

JMMB GROUP LIMITED

Nine Months Highlights

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

DIRECTORS' STATEMENT

PERFORMANCE HIGHLIGHTS

Net Operating Revenue	J\$17.38 billion, grew by 26%
Net Interest Income	J\$7.02 billion, up 5%
Operating Profit	J\$5.79 billion, up 43%
Net Profit	J\$4 billion, up 33%
Earnings per Stock Unit	J\$2.36, up by J\$0.53

The Directors are pleased to announce that the JMMB Group Limited posted a net profit of J\$4 billion and earnings per share of J\$2.36 for the nine months ended 31 December 2019.

GROUP CEO'S COMMENTARY

JMMB Group earned record profits for the nine-month reporting period ended December 31, 2019 with operating profits of J\$5.79 billion representing a 43% increase over the prior year. In addition to this performance, we are also encouraged by the significant achievements during the third Quarter resulting from the execution of our regional integrated financial services strategy. These are:

- The successful execution of the acquisition of 22.5% of Sagicor Financial Company Limited (SFC). This acquisition gives the Group diversification and the opportunity to participate in the future growth of a market leader in the Caribbean's insurance, pension and asset management sectors. This significant acquisition, which approximated J\$34.4 billion, is measured at cost as the fair value measurement of the identifiable assets and liabilities acquired was not completed at the reporting date. The financial results of SFC as at December 31, 2019 are also not yet available. The Group's share of net assets and share of profits or gains arising on this acquisition will be reflected when the purchase price allocation is finalised, which is expected before March 31, 2020.
- The Group's first Additional Public Share Offering, the largest of its kind in Jamaica which raised J\$12.4 billion. This funding strengthens the Group's capital base, and will be used to further facilitate the Group's expansion and diversification strategy through acquisitions and adding new business lines.

In addition, the Group also executed on other initiatives which involved the:

- Opening of JMMB Express Finance (T&T) Limited, the Group's consumer finance business line, 5th location (Tobago) on December 4th, 2019.
- Introduction of the Group's Visa Debit Card as well as Visa enabled ATMs in Jamaica.
- Migration of clients who held "Save Smart" accounts at JMMB Investments to JMMB Bank (Jamaica)'s "EzAccess" chequing and savings accounts.

OUTLOOK

Our 2019/20 financial year will be the strongest in our history with significant performance attributed to organic and inorganic growth. Our fourth quarter will see sharp focus on:

- Embedding our financial partnership model to better serve our clients and reap synergy benefits from operating from a "One Group, One Client, One Experience" framework.

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GROUP CEO'S COMMENTARY (continued)

- Completing crucial operational efficiency projects to allow our banking business lines to operate on one core banking system whilst utilizing standardized products, procedures and policies across the Group.
- Deepening our inorganic growth strategy as we explore accretive business development opportunities to grow our return on equity and expand our footprint.

GROUP FINANCIAL PERFORMANCE

Net Operating Revenue

The JMMB Group posted net operating revenue of J\$17.38 billion for the nine months ended December 31, 2019. This represented a 26% growth or J\$3.61 billion when compared to the comparable period last year. This mainly resulted from increases in net gains on securities trading, FX trading gains, fees and commission income and net interest income.

Net gains on securities trading grew by 69% to J\$5.64 billion and was partly due to improved appetite for emerging market assets. Additionally, there was a tender offer by the Government of Jamaica for global bonds maturing in 2022, 2025 and 2028 bonds. This offer was oversubscribed and subsequently, global bonds maturing in 2045 were re-opened and an additional US\$815M issued.

Foreign exchange trading gains increased by 19% or J\$359.28 million to J\$2.26 billion because of increased trading volume and growth in regional markets.

Fees and commission income was 32% higher at J\$2.43 billion and was due to significant growth in managed funds and collective investment schemes across the Group.

Net interest income grew by 5% to J\$7.02 billion as there was strong growth in the loan and investment portfolios.

Segment Contribution

The table below shows the contribution to net operating revenue by segments.

Net Operating Revenue	J\$'000	Contribution (%)
Financial & Related Services	11,280,467	65%
Banking & Related Services	5,962,050	34%
Other	156,132	1%
Total	17,398,650	100%

Financial and Related Services contributed J\$11.26 billion or 65% of net operating revenue. This reflected a 36% growth when compared to the prior period and was largely on account of improved trading activities as well as growth in our off balance sheet activities. The Banking & Related Services segment contributed J\$5.96 billion compared to J\$5.34 billion in the prior period. Even though, there was strong growth in the loan book which translated into increased net interest income as well as growth in FX trading gains, these were partially offset by a reduction in securities sold.

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Operating Efficiency

Operating expenses for the reporting period amounted to J\$11.21 billion which was 18% higher than the prior period. This growth was attributed primarily to continued expansion of commercial banking services in Jamaica and JMMB Express in Trinidad and Tobago as well as project related activities centred on process optimization. Nevertheless, the Group's efficiency ratio improved to 64% compared to 69% in the prior period. The Group will continue to focus on extracting operational efficiency from all entities through the launch of its standardization and process improvements project.

GROUP FINANCIAL POSITION

Total Assets

At the end of the reporting period, the JMMB Group's asset base totalled J\$413 billion, up J\$99.96 billion or 29% relative to the start of the financial year. This was mainly on account of a larger loan and investment portfolio as well as investments in associated company SFC. Investment portfolio and loans and notes receivable grew by 7% and 38% to J\$221.32 billion and J\$93.75 billion, respectively. The credit quality of the loan portfolio continued to be comparable to international standards.

Growth in the asset base over the nine-month period was funded by increases in customer deposits, repos, notes payable and additional public offer of \$12.25 billion net of cost. Customer deposits increased by J\$29.02 billion or 45% to J\$92.97 billion, while repos grew by J\$30.49 billion or 19% to J\$194.4 billion and notes payable grew by J\$8.067 billion or 22% to \$45.1 billion

Capital

Over the nine-month period, shareholders' equity increased by 65% to J\$51.4 billion. This was largely on account of our Additional Public Offer (APO) in November. Additionally, equity was positively impacted by the substantial net profit generated over the period, as well as a rebound in emerging market bond prices. Thus, the Group continued to be adequately capitalized and all individually regulated companies within the Group continued to exceed their regulatory capital requirements. The performance of the major subsidiaries is shown in the table below.

Company	Regulatory Measure	Minimum Requirement	31-Dec-19
Jamaica Money Market Brokers Limited	Regulatory capital to risk weighted assets ratio	10%	16.99%
JMMB Bank (Ja) Limited	Regulatory capital to risk weighted assets ratio	10%	12.32%
JMMB Bank (T&T) Limited	Regulatory capital to risk weighted assets ratio	10%	16.65%
JMMB Puesto de Bolsa, S.A.	Regulatory capital to risk weighted assets ratio	15.50%	83%

Off-Balance Sheet Funds under Management

In alignment with the Group's strategy to provide complete, customized financial solutions for each client, we experienced growth in our off-balance sheet products which include pension funds, unit trusts and money market funds. The total invested in off-balance sheet products as at the end of December 2019 stood at J\$138.3 billion compared to J\$126.92 billion as at end of December 2018.

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The JMMB Group in the Community

In keeping with its mandate to be a responsible corporate citizen, the JMMB Group, is actively engaged and supports a range of initiatives focused on: education, entrepreneurship, transformational leadership and community outreach initiatives.

The JMMB Joan Duncan Foundation has continued to spearhead several corporate social responsibility projects in **Jamaica**, over the last quarter. As such, the Foundation has remained a major sponsor of the Vincent HoSang UWI Venture Competition (UWIVC), providing financing assistance to the top teams, so that they can transition their business ideas into viable businesses; in addition to providing a special CSR prize, to encourage this as a core part of each entrant's business model. This financial support provided, seeks to encourage the entrepreneurial spirit among young people. As part of its entrepreneurial thrust, the Foundation has joined forces with the Private Sector Organization of Jamaica (PSOJ) to strengthen the capacity of small and medium-sized enterprises, in a bid to help Jamaica to draw closer to achieving its national financial inclusion objective. The Foundation's national project, *Conversations for Greatness*, which is designed to transform the mindset of key education stakeholders and community-based organizations, has maintained traction, and is now rolled out in over one hundred schools islandwide, reaching over 81,000 children and approximately 6,500 teachers, support team and administrators. As evidence of the success of the project thus far, there has been a reduction in absenteeism, improvement in academic performance, less disruptive behaviours and greater synergies among the teachers and administrators, at schools that have completed the programme. The programme has also extended its reach outside of the doors of educational institutions, to over 300 individuals across several community-based, voluntary and non-governmental groups and sporting associations. Additionally, JMMB Joan Duncan Foundation has continued to provide financial backing to the Child Resiliency Programme, UWI scholarship programme and other outreach efforts during the quarter. The Foundation has also made a substantial donation to the establishment of UWI's Centre for Africa-Caribbean Public Advocacy. This centre is being created to formulate an appropriate framework that will enable leadership on both sides to engage in strategy to provide advocacy around the major issues facing the respective regions – Africa and the Caribbean.

In the **Dominican Republic**, the team remains committed to partnering with UNPHU Emprende, the Entrepreneur division of the Universidad Nacional Pedro Henriquez Ureña. JMMB has also undertaken a partnership to provide partial financial support for materials and financial advisory services to the top entrepreneur, hosted by UNPHU every year. JMMB Puesto de Bolsa continues to provide funding to selected children's homes to support the welfare of orphaned children and other community outreach initiatives.

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During the last quarter, the corporate social responsibility programme, in **Trinidad and Tobago**, was focused on providing funding for outreach and community-based activities at the Couva Crisis Home, as part of a longstanding relationship. Additionally, the company joined forces with Mindful Kites, a non-profit organization, to promote good mental health practices. This initiative saw the JMMB team making a financial contribution to support the roll-out of the programme in additional schools, to provide training the nation's youth to nurture good mental health practices, mindfulness and emotional resilience.

General

The Directors thank and acknowledge all our loyal, supportive and valuable stakeholders who continue to contribute to our ongoing success.



Archibald Campbell

Chairman



Keith P. Duncan

Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Profit and Loss Account

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31-Dec-19 \$000	Unaudited Three Months Ended 31-Dec-18 \$000	Unaudited Nine Months Ended 31-Dec-19 \$000	Unaudited Nine Months Ended 31-Dec-18 \$000
Net Interest Income and Other Revenue				
Interest income	5,165,465	4,440,401	14,740,979	13,112,210
Interest expense	(2,767,853)	(2,113,076)	(7,717,668)	(6,435,685)
Net Interest Income	2,397,612	2,327,325	7,023,311	6,676,525
Fees and commissions income	837,955	650,612	2,426,313	1,843,669
Gain on securities trading, net	1,702,130	836,393	5,653,416	3,340,038
Foreign exchange margins from cambio trading	729,944	630,034	2,258,344	1,899,062
Dividends	16,079	4,114	37,266	13,019
Operating Revenue Net of Interest Expense	5,683,720	4,448,478	17,398,650	13,772,313
Operating expenses	(3,799,519)	(3,108,147)	(11,207,447)	(9,484,771)
Impairment loss on financial assets	(103,614)	(62,563)	(398,886)	(234,616)
	1,780,587	1,277,768	5,792,317	4,052,926
Other income	44	8,213	260	36,839
Profit before Taxation	1,780,631	1,285,981	5,792,577	4,089,765
Taxation	(577,811)	(339,614)	(1,788,691)	(1,071,001)
Profit for the Period	1,202,820	946,367	4,003,886	3,018,764
Attributable to:				
Equity holders of the parent	1,201,732	939,061	3,925,890	2,972,807
Non-controlling interest	1,088	7,306	77,996	45,957
	1,202,820	946,367	4,003,886	3,018,764
Earnings per stock unit	\$0.69	\$0.58	\$2.36	\$1.82

JMMB GROUP LIMITED

Consolidated Statement of Comprehensive Income

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31-Dec-19 \$000	Unaudited Three Months Ended 31-Dec-18 \$000	Unaudited Nine Months Ended 31-Dec-19 \$000	Unaudited Nine Months Ended 31-Dec-18 \$000
Profit for the Period	1,202,820	946,367	4,003,886	3,018,764
Other comprehensive income/ (loss)				
<i>Items that may be reclassified to profit or loss:</i>				
Net gain/(loss) on investment in debt instruments measured at FVOCI	(519,431)	(2,033,008)	3,917,983	(4,006,175)
Foreign exchange translation differences on translation of foreign subsidiaries	160,460	(318,903)	506,854	136,010
<i>Items that will not be reclassified to profit or loss:</i>				
Net gain/(loss) on investment in equity instruments designated at FVOCI	10,832	143,072	441,593	160,887
Total other comprehensive income/(loss), net of tax	(348,139)	(2,208,839)	4,866,430	(3,709,278)
Total comprehensive income/(loss) for period	854,681	(1,262,472)	8,870,316	(690,514)
Total comprehensive income attributable to:				
Owners of the parent	908,840	(1,258,944)	8,763,198	(521,790)
Non-controlling interest	(54,159)	(3,528)	107,118	(168,724)
	854,681	(1,262,472)	8,870,316	(690,514)

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited as at 31-Dec-19 \$'000	Unaudited as at 31-Dec-18 \$'000	Audited as at 31-Mar-19 \$'000
ASSETS			
Cash and cash equivalents	46,275,637	24,428,526	30,726,396
Interest receivable	3,172,207	4,106,193	3,733,190
Income tax recoverable	329,329	763,787	238,441
Loans and notes receivable	93,747,311	62,231,054	67,947,268
Other receivables	7,427,560	5,351,368	5,314,152
Investments and resale agreements	221,324,808	207,992,015	205,972,359
Investment properties	538,130	489,616	489,616
Property, plant and equipment and intangible assets	5,409,209	4,906,507	5,040,900
Deferred income tax asset	187,024	295,386	360,893
Interest in associated company	34,401,946	-	-
Customers' liability under acceptances, guarantees and letters of credit as per contra	183,405	194,090	213,042
	412,996,566	310,758,542	320,036,257
STOCKHOLDERS' EQUITY			
Share capital	14,115,924	1,864,554	1,864,554
Retained earnings reserve	9,605,055	9,605,055	9,605,055
Investment revaluation reserve	6,440,327	(2,795,572)	2,114,147
Cumulative translation reserve	12,114	6,383	(499,014)
Retained earnings	20,039,870	16,396,182	16,981,202
	50,213,290	25,076,602	30,065,944
Non-controlling interest	1,190,989	909,661	1,038,332
Total equity	51,404,279	25,986,263	31,104,276
Liabilities			
Customer deposits	92,970,777	61,094,116	63,947,279
Due to other financial institutions	161,073	208,885	190,888
Securities sold under agreements to repurchase	194,398,616	162,285,199	163,907,891
Notes payable	45,104,147	35,212,194	37,036,156
Redeemable preference shares	16,879,633	16,501,595	16,348,615
Interest payable	1,512,019	2,916,911	1,602,491
Income tax payable	1,913,541	1,886,634	1,464,064
Other payables	7,284,180	4,321,014	4,046,375
Deferred income tax liabilities	1,184,896	151,641	175,180
Liability under acceptances, guarantees and letters of credit as per contra	183,405	194,090	213,042
	361,592,287	284,772,279	288,931,981
	412,996,566	310,758,542	320,036,257

Archibald Campbell
Chairman

Keith P. Duncan
Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings Reserve	Investment Revaluation Reserve	Cumulative Translation Reserve	Retained Earnings	Attributable to holders of the Parent	Non-Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at March 31, 2018 (Audited)	1,864,554	9,605,055	1,752,810	(87,147)	14,776,222	27,911,494	1,092,253	29,003,747
Changes on initial application of IFRS 9	-	-	(960,255)	-	(570,060)	(1,530,315)	(13,868)	(1,544,183)
Balances at April 1, 2018 (unaudited)	1,864,554	9,605,055	792,555	(87,147)	14,206,162	26,381,179	1,078,385	27,459,564
Profit for the period	-	-	-	-	2,972,807	2,972,807	45,957	3,018,764
Other comprehensive income/(loss) for period	-	-	(3,588,127)	93,530	-	(3,494,597)	(214,681)	(3,709,278)
Total comprehensive income for period	-	-	(3,588,127)	93,530	2,972,807	(521,790)	(168,724)	(690,514)
Dividends paid	-	-	-	-	(782,787)	(782,787)	-	(782,787)
Balances at 31 December 2018 (unaudited)	1,864,554	9,605,055	(2,795,572)	6,383	16,396,182	25,076,602	909,661	25,986,263
Balances at March 31, 2019 (Audited)	1,864,554	9,605,055	2,114,147	(499,014)	16,981,202	30,065,944	1,038,332	31,104,276
Profit for the period	-	-	-	-	3,925,889	3,925,889	77,997	4,003,886
Other comprehensive income for period	-	-	4,326,180	511,128	-	4,837,308	29,122	4,866,430
Total comprehensive income for period	-	-	4,326,180	511,128	3,925,889	8,763,197	107,119	8,870,316
Paid in capital	-	-	-	-	-	-	45,538	45,538
Shares issued during the period	12,251,370	-	-	-	-	12,251,370	-	12,251,370
Dividends paid	-	-	-	-	(867,221)	(867,221)	-	(867,221)
Balances at 31 December 2019 (unaudited)	14,115,924	9,605,055	6,440,327	12,114	20,039,870	50,213,290	1,190,989	51,404,279

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Nine-month period ended 31 December 2019

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	Unaudited Nine Months Ended 31-Dec-19 \$'000	Unaudited Nine Months Ended 31-Dec-18 \$'000
Cash Flows from Operating Activities		
Profit for the period	4,003,886	3,018,764
Adjustments for:		
Unrealised gains on trading securities	(241,966)	(50,675)
Depreciation and amortisation	536,436	492,803
	4,298,356	3,460,892
Changes in operating assets and liabilities	39,057,451	3,262,578
Net cash provided by operating activities	43,355,807	6,723,470
Cash Flows from Investing Activities		
Investment securities (net)	(10,515,140)	(16,420,999)
Investment in associated company	(34,401,946)	-
Purchase of property, plant and equipment and computer software	(953,259)	(578,920)
Net cash used in investing activities	(45,870,345)	(16,999,919)
Cash Flows from Financing Activities		
Issue of ordinary shares	12,251,370	-
Notes payable	6,679,630	7,650,489
Dividends paid	(867,221)	(782,787)
Net cash provided by financing activities	18,063,779	6,867,702
Net increase/(decrease) in cash and cash equivalents	15,549,241	(3,408,747)
Cash and cash equivalents at beginning of year	30,726,396	27,837,273
Cash and cash equivalents at end of period	46,275,637	24,428,526

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Notes to the Financial Statements

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Segment Reporting

	Nine-month period ended 31 December 2019				
	Financial & Related Services	Banking & Related Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	17,187,328	7,769,739	159,511	-	25,116,578
Intersegment revenue	5,790,075	126,388	-	(5,916,463)	-
Total segment revenue	22,977,403	7,896,127	159,511	(5,916,463)	25,116,578
Profit before tax	4,409,771	1,341,993	40,813	-	5,792,577
Taxation					(1,788,691)
Profit for the period					4,003,886
Total segment assets	374,354,810	136,490,037	1,740,345	(99,588,626)	412,996,566
Total segment liabilities	325,182,698	121,895,814	1,654,014	(87,140,239)	361,592,287
Interest Income	9,254,741	5,481,121	5,117	-	14,740,979
Operating expenses	6,600,932	4,490,582	115,933	-	11,207,447
Depreciation & amortisation	333,757	194,997	7,682	-	536,436
Capital expenditure	688,047	181,469	83,742	-	953,259

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Segment Reporting

Nine-month period ended 31 December 2018

	Financial & Related Services	Banking & Related Services	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	13,418,894	6,691,946	133,997	-	20,244,837
Intersegment revenue	1,383,258	20,892	-	(1,404,150)	-
Total segment revenue	14,802,152	6,712,838	133,997	(1,404,150)	20,244,837
Profit before tax	2,343,689	1,724,009	22,067	-	4,089,765
Taxation					(1,071,001)
Profit for the period					3,018,764
Total segment assets	291,553,091	102,901,338	1,616,840	(85,312,727)	310,758,542
Total segment liabilities	265,829,881	89,725,059	1,561,257	(72,343,918)	284,772,279
Interest Income	8,681,897	4,425,898	4,415	-	13,112,210
Operating expenses	5,903,802	3,466,545	114,424	-	9,484,771
Depreciation & amortisation	318,400	165,894	8,509	-	492,803
Capital expenditure	312,820	206,362	59,738	-	578,920

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1. Identification

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

JMMB Group Limited has interest in several subsidiaries and one associated company which are listed below. The company and its subsidiaries are collectively referred to as “Group”.

Name of Subsidiary/Associate	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
Jamaica Money Market Brokers Limited and its subsidiaries	100		Jamaica	Securities brokering
JMMB Securities Limited		100	Jamaica	Stock brokering
JMMB Insurance Brokers Limited		100	Jamaica	Insurance brokering
JMMB Real Estate Holdings Limited		100	Jamaica	Real estate holding
Capital & Credit Securities Limited		100	Jamaica	Investment holding
JMMB Fund Managers Limited		100	Jamaica	Fund management
JMMB International Limited		100	St. Lucia	Investment holding and management
JMMB Bank (Jamaica) Limited	100		Jamaica	Commercial banking
JMMB Money Transfer Limited	100		Jamaica	Remittance
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	100		Trinidad and Tobago	Financial holding company
JMMB Investments (Trinidad and Tobago) Limited and its subsidiary		100	Trinidad and Tobago	Securities brokering
JMMB Securities (T&T) Limited		100	Trinidad and Tobago	Stock brokering
JMMB Bank (T&T) Limited and its subsidiary,		100	Trinidad and Tobago	Commercial banking
JMMB Express Finance (T&T) Limited (formerly Intercommercial Trust and Merchant Bank Limited)		100	Trinidad and Tobago	Merchant banking
JMMB Holding Company Limited, SRL and its subsidiaries	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa, S.A.		80	Dominican Republic	Securities brokering
JMMB Sociedad Administradora De Fondos De Inversion, S.A.		70	Dominican Republic	Mutual fund administration
Banco Rio De Ahorro Y Credito JMMB Bank S.A.		90	Dominican Republic	Savings and loans bank
AFP JMMB BDI S.A.		50	Dominican Republic	Pension funds administration services
Sagicor Financial Company Limited	22.5		Bermuda	Financial holding company

On the 5 December 2019 the company acquired 22.5% of the equity shares of Sagicor Financial Company Limited (Note 3).

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Notes to the Financial Statements

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2. Summary of Significant Accounting Policies

(a) Basis of preparation

The Group's condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed consolidated financial statements should be read in conjunction with the accounting policies as set out in Note 2 and 34 of the audited financial statements for the year ended 31 March 2019.

All amounts are stated in Jamaican dollars unless otherwise indicated.

Effective April 1, 2018, the Group adopted IFRS 9 "*Financial Instruments*". Prior period amounts are in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*". IFRS 9 has resulted in changes in accounting policies related to the classification, measurement and impairment of financial assets and liabilities.

IFRS 9 sets out requirements for recognizing 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*. IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale.

(i) Classification and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income (FVOCI) – debt instruments; FVOCI – equity; or 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.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms gives rise on specified dates to cash flows that are solely payments of principal and interest.

On initial recognition of an equity investment that is not held for trading, the group irrevocably elects on an investment-by-investment basis to present subsequent changes in the investment's fair value in other comprehensive income (OCI). All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

JMMB GROUP LIMITED

Notes to the Financial Statements

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments.

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

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

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 financial statements.

IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, the current dual accounting model for lessees, which distinguishes between on-balance sheet eliminates 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 standard will have on its 2020 financial statements

JMMB GROUP LIMITED

Notes to the Financial Statements

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (continued)

(b) Basis of consolidation

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

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

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

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

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

(i) Non-controlling interests

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

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

(ii) Loss of control

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

JMMB GROUP LIMITED

Notes to the Financial Statements

Nine-month period ended 31 December 2019

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (continued)

(b) Interest in associated company

Associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

(c) Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing profit attributable to the equity holders of the parent of J\$3,925,890,000 (2018 – J\$2,972,807,325) by the weighted average number of stock units in issue during the period, numbering 1,666,663,643 (2018 – 1,630,552,532).

(d) Managed funds

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. At 31 December 2019, funds managed in this way amounted to J\$138,297,690,809 (2018 – J\$126,483,592,542).

(e) Comparative Information

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

3. Business Acquisition

Sagicor Financial Company Limited

On 5 December 2019, JMMB Group Limited acquired 22.5% of the shares of Sagicor Financial Company Limited (SFC) at a cost of approximately J\$34.4 billion. The fair value measurement of the identifiable assets acquired and liabilities assumed (net assets) has not yet been finalized. Management has utilized provision under *IFRS 3 – Business Combinations* which allows the acquirer reasonable time to obtain information necessary to identify and measure the assets and liabilities. Management expects that this assessment will conclude before March 31, 2020. The investment in the associated company is measured at cost and any resulting adjustment under *IAS 28 – Investments in Associates and Joint Ventures* for share of net assets, share of profits or gain on the acquisition of our interest in SFC has not been recognized in these financial statements.

JMMB GROUP LIMITED

Share Ownership of the Directors and Executive Team Leaders Period ended 31 December 2019

Directors	Ordinary Shareholding	Connected Parties	
Donna Duncan-Scott	7,678,110	ESOP	
	71,700		
	37,041,951	JVF O.N. LTD	
	37,530,103	CONCISE O.N. LTD	
Archibald Campbell	108,400		
	16,000	Lauren Campbell	
	894,827	ODETTE CAMPBELL	
Keith P. Duncan	20,591		
	48,438,366	CONCISE E.I. LTD	
	40,311,674	JVF E.I. LTD	
V. Andrew Whyte	846,745	ESOP	
	200,000		
Wayne Sutherland	135,800	PATRICIA SUTHERLAND	
	1,800	JOSHUA & PATRICIA SUTHERLAND	
	28,540,838	CONCISE R.I. LTD	
Dennis Harris	493,277		
Dr. Anne Crick	5,234		
Hugh Duncan	4,828		
Reece Kong	Nil		
Audrey Welds	100,000		
Audrey Deer-Williams	Nil		
Andrew Cocking	10,025,000		
	23,700	CHELSEI COCKING	
H. Wayne Powell	294,800		
	205,400	JENNIFER POWELL	
Patricia Dailey-Smith	5,200		
Patria-Kaye Aarons	Nil		
Executive Team Leaders	Ordinary Shareholding	Connected Parties	
Donna Duncan-Scott	7,678,110	ESOP	
	71,799		
	37,041,951	JVF O.N. LTD	
	37,530,103	CONCISE O.N. LTD	
Keith Duncan	20,591		
	846,745	ESOP	
	48,438,366	CONCISE E.I. LTD	
Carolyn DaCosta	40,311,674	JVF E.I. LTD	
	260,544		
	74,640	ESOP	
	3,357	CRAIG DACOSTA	
Paul Gray	127,169	DERMOTT DACOSTA	
	4,795	MERLINE DACOSTA	
	5,237	AMANDA DACOSTA	
	263,280	TEVERLY GRAY	
	46,600	BRITTANY GRAY & TEVERLY GRAY	
Julian Mair	27,300	TONI-ANN GRAY & TEVERLY GRAY	
	763,731	ESOP	
	239,711	ESOP	
	239,872	ESOP	
	Janet Patrick	854,461	ESOP
		64,832	
	Hugh Duncan	4,828	
Damion Brown	210,677	ESOP	
	249,400		
Kerry Ann Stimpson	780,032	ESOP	
Claudine Tracey	908,000	ESOP	
	60,900		
Peta-Gaye Bartley	847,260	ESOP	
	11,000		
Gregory Hines	833,149	ESOP	
	38,400		

JMMB GROUP LIMITED

Top 10 Largest Shareholders of the JMMB Group

Period ended 31 December 2019

Name of Shareholder	Number of Shares	Percentage Ownership
PROVEN INVESTMENTS LIMITED	391,310,525	20.01%
TRUSTEES JMMB ESOP	168,161,749	8.60%
COLONIAL LIFE INSURANCE CO (TRINIDAD) LTD	103,453,776	5.29%
NATIONAL INSURANCE FUND	89,174,704	4.56%
PANJAM INVESTMENTS LIMITED	68,071,220	3.48%
SJIML A/C 3119	55,872,550	2.86%
CONCISE E.I. LTD	48,438,366	2.48%
JVF O.E. LTD	44,300,000	2.27%
SAGICOR POOLED EQUITY FUND	43,141,378	2.21%
JVF E.I. LTD	40,311,674	2.06%
Total	1,052,235,942	53.81%