JMMB GROUP LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2020

JMMB GROUP LIMITED

Index

31 March 2020

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of JMMB Group Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 10 to 116, which comprise the Group's and Company's statements of financial position as at 31 March 2020, the Group's and Company's profit and loss accounts, statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 March 2020, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1. *Fair value of investments*

Key Audit Matter [see notes 17 and 32(a)]	*How the matter was addressed in our audit*
92.4% (2019: 93.7%) of the Group's investment securities are measured at fair value, for which quoted prices are not available. Valuation of these investments, although based on observable market inputs, requires significant estimation. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. The COVID-19 pandemic has resulted in volatility of prices in various markets, the uncertainty of which has increased estimation risk for prices used in determining fair values.	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values. • Challenging the reasonableness of yields or prices by comparison to independent third party pricing sources. • Assessing the reasonableness of significant assumptions used by such third-party pricing sources. • Involving our own valuation specialists to determine or obtain yields or prices of specific securities and comparing these yield or prices to those used by management. • Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. *Measurement of expected credit losses on financial assets*

Key Audit Matter [see note 31(b)]	*How the matter was addressed in our audit*
The Group recognises expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and assumptions. The key areas requiring greater management judgement include the determination of significant increase in credit risk ('SICR'), probabilities of default, losses given default, exposures at default and the application of forward-looking information. The economic impact of COVID-19 on financial assets has resulted in increased judgement in the following: - The identification of SICR, which now includes COVID-19 related qualitative factors. - The incorporation of forward-looking information, reflecting a range of possible future economic conditions which are highly uncertain.	Our procedures in this area included the following: • Obtaining an understanding of the models used by the Group for the calculation of expected credit losses, including governance over the determination of key judgements and assumptions. • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into the IFRS 9 impairment models. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Involving our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the SICR criteria used, and independently assessing the assumptions for probability of default, loss given default, exposure at default and the incorporation of forward-looking information.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

2. Measurement of expected credit losses on financial assets (continued)

Key Audit Matter [see notes 31(b)]	*How the matter was addressed in our audit*
Significant management judgement and assumptions are also used in determining the appropriate variables and assumptions in an appropriate model used in the measurement of the expected credit losses. The use of these judgements and assumptions increases the risk of material misstatement and is therefore an area of increased audit focus.	Our procedures in this area included the following (continued): • Assessing the adequacy of the disclosures of in relation to ECL, including key assumptions and judgements.

3. Acquisition of associate

Key Audit Matter [see note 19]	*How the matter was addressed in our audit*
On December 5, 2019, the Group acquired 22.47% of Sagicor Financial Company Limited for a consideration of $34.4 billion. We considered this an area of increased audit focus due to the size and complexity of the transaction.	Our procedures in this area included the following: • Involving our own valuation specialists in challenging the valuations produced by the Group and the methodology used to identify the fair value of assets and liabilities of the investee; in particular: - The methodologies adopted and key assumptions used in valuing insurance liabilities

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

3. Acquisition of associate (continued)

Key Audit Matter *[see note 19]*	*How the matter was addressed in our audit*
The accounting for this transaction required the use of significant judgements and assumptions; including the appropriate weighted average cost of capital, to determine the identification and measurement of the fair value of tangible and intangible assets acquired and liabilities assumed.	Our procedures in this area included the following (continued): - The key assumptions used to determine the fair value of significant identifiable intangible assets - The appropriateness of the discount rate used in measuring assets and liabilities of the investee. • Evaluating the adequacy of the financial statements disclosures in relation to the investment and share of comprehensive income.

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.

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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.

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

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

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 8-9, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

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

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Chartered Accountants
Kingston, Jamaica

July 14, 2020

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To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report

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

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

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

To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

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

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

JMMB GROUP LIMITED

Consolidated Profit and Loss Account

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Net Interest Income and Other Revenue			
Interest income from securities, calculated using the effective interest method	6	19,694,118	17,583,697
Interest expense	6	(10,413,780)	(8,745,236)
Net Interest Income		**9,280,338**	**8,838,461**
Fee and commission income		2,108,102	1,424,885
Gains on securities trading, net		6,170,340	4,097,335
Net (loss)/gain from financial assets at fair value through profit or loss (FVTPL)		(267,978)	130,179
Fees earned from managing funds on behalf of clients		1,412,834	1,143,140
Foreign exchange margins from cambio trading		2,812,855	2,402,406
Operating Revenue Net of Interest Expense		**21,516,491**	**18,036,406**
Other income			
Dividends		48,463	54,851
Other		7,001	44,939
		21,571,955	**18,136,196**
Operating Expenses			
Staff costs	7	(9,416,676)	(7,126,972)
Other expenses	8	(6,513,134)	(5,862,270)
		(15,929,810)	(12,989,242)
		5,642,145	**5,146,954**
Impairment loss on financial assets	9	(1,405,505)	(278,615)
Share of profit of associate	19	195,206	-
Gain on acquisition of associate	19	2,799,034	-
Gain on disposal of property, plant and equipment		(14,357)	2,210
Profit before Taxation		**7,216,523**	**4,870,549**
Taxation	10	(150,036)	(1,002,143)
Profit for the Year		**7,066,487**	**3,868,406**
Attributable to:			
Equity holders of the parent		6,993,567	3,820,119
Non-controlling interest	30	72,920	48,287
		7,066,487	**3,868,406**
Earnings per stock unit	11	**$3.99**	**$2.34**

JMMB GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Profit for the Year		**7,066,487**	**3,868,406**
Other comprehensive income			
Item that may not be reclassified to profit or loss:			
Unrealised gains on equity securities at fair value through other comprehensive income (FVOCI)		134,601	505,276
Items that may be reclassified to profit or loss:			
Unrealised losses on debt securities at FVOCI		(12,361,895)	(617,447)
Related tax	23	3,048,090	(49,968)
Foreign exchange differences on translation of foreign subsidiaries		757,909	(390,836)
Total other comprehensive loss, net of tax		(8,421,295)	(552,975)
Total comprehensive (loss)/income for the year		**(1,354,808)**	**3,315,431**
Total comprehensive income attributable to:			
Equity holders of the parent		(1,223,122)	3,377,770
Non-controlling interest	30	(131,686)	(62,339)
		(1,354,808)	**3,315,431**

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	13	42,636,000	30,726,396
Interest receivable		3,504,722	3,733,190
Income tax recoverable		618,210	238,441
Loans and notes receivable	14	98,841,073	67,947,268
Other receivables	15	6,992,662	5,314,152
Securities purchased under agreements to resell	16	5,999,962	-
Investment securities	17	192,270,521	205,972,359
Interest in associate	19	35,009,306	-
Investment property	20	621,232	489,616
Intangible assets	21	2,205,549	1,757,568
Property, plant and equipment	22	3,639,993	3,283,332
Deferred income tax assets	23	5,508,584	360,893
Right-of-use assets	24	1,849,321	-
Customers' liability under acceptances, guarantees and letters of credit as per contra		525,491	213,042
		400,222,626	**320,036,257**

JMMB GROUP LIMITED

Consolidated Statement of Financial Position (Continued)

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
STOCKHOLDERS' EQUITY			
Share capital	25	14,115,924	1,864,554
Retained earnings reserve	26(a)	9,605,055	9,605,055
Investment revaluation reserve	26(b)	(6,919,287)	2,114,147
Cumulative translation reserve	26(c)	317,731	(499,014)
Retained earnings		23,107,548	16,981,202
		40,226,971	30,065,944
Non-controlling interest	30	952,183	1,038,332
		41,179,154	**31,104,276**
LIABILITIES			
Customer deposits		104,183,074	63,947,279
Due to other financial institutions		210,605	190,888
Securities sold under agreements to repurchase	27	179,589,980	163,907,891
Notes payable	28	45,087,432	37,036,156
Lease liabilities	24	1,948,668	-
Redeemable preference shares	25	17,116,952	16,348,615
Deferred income tax liabilities	23	49,778	175,180
Interest payable		1,633,703	1,602,491
Income tax payable		1,920,743	1,464,064
Other payables		6,777,046	4,046,375
Liabilities under acceptances, guarantees and letters of credit as per contra		525,491	213,042
		359,043,472	**288,931,981**
		400,222,626	**320,036,257**

The financial statements on pages 10 to 116 were approved for issue by the Board of Directors on 14 July 2020 and signed on its behalf by:

Archibald Campbell — Chairman

Keith P. Duncan — Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Retained Earnings Reserve $'000	Investment Revaluation Reserve $'000	Cumulative Translation Reserve $'000	Retained Earnings $'000	Total Attributable to Equity holders of the Parent $'000	Non-Controlling Interest $'000	Total $'000
Adjusted balances as at 1 April 2018		**1,864,554**	**9,605,055**	**2,144,629**	**(87,147)**	**13,943,748**	**27,470,839**	**1,100,671**	**28,571,510**
Total comprehensive income for 2019									
Profit for the year		-	-	-	-	3,820,119	3,820,119	48,287	3,868,406
Other comprehensive income:									
Unrealised losses on investment securities at FVOCI, net of tax		-	-	(30,482)	-	-	(30,482)	(131,657)	(162,139)
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	(411,867)	-	(411,867)	21,031	(390,836)
Total other comprehensive loss		-	-	(30,482)	(411,867)	-	(442,349)	(110,626)	(552,975)
Total comprehensive income		-	-	(30,482)	(411,867)	3,820,119	3,377,770	(62,339)	3,315,431
Transactions with owners of the Company:									
Dividends paid to ordinary stockholders	12	-	-	-	-	(782,665)	(782,665)	-	(782,665)
Balances at 31 March 2019		**1,864,554**	**9,605,055**	**2,114,147**	**(499,014)**	**16,981,202**	**30,065,944**	**1,038,332**	**31,104,276**
Total comprehensive income for 2020									
Profit for the year		-	-	-	-	6,993,567	6,993,567	72,920	7,066,487
Other comprehensive loss:									
Unrealised losses on investments securities at FVOCI, net of tax		-	-	(9,033,434)	-	-	(9,033,434)	(145,770)	(9,179,204)
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	816,745	-	816,745	(58,836)	757,909
Total other comprehensive loss		-	-	(9,033,434)	816,745	-	(8,216,689)	(204,606)	(8,421,295)
Total comprehensive income		-	-	(9,033,434)	816,745	6,993,567	(1,223,122)	(131,686)	(1,354,808)
Transactions with owners of the Company:									
Shares issued during year	25	12,251,370	-	-	-	-	12,251,370	-	12,251,370
Dividends paid to ordinary stockholders	12	-	-	- -	-	(867,221)	(867,221)	-	(867,221)
Paid in capital		-	-	- -	-	-	-	45,537	45,537
Balances at 31 March 2020		**14,115,924**	**9,605,055**	**(6,919,287)**	**317,731**	**23,107,548**	**40,226,971**	**952,183**	**41,179,154**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Profit for the year		7,066,487	3,868,406
Adjustments for:			
Interest income	6	(19,694,118)	(17,583,697)
Interest expense	6	10,413,780	8,745,236
Share of profits of associate	19	(195,206)	-
Gain on acquisition of associate	19	(2,799,034)	-
Income tax charge	10	150,036	1,002,143
Impairment loss on financial assets	9	1,405,505	278,615
Amortisation of intangible assets	21	228,679	242,857
Depreciation of property, plant and equipment	22	469,821	417,195
Depreciation of right-of-use assets	24	314,675	-
Fair value gain on investment properties	20	(102,484)	-
Loss/(gain) on sale of property, plant and equipment		14,357	(2,210)
Dividend income		(48,463)	(54,851)
Unrealised loss/(gains) on trading securities		267,978	(130,179)
Foreign exchange losses on lease liabilities		42,673	-
Foreign currency translation losses/(gains)/		(119,412)	(104,661)
		(2,584,726)	(3,321,146)
Changes in operating assets and liabilities:			
Income tax recoverable, net		(379,769)	761,170
Loans and notes receivable		(32,071,040)	(12,914,319)
Other receivables		(1,680,455)	(3,263,781)
Securities purchased under agreements to resell		(6,000,000)	1,120,001
Customer deposits		40,235,795	11,782,213
Due to other financial institutions		19,717	(157,060)
Other payables		2,730,671	867,639
Securities sold under agreements to repurchase		15,682,089	5,740,602
		15,952,282	615,319
Interest received		19,922,586	17,279,622
Interest paid		(10,264,730)	(8,528,568)
Taxation paid		(1,918,360)	(1,402,557)
Net cash provided by operating activities (Page 16)		**23,691,778**	**7,963,816**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities (Page 15)		**23,691,778**	**7,963,816**
Cash Flows from Investing Activities			
Investment securities, net		4,656,819	(11,192,454)
Dividend received		274,399	54,851
Purchase of intangible assets	21	(678,639)	(395,905)
Purchase of property, plant and equipment	22	(794,604)	(483,363)
Investment property	20	(29,132)	-
Acquisition of interest in associate	19	(34,401,946)	-
Proceeds from disposal of property, plant and equipment		998	2,210
Net cash used in investing activities		**(30,972,105)**	**(12,014,661)**
Cash Flows from Financing Activities			
Redemption of redeemable preference shares, net	25	-	(1,495,142)
Proceeds from the issue of shares	25	12,251,370	-
Proceed from issue of notes payable, net		8,051,276	9,474,450
Payment of lease liabilities	24	(375,839)	-
Dividends paid to ordinary stockholders	12	(867,221)	(782,665)
Net cash provided by financing activities		**19,059,586**	**7,196,643**
Effect of exchange rate changes on cash and cash equivalents		130,345	(256,675)
Net increase in cash and cash equivalents		11,909,604	2,889,123
Cash and cash equivalents at beginning of year		30,726,396	27,837,273
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**42,636,000**	**30,726,396**

JMMB GROUP LIMITED

Company Statement of Profit or Loss Account and Other Comprehensive Income

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Net Interest Income and Other Revenue			
Dividends	29(ii)	2,191,889	906,033
Foreign exchange gains/(losses)		143,201	(306,697)
		2,335,090	599,336
Operating Expenses	8	(218,238)	(129,862)
		2,116,852	469,474
Interest income	6	1,509,782	1,281,822
Interest expense	6	(1,964,019)	(1,289,331)
Impairment reversal/(loss) on financial assets	9	208,636	(139,546)
Profit before Taxation		1,871,251	322,419
Taxation	10	-	(192)
Profit for the year, being total other comprehensive income		**1,871,251**	**322,227**

JMMB GROUP LIMITED

Company Statement of Financial Position

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	13	12,068	17,046
Interest receivable		223,365	218,538
Income tax recoverable		197,633	112,767
Loans and notes receivable	14,29(i)	21,860,210	22,148,784
Other receivables	15	183,185	224,275
Securities purchased under agreements to resell	16	1,146,789	941,084
Investment securities	17	4,033	19,556
Interest in associate	19	34,401,946	-
Interest in subsidiaries	18	13,533,508	11,776,407
Property, plant and equipment	22	-	313
		71,562,737	**35,458,770**
STOCKHOLDERS' EQUITY			
Share capital	25	14,115,924	1,864,554
Retained earnings		1,010,578	6,548
		15,126,502	**1,871,102**
LIABILITIES			
Notes payable	28	30,220,403	8,277,541
Redeemable preference shares	25	17,116,952	16,348,615
Interest payable		517,429	182,802
Due to subsidiary	29(i)	8,553,473	8,768,350
Other payables		27,978	10,360
		56,436,235	**33,587,668**
		71,562,737	**35,458,770**

The financial statements on pages 10 to 116 were approved for issue by the Board of Directors on 14 July 2020 and signed on its behalf by:

Archibald Campbell Chairman

Keith P. Duncan Group Chief Executive Officer

JMMB GROUP LIMITED

Company Statement of Changes in Stockholders' Equity

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Retained Earnings $'000	Total $'000
Adjusted balances at 1 April 2018		**1,864,554**	**466,986**	**2,331,540**
Profit, being total comprehensive income for the year		-	322,227	322,227
Transaction with owners of the Company:				
Dividends paid to ordinary stockholders	12	-	(782,665)	(782,665)
Balances at 31 March 2019		**1,864,554**	**6,548**	**1,871,102**
Profit, being total comprehensive income for the year		-	1,871,251	1,871,251
Shares issued during the year	25	12,251,370	-	12,251,370
Transaction with owners of the Company:				
Dividends paid to ordinary stockholders	12	-	(867,221)	(867,221)
Balances at 31 March 2020		**14,115,924**	**1,010,578**	**15,126,502**

JMMB GROUP LIMITED

Company Statement of Cash Flows

Year ended 31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Profit for the year		1,871,251	322,227
Adjustments for:			
Interest income	6	(1,509,782)	(1,281,822)
Interest expense	6	1,964,019	1,289,331
Impairment (reversal)/loss on financial assets	9	(208,636)	139,546
Loss on disposal of property, plant and equipment		313	-
Dividend income	29(ii)	(2,191,889)	(906,033)
Foreign exchange (gains)/losses		(143,201)	306,697
		(217,925)	(130,054)
Changes in operating assets and liabilities:			
Income tax recoverable, net		(84,866)	(78,707)
Loans and notes receivable		1,553,846	(17,363,763)
Other receivables		41,090	(187,942)
Other payables		17,618	(12,353)
Securities purchased under agreements to resell		(120,189)	9,168,331
Due from subsidiary		-	(94,826)
Due to subsidiaries		(366,059)	556,614
		823,515	(8,142,700)
Interest received		1,504,955	1,169,791
Interest paid		(1,629,392)	(1,221,583)
Net cash used in operating activities		**699,078**	**(8,194,492)**
Cash Flows from Investing Activities			
Dividends received		2,191,889	906,033
Investment securities, net		15,523	-
Investment in subsidiaries		(1,757,101)	-
Acquisition of interest in associate		(34,401,946)	-
Net cash (used in)/provided by investing activities		**(33,951,635)**	**906,033**
Cash Flows from Financing Activities			
Proceeds from issue of shares, net		12,251,370	-
Proceeds from issue of notes payable		21,863,430	8,361,240
Issue/(redemption) of redeemable preference shares	25	-	(274,160)
Dividends paid	12	(867,221)	(782,665)
Net cash provided by financing activities		**33,247,579**	**7,304,415**
Net (decrease)/increase in cash and cash equivalents		(4,978)	15,956
Cash and cash equivalents at beginning of year		17,046	1,090
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**12,068**	**17,046**

The notes on pages 21 to 116 are an integral part of these financial statements

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

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

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

Name of Subsidiary and 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 and management
JMMB Fund Managers Limited		99.8	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	Funds transfer
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	100		Trinidad and Tobago	Financial holding company
JMMB Investments (Trinidad and Tobago) Limited and its subsidiary		100	Trinidad and Tobago	Securities brokering
JMMB Securities (T&T) Limited		100	Trinidad and Tobago	Stock brokering
JMMB Bank (T&T) Limited and its subsidiary		100	Trinidad and Tobago	Commercial banking
JMMB Express Finance (T&T) Limited		100	Trinidad and Tobago	Merchant banking and consumer financing
JMMB Holding Company, SRL and its subsidiaries	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa,S.A.		80	Dominican Republic	Securities brokering
JMMB Sociedad Administradora de Fondos de Inversion, S.A.		70	Dominican Republic	Mutual fund administration
Banco Rio De Ahorro Y Credito JMMB Bank S.A		90	Dominican Republic	Savings and loans bank
AFP JMMB BDI S.A.		50	Dominican Republic	Pension funds administration services
Associate				
Sagicor Financial Company Limited (see note 19)	22.5		Bermuda	Life and health insurance. pension, banking and investment management

During the prior year, Jamaica Money Market Brokers Limited transferred ownership of JMMB Holding Company, SRL to the Company. The transfer was made at book value.

2. Statement of Compliance and Basis of Preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the relevant provisions of the Jamaican Companies Act ("the Act").

This is the first set of the Group's annual financial statements in which IFRS 16, *Leases* has been applied. The changes to significant accounting policies are described in note 4.

Details of the Group's significant accounting policies are included at note 36.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for certain financial instruments and investment properties which are measured at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

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

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

(a) Key sources of estimation uncertainty

(i) Impairment of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(a) Key sources of estimation uncertainty (continued)

(i) Impairment of financial assets (continued)

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 with qualitative factors incorporated for the economic impact of Covid-19;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios with increased uncertainties due to Covid-19 for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 31(b) and 36(b).

(ii) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, particularly with increased volatility of certain markets due to Covid-19. 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 17 and 32).

(iii) Impairment of intangible assets

Impairment of intangible assets with indefinite useful lives is dependent upon management's internal assessment of future cash flows from the intangibles. That internal assessment determines the amount recoverable from future use of these assets. The estimate of the amount recoverable from future use of these assets is sensitive to the discount rates and other assumptions used (note 21).

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

The Group's accounting policies which require the use of judgements in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements include the following:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

JMMB GROUP LIMITED

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

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

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

4. Changes in Significant Accounting Policies

The Group initially applied IFRS 16 *Leases* from 1 April 2019. A number of other new standards are also effective from 1 April 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in the statement of financial position at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17, *Leases* and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease contained in note 36(e).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

(b) As a lessee

As a lessee, the Group leases properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet (note 24).

For leases of properties the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019 (see note 24). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

4. Changes in Significant Accounting Policies (Continued)

(b) As a lessee (continued)

Leases classified as operating leases under IAS 17 (continued)

The Group tested its right-of-use assets for impairment on the date of transition and concluded that there was no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term.

(c) Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	The Group
	1April 2019 $'000
Right-of-use assets – property	1,639,357
Lease liabilities	1,639,357

For the impact of IFRS 16 on profit or loss for the period, see note 24. For the details of accounting policies under IFRS 16 and IAS 17, see note 36(e).

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is for the Group 5.98%.

	1 April 2019
	The Group $'000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17 in the Group's consolidated financial statements	2,348,602
Discounted using the incremental borrowing rate at 1 April 2019	1,521,180
Recognition exemption for lease with less than 12 months of lease term at transition date	(163,433)
Extension options reasonably certain to be exercised	281,610
Lease liabilities recognised at 1 April 2019 (note 24)	1,639,357

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

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

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

(i) Financial and related services which include securities brokering, stock brokering, portfolio planning, funds management and investment advisory services.

(ii) Banking and related services which include taking deposits, granting loans and other credit facilities, foreign currency trading and remittance and related services.

(iii) Other represents insurance brokering, investment and real estate holding.

	The Group				
	2020				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	21,059,518	10,714,733	211,484	-	31,985,735
Inter-segment revenue	4,836,961	193,319	9,255	(5,039,535)	-
Total segment revenue	25,896,479	10,908,052	220,739	(5,039,535)	31,985,735
Segment results	4,039,147	1,457,449	145,549	-	5,642,145
Impairment loss on financial assets					(1,405,505)
Share of profits of associate					195,206
Gain on acquisition of associate					2,799,034
Gain on disposal of property plant and equipment					(14,357)
Profit before tax					7,216,523
Taxation					(150,036)
Profit for the year					7,066,487
Total segment assets	332,501,293	149,546,697	2,020,815	(83,846,179)	400,222,626
Total segment liabilities	294,764,092	133,947,546	1,841,512	(71,509,678)	359,043,472
Interest income	12,051,669	7,636,261	6,188	-	19,694,118
Interest expense	7,709,266	2,704,514	-	-	10,413,780
Operating expenses	9,449,908	6,386,402	155,981	-	15,992,291
Depreciation and amortisation	555,031	447,315	10,829	-	1,013,175
Capital expenditure	920,726	289,146	320,687	-	1,530,559

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

	The Group				
	2019				
	Financial & Related Services $'000	Banking & Related Services $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	17,829,152	8,864,792	187,488	-	26,881,432
Inter-segment revenue	1,860,662	67,205	-	(1,927,867)	-
Total segment revenue	19,689,814	8,931,997	187,488	(1,927,867)	26,881,432
Segment results	3,146,495	1,964,770	35,689	-	5,146,954
Impairment loss on financial assets	(278,615)	-	-	-	(278,615)
Gain on disposal of property plant and equipment	2,210	-	-	-	2,210
Profit before tax	2,870,090	1,964,770	35,689	-	4,870,549
Taxation					(1,002,143)
Profit for the year					3,868,406
Total segment assets	290,101,882	107,566,733	1,633,943	(79,266,301)	320,036,257
Total segment liabilities	260,553,825	94,105,957	1,571,582	(67,299,383)	288,931,981
Interest income	11,592,016	5,985,539	6,142	-	17,583,697
Interest expense	6,847,633	1,897,603	-	-	8,745,236
Operating expenses	7,934,697	4,896,049	158,496	-	12,989,242
Depreciation and amortisation	413,365	235,368	11,319	-	660,052
Capital expenditure	466,904	345,259	67,105	-	879,268

6. Net Interest Income/(Expense)

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest income, calculated using the effective interest method				
Cash and cash equivalents	79,261	52,222	2	-
Loans and notes receivable	7,117,630	5,507,218	1,446,878	952,446
Resale agreements	24,943	40,887	62,902	329,376
Investment securities	12,472,284	11,983,370	-	-
Total interest income	**19,694,118**	**17,583,697**	**1,509,782**	**1,281,822**
Interest expense				
Repurchase agreements	6,277,934	5,177,315	-	-
Notes payable	1,270,405	1,229,144	967,111	272,742
Customer deposits	1,750,695	1,171,182	-	-
Lease liabilities	117,838	-	-	-
Redeemable preference shares	996,908	1,167,595	996,908	1,016,589
Total interest expense	**10,413,780**	**8,745,236**	**1,964,019**	**1,289,331**
Net interest income/(expense)	**9,280,338**	**8,838,461**	**(454,237)**	**(7,509)**

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	The Group	
	2020	**2019**
	$'000	**$'000**
Salaries and benefits, including profit-related pay	7,490,106	5,580,652
Statutory payroll contributions	491,267	445,104
Pension costs (note 33)	255,381	228,492
Training and development	141,919	150,343
Other staff benefits	1,038,003	722,381
	9,416,676	**7,126,972**

8. Other Expenses

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Marketing, corporate affairs and donations	855,987	547,849	86,428	44,573
Depreciation and amortisation	1,012,175	660,052	-	-
Directors' fees	128,395	100,323	45,999	38,966
Irrecoverable – GCT	366,016	339,762	-	-
Insurance	144,158	152,452	-	-
Auditors' remuneration	129,483	126,519	8,113	6,937
Asset tax	524,835	476,121	-	-
Information technology	721,375	606,606	70	-
Legal and professional fees	1,082,957	911,904	71,394	28,050
Repairs and maintenance	199,074	192,079	-	-
Travel and entertainment	101,994	89,847	875	5,492
Motor vehicle	29,389	49,897	-	-
Office rental	96,604	370,920	-	-
Security	190,216	190,064	4,844	5,489
Stationery, printing and postage	148,438	122,418	-	-
Utilities	282,492	258,932	-	-
Bank charges	204,904	334,864	78	322
Other	294,642	331,661	437	33
	6,513,134	**5,862,270**	**218,238**	**129,862**

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

9. Impairment Losses on Financial Assets

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Charged/(credited) for the year on:				
Investment securities at amortised cost (note 17)	8,956	(7,516)	-	-
Investment securities at FVOCI	217,331	53,478	-	-
Loan and notes receivable (note 14)	1,177,235	230,456	(207,121)	165,533
Securities purchased under agreement to resell (note 16)	38	-	(1,515)	(25,987)
Other receivables (note 15)	1,945	2,197	-	-
	1,405,505	**278,615**	**(208,636)**	**139,546**

10. Taxation

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Green fund and business levy	30,527	12,999	-	-
Current income tax	2,317,391	1,548,809	-	60
Prior year under provision	27,121	11,970	-	132
	2,375,039	1,573,778	-	192
Deferred income tax (note 23)				
Origination and reversal of temporary differences	(2,241,216)	(556,718)	-	-
Tax benefit of losses carried forward	16,213	(14,917)	-	-
	(2,225,003)	(571,635)	-	-
	150,036	**1,002,143**	-	**192**

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation (Continued)

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Profit before taxation	7,216,523	4,870,549	1,871,251	322,419
Tax calculated at 25% (2019: 25%)	1,804,130	1,217,637	467,813	80,605
Adjusted for the effects of:				
Income not subject to tax	(2,195,336)	(864,162)	(467,813)	(80,413)
Disallowed expenses	502,211	690,930	-	-
Tax losses not recognised	-	4,866	-	-
Tax losses recovered	(12,635)	(78,210)	-	-
Effect of taxation under different tax regime	-	14,362	-	-
Deferred tax not recognised	-	(931)	-	-
Green fund and business levy	17,353	14,343	-	-
Other	7,192	(8,662)	-	-
Prior year under provision	27,121	11,970	-	-
	150,036	**1,002,143**	**-**	**192**

(c) At the reporting date, taxation losses, subject to agreement with the relevant Tax Authorities, available for set off against future taxable profits, amounted to approximately $3,526,287,000 (2019: $2,880,734,000) for the Group and $310,737,000 (2019: $218,029,000) for the Company.

11. Earnings per Stock Unit

Earning per stock unit ("EPS'') is computed by dividing the profit attributable to stockholders of the parent of $6,993,567,000 (2019: $3,820,119,000) by the weighted average number of ordinary stock units in issue during the year, numbering 1,749,541,603 (2019: 1,630,552,532).

12. Dividends paid to Ordinary Stockholders

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Final dividend in respect of 2019 @ 23.0 cents per stock unit	456,555	-
Interim dividend in respect of 2020 @ 20.0 cents per stock unit	410,666	-
Final dividend in respect of 2018 @ 27.0 cents per stock unit	-	440,249
Interim dividend in respect of 2019 @ 21.0 cents per stock unit	-	342,416
	867,221	**782,665**

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

13. Cash and Cash Equivalents

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cash	32,102,661	24,312,765	-	-
Balances with Central Bank	8,859,527	4,602,038	-	-
Cash equivalents	1,673,812	1,811,593	12,068	17,046
	42,636,000	**30,726,396**	**12,068**	**17,046**

Cash equivalents of the Group include $1,617,100,000 (2019: $1,663,917,000) held by an investment broker as security for funding provided on certain investment securities, which is not available for immediate use. In addition, the Group also has a restricted amount of $7,859,000 (2019: $7,859,000) deposited at an interest rate of 0.5% (2019: 0.5%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the Group's Jamaican employees.

14. Loans and Notes Receivable

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	46,322,794	35,881,450	-	-
Financial institutions	5,330,162	444,248	21,920,734	22,416,429
Individuals	50,226,573	33,475,218	-	-
	101,879,529	69,800,916	21,920,734	22,416,429
Less: allowance for impairment	(3,038,456)	(1,853,648)	(60,524)	(267,645)
	98,841,073	**67,947,268**	**21,860,210**	**22,148,784**

Allowance for impairment:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	1,853,648	1,320,736	267,645	-
Adjustment on initial application of IFRS 9	-	362,338	-	102,112
Charge for year (note 9)	1,189,911	283,934	(207,121)	165,533
Recoveries	(12,676)	(53,478)	-	-
Write-offs	(31,797)	(64,672)	-	-
Translation gains	39,370	4,790	-	-
Balance at 31 March	**3,038,456**	**1,853,648**	**60,524**	**267,645**

14. Loans and Notes Receivable (Continued)

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

Notes receivable include the balance on an interest-free revolving advance of $2,458,548,605 (2019: $807,037,000) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not been fixed. The number of stock units held by the ESOP at 31 March 2020 was 172,681,449 (2019: 159,076,085).

15. Other Receivables

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Receivable from related parties	3,054,939	2,421,937	-	-
Other receivables	3,304,342	2,338,613	183,185	224,275
Staff loans	641,925	560,201	-	-
	7,001,206	5,320,751	183,185	224,275
Less: allowance for impairment	(8,544)	(6,599)	-	-
	6,992,662	**5,314,152**	**183,185**	**224,275**

Allowance for impairment:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	6,599	1,719	-	-
Adjustment on initial application of IFRS 9 (note 4)	-	2,683	-	-
Charge for year	1,945	2,197	-	-
Balance at 31 March	8,544	6,599	-	-

16. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Jamaica dollars	6,000,000	-	-	556,944
Denominated in United States dollars	-	-	647,049	385,665
Denominated in Trinidad and Tobago dollars	-	-	499,750	-
	6,000,000	-	1,146,799	942,609
Less: allowance for impairment	(38)	-	(10)	(1,525)
	5,999,962	-	**1,146,789**	**941,084**

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16. Securities Purchased Under Agreements to Resell (Continued)

Allowance for impairment:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at 1 April	-	-	1,525	-
Adjustment on initial application of IFRS 9	-	-	-	27,512
Charge/(credit) for year	38	-	(1,515)	(25,987)
Balance at 31 March	38	-	10	1,525

Resale agreements include balances with related parties as set out in note 29. All resale agreements mature within twelve months after the reporting date.

The securities that the Group obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (note 27).

At the reporting date, the fair value of the securities obtained and held under resale agreements was $6,168,318,000 (2019: $Nil) and $1,740,490,000 (2019: $942,609,000) for the Group and Company, respectively.

17. Investment Securities

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Debt securities at amortised cost:				
Certificates of deposit	25,953	258,927	-	648
Government of Jamaica securities	7,647,759	7,939,660	-	-
Other sovereign bonds	270,881	250,207	-	-
Corporate:			-	-
Government of Jamaica guaranteed	2,316,972	2,471,738	-	-
Other	635,816	-	-	-
	10,897,381	10,920,532	-	648
Debt securities at fair value through other comprehensive income:				
Government of Jamaica securities	72,141,507	98,693,970	-	-
Certificates of deposit	12,716,403	10,830,000	-	-
Government of Jamaica guaranteed	2,988,926	299,493	-	-
Corporate bonds	56,806,509	37,808,278	-	-
Other sovereign bonds	30,495,342	43,302,644	-	-
	175,148,687	190,934,385	-	-
Equity securities at fair value through other comprehensive income:				
Quoted securities	2,430,995	1,229,794	-	-
Balance carried forward to page 34	188,477,063	203,084,711	-	648

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17. Investment Securities (Continued)

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward from page 33	188,477,063	203,084,711	-	648
Other securities at fair value through other comprehensive income:				
Other	4,033	22,465	4,033	18,908
Debt securities designated at fair value through profit or loss:				
Corporate bonds	1,330,315	1,235,863	-	-
Other sovereign bonds	438,808	494	-	-
	1,769,123	1,236,357	-	-
Equity securities at fair value through profit and loss:				
Quoted securities	1,535,251	1,107,947	-	-
Other securities at fair value through profit and loss:				
Units in unit trusts	433,323	622,969	-	-
Money market funds	325,079	178,944	-	-
Unquoted securities	17,251	-	-	-
	775,653	801,913	-	-
	192,561,123	206,253,393	4,033	19,556
Less: allowance for impairment losses for investments at amortised cost	(290,602)	(281,034)	-	-
	192,270,521	**205,972,359**	**4,033**	**19,556**

Allowance for impairment for investments at amortised cost:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	281,034	362,868	-	-
Adjustment on initial application of IFRS 9	-	49,109	-	-
Reclassification of allowance on securities reclassified on initial application of IFRS 9	-	(123,279)	-	-
Charge/(credit) for the year	8,956	(7,516)	-	-
Recoveries	612	(148)	-	-
Balance at 31 March	**290,602**	**281,034**	**-**	**-**

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17. Investment Securities (Continued)

Investments mature, from the reporting date, as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities:				
Within 3 months	-	3,110,467	-	-
From 3 months to 1 year	1,546,481	3,679,396	-	-
From 1 year to 5 years	15,737,792	15,059,818	-	-
Over 5 years	62,481,083	84,756,439	-	-
	79,765,356	106,606,120	-	-
Certificates of deposit:				
Within 3 months	13,383,663	11,088,927	-	648
From 1 year to 5 years	25,953	-	-	-
	13,409,616	11,088,927	-	648
Sovereign and corporate bonds:				
Within 3 months	2,666,966	2,572,610	-	-
From 3 months to 1 year	6,007,743	8,244,555	-	-
From 1 year to 5 years	40,146,753	21,302,954	-	-
Over 5 years	45,542,020	52,995,074	-	-
	94,363,482	85,115,193	-	-
Other [see (c) below]	4,732,067	3,162,119	4,033	18,908
	192,270,521	**205,972,359**	**4,033**	**19,556**

(a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (note 27) and notes payable (note 28).

(b) Government of Jamaica securities having an aggregate face value of $620,000,000 (2019: $620,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the Company's bankers.

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

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18. Interest in Subsidiaries

	The Company	
	2020	**2019**
	$'000	**$'000**
Shares at cost:		
Jamaica Money Market Brokers Limited	1,864,054	1,864,054
JMMB Bank (Jamaica) Limited	6,085,176	4,885,176
JMMB Money Transfer Limited	50,789	50,789
Jamaica Money Market Brokers (Trinidad and Tobago) Limited	4,054,726	3,497,625
JMMB Holding Company, SRL and its subsidiaries	1,478,763	1,478,763
	13,533,508	**11,776,407**

19. Interest in Associate

	The Group	The Company
	2020	**2020**
	$'000	**$'000**
Acquisition cost	34,401,946	34,401,946
Share of profits	195,206	-
Gain on acquisition	2,799,034	-
Dividends received	(225,936)	-
Movement in other reserves	(2,160,944)	-
At end of the year	35,009,306	34,401,946

The Group acquired 33,213,764 common shares of Sagicor Financial Company Limited (SFC) on 5 December 2019, upon the immediate conversion of 33,213,764 Class B shares of Alignvest Acquisition II Corporation (Alignvest), on a one-for-one basis.

The Group purchased the Class B shares from Alignvest, by way of a private placement, at CAD$10.00 per Class B share, totalling CAD$332,137,638 based on a subscription amount of US$250,000,000 converted on date of closing. Sagicor as the resulting issuer, thereafter issued the common shares upon conversion, in connection with Alignvest's qualifying transaction with Sagicor Financial Corporation Limited, through a statutory plan of arrangement and the continuance of Alignvest to Bermuda, under the name "Sagicor Financial Company Limited, (SFC)".

As a result of this transaction, the Group now owns and controls 22.52% of the issued and outstanding common shares of SFC.

The Group has accounted for this investment as an associate and has applied the equity method. The principal activities of SFC are life and health insurance, annuities and pension administration services and banking and investment management services. The main purpose of the acquisition is to diversify the Group's income stream while improving core earnings. SFC is listed on the Toronto Stock Exchange.

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19. Interest in Associate (Continued)

The following table presents the summarized financial information in respect of SFC as indicated in its own financial statements, adjusted for fair value adjustment at acquisition. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in SFC. The Group has used the last audited financial statements of SFC as at and for the year ended 31 December 2019 adjusted for its unaudited results for the three months to 31 March 2020.

	2020
Percentage ownership	**22.5%**
	$'000
Total assets	1,133,078,557
Total liabilities	(916,938,919)
Net assets	216,139,638
Revenue	71,106,043
Profit from continuing operation	867,583
Other comprehensive income	(12,637,926)
Total comprehensive income	(11,770,343)
Group's share of profit (22.5%)	195,206
Group's share of other comprehensive income	(2,843,533)
Group's share of total comprehensive income	(2,648,327)
Net assets of the associate – 100%	216,239,638
Pre-acquisition goodwill and intangible assets	(12,068,099)
Non-controlling interests	(75,739,912)
Adjusted net assets	128,431,627
Group's share of adjusted net assets (22.5%)	28,897,116
Intangible assets recognised on acquisition	6,238,343
Translation loss	(126,153)
Carrying amount of interest in associate	35,009,306

The carrying value of SFC and the value indicated by price quoted on the Toronto Stock Exchange (''TSE Indicative Value'') as at 31 March is as follow:

	The Group		**The Company**	
	Carrying Value	**TSE Indicative Value**	**Carrying Value**	**TSE Indicative Value**
	2020	**2020**	**2020**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Sagicor Financial Company Limited	34,893,824	21,312,222	34,401,946	21,312,222

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19. Interest in Associate (Continued)

Management has conducted an impairment assessment in respect of this investment involving a review of the performance of the entity as well as the value of the underlying asset and determined that no impairment in the carrying values has occurred.

20. Investment Property

	The Group	
	2020	**2019**
	$'000	**$'000**
Balance as at 1 April	489,616	489,616
Acquisitions	29,132	-
Fair value gain	102,484	-
	621,232	489,616

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

Investment properties generated revenue of $Nil (2019: $916,000) and incurred expenses of $14,775,000 (2019: $18,698,000) for the year.

The fair value of the Group's investment properties is categorised as Level 3 in the fair value hierarchy as described in note 32.

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

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

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21. Intangible Assets

	The Group					
	Computer Software	**Customer List and Core Deposits**	**Licence**	**Goodwill**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost						
31 March 2018	1,670,757	603,948	283,629	28,301	357,157	2,943,792
Additions	395,905	-	-	-	-	395,905
Exchange rate adjustment	(1,370)	1,732	(197)	969	1,266	2,400
31 March 2019	2,065,292	605,680	283,432	29,270	358,423	3,342,097
Additions	678,639	-	-	-	-	678,639
Exchange rate adjustment	(6,671)	17,662	15,418	40	10,365	36,814
31 March 2020	2,737,260	623,342	298,850	29,310	368,788	4,057,550
Accumulated Amortisation						
31 March 2018	770,022	293,769	-	-	277,488	1,341,279
Charge for the year	181,805	61,033	-	-	19	242,857
Exchange rate adjustment	(1,088)	215	-	-	1,266	393
31 March 2019	950,739	355,017	-	-	278,773	1,584,529
Charge for the year	187,533	41,146	-	-	-	228,679
Exchange rate adjustment	(148)	28,576	-	-	10,365	38,793
31 March 2020	1,138,124	424,739	-	-	289,138	1,852,001
Net Book Value						
31 March 2020	**1,599,136**	**198,603**	**298,850**	**29,310**	**79,650**	**2,205,549**
31 March 2019	**1,114,553**	**250,663**	**283,432**	**29,270**	**79,650**	**1,757,568**

Impairment testing for intangible assets with indefinite useful lives

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

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

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

	2020	**2019**
Discount rate:	14.5%; 17%	14.5%; 17.0%
Long-term growth rate	3%	3%
Time to obtain licence	3-4 years	3-4 years

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21. Intangible Assets (Continued)

Impairment testing for intangible assets with indefinite useful lives (continued)

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

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

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

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

22. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	**Leasehold Improvement**	**Motor Vehicles**	**Computer Equipment**	**Equipment, Furniture and Fittings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost						
31 March 2018	**2,041,347**	**814,276**	**56,437**	**1,091,478**	**2,159,808**	**6,163,346**
Additions	177,698	32,490	16,404	94,231	162,540	483,363
Reclassification	(43,842)	3,232	-	-	40,610	-
Disposals	-	-	(4,397)	-	-	(4,397)
Exchange rate adjustment	546	(795)	(5,545)	519	5,743	468
31 March 2019	**2,175,749**	**849,203**	**62,899**	**1,186,228**	**2,368,701**	**6,642,780**
Additions	345,642	78,041	38,469	239,048	93,404	794,604
Transfer	(73,760)	4,837	-	5337	63,586	-
Reclassification	(60,407)	27,605	-	848,364	(815,826)	(264)
Disposals	-	(144,139)	(12,966)	(164,188)	(44,213)	(365,506)
Exchange rate adjustment	6,102	36,564	53	3,459	86,116	132,294
31 March 2020	**2,393,326**	**852,111**	**88,455**	**2,118,248**	**1,751,768**	**7,203,908**

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22. Property, Plant and Equipment (Continued)

	The Group					
	Freehold Land and Buildings	Leasehold Improvement	Motor Vehicles	Computer Equipment	Equipment, Furniture and Fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation						
31 March 2018	**205,360**	**496,261**	**37,501**	**796,471**	**1,409,876**	**2,945,469**
Charge for the year	33,271	67,514	7,207	145,475	163,728	417,195
Disposals	-	-	(4,397)	-	-	(4,397)
Exchange rate adjustment	-	(2,611)	(233)	(1,236)	5,261	1,181
31 March 2019	**238,631**	**561,164**	**40,078**	**940,710**	**1,578,865**	**3,359,448**
Charge for the year	34,079	78,992	9,102	190,848	156,800	469,821
Reclassification	-	(40)	(8,438)	780,981	(780,941)	(8,438)
Disposals	-	(143,826)	(45)	(162,828)	(43,452)	(350,151)
Exchange rate adjustment	-	22,813	15	328	70,079	93,235
31 March 2020	**272,710**	**519,103**	**40,712**	**1,750,039**	**981,351**	**3,563,915**
Net Book Value						
31 March 2020	**2,120,616**	**333,008**	**47,743**	**368,209**	**770,417**	**3,639,993**
31 March 2019	**1,937,118**	**288,039**	**22,821**	**245,518**	**789,836**	**3,283,332**

	The Company			
	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
Acquired on group reorganisation and balance at 31 March 2018 and 31 March 2019	10,271	3,493	45	13,809
Disposal	(10,271)	(3,493)	(45)	(13,809)
31 March 2020	-	-	-	-
Depreciation				
Acquired on group reorganisation and balance at 31 March 2018 and 31 March 2019	9,958	3,493	45	13,496
Disposal	(9,958)	(3,493)	(45)	(13,496)
31 March 2020	-	-	-	-
Net Book Value				
31 March 2020	**-**	**-**	**-**	**-**
31 March 2019	**313**	**-**	**-**	**313**

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23. Deferred Income Tax

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

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

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

	The Group	
	2020	2019
	$'000	$'000
Deferred income tax assets	5,508,584	360,893
Deferred income tax liabilities	(49,778)	(175,180)
	5,458,806	**185,713**

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

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Investments	4,094,599	910,738	-	-
Unrealised foreign exchange losses	1,067,945	-	-	-
Property, plant and equipment	22,163	-	-	-
Other payables	55,263	27,374	-	-
Interest payable	405,417	430,109	-	-
Tax losses carried forward	124,790	141,003	-	-
Notes receivable	172,887	-	-	-
Lease liabilities	11,602	-	-	-
	5,954,666	1,509,224	-	-
Deferred income tax liabilities -			-	-
Unrealised foreign exchange gains	-	810,606	-	-
Property, plant and equipment	-	24,824	-	-
Interest receivable	495,860	488,081	-	-
	495,860	1,323,511	-	-
Net deferred income tax assets	**5,458,806**	**185,713**	-	**-**

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23. Deferred Income Tax (Continued)

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

	2020			
	The Group			
	Balance at Beginning of Year	Recognised in Income	Recognised in Other Comprehensive Income	Balance at End of Year
	$'000	$'000 (note 10)	$'000	$'000
Tax losses carried forward	141,003	(16,213)	-	124,790
Investments	910,738	135,771	3,048,090	4,094,599
Accounts payable	27,374	27,889	-	55,263
Property, plant and equipment	(24,824)	46,987	-	22,163
Interest payable	430,109	(24,692)	-	405,417
Unrealised foreign exchange loss	-	1,067,945	-	1,067,945
Unrealised foreign exchange gains	(810,606)	810,606	-	-
Notes receivable	-	172,887	-	172,887
Lease liabilities	-	11,602	-	11,602
Interest receivable	(488,081)	(7,779)	-	(495,860)
	185,713	**2,225,003**	**3,048,090**	**5,458,806**

	2019			
	The Group			
	Balance at Beginning of Year	Recognised in Income	Recognised in Other Comprehensive Income	Balance at End of Year
	$'000	$'000 (note 10)	$'000	$'000
Tax losses carried forward	126,086	14,917	-	141,003
Investments	(316,624)	1,277,330	(49,968)	910,738
Accounts payable	20,433	6,941	-	27,374
Property, plant and equipment	52,063	(76,887)	-	(24,824)
Interest payable	387,395	42,714	-	430,109
Unrealised foreign exchange loss	1,916	(1,916)	-	-
Unrealised foreign exchange gains	(12,694)	(797,912)	-	(810,606)
Interest receivable	(594,529)	106,448	-	(488,081)
	(335,954)	**571,635**	**(49,968)**	**185,713**

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24. Leases

Leases as lessee

The Group leases properties for office space and other uses. The leases run for periods of 1 to 15 years. Certain leases have an option to renew for further periods of 1 to 15 years.

The Group leases IT equipment with contract terms of one to three years. These leases are short- term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(i) Amounts recognised in the statement of financial position shows the following amounts relating to leases:

	The Group
	2020
	$'000
Right-of-use assets - properties:	
Recognised at 1 April [(note 4(c)]	1,639,357
Additions	460,093
Charge for the year	(314,675)
Exchange rate adjustment	64,546
Balance at 31 March	**1,849,321**
Lease liabilities:	
Current	303,300
Non-current	1,645,368
	1,948,668

(ii) Amounts recognised in the profit and loss account show the following amounts relating to leases:

2020 – Leases under IFRS 16

	The Group
	2020
	$'000
Depreciation charge of right-of-use assets	314,675
Foreign exchange loss on lease liabilities	42,664
Interest expense on lease liabilities	117,838
Expense relating to short-term and low-value leases (included in administration expenses)	90,335

2019 – Operating leases under IAS 17

	The Group
	2019
	$'000
Lease expense	283,764

24. Leases (Continued)

Leases as lessee (continued)

(iii) Amounts recognised in the statement of cash flows

	The Group
	2020
	$'000
Total cash out flows for leases	375,839

(iv) Extension options

Some property leases contain extension options exercisable by the Group up to twelve months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $1,137,014,000.

25. Share Capital

	2020	2019
	Number of Shares	Number of Shares
	('000)	('000)
Authorised ordinary stock units at no par value: unlimited		
Fixed rate cumulative redeemable preference shares of no par value	6,000,000	6,000,000

	2020	2019
	Number of Shares	Number of Shares
	('000)	('000)
Issued ordinary share capital:		
Ordinary stock units in issue at no par value	1,955,552	1,630,552

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25. Share Capital (Continued)

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Stated capital:				
1,955,552,532 (2019: 1,630,552,532) ordinary stock units	14,115,924	1,864,554	14,115,924	1,864,554
9,434,000 7.25% cumulative redeemable preference stock units	14,151	14,151	14,151	14,151
1,827,548,000 7.50% cumulative redeemable preference stock units	1,827,548	1,827,548	1,827,548	1,827,548
213,500 5.75% cumulative redeemable preference stock units	42,901	40,038	42,901	40,038
42,783,500 US$ 6.00% cumulative redeemable preference stock units	5,731,278	5,348,793	5,731,278	5,348,793
32,177,000 7.00% cumulative redeemable preference stock units	64,354	64,354	64,354	64,354
1,848,937,000 7.25% cumulative redeemable preference stock units	3,697,874	3,697,874	3,697,874	3,697,874
155,000 US$ 5.50% cumulative redeemable preference stock units	41,527	38,756	41,527	38,756
21,265,000 US$ 5.75% cumulative redeemable preference stock units	5,697,319	5,317,101	5,697,319	5,317,101
	31,232,876	18,213,169	31,232,876	18,213,169
Less: redeemable preference stock units classified as liability	(17,116,952)	(16,348,615)	(17,116,952)	(16,348,615)
	14,115,924	**1,864,554**	**14,115,924**	**1,864,554**

On 19 November 2019, the Company issued 325,000,000 ordinary shares at a price of J$38.00 and TT$1.90 per share, to existing and key shareholders and J$38.75 and TT$1.94 to other investors respectively, by way of an additional public offering. The shares rank parri passu with existing ordinary shares.

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

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

25. Share Capital (Continued)

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

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

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

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

The rights attaching to the ordinary shares include the following:

(i) Entitlement of dividends as declared from time to time (note 12).

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

26. Reserves

(a) Retained Earnings Reserve

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

(b) Investment Revaluation Reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of debt securities at fair value through other comprehensive income, impairment losses on such securities, net of deferred tax, until the assets are derecognised or impaired.

(c) Cumulative Translation Reserve

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

27. Securities Sold Under Agreements to Repurchase

	The Group	
	2020	**2019**
	$'000	**$'000**
Denominated in Jamaica dollars	60,876,875	52,123,498
Denominated in United States dollars	90,626,003	82,475,858
Denominated in Pound Sterling	1,262,252	2,498,943
Denominated in Euro	164,472	200,108
Denominated in Dominican Republic Peso	21,419,026	22,117,192
Denominated in Canadian dollars	51,728	415,461
Denominated in Trinidad and Tobago dollars	5,189,624	4,076,831
	179,589,980	**163,907,891**

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27. Securities Sold Under Agreements to Repurchase (Continued)

Repurchase agreements are collateralised by certain securities and other instruments held by the Group with a carrying value of $186,673,921,000 (2019: $182,706,790,000) (notes 16 and 17).

28. Notes Payable

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
		$'000	**$'000**	**$'000**	**$'000**
(i)	Senior Unsecured US$ Fixed Note	2,588,643	2,415,886	-	-
(ii)	Subordinated debt	1,999,000	1,868,000	-	-
(iii)	Subordinated debt	579,483	542,834	-	-
(iv)	Senior secured TT$ Fixed Note	2,218,890	2,096,083	-	-
(v)	Senior secured US$ Fixed Note	1,493,333	2,082,651	-	-
(vi)	Promissory Note US$ Note	1,071,680	1,000,160	-	-
(vii)	Promissory Note US$ Fixed Note	20,094,000	18,753,000	-	-
(viii)	Unsecured US$ Fixed Note	971,478	1,505,616	971,478	1,505,616
(ix)	Unsecured J$ Fixed Note	472,425	892,426	472,425	892,426
(x)	Unsecured J$ Fixed Note	5,879,500	5,879,500	5,879,500	5,879,500
(xi)	Unsecured J$ Fixed Note	3,500,000	-	3,500,000	-
(xii)	Unsecured US$ Fixed Note	3,349,000	-	3,349,000	-
(xiii)	Senior secured J$ Fixed Note	870,000	-	9,520,000	-
(xiv)	Secured US$ Index Bond	-	-	6,528,000	-
		45,087,432	**37,036,156**	**30,220,403**	**8,277,542**

(i) The note is unsecured and bears interest at 5.5% per annum, with prior interest payable on a quarterly basis and a maturity date of 15 June 2023.

(ii) This represents subordinated debts of TT$100M issued by a subsidiary for a term of eight (8) years, maturing on 28 March 2022, at a fixed rate of 4.5% per annum.

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

(iv) This represents a fixed rate debt issued in three tranches bearing interest at 3.25% and 3.70% per annum, payable on a semi-annually basis. These notes mature in November 2020, November 2021 and November 2022 and are secured by investment securities (note 17).

(v) This represents a fixed rate US$ indexed debt issued in two tranches bearing interest at 3.15%-3.55% per annum, payable on a semi-annually basis. These notes mature in November 2020, November 2021 and are secured by investment securities (note 17).

28. Notes Payable (Continued)

(vi) This represents a short-term unsecured funding facility from Citibank N. A of US$8,000,000 at an interest rate of 4.52% for the period 20 March 2019 to 20 April 2019. The note was repaid subsequent to the reporting date.

(vii) This note is unsecured and bears interest at 2.5% per annum, payable quarterly. The note matures on 30 April 2021.

(viii) This represents unsecured fixed rate US$ debt issued in three tranches bearing interest at 5.5%, 5.65% and 5.80% per annum, payable on a quarterly basis. The first tranche matured on 20 December 2019 and was repaid. The remaining two tranches matures on 20 June 2020 and 21 December 2020 respectively.

(ix) This represents unsecured fixed rate J$ debt issued in three tranches bearing interest at 5.65%, 6.0% and 6.25% per annum, payable on a quarterly basis. The first tranche matured on 20 December 2019 and was repaid. The remaining two tranches matures on 20 June 2020 and 21 December 2020 respectively.

(x) This represents unsecured fixed rate J$ debt bearing interest at 6.75% per annum, payable on a quarterly basis. The note matures on 27 July 2020.

(xi) This represents unsecured fixed rate J$ debt bearing interest at 6.6% per annum, payable on a quarterly basis. The note matures on 2 December 2022.

(xii) This represents unsecured fixed rate US$ debt bearing interest at 5.6% per annum, payable on a quarterly basis. The note matures on 2 December 2022.

(xiii) This represents a fixed rate debt issued in two tranches bearing interest at 6.6% and 7.25% per annum, payable on a semi-annually basis. These notes mature in 23 December 2022 and 23 December 2026 and are secured by equity shares of the associate (note 19).

(xiv) This represents a fixed rate US$ indexed debt issued in two tranches bearing interest at 5.6% and 6.25% per annum, payable on a semi-annually basis. These notes mature in 6 December 2022 and 6 December 2026 and are secured by equity shares of the associate (note 19).

29. Related Party Transactions and Balances

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

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

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29. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Directors-				
Loans and notes receivable	239,093	140,154	-	-
Interest payable	(1,104)	(279)	-	-
Customer deposits	(215,008)	(192,998)	-	-
Securities sold under agreements to repurchase	(1,351,676)	(72,431)	-	-
Major shareholders -				-
Notes receivable	2,458,549	807,037	-	-
Subsidiaries -				
Securities purchased under agreements to resell	-	-	1,146,789	941,084
Loans and notes receivable	-	-	21,860,210	22,148,784
Other receivables	-	-	130,230	218,538
Other payables	-	-	(8,553,473)	(8,768,350)
Managed funds -				
Cash equivalents	504,600	-	-	-
Accounts receivable	3,432,986	2,421,937	-	-
Accounts payable	(42,332)	(118,138)	-	-
Securities sold under agreements to repurchase	(814,852)	(22,028,424)	-	-
Notes payable	(20,094,000)	(18,753,000)	-	-
Customer deposits	(2,555,819)	(3,137,720)	-	-

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29. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Directors:				
Interest income	27,262	14,590	-	-
Interest expense	(4,037)	(1,614)	-	-
Subsidiaries:		-		
Dividend income	-	-	2,191,889	906,033
Interest income	-	-	-	1,281,822
Associated company				
Dividend income	225,936	-	225,936	-
Managed funds:				-
Gain on sale of securities	247,322	440,989	-	-
Fee income	892,180	759,351	-	-
Interest income	1,675	1,656	-	-
Interest expense	(847,561)	(478,903)	-	-

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

	The Group	
	2020	**2019**
	$'000	**$'000**
Directors emoluments:		
Fees (note 8)	128,395	100,323
Management remuneration	67,384	65,137
Other key management compensation:		
Short-term employee benefits	487,876	524,287
Post-employment benefits	16,261	17,769
	699,916	707,516

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30. Non-Controlling Interest

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

(a) Statement of financial position:

	2020	**2019**
NCI percentage	**20%**	**20%**
	$'000	**$'000**
Total assets	33,998,848	32,323,353
Total liabilities	(30,920,601)	(28,873,049)
Net assets	3,078,247	3,450,304
Carrying amount of NCI	952,185	1,038,332

(b) Profit or loss account and other comprehensive income:

	2020	2019
Revenue	3,727,401	3,032,682
Profit	585,032	332,412
Other comprehensive income	706,120	51,996
Profit allocated to NCI, net	72,920	48,287
Other comprehensive income allocated to NCI	(131,686)	(62,339)

(c) Statement of cash flows:

	2020	2019
Cash flows from operating activities	1,651,504	2,948,745
Cash flows from investing activities	(576,592)	(3,750,294)
Cash flows from financing activities	-	996,000
Net increase in cash and cash equivalents	1,074,912	194,451

31. Financial Risk Management

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

(a) Introduction and overview

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

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

31. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework

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

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

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

(i) Risk Management Committee

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

(ii) Board Credit Committees

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

(iii) Audit Committees

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

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

31. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

(iv) Investment Committees

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

(v) Asset and Liability Committees (ALCOs)

ALCOs are management committees that monitor and adjust the overall profile of assets and liabilities of the respective entities to increase the probability of achieving strategic business results within the context of Board approved risk appetite, relevant policies and applicable regulations.

Impact of Covid-19

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, Management has adopted several measures specifically around financial risk management. These measures include:

(i) Enhanced monitoring of market movements by the Risk unit and tracking of the impact on the investment portfolios and the resulting impact on capital and liquidity to support timely decision making.

(ii) The Liquidity Management Committee and the Asset and Liability Committees within the Group meet bi-weekly to discuss strategies and plans around managing the liquidity and the capital needs of the Group.

(iii) Updating of the entity's recovery plan for securities dealers, which was required by the regulators. The key aspects of the plan include:

- Measures to secure sufficient funding and adequate availability.
- Contingency arrangements that enable continuation of operations as recovery measures are being implemented.
- Actions that can be taken to strengthen the entity's capital base;
- A clear description of the escalation and decision-making process to ensure that the plan can be executed in a timely manner.
- Communication plan to ensure that stakeholders (internal and external) are given timely and appropriate information during the firm's recovery process.

31. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Impact of Covid-19 (continued)

(iv) The implementation of measures to assist external clients during this crisis, such as:

- Payment holidays on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these payment holidays should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR [see note 31(b)(vi)(i)] are identified.

- Special arrangements with clients, such as amending their collateral/margin requirements based on their needs and subject to approval by the appropriate committee.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

(i) Management of credit risk

Credit risk is a significant risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

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, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The Covid-19 pandemic has caused significant market volatility which has increased the Group's credit risk. The downgrading of credit ratings and/or the outlook for investments securities has resulted in an increase in the credit risk of debt securities and loans.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

Key financial assets are managed as follows:

(i) Loans and notes receivable (including commitments and guarantees)

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

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

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

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

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

(ii) Investments and resale agreements

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

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

(iii) Cash and cash equivalents

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

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis

The following table sets out information about the credit risk and the credit quality of financial assets measured at amortised cost and debt instruments measured a fair value through other comprehensive income (FVOCI). Unless specifically indicated amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

Loans and notes receivable at amortised cost (note 14):

	The Group			
	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Credit grade				
Standard monitoring	89,063,460	1,489,535	-	90,552,995
Special monitoring	3,883	5,660,300	-	5,664,183
Default	-	-	5,662,351	5,662,351
	89,067,343	7,149,835	5,662,351	101,879,529
Loss allowance [note 31(b)(vi)(v)	(930,166)	(300,961)	(1,807,329)	(3,038,456)
	88,137,177	6,848,874	3,855,022	98,841,073
	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Credit grade				
Standard monitoring	60,317,484	776,092	-	61,093,576
Special monitoring	-	4,944,353	-	4,944,353
Default	-	-	3,762,987	3,762,987
	60,317,484	5,720,445	3,762,987	69,800,916
Loss allowance [note 31(b)(vi)(v)	(363,825)	(214,889)	(1,274,934)	(1,853,648)
	59,953,659	5,505,556	2,488,053	67,947,268

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Loans and notes receivable at amortised cost (note 14) (continued):

	The Group			
	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Ageing of loans and notes receivable				
Neither past due nor impaired	80,711,497	1,738,632	-	82,450,129
Past due 1-30 days	8,355,846	647,879	-	9,003,725
Past due 31-60	-	2,975,633	-	2,975,633
Past due 61-90	-	1,787,691	-	1,787,691
More than 90 days	-	-	5,662,351	5,662,351
Total	89,067,343	7,149,835	5,662,351	101,879,529
	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Ageing of loans and notes receivable				
Neither past due nor impaired	55,202,926	2,478,045	-	57,680,971
Past due 1-30 days	5,114,558	500,582	-	5,615,140
Past due 31-60	-	2,191,150	-	2,191,150
Past due 61-90	-	550,668	-	550,668
More than 90 days	-	-	3,762,987	3,762,987
Total	60,317,484	5,720,445	3,762,987	69,800,916

For financial assets not recognised at the reporting date:

	The Group	
	2020	2019
	Stage 1 $'000	Stage 1 $'000
Loan commitments	7,168,273	7,493,848
Guarantees and letters of credit	707,380	1,707,349
	7,875,653	9,201,197

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Loans and notes receivable at amortised cost:

	The Company	
	2020	**2019**
	Stage 1	**Stage 1**
	$'000	**$'000**
Credit grade		
Standard monitoring	21,920,734	22,416,429
Loss allowance [note 31 (b) (vi)(v)]	(60,524)	(267,645)
	21,860,210	**22,148,784**

	The Company	
	2020	**2019**
	Stage 1	**Stage 1**
	$'000	**$'000**
Ageing of loans and notes receivable		
Neither past due nor impaired	**21,920,734**	**22,416,429**

Debt securities at amortised cost (note 17):

	The Group	
	2020	**2019**
	Stage 1	**Stage 1**
	$'000	**$'000**
Credit grade		
Watch	10,897,381	10,920,532
Loss allowance [note 31 (b) (vi)(v)]	(290,602)	(281,034)
	10,606,779	**10,639,498**

	The Company	
	2020	**2019**
	Stage 1	**Stage 1**
	$'000	**$'000**
Credit grade		
Watch	**-**	**648**

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Debt securities at FVOCI (note 17):

	The Group			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Investment grade	8,731,862	-	-	8,731,862
Watch	162,256,810	30,435	-	162,287,245
Speculative	3,462,731	521,150	-	3,983,881
Default	-	-	145,699	145,699
	174,451,403	**551,585**	**145,699**	**175,148,687**
Loss allowance [note 31 (b) (vi)(v)]	**900,518**	**121,292**	**2,273**	**1,024,083**

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Investment grade	23,021,026	-	-	23,021,026
Watch	166,505,024	463,040	-	166,968,064
Speculative	885,857	-	-	885,857
Default	-	-	59,438	59,438
	190,411,907	**463,040**	**59,438**	**190,934,385**
Loss allowance	**604,544**	**3,025**	**20,576**	**628,145**

Securities purchased under agreement to resell at amortised cost (note 16):

	The Group	
	2020	**2019**
	Stage 1	**Stage 1**
	$’000	**$’000**
Watch	6,000,000	-

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Securities purchased under agreement to resell at amortised cost (note 16) (continued):

	The Company	
	2020	**2019**
	Stage 1	**Stage 1**
	$'000	**$'000**
Watch	1,146,799	942,609
Loss allowance [note 31(b)(vi)(v)]	(10)	(1,525)
	1,146,789	**941,084**

(iii) Exposure to credit risk

The maximum exposure to credit risk is the amount of loss that should be suffered if every counterparty to the Group's financial assets were to default at once. These are represented by the carrying amounts of financial assets on the statement of financial position.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not occupy repossessed properties for business or other use. The carrying value of the loans on which the collateral was repossessed during the year was $149,388,000 (2019: $75,805,000).

Renegotiated loans and leases

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

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Concentration of credit risk

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

		The Group			
		2020			
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investment securities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Concentration by sector:					
Government of Jamaica	-	-	-	85,064,156	85,064,156
Other sovereign bonds	-	-	-	31,723,649	31,723,649
Bank of Jamaica	10,841,573	-	-	12,716,402	23,557,975
Corporate	-	45,960,449	-	61,981,994	107,942,443
Financial institutions	31,794,427	3,407,233	5,999,962	784,320	41,985,942
Retail	-	49,473,391	-	-	49,473,391
	42,636,000	**98,841,073**	**5,999,962**	**192,270,521**	**339,747,556**
Concentration by location:					
Jamaica	19,427,572	56,555,635	5,695,952	115,979,967	197,659,126
North America	4,193,158	921,456	-	4,454,356	9,568,970
Trinidad and Tobago	14,139,344	33,073,988	304,010	29,266,595	76,783,937
Dominican Republic	2,673,494	3,787,156	-	33,142,596	39,603,246
Other	2,202,432	4,502,838	-	9,427,007	16,132,277
	42,636,000	**98,841,073**	**5,999,962**	**192,270,521**	**339,747,556**

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(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Concentration of credit risk (continued)

	The Group			
	2019			
	Cash and cash equivalents $'000	Loans and notes receivable $'000	Investment securities $'000	Total $'000
Concentration by sector:				
Government of Jamaica	-	-	106,906,110	106,906,110
Other sovereign bonds	-	-	45,444,766	45,444,766
Bank of Jamaica	5,567,657	-	10,830,000	16,397,657
Corporate	-	34,470,969	41,071,029	75,541,998
Financial institutions	25,158,739	444,137	1,720,454	27,323,330
Retail	-	33,032,162	-	33,032,162
	30,726,396	**67,947,268**	**205,972,359**	**304,646,023**
Concentration by location:				
Jamaica	16,523,548	39,557,518	129,568,371	185,649,437
North America	3,011,100	267,409	3,800,280	7,078,789
Trinidad and Tobago	9,347,246	24,846,078	18,475,493	52,668,817
Dominican Republic	1,754,315	2,932,385	29,815,733	34,502,433
Other	90,187	343,878	24,312,482	24,746,547
	30,726,396	**67,947,268**	**205,972,359**	**304,646,023**

	The Company				
	2020				
	Cash and cash equivalents $'000	Loans and notes receivable $'000	Resale agreements $'000	Investment securities $'000	Total $'000
Concentration by sector:					
Financial institutions	12,068	21,860,210	1,146,789	4,033	23,023,100
Concentration by location:					
Jamaica	12,068	20,386,650	647,039	-	21,045,757
Trinidad and Tobago	-	1,473,560	499,750	-	1,973,310
North America	-	-	-	4,033	4,033
	12,068	**21,860,210**	**1,146,789**	**4,033**	**23,023,100**

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31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Concentration of credit risk (continued)

	The Company				
	2019				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector:					
Financial institutions	17,046	22,148,784	941,084	19,556	23,126,470
Concentration by location:					
Jamaica	17,046	20,320,680	941,084	19,556	21,298,366
Trinidad and Tobago	-	1,375,220	-	-	1,375,220
Dominican Republic	-	452,884	-	-	452,884
	17,046	**22,148,784**	**941,084**	**19,556**	**23,126,470**

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

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

The main types of collateral obtained are as follows:

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

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

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

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

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

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

	The Group				The Company			
	Loans and notes receivable		Resale agreements		Loans and notes receivable		Resale agreements	
	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:								
Cash secured	5,458,390	4,618,575	-	-	21,920,734	22,416,429	1,740,490	941,109
Property	28,513,217	18,147,160	-	-	-	-	-	-
Debt securities	19,887,457	5,309,734	6,168,318	26,365,983	-	-	-	-
Liens on motor vehicles	15,570,198	10,728,044	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-
Other	2,430,794	2,221,039	-	-	-	-	-	-
Subtotal	**71,860,056**	**41,024,552**	**6,168,318**	**26,365,983**	**21,920,734**	**22,416,429**	**1,740,490**	**941,109**
Against past due but not impaired financial assets:								
Cash secured	833,755	642,589	-	-	-	-	-	-
Property	7,858,236	4,359,235	-	-	-	-	-	-
Liens on motor vehicles	2,034,305	349	-	-	-	-	-	-
Debt securities	529,804	301,986	-	-	-	-	-	-
Equities	-	2,188,287	-	-	-	-	-	-
Other	261,229	244,671	-	-	-	-	-	-
Subtotal	**11,517,329**	**7,737,117**	-	**-**	-	-	-	-
Against past due and impaired financial assets:								
Cash secured	25,213	4,652	-	-	-	-	-	-
Debts securities	106,929	250	-	-	-	-	-	-
Property	23,088,081	22,755,364	-	-	-	-	-	-
Liens on motor vehicles	465,578	323,672	-	-	-	-	-	-
Equities	162,319	-	-	-	-	-	-	-
Other	10,803,530	9,816,817	-	-	-	-	-	-
Subtotal	**34,651,650**	**32,900,755**	-	**-**	-	-	-	-
Total	**118,029,035**	**81,662,424**	**6,168,318**	**26,365,983**	**21,920,734**	**22,416,429**	**1,740,490**	**941,109**

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement

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. Details of how the Group determines when a significant increase in credit risk has occurred, are described below.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is provided below.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. An explanation of how the Group incorporates this in its ECL models, is included in section (iii) below.
- 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).

The key inputs, assumptions and techniques used for estimating impairment adopted by the Group are as follows:

(i) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date with the remaining lifetime PD that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(i) Significant increase in credit risk (continued)

Credit risk grades:

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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 retail exposures; and turnover and industry type for corporate 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.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail

For retail business, the rating is determined at the borrower level. After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis and adjusted as may be necessary. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural score. This score is mapped to a PD.

Commercial & Corporate

For commercial and corporate business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the credit risk manager will also update information about the creditworthiness of the borrower on an annual basis from sources such as financial statements. This will determine the updated internal credit rating and PD.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(i) Significant increase in credit risk (continued)

Credit risk grades (continued)

Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's term structure associated with each grade are determined based on realised default rates as derived from the average 12-month through-the-cycle (TTC) transition matrices published by the external rating agencies.

The Group's rating method comprises 21 rating levels for instruments not in default (1 to 21) and two default classes (22 to 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to periodic (at least once every three years) validation and recalibration so that they reflect the latest projections in light of observed defaults.

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.

Generating the term structure of PD:

Credit risk grades are the primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction and by type of product and borrower as well as by credit risk grading.

The Group uses statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining when credit risk has increased significantly:

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower and the geographical region.

The Group considers that there is a significant increase in credit risk for its loans portfolio no later than when a loan is more than 30 days past due or downgraded by more than two notches in its internal ratings. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This is the case for exposures that meet certain heightened risk criteria such as placement on a watch list.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(i) Significant increase in credit risk (continued)

Determining when credit risk has increased significantly (continued)

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This is the case for exposures that meet certain heightened risk criteria such as placement on a watch list.

The Group considers that there is a significant increase in credit risk for its investment portfolio when there is a decrease in credit rating as follows: a three-notch downgrade from investment grade to non-investment grade (below BBB-); a two-notch downgrade within or outside the BB/B bucket; or a one-notch downgrade within or outside the B-, CCC, CC and C buckets.

Financial instruments for which it is determined that there is a significant increase in credit risk are transferred from stage 1 to stage 2 and impairment loss is measured based on lifetime expected credit loss.

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 as 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.

(ii) Definition of default:

The Group considers the following quantitative and qualitative factors in determining whether a financial asset is in default:

- The borrower is more than 90 days past due on its obligation to the Group.
- A decrease in internal rating of RR6 or higher
- The borrower is unlikely to pay its obligation to the Group in full, without recourse by the Group to actions such as realising security. This may arise from instances such as bankruptcy, long-term forbearance, insolvency, breach of financial covenants, death and restructuring.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets classified as 'default' are transferred to stage 3 and impairment loss is measured based on lifetime expected credit losses.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(iii) Incorporation of forward-looking information

The Group incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of the expected credit losses (ECL).

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.

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 very positive, positive, stable, negative or very negative trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The Group formulates three scenarios: a base case, which is the median scenario, and assigned a 75% probability of occurring and two less likely scenarios; being best, assigned a rating of 10% and worst, assigned a rating of 15%. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecast published by government bodies, monetary bodies and supranational organisations such as the International Monetary Fund.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

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.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments, and using the scorecard approach has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has assessed that the key drivers of its sovereign portfolio are debt to GDP ratio, current account to GDP ratio and net international reserves with weightings of 30%, 20% and 50%, respectively. The drivers for the corporate portfolio are debt to GDP ratio, annual inflation rate and GDP annual growth rate with weightings of 10%, 30% and 60%, respectively. The drivers for the retail (individual) loan portfolio are interest rate (i.e. policy rates as issued by central banks), unemployment rate and consumer price index with weightings of 30%, 35% and 35% respectively.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(iii) Incorporation of forward-looking information (continued)

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 collateral values change are monitored and reviewed on a quarterly basis.

(iv) Computation of the expected credit losses (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.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(iv) Computation of the expected credit losses (ECL) (continued)

The Group has replaced the Vasicek model with a simplified scorecard in estimating its forward-looking indicator factors. This model differentiates between sovereign, corporate and retail loan exposures. A minimum of three leading macroeconomic variables are used for each asset class. There were no other significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Loss allowance

The loss allowance recognised in the period is impacted by the following factors:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the year, as well as releases for financial instruments de-recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

Loans and notes receivable at amortised cost (see note 14):

	The Group			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	363,824	214,888	1,274,936	1,853,648
Transfer from Stage 1 to Stage 2	(70,680)	70,680	-	-
Transfer from Stage 1 to Stage 2	(212,478)	-	212,478	-
Transfer from Stage 1 to Stage 2	-	(77,149)	77,149	-
Transfer from Stage 1 to Stage 2	7,454	(7,454)	-	-
Transfer from Stage 1 to Stage 2	-	650	(650)	-
Transfer from Stage 1 to Stage 2	3,722	-	(3,722)	-
Financial assets derecognised during period	(329,581)	(12,183)	(71,910)	(413,674)
New financial assets originated or purchased	789,356	35,831	98,605	923,792
Net remeasurement of loss allowance				
Paydowns	378,513	48,142	18,654	445,309
Increases	13,969	-	6,891	20,860
Foreign exchange and other movements	(13,912)	27,554	194,879	208,521
Balance at 31 March	930,187	300,959	1,807,310	3,038,456

	The Group			
	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 31 March 2018 (IAS 39)	73,417	-	1,247,319	1,320,736
Remeasurement on 1 April 2018 (IFRS 9)	187,124	159,693	15,521	362,338
Financial assets derecognised during period	(13,827)	37,943	(60,153)	(36,037)
New financial assets originated or purchased	189,982	10,474	14,759	215,215
Paydowns	(89,730)	(166,462)	141,106	(115,086)
Foreign exchange and other movements	16,858	173,240	(83,616)	106,482
Balance at 31 March	363,824	214,888	1,274,936	1,853,648

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

Loans and notes receivable at amortised cost (see note 14) (continued):

	The Company 2020 Stage 1 $'000	The Company 2019 Stage 1 $'000
Balance at 1 April	267,645	-
Remeasurement on 1 April 2018	-	102,112
Net re-measurement of loss allowance	(207,121)	165,533
Balance at 31 March	60,524	267,645

Debt securities at amortised cost (see note 17):

	The Group 2020 Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at 1 April	90,589	-	190,445	281,034
Financial assets derecognised during period	(7,939)	-	-	(7,939)
New financial assets originated or purchased	20,500	-	-	20,500
Net remeasurement of loss allowance	(2,993)	-	-	(2,993)
Balance at 31 March	100,157	-	190,445	290,602

	The Group 2019 Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at 31 March 2018 (IAS 39)	49,144	-	313,724	362,868
Remeasurement on 1 April 2018 (IFRS 9)	49,109	-	-	49,109
Reclassification of allowance on initial application of IFRS 9	-	-	(123,279)	(123,279)
Recoveries	(148)	-	-	(148)
Financial assets derecognised during period	(11,383)	-	-	(11,383)
New financial assets originated or purchased	6,056	-	-	6,056
Net remeasurement of loss allowance	(2,189)	-	-	(2,189)
Balance at 31 March	90,589	-	190,445	281,034

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

Securities purchased under agreements to resell (see note 16):

	The Company	
	2020	2019
	Stage 1 $'000	Stage 1 $'000
Balance at 1 April	1,525	-
Remeasurement on 1 April 2018	-	27,512
Net remeasurement of loss allowance	(1,515)	(25,987)
Balance at 31 March	10	1,525

Debt securities at FVOCI:

	The Group			
	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at 1 April	604,544	3,025	20,576	628,145
Transfer from Stage 1 to Stage 2	(19,733)	19,733	-	-
Financial asset derecognized	(198,378)	(2,460)	(20,311)	(221,149)
New financial assets originated or purchased	573,736	120,156	1,997	695,889
Foreign exchange and other movements	(59,650)	(19,163)	10	(78,803)
Balance at 31 March	900,519	121,291	2,272	1,024,082

	The Group			
	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at 31 March 2018 (IAS 39)	-	-	-	-
Remeasurement on 1 April 2018 (IFRS 9)	574,292	-	-	574,292
Transfer from Stage 1 to Stage 2	(415)	2,969	-	2,554
Financial asset derecognized	(172,672)	-	-	(172,672)
New financial assets originated or purchased	272,214	-	20,576	292,790
Foreign exchange and other movements	(68,875)	56	-	(68,819)
Balance at 31 March	604,544	3,025	20,576	628,145

31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

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

A Liability Risk Management Committee sits as needed, on occasions where management considers that heightened monitoring and coordination of liquidity exposures across the Group is warranted.

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

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

The impact of Covid-19 has resulted in customers withdrawing funds at a higher rate. The Group has implemented a liquidity risk response strategy, including stress testing for entities within the Group that have higher liquidity risk exposures.

Liquidity risk management process

The Group's liquidity management process includes:

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

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

(iii) Optimising cash returns on investments; and

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

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

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

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31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Liquidity risk management process (continued)

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

	2020				
	The Group				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Customer deposits	47,659,303	54,252,707	3,636,090	105,548,100	104,183,074
Due to other banks	-	47,308	231,953	279,261	210,605
Securities sold under agreements to repurchase	138,788,945	42,268,359	-	181,057,304	179,589,980
Notes payable	6,066,933	14,488,605	31,124,963	51,680,501	45,087,432
Lease liabilities	102,982	308,760	1,999,098	2,410,840	1,948,668
Redeemable preference shares	1,061,676	2,259,129	23,016,661	26,337,466	17,116,952
Interest payable	1,633,703	-	-	1,633,703	1,633,703
Payables	6,777,046	-	-	6,777,046	6,777,046
	202,090,588	113,624,868	60,008,765	375,724,221	356,547,460

	2019				
	The Group				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Customer deposits	25,543,862	36,321,671	2,928,492	64,794,025	63,947,279
Due to other banks	-	7,657	228,675	236,332	190,888
Securities sold under agreements to repurchase	118,522,104	41,900,303	5,214,515	165,636,922	163,907,891
Notes payable	24,500,096	2,031,981	10,624,617	37,156,694	37,036,156
Redeemable preference shares	181,979	1,637,810	21,279,233	23,099,022	16,348,615
Interest payable	1,602,491	-	-	1,602,491	1,602,491
Payables	4,046,375	-	-	4,046,375	4,046,375
	174,396,907	81,899,422	40,275,532	296,571,861	287,079,695

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31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Liquidity risk management process (continued)

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

	2020				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	110,815	7,365,937	29,508,555	36,985,307	30,220,403
Redeemable preference shares	182,025	1,638,227	20,774,273	22,594,525	17,116,952
Interest payable	517,429	-	-	517,429	517,429
Due to subsidiary	8,553,473	-	-	8,553,473	8,553,473
Payables	27,978	-	-	27,978	27,978
	9,391,720	9,004,164	50,282,828	68,678,712	56,436,235

	2019				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	123,174	1,389,764	7,408,581	8,921,519	8,277,541
Redeemable preference shares	181,979	1,637,810	20,648,129	22,467,918	16,348,615
Interest payable	182,802	-	-	182,802	182,802
Due to subsidiary	8,768,350	-	-	8,768,350	8,768,350
Payables	10,360	-	-	10,360	10,360
	9,266,665	3,027,574	28,056,710	40,350,949	33,587,668

(d) Market risk

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

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

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

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

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

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

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

A summary of the VaR position of the Group's overall portfolio as at 31 March 2020 and during the year then ended is as follows:

	31 March	Average for Year	Maximum during Year	Minimum during Year
	$'000	$'000	$'000	$'000
2020 Overall VaR	18,247,038	19,948,529	22,747,933	18,247,038
2019 Overall VaR	6,373,322	4,493,718	11,654,683	1,589,781

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

The Covid-19 pandemic has caused significant market volatility which has increased the Group's market risk. The downgrading of credit ratings and/or the outlook for investment securities has resulted in increased trading and liquidity risk.

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk

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

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

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

	The Group	
	2020	2019
	$'000	$'000
United States dollars	(16,307,169)	6,669,933
Great Britain Pounds	120,699	67,066
Euros	63,670	(4,091)
Trinidad and Tobago dollars	575,956	10,656
Canadian dollars	205,055	586,858

Foreign currency sensitivity

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

	The Group			
	2020		2019	
	Change in Currency Rate	Effect on Profit	Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:		**$'000**		
USD	6	(978,430)	4	266,797
GBP	6	7,242	4	2,680
EUR	6	3,820	4	(164)
TT	6	34,557	4	426
CAD	6	12,303	4	23,474
		(920,508)		293,213

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk

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

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

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

	2020					
	The Group					
	Within 3 Months	**3 to 6 Months**	**6 to 12 Months**	**1 to 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	28,574,658	-	16,152	-	14,045,190	42,636,000
Interest receivable	-	-	-	-	3,504,722	3,504,722
Securities purchased under agreements to resell	5,153,732	846,230	-	-	-	5,999,962
Loans and notes receivable	15,879,238	26,911,683	2,762,143	51,981,714	1,306,295	98,841,073
Other receivables	-	-	-	-	6,992,662	6,992,662
Investment securities	20,558,590	10,711,125	1,183,552	154,940,074	4,877,180	192,270,521
Total financial assets	70,166,218	38,469,038	3,961,847	206,921,788	30,726,049	350,244,940
Financial Liabilities						
Customer deposits	70,271,104	13,909,599	16,714,193	3,288,178	-	104,183,074
Due to other financial institutions	-	-	46,025	164,580	-	210,605
Securities sold under agreements to repurchase	138,293,865	27,575,942	13,720,173	-	-	179,589,980
Notes payable	6,521,287	12,334,211	1,154,694	25,077,240	-	45,087,432
Lease liabilities	75,226	76,027	156,019	1,641,396	-	1,948,668
Redeemable preference shares	672,683	-	5,603,927	10,840,342	-	17,116,952
Interest payable	-	-	-	-	1,633,703	1,633,703
Other payables	-	-	-	-	6,777,046	6,777,046
Total financial liabilities	215,834,165	53,895,779	37,395,031	41,011,736	8,410,749	356,547,460
Total interest rate sensitivity gap	(145,667,947)	(15,426,741)	(33,433,184)	165,910,052	22,315,300	(6,302,520)
Cumulative interest rate sensitivity gap	(145,667,947)	(161,094,688)	(194,527,872)	(28,617,820)	(6,302,520)	-

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2019					
	The Group					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	21,605,266	272,485	-	-	8,848,645	30,726,396
Interest receivable	-	-	-	-	3,733,190	3,733,190
Loans and notes receivable	14,585,952	16,614,061	2,560,888	32,874,895	1,311,472	67,947,268
Other receivables	-	-	-	-	5,314,152	5,314,152
Investment securities	30,361,689	8,208,913	6,548,609	157,849,810	3,003,338	205,972,359
Total financial assets	66,552,907	25,095,459	9,109,497	190,724,705	22,210,797	313,693,365
Financial Liabilities						
Customer deposits	45,004,036	3,624,937	13,730,326	1,587,980	-	63,947,279
Due to other financial institutions	-	-	7,478	183,410	-	190,888
Securities sold under agreements to repurchase	118,038,576	26,516,807	16,862,508	2,490,000	-	163,907,891
Notes payable	15,564,353	-	2,038,086	19,433,717	-	37,036,156
Redeemable preference shares	631,104	-	1,841,699	13,875,812	-	16,348,615
Interest payable	-	-	-	-	1,602,491	1,602,491
Other payables	-	-	-	-	4,046,375	4,046,375
Total financial liabilities	179,238,069	30,141,744	34,480,097	37,570,919	5,648,866	287,079,695
Total interest rate sensitivity gap	(112,685,162)	(5,046,285)	(25,370,600)	153,153,786	16,561,931	26,613,670
Cumulative interest rate sensitivity gap	(112,685,162)	(117,731,447)	(143,102,047)	10,051,739	26,613,670	

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2020					
	The Company					
	Within 3 Months $'000	3 to 6 Months $'000	6 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	12,068	-	-	-	-	12,068
Interest receivable	-	-	-	-	223,365	223,365
Loans and notes receivable	854,598	6,443,362	-	14,562,250	-	21,860,210
Other receivables	-	-	-	-	183,185	183,185
Securities purchased under agreements to resell	1,146,789	-	-	-	-	1,146,789
Investment securities	-	-	-	-	4,033	4,033
Total financial assets	2,013,455	6,443,362	-	14,562,250	410,583	23,429,650
Financial Liabilities						
Notes payable	868,692	6,454,711	-	22,897,000	-	30,220,403
Redeemable preference shares	-	-	5,603,927	11,513,025	-	17,116,952
Interest payable	-	-	-	-	517,429	517,429
Other payables	-	-	-	-	27,978	27,978
Due to subsidiary	-	-	-	-	8,553,473	8,553,473
Total financial liabilities	868,692	6,454,711	5,603,927	34,410,025	9,098,880	56,436,235
Total interest rate sensitivity gap	1,144,763	(11,349)	(5,603,927)	(19,847,775)	(8,688,297)	(33,006,585)
Cumulative interest rate sensitivity gap	1,144,763	1,133,414	(4,470,513)	(24,318,288)	(33,006,585)	

	2019					
	The Company					
	Within 3 Months $'000	3 to 6 Months $'000	6 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	17,046	-	-	-	-	17,046
Interest receivable	-	-	-	-	218,538	218,538
Loans and notes receivable	-	-	1,471,855	20,676,929	-	22,148,784
Other receivables	-	-	-	-	224,275	224,275
Securities purchased under agreements to resell	941,084	-	-	-	-	941,084
Investment securities	648	-	-	-	18,908	19,556
Total financial assets	958,778	-	1,471,855	20,676,929	461,721	23,569,283
Financial Liabilities						
Notes payable	-	-	1,019,115	7,258,426	-	8,277,541
Redeemable preference shares	-	-	1,841,699	14,506,916	-	16,348,615
Interest payable	-	-	-	-	182,802	182,802
Other payables	-	-	-	-	10,360	10,360
Due to subsidiary	-	-	-	-	8,768,350	8,768,350
Total financial liabilities	-	-	2,860,814	21,765,342	8,961,512	33,587,668
Total interest rate sensitivity gap	958,778	-	(1,388,959)	(1,088,413)	(8,499,791)	(10,018,385)
Cumulative interest rate sensitivity	958,778	958,778	(430,181)	(1,518,594)	(10,018,385)	

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

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

	The Group			
	2020		2019	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
	$'000	$'000	$'000	$'000
Change in basis points				
JMD/USD				
-100 (2019: -100)	126,101	9,518,742	289,413	6,820,940
+100 (2019:+100)	126,102	(9,226,584)	257,814	(9,415,884)

(iii) Equity price risk

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

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago Stock Exchanges. A 5% (2019: 10%) increase in quoted bid prices at the reporting date would result in an increase of $198,312,000 (2019: $225,717,000) and $76,763,000 (2019: $110,795,000) in equity and profit respectively. A 10% (2019: 10%) decrease in quoted bid prices would result in a decrease of $396,625,000 (2019: $225,717,000) and $153,525,000 (2019: $110,795,000) in equity and profit respectively.

(e) Operational risk

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

31. Financial Risk Management (Continued)

(e) Operational risk (continued)

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

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

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

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

(f) Capital management

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

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

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

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

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

The Board provides oversight of capital sufficiency and deployment within the Group. It determines internal capital limits in line with its stated risk appetite based on an annual internal capital adequacy assessment process and its allocation to the respective business units.

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

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31. Financial Risk Management (Continued)

(f) Capital management (continued)

The regulated authorities require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and
(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

Certain subsidiaries' regulatory capital is divided into two tiers:

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

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

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

The regulated companies within the Group with prescribed capital requirements are Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Fund Managers Limited (JMMBFM), JMMB Insurance Brokers Limited (JMMBIB), JMMB Puesto de Bolsa, S.A., Banco Rio De Ahorro Y Credito JMMB Bank S.A (JMMBDR), JMMB Sociedad, S.A. (SAFI), JMMB Bank (Jamaica) Limited (JMMBBJL) JMMB Bank (T&T) Limited (JMMBBTT), JMMB Express Finance (T&T) Limited (JMMBETT), JMMB Investments (Trinidad and Tobago) Limited (JMMBITT) and JMMB Securities Limited (T&T) (JMMBSTT), Jamaica Money Market Broker (Trinidad and Tobago) Limited(JMMBTTH)

The table and notes below summarise the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2020 and 31 March 2019.

	JMMB		JMMBSL		JMMBIB	
	2020 J$'000	2019 J$'000	2020 J$'000	2019 J$'000	2020 J$'000	2019 J$'000
Regulatory capital –						
Tier 1 capital	13,632,986	16,729,110	733,729	809,106	178,987	133,016
Tier 2 capital	9,401,406	11,273,855	-	-	-	-
Total regulatory capital	23,034,392	28,002,965	733,729	809,106	178,987	133,016
Risk-weighted assets –						
On-balance sheet	140,567,586	115,659,686	1,798,906	1,239,031	-	-
Foreign exchange exposure	25,585,935	2,982,335	169,216	247,219	-	-
Total risk-weighted assets	166,153,521	118,642,021	1,968,122	1,486,250	-	-
Actual regulatory capital to risk weighted assets	14%	24%	37%	54%	-	-
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	-	-

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31. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMBETT		JMMBBTT		JMMBBJL	
	2020	2019	2020	2019	2020	2019
	TT$'000	TT$'000	TT$'000	TT$'000	J$'000	J$'000
Regulatory capital –						
Tier 1 capital	19,111	21,718	210,035	187,318	8,553,285	6,158,047
Tier 2 capital	1,324	4	98,083	92,743	489,810	332,398
Total regulatory capital	20,435	21,722	308,118	280,061	9,043,095	6,490,445
Total required capital	-	-	-	-	6,856,463	4,929,448
Risk-weighted assets –						
On balance sheet	105,064	34,962	1,690,752	1,405,724	62,148,246	42,658,102
Off balance sheet	-	-	-	-	4,950,922	5,671,853
Foreign exchange exposure	-	-	-	-	1,465,461	964,527
	105,064	34,962	1,690,752	1,405,724	68,564,629	49,294,482
Actual regulatory capital to risk weighted assets	19%	62%	16%	20%	13%	13%
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	10%	10%

	JMMTTH		JMMBFM	
	2020	2019	2020	2019
	TT$'000	TT$'000	$'000	$'000
Tier 1 capital	300,610	262,082	689,394	780,577
Tier 2 capital	88,354	107,177	-	-
Actual regulatory capital	388,964	369,259	689,394	780,577
Required level of regulatory capital	-	-	171,332	104,742
Total risk-weighted assets	2,034,142	1,767,617	934,945	1,223,803
Ratio of total regulatory capital to risk-weighted assets	13%	12%	74%	64%

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

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

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

31. Financial Risk Management (Continued)

(f) Capital management (continued)

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

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

(vi) The capital requirement for Banco Rio De Ahorro Y Credito JMMB Bank S.A is to maintain a minimum capital to risk weighted asset (CAR) in excess of 10%. The company's CAR at 31 March was 17%.

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

32. Financial Instruments – Fair Value

(a) Definition and measurement of fair values

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

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

<u>Level 1</u> 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.

<u>Level 2</u> 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.

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

There were no transfers between levels during the year.

32. Financial Instruments - Fair Value (Continued)

(b) Techniques for measuring fair value of financial instruments

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

(c) Accounting classifications and fair values

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

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

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32. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

	The Group						
	2020						
	Carrying amount				Fair value		
	Amortised Cost $'000	At fair value through other comprehensive income $'000	At fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value							
Government of Jamaica securities	-	72,141,507	-	72,141,507	-	72,141,507	72,141,507
Certificates of deposit	-	12,716,403	-	12,716,403	-	12,716,403	12,716,403
Government of Jamaica guaranteed	-	2,988,926	-	2,988,926	-	2,988,926	2,988,926
Corporate bonds	-	56,806,509	1,330,315	58,136,824	-	58,136,824	58,136,824
Foreign Government Securities	-	30,495,342	438,808	30,934,150	-	30,934,150	30,934,150
Ordinary shares quoted	-	2,430,995	1,535,251	3,966,246	3,966,246	-	3,966,246
Units in unit trusts	-	-	433,323	433,323	-	433,323	433,323
Money market funds	-	-	325,079	325,079	-	325,079	325,079
Ordinary shares unquoted	-	-	17,251	17,251	-	17,251	17,251
Other	-	4,033	-	4,033	-	4,033	4,033
	-	**177,583,715**	**4,080,027**	**181,663,742**	**3,966,246**	**177,697,496**	**181,663,742**
Financial assets not measured at fair value							
Certificate of deposits	25,953	-	-	25,953	-	25,918	25,918
Government of Jamaica Securities	7,647,759	-	-	7,647,759	-	7,595,906	7,595,906
Sovereign bonds	270,881	-	-	270,881	-	21,433	21,433
Government of Jamaica guaranteed	2,316,972	-	-	2,316,972	-	2,329,660	2,329,660
Others	635,816	-	-	635,816	-	617,937	617,937
	10,897,381	-	-	**10,897,381**	-	**10,590,854**	**10,590,854**

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32. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

	The Group						
	2019						
	Carrying amount				Fair value		
	Amortised Cost $'000	At fair value through other comprehensive income $'000	At fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value							
Government of Jamaica securities	-	98,693,970	-	98,693,970	-	98,693,970	98,693,970
Certificates of deposit	-	10,830,000	-	10,830,000	-	10,830,000	10,830,000
Government of Jamaica guaranteed	-	299,493	-	299,493	-	299,493	299,493
Corporate bonds	-	37,808,278	1,235,863	39,044,141	-	39,044,141	39,044,141
Foreign Government Securities	-	43,302,644	494	43,303,138	-	43,303,138	43,303,138
Ordinary shares quoted	-	1,229,794	1,107,947	2,337,741	2,337,741	-	2,337,741
Units in unit trusts	-	-	622,969	622,969	-	622,969	622,969
Money market funds	-	-	178,944	178,944	-	178,944	178,944
Other	-	22,465	-	22,465	-	22,465	22,465
	-	**192,186,644**	**3,146,217**	**195,332,861**	**2,337,741**	**192,995,120**	**195,332,861**
Financial assets not measured at fair value							
Certificate of deposits	258,927	-	-	258,927	-	258,927	258,927
Government of Jamaica Securities	7,939,660	-	-	7,939,660	-	7,488,312	7,488,312
Sovereign bonds	250,207	-	-	250,207	-	96,683	96,683
Government of Jamaica guaranteed	2,471,738	-	-	2,471,738	-	2,612,571	2,612,571
	10,920,532	**-**	**-**	**10,920,532**	**-**	**10,456,493**	**10,456,493**

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32. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

	The Company	
	2020	
	Carrying amount	Fair value
	At fair value through other comprehensive income $'000	Level 2 $'000
Financial assets measured at fair value		
Other	4,033	4,033

	The Company	
	2019	
	Carrying amount	Fair value
	At fair value through other comprehensive income $'000	Level 2 $'000
Financial assets measured at fair value		
Other	18,908	18,908

33. Post-employment Benefits

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

The fund is administered by trustees and the assets are held separately from those of the Group. Under the rules of the Fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the fund was done as at 31 December 2017 by Eckler Jamaica Limited, independent actuaries. The valuation report revealed a funding surplus.

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

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

33. Post-employment Benefits (Continued)

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

The contributions for the year amounted to $255,381,000 (2019: $228,492,000) for the Group.

34. Managed Funds

The Group acts as agent and earns fees for managing clients' and investment funds on a non-recourse basis under management agreements. This includes some of the assets of the Group's pension fund (note 33). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested are not recognised in the statement of financial position.

At 31 March 2020, funds managed in this way by the Group amounted to $135,079,008,000 (2019: $132,635,677,000) which includes assets of the Group's pension fund (note 33), amounting to $4,075,222,000 (2019: $3,702,138,000). The Group's financial statements include the following assets/(liabilities) relating to the funds:

	The Group	
	2020	**2019**
	$'000	**$'000**
Investments	325,079	116,358
Interest payable	(820)	(10,696)
Securities sold under agreements to repurchase	(43,482,627)	(42,022,844)
Customer deposits	(3,111,184)	(3,166,390)
Notes payable	(20,094,000)	(18,753,000)

35. Commitment

The JMMB Group and the JMMB Joan Duncan Foundation established an endowment Fund ("the Fund") of US$1 million which was administered by the University of the West Indies and Mona School of Business and Management. The main purpose of the Fund is to provide scholarships, bursaries, student training and development, academic staff development and case writing. Disbursements to the Fund which was contractually scheduled over a six-year period was completed during the year.

36. Significant Accounting Policies

The significant accounting policies below conform in all material respects to IFRS.

(a) Basis of consolidation:

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

36. Significant Accounting Policies (Continued)

The significant accounting policies below conform in all material respects to IFRS (continued).

(a) Basis of consolidation (continued):

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 the 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 interest

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.

(iii) Interest in associate

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.

36. Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued):

(iii) Interest in associate (continued)

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 zero 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.

(b) Financial Instruments

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

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

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(ii) Classification and subsequent remeasurement

Financial assets

The Group has classified its financial assets in the following measurement categories:

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

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

(a) 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, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 36(b)(vii). Interest income from these financial assets is included in 'Interest income from securities 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, are measured at fair value through other comprehensive income (FVOCI).

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. 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. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model: 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.

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) Debt instruments (continued)

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'). 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 payment 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.

(b) 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. Examples of equity instruments include basic ordinary shares.

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. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Gains and losses on equity investments at FVTPL are included in the 'Net trading income' line in the statement of profit or loss.

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments [See note 36(b)(v)].

(iii) Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

Cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI are not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(iii) Derecognition of financial assets and financial liabilities (continued)

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Modifications

Financial assets:

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised [see (b)(iii)] and a new financial asset is recognised at fair value plus any eligible transaction costs. Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms, rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(iv) Modifications (continued)

Financial assets (continued):

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities:

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Measurement and gains and losses

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost, which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

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

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(v) Measurement and gains and losses (continued)

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income 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 income, calculated 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.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Specific financial instruments:

Cash and cash equivalents

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

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

36. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(v) Measurement and gains and losses (continued)

Specific financial instruments (continued):

Resale and repurchase agreements

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

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

Loans and notes receivable and other receivables

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

Accounts payable

Accounts payable are classified and measured at amortised cost.

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 recognised in the profit or loss over the period of the borrowings on an effective yield basis.

Embedded derivatives

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

36. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(v) Measurement and gains and losses (continued)

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance [calculated as described in note 34(b)(vii)]; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rates, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vii) Impairment

The Group recognises loss allowances for expected credit losses (ECL) on debt financial instruments measured at fair value through other comprehensive income (FVOCI) and amortised cost.

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 on which credit risk has not increased significantly since their initial recognition.

36. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

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.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

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;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

36. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

Credit-impaired financial assets (continued)

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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. 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.

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.

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.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2020

(expressed in Jamaican dollars unless otherwise indicated)

36. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

Write-off (continued)

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(c) Property, plant and equipment

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

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

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

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

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

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs meeting the criteria of IAS 38, are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

36. Significant Accounting Policies (Continued)

(d) Intangible assets (continued)

The amortisation period for an intangible asset with a finite useful life is reviewed at a minimum at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. Intangible assets with infinite useful lives are measured at cost less impairment losses. They are assessed for impairment at least annually.

(i) Computer software

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

(ii) Goodwill

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

(iii) Customer lists and core deposits

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

(iv) Licences

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

(v) Other intangibles

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

(e) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

36. Significant Accounting Policies (Continued)

(e) Leases (continued)

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 April 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

36. Significant Accounting Policies (Continued)

(e) Leases (continued)

Policy applicable from 1 April 2019 (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

As a lessee

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

(f) Foreign currency translation

(i) Functional and presentation currency

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

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

36. Significant Accounting Policies (Continued)

(f) Foreign currency translation

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

(g) Share capital

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

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

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

36. Significant Accounting Policies (Continued)

(h) Taxation

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

(i) Impairment of non-financial assets

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

(i) Calculation of recoverable amount

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.

36. Significant Accounting Policies (Continued)

(i) Impairment of non-financial assets (continued)

(ii) Reversals of impairment

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.

(j) Revenue recognition

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

(i) Interest income

Interest income is recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

36. Significant Accounting Policies (Continued)

(j) Revenue recognition (continued)

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

(i) Interest income (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI, includes interest on financial assets measured at amortised cost, other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

(ii) Fees and commissions

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15.*
Investment banking services	The Group provides investment banking related services, including execution of customers' transactions and maintenance of customers' investments records. Fees are charged when the transaction takes place and are based on fixed rates or a fixed percentage of the assets value.	Revenue from investment banking related services is recognised at the point in time when the service is provided.
Portfolio and asset management services	The Group provides portfolio and asset management services to customers. Fees are calculated based on a fixed percentage of the value of the assets and are charged at various time intervals based on the investment agreement but at no time period exceeding twelve months.	Revenue from portfolio and asset management services is recognised at the point in time when the service is provided.

36. Significant Accounting Policies (Continued)

(j) Revenue recognition (continued)

(ii) Fees and commissions (continued)

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15.*
Capital market services	The Group provides capital market services including from debt issuances, equity issuance and merger and acquisition advisory services. Fees are charged when services have been successfully executed.	Revenue is recognised at the point in time when the transaction is successfully executed.

(iii) Dividends

Dividend income is recognised when the right to receive payment is irrevocably established.

(k) Employee benefits

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

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

Pensions are the Group's only post-employment benefit. Pension fund costs included in Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 33). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged as expense when due.

(l) Segment reporting

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

36. Significant Accounting Policies (Continued)

(m) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of financial liability.

(n) Borrowings

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

(o) Investment properties

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

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

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

(i) Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after 1 January 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The Group is assessing the impact that the amendments will have on its 2021 financial statements

36. Significant Accounting Policies (Continued)

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

(ii) Amendments to IFRS 3, *Business Combinations,* applicable to businesses acquired in annual reporting periods beginning on or after 1 January 2020, provides more guidance on the definition of a business. The amendments include:

(i) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.

(ii) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

The Group is assessing the impact that the amendments will have on its 2021 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 1 January 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) Amendment to IAS 1, *Presentation of Financial Statements* is effective for annual periods beginning on or after 1 January 2022 but with a possible deferral to 1 January 2023. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. The amendment clarifies that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. The settlement of a liability includes transferring a company's own equity instruments to the counterparty.

The Group's assessing the impact that the amendment will have on its 2023 or 2024 financial statements.