).

33. Distribution to equity holders

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Distribution to ordinary shareholders				
per stock unit - parent at 0.81¢ (2018: 1.1¢)	5,066	6,383	5,066	6,383
- non-controlling interest	1,754	1,364	-	-
	6,820	7,747	5,066	5,066

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34. Lease commitments

At the reporting date, there were operating lease rental commitments payable as follows:

	Group	
	2019	2018
	$'000	$'000
Within one year	170	494
Subsequent years	199	355
	369	849

35. Segment financial information

	Group					
	2019					
	Wealth management	Private banking	Retail lending	Real estate & other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Gross revenue	26,669	8,385	13,745	5,900	-	54,642
Inter-segment revenue	(6,273)	(1,270)	(1,296)	(608)	-	(9,447)
Revenue from external customers	20,396	7,115	12,449	5,292	-	45,195
Segment results	11,692	4,314	3,844	965	(8,984)	11,831
Preference share dividend						(1,289)
Share of profit of associateS						1,308
Profit before income tax						11,850
Taxation						(1,665)
Profit for the year						10,185
Total segment assets	291,654	245,354	38,073	106,899	(56,069)	625,911
Total segment liabilities	184,050	222,147	20,767	90,310	(7,096)	510,178
Interest income	9,901	5,842	10,813	42	(392)	26,206
Interest expense	(5,195)	(313)	(1,066)	(1,293)	392	(7,475)
Depreciation and amortisation	54	280	290	22	1,202	1,848

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35. Segmental financial information (continued)

	Group 2018					
	Wealth management $'000	Private banking $'000	Retail lending $'000	Real estate & other $'000	Eliminations $'000	Group $'000
Gross revenue	27,118	8,074	14,225	3,123	-	52,540
Inter-segment revenue	(5,383)	(1,895)	(952)	(13)	-	(8,243)
Revenue from external customers	21,735	6,179	13,273	3,110	-	44,297
Segment results	10,428	3,977	6,259	(61)	(8,014)	12,589
Preference share dividend						(976)
Gain on acquisition of subsidiary						48
Profit before income tax						11,661
Taxation						(2,154)
Profit for the year						9,507
Total segment assets	329,194	262,963	28,079	20,205	(63,526)	576,915
Total segment liabilities	222,307	243,440	9,697	20,053	(25,934)	469,563
Interest income	13,351	4,572	11,536	77	(1,046)	28,490
Interest expense	(7,741)	(179)	(830)	(395)	1,046	(8,099)
Depreciation and amortisation	538	634	487	-	-	1,659

The geographic information analyses the Group's external revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on the geographic location of the customers and segment assets are based on the geographic location of the assets.

	Group 2019					
	St. Lucia $'000	Jamaica $'000	Cayman $'000	Other $'000	Eliminations $'000	Total $'000
External revenues	16,828	24,060	2,725	1,639	-	45,252
Non-current assets	110,829	77,646	-	2,758	(88,522)	102,711

	2018					
	St. Lucia $'000	Jamaica $'000	Cayman $'000	Other $'000	Eliminations $'000	Total $'000
External revenues	16,762	27,535	-	-	-	44,297
Non-current assets	74,341	2,511	-	-	(37,058)	39,794

36. Financial instruments - risk management

(a) Introduction and overview:

By their nature, the Group's activities are principally related to the use of financial instruments. The Group's activities therefore expose it to a variety of financial risks: credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and price risk. 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 for managing and monitoring risks, as follows:

(i) Investment Management Committee
(ii) Audit Committee

The Investment Management Committee oversees management's compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group accepts investments from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets.

The Group seeks to increase these margins by consolidating short-term funds and investing for longer periods at higher rates while maintaining sufficient liquidity to meet claims as they fall due.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in bond prices and in foreign exchange and interest rates. To manage the associated risks, trading limits are placed on the level of exposure that can be taken.

(b) Credit risk:

Management of credit risk attaching to key financial assets

Investment securities and loans receivable

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and the default correlations between counterparties.

36. Financial instruments - risk management (continued)

(b) Credit risk:

Management of credit risk attaching to key financial assets (continued)

Investment securities and loans receivable (continued)

The Group uses ECL models developed by independent service providers to determine the ECL allowances for its investments and loans receivable. The models measure credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Group uses a provision matrix in applying the simplified model for trade receivables.

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments (2019) and available-for-sale debt assets (2018). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

- Debt securities and other financial assets at amortised cost:

	Group				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Cash and cash equivalents and resale agreements	79,164	-	-	79,164	113,736
Investment grade	6,113	-	-	6,113	2,125
Non-investment grade	19,723	-	-	19,723	19,723
	105,030	-	-	105,030	131,630
Loss allowance	(30)	-	-	(30)	-
	105,000	-	-	105,000	131,630

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36. Financial instruments - risk management (continued)

(b) Credit risk (continued):

Management of credit risk attaching to key financial assets (continued)

Investment securities and loans receivable (continued)

- Debt securities and other financial assets at amortised cost (continued):

	Company				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Cash and cash equivalents and resale agreements	2,636	-	-	2,636	5,761

- Debt securities at FVOCI:

	Group				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	212,783	750	-	213,533	237,019
Non-investment grade	91,750	181	-	91,931	116,747
Default	(192)	(15)	-	(207)	(31)
	304,341	916	-	305,257	353,735
Loss allowance	(1,132)	(8)	-	(1,140)	-

	Company				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	58,558	-	-	58,558	83,131
Non-investment grade	4,012	-	-	4,012	32,358
	62,570	-	-	62,570	115,489
Loss allowance	(71)	-	-	(71)	-

36. Financial instruments - risk management

(b) Credit risk (continued):

Management of credit risk attaching to key financial assets (continued)

Investment securities and loans receivable (continued)

- Loans receivable at amortised cost:

	Group				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Ageing of loans receivable					
Current	35,301	-	-	35,301	34,689
Past due 1-30 days	2,457	-	-	2,457	4,497
Past due 31-60 days	106	642	-	748	-
Past due 60-90 days	-	294	221	515	-
Over 90 days	16,839	-	1,652	18,491	317
	54,703	936	1,873	57,512	39,503
Loss allowance	(1,612)	(200)	(1,776)	(3,588)	(317)
Total	53,091	736	97	53,924	39,186
Guarantees and letters of credit					
Loan commitments					
Grades A: Low risk	2,381	-	-	2,381	504
Loss allowance	(15)	-	-	(15)	-
	2,366	-	-	2,366	504

	Company				
	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Ageing of loans receivable					
Current	1,234	-	-	1,234	25,030
Over 90 days	17,343	-	173	17,516	317
	18,577	-	173	18,750	25,347
Allowance for impairment losses	-	-	(173)	(173)	(317)
Total	18,577	-	(173)	18,577	25,030

36. Financial instruments - risk management

(b) Credit risk (continued):

Management of credit risk attaching to key financial assets (continued)

Investment Securities and Loans receivable (continued)

- Loans receivable at amortised cost (continued):

Policy applicable under IFRS 9 after April 1, 2018

The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed below:

Credit risk grades

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for personal exposures; and turnover and industry type for commercial exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are monitored and regularly updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

Determining whether credit risk has been increased significantly (Stage 2)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in Probabilities of Default (PD). Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points.
- qualitative indicators; and
- a backstop of 30 days past due, determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

36. Financial instruments - risk management

(b) Credit risk (continued):

- Loans receivable at amortised cost (continued):

Policy applicable under IFRS 9 after April 1, 2018 (continued)

Credit risk grades (continued)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default (Stage 3):

In assessing whether a borrower is in default, the Group uses the following indicators:

- Bankruptcies and liquidations
- Failure to pay interest/principal on an interest-bearing bond or loan, missed payment (principal, interest, or both), past the grace period.
- Distressed restructuring: difference between the net present values of cash flows before and after restructuring arrangements exceeds a certain threshold
- Government bail-out: For banks and financial institutions.

Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the Group’s Finance team and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

36. Financial instruments - risk management

(b) Credit risk (continued):

- Loans receivable at amortised cost (continued):

Policy applicable under IFRS 9 after April 1, 2018 (continued)

In addition to the base economic scenario, the Group considers other possible scenarios and scenario weightings. At April 1, 2018 and March 31, 2019, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

36. Financial instruments - risk management

(b) Credit risk (continued):

- Loans receivable at amortised cost (continued):

Policy applicable under IFRS 9 after April 1, 2018 (continued)

The key inputs into the measurement of ECL are the term structure of the following.

Life time PD models calculate probabilities of default at a minimum of an annual frequency all the way out for 20 years. Beyond 20 years, due to lack of available data and the challenge of predicting PDs this far into the future, the model assumes that the 20 year annual marginal PD holds constant from the 20 year mark until maturity.

LGD is the magnitude of the likely loss if there is a default. The recovery rate model provides transparent, timely (point-in-time), quantitative estimates of recovery rates of issues within different liability classes of a given company.

The bond recovery rate model is based on historically realised recovery rates of defaulted bonds. Realised recovery rates are defined as the trading price of defaulted bonds approximately 30 days after default. Effectively, the model is a non-linear factor based model. Historical recovery rate data was compared to a variety of factors in order to determine correlations between these factors and the amount recovered (as defined above). These correlations were then used to determine the coefficients in a non-linear factor model which is used for projecting recovery rates and losses prospectively. The output from this model can be used either on a stand-alone basis to estimate recovery by specific liability class upon default, or as inputs to a more comprehensive portfolio credit risk management system.

EAD represents the expected exposure in the event of a default. The Group uses an established third party service provider to determine client-specific exposure at default ("EAD") amounts on a position-by position or lot-by-lot basis. In preparing the full lifetime ECL calculation, the EAD is calculated at annual intervals from the reporting date out to maturity. The reporting date, transaction date and transaction price are used to calculate the accounting exposure at default. If not provided, an accounting effective interest rate is calculated using the transaction date and price (see section below) and is applied to the future cash flows of the particular instrument to discount these cash flows. This is done on an annual basis from reporting date out unit maturity.

36. Financial instruments - risk management

(b) Credit risk (continued):

Policy applicable under IFRS 9 after April 1, 2018 (continued)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

- Debt securities, loans receivable and resale agreements at amortised cost:

	Group			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at March 31, 2018 (IAS 39)	-	-	(5,803)	(5,803)
Remeasurement on April 1, 2018 (IFRS 9)	(1,344)	(258)	(561)	(2,163)
Net re-measurement of loss allowance	(430)	7	(679)	(1,102)
Loans written off	-	-	5,201	5,201
Foreign currency adjustment	151	40	43	234
Balance at March 31, 2019	(1,623)	(211)	(1,799)	(3,633)

	Company			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at March 31, 2018 (IAS 39)	-	-	(317)	(317)
Remeasurement on April 1, 2018 (IFRS 9)	-	-	-	-
Net re-measurement of loss allowance	-	-	144	144
Balance at March 31, 2019	-	-	(173)	(173)

36. Financial instruments - risk management (continued)

(b) Credit risk (continued):

Policy applicable under IFRS 9 after April 1, 2018 (continued)

Loss allowance (continued)

- Debt securities at FVOCI:

	Group			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at March 31, 2018 (IAS 39)	-	-	-	-
Remeasurement on April 1, 2018 (IFRS 9)	(1,419)	(197)	-	(1,616)
Net re-measurement of loss allowance	287	189	-	476
Balance at March 31, 2019	(1,132)	(8)	-	(1,140)

	Company			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at March 31, 2018 (IAS 39)	-	-	-	-
Remeasurement on April 1, 2018 (IFRS 9)	(240)	-	-	(240)
Net re-measurement of loss allowance	127	-	-	127
Balance at March 31, 2019	(113)	-	-	(113)

(i) Maximum exposure to credit risk:

The maximum credit exposure, the total amount of loss the Group would suffer if every counterparty to the Group's financial assets were to default at once, is represented by the carrying amount of financial assets exposed to credit risk.

36. Financial instruments - risk management (continued)

(b) Credit risk (continued):

(i) Maximum exposure to credit risk (continued):

The Group manages its credit risk exposure as follows:

- Cash and cash equivalents

  These are held with reputable, regulated financial institutions. Collateral is not required for such accounts, as management regards the institutions as strong.

- Resale agreements

  Collateral is held for resale agreements in amounts that secure the collection of both principal and interest.

- Investment securities

  The Group manages the level of risk it undertakes by investing substantially in sovereign debts and companies with acceptable credit ratings.

- Accounts receivable

  Exposure to credit risk is managed by regular analysis of the ability of the customers and other counterparties to meet repayment obligations.

- Loans receivable

  The Group's policy requires that proposed significant loans are approved by the Investment Committee prior to disbursement, with the Committee thereafter monitoring the performance of the credit.

(ii) Concentration of credit risk:

The Group holds significant amounts of debt securities issued by Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the Group applies include maintaining sufficient cash and marketable securities, and monitoring future cash flows and liquidity on a daily basis.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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36. Financial instruments - risk management (continued)

(c) Liquidity risk (continued):

(i) Liquidity risk management:

The Group's liquidity management process, as carried out within the Group and monitored by the Investment Management Committee, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates 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 flows;

(iii) Optimising cash returns on investment;

(iv) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(v) 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 table below presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations. The tables also reflect the expected maturities of the Group's liabilities at the reporting date.

	Group						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	No specific maturity date $'000	Total contractual outflow $'000	Carrying amount $'000
	2019						
Liabilities							
Repurchase agreements	41,642	41,214	5,783	961	-	89,600	88,625
Owed to related parties	-	-	-	-	423	423	423
Notes payable	2,186	17,108	14,644	64,138	107,605	205,681	185,550
Other liabilities	4,228	505	807	-	4,484	10,024	8,082
Due to banks	522	-	-	-	-	522	522
Due to customers	212,120	5,177	3,766	36	-	221,099	221,051
Preference shares	-	-	-	-	1	1	1
Total financial liabilities	260,698	64,004	25,000	65,135	112,513	527,350	504,254

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Notes to the Financial Statements (Continued)
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34. Financial instruments - risk management (continued)

(c) Liquidity risk:

(i) Liquidity risk management (continued):

	Group						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	No specific maturity date $'000	Total contractual outflow $'000	Carrying amount $'000
	2018						
Liabilities							
Repurchase agreements	48,101	47,294	754	2,759	-	98,908	93,709
Notes payable	155	1,842	27,808	73,245	19,620	122,670	110,961
Other liabilities	2,330	2,229	18	3,169	979	8,725	4,220
Due to related parties	-	-	-	-	98	98	98
Due to banks	2,187	-	-	-	-	2,187	2,187
Due to customers	227,042	695	7,405	5,424	-	240,566	240,829
Preference shares	-	-	-	17,063	-	17,063	16,416
Total financial liabilities	279,815	52,060	35,985	101,660	20,697	490,217	468,420

	Company						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	No specific maturity date $'000	Total contractual outflow $'000	Carrying amount $'000
	2019						
Liabilities							
Owed to related parties	-	-	-	-	423	423	423
Notes payable	2,186	15,379	10,712	46,156	16,278	90,711	86,891
Preference shares	-	-	-	-	1	1	1
Other liabilities	-	-	-	-	1,110	1,110	1,110
Total financial liabilities	2,186	15,379	10,712	46,156	17,812	92,245	88,425
	2018						
Liabilities							
Repurchase agreements	1,867	2,748	-	-	-	4,615	4,384
Due to subsidiaries	-	-	-	-	1,269	1,269	1,269
Due to related parties	-	-	-	-	98	98	98
Notes payable	-	1,806	26,800	73,245	-	101,851	101,144
Preference shares	-	-	-	16,797	-	16,797	16,416
Other liabilities	-	-	-	-	979	979	979
Total financial liabilities	1,867	4,554	26,800	90,042	2,346	125,609	124,290

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Group's income or the value of its holdings of financial instruments. Market risk is monitored by the Investment Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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Notes to the Financial Statements (Continued)
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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

There has been no major change to the nature of the Group's exposure to market risks or the manner in which it measures and manages the risk.

(i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the functional currency. The main currencies giving rise to this risk are the Jamaica dollar (JMD), Great Britain Pound (GBP), Canadian Dollar (CAD), Euro (EUR) and the Australian Dollar (AUD). The Group manages this risk by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to the targeted levels by buying or selling currencies at spot rates when necessary to address imbalances.

At the reporting date, exposure to foreign currency risk was as follows:

	Group					
	2019					
	JMD	GBP	CAD	EUR	AUD	Other
	$'000	£'000	$'000	€'000	$'000	$'000
Assets						
Cash and cash equivalents	304,006	3,226	1,533	2,754	2,190	2,544
Resale agreements	430,006	-	-	-	-	-
Investment securities	3,855,283	6,140	-	15,920	685	157
Loans receivable	1,178,413	-	-	-	-	-
Other	522,365	-	-	-	-	22
	6,290,072	9,366	1,533	18,674	2,875	2,723
Liabilities						
Repurchase agreements	3,419,911	2	61	-	-	-
Notes payable	10,501,568	-	-	-	-	-
Preference shares	33,333	-	-	-	-	-
Due to customers	-	9,333	1,435	18,477	2,855	2,868
Other	195,132	32	-	1	-	351
	14,149,944	9,367	1,496	18,478	2,855	3,219
Net position	(7,859,872)	(1)	37	196	20	(496)

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Notes to the Financial Statements (Continued)
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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

	Group					
	2018					
	JMD	GBP	CAD	EUR	AUD	Other
	$'000	£'000	$'000	€'000	$'000	$'000
Assets						
Cash and cash equivalents	348,731	3,226	1,533	2,754	2,190	2,544
Resale agreements	430,006	-	-	-	-	-
Investment securities	3,855,283	6,140	-	15,920	685	157
Loans receivable	1,178,413	-	-	-	-	-
Other	539,215	-	-	-	-	-
	6,351,648	9,366	1,533	18,674	2,875	2,701
Liabilities						
Repurchase agreements	3,419,911	-	61	-	-	-
Notes payable	10,501,581	-	-	-	-	-
Deposits from other banks	-	2	-	-	-	-
Due to customers	-	9,333	-	18,477	2,855	2,868
Other	195,132	32	1,435	-	-	351
	14,116,624	9,367	1,496	18,477	2,855	3,219
Net position	(7,764,976)	(1)	37	197	20	(518)

	Company		
	2019		2018
	JMD	GBP	JMD
	$'000	$'000	$'000
Assets			
Cash and cash equivalents	105,444	-	18,720
Resale agreements	-	-	-
Loans receivable	537,427	-	32,159
Investment securities	300,507	-	2,721,111
Due from related party	-	-	-
Other	9,350	-	12,118
	952,728	-	2,784,108
Liabilities			
Owed to related parties	7	-	-
Notes payable	1,201,581	-	2,034,071
Preference shares	-	-	2,097,967
Repurchase agreement	-	-	342,140
Other	21,370	6	32,250
	1,222,958	6	4,506,428
Net position	(270,230)	(6)	(1,722,320)

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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

Sensitivity to exchange rate movements:

The following indicates the sensitivity to changes in foreign currency exchange rates of the Group's profit and shareholders' equity. It is computed by applying a reasonably possible change in exchange rates to foreign currency denominated monetary assets and liabilities as assessed by management at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

		2019			
		Group		Company	
	% change in currency rate	Effect on profit $'000	Effect on comprehensive income $'000	Effect on profit $'000	Effect on comprehensive income $'000
Currency:					
JMD	2% Revaluation	(1,267)	-	(44)	-
GBP	2% Revaluation	-	-	-	-
CAD	2% Revaluation	1	-	-	-
AUD	2% Revaluation	1	-	-	-
EUR	2% Revaluation	3	-	-	-

		2018			
		Group		Company	
	% change in currency rate	Effect on profit $'000	Effect on comprehensive income $'000	Effect on profit $'000	Effect on comprehensive income $'000
Currency:					
JMD	1% Revaluation	271	-	(280)	-
GBP	1% Revaluation	2	-	-	-
CAD	1% Revaluation	6	-	-	-
AUD	1% Revaluation	-	-	-	-
EUR	1% Revaluation	2	-	-	-

		2019			
		Group		Company	
	% change in currency rate	Effect on profit $'000	Effect on comprehensive income $'000	Effect on profit $'000	Effect on comprehensive income $'000
Currency:					
JMD	4% Devaluation	(389)	-	83	-
GBP	4% Devaluation	-	-	-	-
CAD	4% Devaluation	(2)	-	-	-
AUD	4% Devaluation	(1)	-	-	-
EUR	4% Devaluation	(6)	-	-	-

36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

		2018			
		Group		Company	
	% change in currency rate	Effect on profit $'000	Effect on comprehensive income $'000	Effect on profit $'000	Effect on comprehensive income $'000
JMD	6% Devaluation	(511)	-	529	-
GBP	6% Devaluation	(3)	-	-	-
CAD	6% Devaluation	(11)	-	-	-
AUD	6% Devaluation	(1)	-	-	-
EUR	6% Devaluation	(4)	-	-	-

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched by that of its financial liabilities; where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

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 Group's interest rate risk management policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-earning financial assets and interest-bearing financial liabilities. The Investment Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by management and reported monthly to the Committee.

The table below summarises exposure to interest rate risk. Included in the tables are the carrying amounts of financial assets and financial liabilities, categorised by the earlier of contractual repricing and maturity dates.

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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	Group						
	2019						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	Over 5 years $'000	Non interest sensitive $'000	Total $'000
Assets							
Cash and cash equivalents	28,450	16,692	-	-	-	23,966	69,108
Resale agreements	7,740	400	900	-	-	1,016	10,056
Investment securities	10,187	9,420	20,621	179,063	110,237	7,212	336,740
Loans receivable	35,527	7,226	3,650	5,243	2,278	-	53,924
Other assets	5,650	-	-	-	-	3,657	9,307
Total assets	87,554	33,738	25,171	184,306	112,515	35,851	479,135
Liabilities							
Repurchase agreements	41,649	41,277	4,753	946	-	-	88,625
Owed to related parties	-	-	-	-	-	423	423
Notes payable	27,296	15,137	9,650	45,824	75,063	12,580	185,550
Other liabilities	3,198	-	-	-	1,047	3,837	8,082
Deposits from other banks	119	-	-	-	-	403	522
Due to customers	15,878	5,164	3,737	35	-	196,237	221,051
Preference shares	-	-	-	-	-	1	1
Total liabilities	88,140	61,578	18,140	46,805	76,110	213,481	504,254
Interest rate sensitivity gap	(586)	(27,840)	7,031	137,501	36,405	(177,630)	(25,119)
Cumulative interest rate sensitivity gap	(586)	(28,426)	(21,395)	116,106	152,511	(25,119)	-

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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	Group 2018						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	Over 5 years $'000	Non interest sensitive $'000	Total $'000
Assets							
Cash and cash equivalents	55,902	14,200	-	-	-	19,261	89,363
Resale agreements	3,168	21,205	-	-	-	-	24,373
Investment securities	27,211	6,037	42,528	137,082	131,492	24,735	369,085
Loans receivable	24,605	4,088	29	11,504	3,677	-	43,903
Other assets	1,259	1,130	21	1,136	-	6,804	10,350
Total assets	112,145	46,660	42,578	149,722	135,169	50,800	537,074
Liabilities							
Repurchase agreements	43,651	45,680	1,606	2,772	-	-	93,709
Owed to related parties	-	-	-	-	-	98	98
Notes payable	72	1,806	68,367	38,669	-	2,047	110,961
Other liabilities	1,546	111	-	-	-	2,563	4,220
Deposits from other banks	118	-	-	-	-	2,069	2,187
Due to customers	14,024	695	7,387	5,070	-	213,653	240,829
Preference shares	-	-	-	-	-	16,416	16,416
Total liabilities	59,411	48,292	77,360	46,511	-	236,846	468,420
Interest rate sensitivity gap	52,734	(1,632)	(34,782)	103,211	135,169	(186,046)	68,654
Cumulative interest rate sensitivity gap	52,734	51,102	16,320	119,531	254,700	68,654	-

	Company 2019						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	Over 5 years $'000	Non interest sensitive $'000	Total $'000
Assets:							
Cash and bank	-	-	-	-	-	2,036	2,036
Resale agreements	600	-	-	-	-	-	600
Investment securities	-	2,404	500	18,500	41,166	-	62,570
Loans receivable	3,455	1,150	2,740	9,799	1,433	-	18,577
Other assets	-	-	-	-	-	1,163	1,163
Due from subsidiaries	-	-	-	-	-	1,940	1,940
Total assets	4,055	3,554	3,240	28,299	42,599	5,139	89,888
Liabilities:							
Owed to related parties	-	-	-	-	-	423	423
Notes payable	-	15,137	9,650	45,824	-	16,279	86,891
Other liabilities	-	-	-	-	-	1,110	1,110
Preference shares	-	-	-	-	-	1	1
Total liabilities	-	15,137	9,650	45,824	-	17,813	88,425
Total interest rate sensitivity gap	4,055	(11,583)	(6,410)	(17,525)	42,599	(14,190)	(3,054)
Cumulative interest rate sensitivity gap	4,055	(7,528)	(13,938)	(31,463)	11,136	(3,054)	-

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36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	Company						
	2018						
	0-30 days $'000	31-90 days $'000	91-365 days $'000	366 days to 5 years $'000	Over 5 years $'000	Non interest sensitive $'000	Total $'000
Assets:							
Cash and bank	-	-	-	-	-	261	261
Resale agreements	-	5,500	-	-	-	-	5,500
Investment securities	21,651	449	10,426	28,133	42,580	14,248	117,487
Loans receivable	270	1,150	8,426	11,505	3,679	-	25,030
Other assets	-	-	-	-	-	2,326	2,326
Due from subsidiaries	-	-	-	-	-	47	47
Total assets	21,921	7,099	18,852	39,638	46,259	16,882	150,651
Liabilities:							
Repurchase agreements	1,654	2,730	-	-	-	-	4,384
Notes payable	-	1,806	26,801	30,971	-	41,566	101,144
Other liabilities	-	-	-	-	-	979	979
Due to related subsidiaries	-	-	-	-	-	1,269	1,269
Due to related parties	-	-	-	-	-	98	98
Preference shares	-	-	-	-	-	16,416	16,416
Total liabilities	1,654	4,536	26,801	30,971	-	60,328	124,290
Total interest rate sensitivity gap	20,267	2,563	(7,949)	8,667	46,259	(43,446)	26,361
Cumulative interest rate sensitivity gap	20,267	22,830	14,881	23,548	69,807	26,361	-

The table below summarises the effective interest rate by major currencies for financial instruments at the reporting date.

	Group 2019		Group 2018	
	JMD %	USD %	JMD %	USD %
Assets				
Resale agreements	3.29	2.01	3.29	2.01
Investment securities	3.75	6.65	3.75	6.65
Loans receivable	6.60	2.96	6.60	2.96
Liabilities				
Repurchase agreements	2.82	1.07	2.82	1.07
Notes payable	3.00	6.00	3.00	6.00
Preference shares	8.25	-	8.25	-

	Company 2019		Company 2018	
	JMD %	USD %	JMD %	USD %
Assets				
Resale agreements	-	-	-	2.45
Investment securities	-	5.08	3.20	5.53
Loans receivable	8.17	5.70	3.34	2.96
Liabilities				
Repurchase agreements	-	-	3.50	1.50
Notes payable	3.69	3.11	-	-
Preference shares	-	-	8.25	-

36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

Sensitivity to interest rate movements

The following table indicates the sensitivity to interest rate movements at the reporting date, on the Group's profit or loss and shareholders' equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	2019	2018
J$ interest rates	Increase by 100 bps Decrease by 100 bps	Increase by 100 bps Decrease by 100 bps
US$ interest rates	Increase by 100 bps Decrease by 100 bps	Increase by 50 bps Decrease by 50 bps

	2019		2018	
	Effect on profit $'000	Effect on equity $'000	Effect on profit $'000	Effect on equity $'000
Direction of change in basis points:				
Increase in interest rates	509	4,459	835	3,430
Decrease in interest rates	(92)	(5,099)	(419)	(3,416)

	Company	
	2019	2018
J$ interest rates	Increase by 100 bps Decrease by 100 bps	Increase by 100 bps Decrease by 100 bps
US$ interest rates	Increase by 100 bps Decrease by 100 bps	Increase by 50 bps Decrease by 50 bps

	Effect on profit $'000	Effect on equity $'000	Effect on profit $'000	Effect on equity $'000
Direction of change in basis points:				
Increase in interest rates	81	297	101	653
Decrease in interest rates	(81)	(297)	(101)	(653)

36. Financial instruments - risk management (continued)

(d) Market risk (continued):

(iii) Price risk:

Sensitivity to equity price movements

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

The Group's exposure to price risk is represented by the total carrying value of equity investments on the statement of financial position of $6,186,000 (2018: $3,123,000) for the Group and $Nil (2018: $3,279,000) for the Company.

A 10% (2018: 15%) increase in stock prices at March 31, 2019 would have increased other comprehensive income by $618,600 (2018: $468,450) for the Group and $Nil (2018: $491,850) for the Company; an equal change in the opposite direction would have decreased profit by an equal amount.

(e) Capital management:

The Group's objectives when managing capital, as it applies to the regulated subsidiaries, are as follows:

(i) To comply with the capital requirements set by the Financial Services Commission ("the Commission") in Jamaica and Financial Services Regulatory Authority ('the Authority) in St. Lucia.

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders 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 daily by management, employing techniques based on the guidelines developed by the Commission and the Authority. The required information is filed with the Commission on a monthly basis and with the Authority on a quarterly basis.

The Commission requires each securities dealer to:

(i) Hold the level of the regulatory capital at no less than 50% of Tier 1 Capital; and

(ii) Maintain a ratio of total regulatory capital to the risk-weighted assets at or above 10%.

36. Financial instruments - risk management (continued)

(e) Capital management (continued):

The Jamaican subsidiary's regulatory capital is managed by its compliance officer and is divided into two tiers:

(i) Tier 1 capital: issued and fully paid-up capital in the form of ordinary shares, retained earnings and reserves; and

(ii) Tier 2 capital: redeemable cumulative preference shares.

The risk-weighted assets are measured by means of stipulated weights applied to the risk-based assets and other risk exposures as determined by the Commission.

St. Lucia regulator, (the Authority) requires each bank or banking group to:

(i) hold the minimum level of the regulatory capital of $1,000,000, and

(ii) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel capital ratio') at or above the prescribed regulatory minimum and maintain a ratio of total regulatory Tier 1 capital to the risk-weighted asset (the' Basel capital adequacy ratio') at or above the prescribe regulatory minimum.

Regulatory capital for the St. Lucia subsidiary, as managed by its Treasury function, is divided into two tiers:

- Tier 1 capital: share capital (net of any book value of treasury shares), minority interests arising on consolidation from interest on permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

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36. Financial instruments - risk management (continued)

(e) Capital management (continued):

The table below summarises the composition of regulatory capital and the ratios of the Company's subsidiaries that are regulated by the Commission and Authority. These ratios were in compliance with the requirements of the Commission and Authority throughout the year.

	Proven Wealth Limited		Proven Fund Managers Limited		BOSLIL Bank Ltd	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Tier 1 capital:						
Ordinary shares	532	532	5,462	7,444	6,277	5,521
Retained earnings and reserves	17,948	19,604	(3,295)	(3,930)	16,848	15,919
Total qualifying tier 1 capital	18,480	20,136	2,167	3,514	23,125	21,440
Tier 2 capital:						
Unrealised (gain)/loss	-	-	-	-	82	(1,918)
Redeemable preference shares, being total qualifying tier 2 capital	266	266	-	-	-	-
Total regulatory capital	18,746	20,402	2,167	3,514	23,209	19,522
Total risk-weighted assets	93,075	97,103	2,392	1,868	175,923	159,793

The Commission and the Authority requires the subsidiaries to maintain certain specific ratios, as follows:

		Proven Wealth Limited		Proven Fund Managers Limited		BOSLIL Bank Ltd	
		2019	2018	2019	2018	2019	2018
		$'000	$'000	$'000	$'000	$'000	$'000
(i)	Tier 1 capital to total regulatory capital:						
	Minimum required	50.00%	50.00%	50.00%	50.00%	-	-
	Actual	98.56%	99.00%	100.00%	100.00%	-	-
(ii)	Regulatory capital to total assets:						
	Minimum required	6.00%	6.00%	6.00%	6.00%	-	-
	Actual	16.54%	17.00%	82.04%	92.25%	-	-
(iii)	Regulatory capital to risk-weighted assets:						
	Minimum required	10.00%	10.00%	10.00%	10.00%	-	-
	Actual	20.14%	21.01%	90.60%	92.75%	-	-
(iv)	Basel capital ratio:						
	Minimum required					4.00%	4.00%
	Actual					12.22%	13.19%
(v)	Basel capital adequacy ratio:						
	Minimum required					8%	8.00%
	Actual					13.42%	13.19%

37. Financial instruments – fair values

(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 based on available market data.

37. Financial instruments – fair values (continued)

(b) Valuation techniques for investment securities classified as Level 2

Type	**Valuation techniques**
Foreign currency forward contracts	• Obtain last traded price of the forward on the date of valuation, provided by the recognised broker/dealer through which the forward contract is obtained. • Apply price to estimate fair value.
Government of Jamaica securities:	
US$ denominated Securities	• Obtain bid price provided by a recognised independent source, namely, Bloomberg. • Apply price to estimate fair value.
J$ Denominated Securities	• Obtain bid price provided by a recognised source (which uses Jamaica-market source indicative bids). • Apply price to estimate fair value.
Global bonds	• Obtained bid price provided by recognised independent pricing source, namely, Bloomberg. • Apply price to estimate fair value.
Mutual funds	• Obtain prices quoted by unit trust managers. • Apply price to estimate fair value.
Corporate bonds	• Obtained bid price provided by recognised independent pricing source, namely, Bloomberg. • Apply price to estimate fair value.
Credit-linked notes	• Obtain price based on the quoted price of the underlying credit default swap which is derived from Bloomberg on the valuation date, plus the valuation of the underlying note. • Apply price to estimate fair value.

37. Financial instruments – fair values (continued)

(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.

	Group					
	2019					
	Carrying amount			Fair value		
	Financial assets at FVOCI	Financial assets at FVTPL	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Quoted equities	-	6,186	6,186	6,186	-	6,186
Global bonds	193,691	9,450	203,141	-	203,141	203,141
Government of Jamaica securities	49,694	-	49,674	-	49,694	49,694
Corporate bonds	53,715	-	53,715	-	53,715	53,715
Certificate of deposit	2,682	-	2,682	-	2,682	2,682
Foreign sovereign debt	5,475	576	6,051	-	6,051	6,051
	305,257	16,212	321,469	6,186	314,707	321,469

	2018					
	Carrying amount			Fair value		
	Financial assets at FVOCI	Financial assets at FVTPL	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Quoted equities	5,547	64	5,611	5,611	-	5,611
Credit linked notes	-	1,998	1,998	-	1,998	1,998
Global bonds	210,510	-	210,510	-	210,510	210,510
Government of Jamaica securities	31,757	-	31,757	-	31,757	31,757
Corporate bonds	72,520	-	72,520	-	72,520	72,520
Mutual funds	10,977	-	10,977	-	10,977	10,977
Certificate deposits	21,381	-	21,381	-	21,381	21,381
Commercial papers	1,043	-	1,043	-	1,043	1,043
	353,735	2,062	355,797	5,611	350,186	355,797

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37. Financial instruments – fair values (continued)

(c) Accounting classifications and fair values (continued):

	Company					
	2019					
	Carrying amount			Fair value		
	Financial assets at FVOCI	Financial assets at FVTPL	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Global bonds	16,280	-	16,280	-	16,280	16,280
Corporate bonds	43,886	-	43,886	-	43,886	43,886
Mutual funds	-	-	-	-	-	-
Certificate of deposits	2,404	-	2,404	-	2,404	2,404
	62,570	-	62,570	-	62,570	62,570

	2018					
	Carrying amount			Fair value		
	Available for sale	Fair value through profit or loss	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Quoted equities	3,279	-	3,279	3,279	-	3,279
Credit linked notes	-	1,998	1,998	-	1,998	1,998
Global bonds	20,948	-	20,948	-	20,948	20,948
Corporate bonds	58,904	-	58,904	-	58,904	58,904
Mutual funds	10,977	-	10,977	-	10,977	10,977
Certificate of deposits	21,381	-	21,381	-	21,381	21,381
	115,489	1,998	117,487	3,279	114,208	117,487

38. Subsequent events

(a) A dividend payment of $0.0021 per share was declared at the Board Meeting of Proven Investments Limited, which was held on May 28, 2019. Ordinary shareholders who have requested payment in Jamaica dollars will receive the equivalent of JA$0.2804 per share. This dividend payment will be made to all ordinary shareholders on record on June 14, 2019 and will be paid on June 28, 2019.

Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.