

JN FUND MANAGERS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2017

JN FUND MANAGERS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2017

The Directors submit herewith their Report for the year ended March 31, 2017, together with the Independent Auditors' Report and audited Financial Statements as at that date.

Principal Activities

The company is a securities dealer licensed by the Financial Services Commission to provide investment management and advice; deal in securities, administration and investment management services to superannuation funds and retirement schemes. JN Fund Managers Limited is also a Primary Dealer designated by the Bank of Jamaica and operates as a broker of shares traded on the Jamaica Stock Exchange ("JSE") based on an annually renewable licence purchased from the JSE.

Business Review

The company recorded net profits after taxes of \$406.6m (2016: \$262.5m) which was substantially above the amount in the approved budget. This was mainly attributable to gains arising from the sale of some of the company's proprietary securities. The company's net interest profit margin also widened and the expenses were contained within budget.

The company closed the financial year with total assets of \$28.5b up \$1.1b from the financial year 2016 outturn of \$27.4b. Pre-tax profits were \$638.7m (2016: \$414.3m). The return on equity after tax was 13.38% (2016: 9.21%) and an ordinary dividend of \$0.79 (2016: \$0.22) per share was paid.

Corporate Governance

In keeping with the JN Group's strong commitment to good corporate governance, our Board met regularly during the year. Our Conduct Review Committee reviewed related party transactions for compliance with regulatory requirements. At each JN Group Audit Committee meeting, reports were tabled by the Chief Internal Auditor, the Chief Compliance Officer and the Chief Risk Officer. Our Audit Committee ensures compliance with the Financial Services Commission, liaises with internal and external auditors, reviews the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.

Corporate Social Responsibility

JN Fund Managers (JNFM) partnered with the JN Foundation to effect its Corporate Social Responsibility, as a good corporate citizen. Consequently, JNFM has forged meaningful alliances with entities such as the Junior Achievement Jamaica (JAJ), a non-profit entity preparing Jamaica's youth for entrepreneurship, financial literacy and work readiness.

Resulting from this 3-year partnership with JAJ is the Junior Achievement Company of Entrepreneurs (JACE) Programme which provides practical experience in running a business. JNFM has sponsored up to 10 JACE schools each year which resulted in 4,008 contact hours reaching approximately 170 students for the 2016 Academic Year.

JN FUND MANAGERS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2017
(CONTINUED)

Corporate Social Responsibility (Continued)

Additionally, JNFM pioneered a Passport Initiative Programme, which saw high school students being provided with Jamaican Passports through Passport Immigration Citizenship Agency (PICA). JNFM was responsible for passport fees, registration and photos for 71 students. Through this programme, a student of Ardenne High School was able to attend the 2016 Company of the Year Regional Competition in Mexico. The Ardenne Team which he was a part of represented their JACE business 'JahScents' and won the coveted Delta Award.

JN Fund Managers also provided tablets for each of its sponsored schools to document the growth of their JACE business, while facilitating Skype communication with our financial advisors. Given our efforts, in June 2016 the company was awarded the Golden Triangle Award from Junior Achievement Jamaica for its work in the JACE programme.

In 2017, JNFM sponsored the JAJ's Teacher Awards where we sponsored St. Jago High School. Through the efforts of a teacher at the institution, the parish of St. Catherine was awarded first place. JNFM also forged a partnership with JN Foundation's "Action Jamaica" to beautify the Central Police Station in Downtown Kingston for Labour Day 2017.

Research and Development

A soft launch of our Mutual Fund was offered to the staff of the JN Group in mid-December 2016 and to the general public in mid-January 2017. The Fund consists of the following products:

- Global fixed income fund - J\$
- Global diversified income fund - J\$
- Global equity fund - J\$
- Local money market fund - J\$
- Global money market fund - US\$

Principal Risks and Uncertainties

To ensure that we were in a position to honour our financial commitments as they became due, we pursued various credit, counter party, interest rate, liquidity, operational and reputational risk assessments on a regular basis. These assessments were supported by a laddering of our placements, and the "right sizing" of the amounts that are invested with other financial institutions and the Government of Jamaica. We also continually assessed the local and global macroeconomic outlook, in particular, local measures of inflation, money supply, the Net International Reserves (NIR), the current account balance and global markets (equity, debt and commodity indices).

JN FUND MANAGERS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2017
(CONTINUED)

Directors

The following directors held office during the year:

Ms. Elizabeth Ann Jones - Chairman
Dr. Dhiru Tanna
Mr. Earl Jarrett
Ms. Monica Ladd
Mr. Peter Morris
Professor Peter Fletcher
Mr. Keith Senior
Ms. Caryl Fenton
Mr. Allan Lewis - Managing Director

Mr. Errol Ziadie was appointed director on April 12, 2017. On April 12, 2017, Professor Fletcher also tendered his resignation due to ill health. Professor Fletcher unfortunately passed away on May 24, 2017. We would like to extend our condolences to Professor Fletcher's family at his passing and our appreciation for his contribution to the Board during the period that he served.

Dividends

At the Board of Directors' meetings held on December 14, 2016 and March 30, 2017 (2016: November 18, 2015 and March 30, 2016), the directors declared total interim dividends of \$0.79 (2016: \$0.22) per share which will be ratified at the next Annual General Meeting. No further dividend was proposed by the directors for 2017.

Statement of Directors' Responsibilities

The Board of Directors is responsible for ensuring:

- (a) that the financial statements and proper accounting records are maintained in accordance with International Financial Reporting Standards and relevant laws and regulations;
- (b) that proper accounting records are maintained, the adoption and application of appropriate accounting policies and the implementation of systems of record keeping and internal controls which maintain the reliability of the financial statements and safeguard the company's assets;
- (c) such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and ensuring that the auditors are provided with access to all information of which the directors and management are aware and is relevant to the preparation of the financial statements such as records, documentation and other matters in a timely manner, ensuring that they are provided with any additional information that may be requested for the purpose of the audit and ensuring that the auditors are provided unrestricted access to persons within the entity from whom the auditors determine it necessary to obtain audit evidence.

JN FUND MANAGERS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2017
(CONTINUED)

Statement of Disclosure to the Auditors

In so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, we have taken all the necessary steps that ought to have been taken as directors in order to make ourselves aware of all the relevant audit information and to establish that the company's auditors are aware of that information.

Share Capital

There was no issue of share capital or debentures during the year.

Future Developments

The Government of Jamaica remains focused on meeting its obligations under the stand-by IMF Agreement. Growth in the economy in 2018 will likely be marginal at best, but the external economy remains benign with oil prices stable and global interest rates low. The business outlook for the company is positive. The company continues to pursue strategies that rely less on interest spread and more on "off balance sheet" activities such as investment banking and managing funds on behalf of others (e.g. JN Mutual Funds, superannuation funds and retirement schemes). The directors are optimistic that the Company will continue to be viable and provide a return on equity that is consistent with the risks associated with fund management.

Auditors

The Auditors, KPMG, have indicated their willingness to continue in office as Auditors and offer themselves for re-appointment. A motion will be proposed at the Annual General Meeting that their remuneration be agreed with the directors in respect of the period ending at the conclusion of the next Annual General Meeting.

Team Members

The Board of Directors wishes to thank the company's managers, staff members, customers and suppliers for their support and contributions, which have helped us to maintain our position in the securities industry. We recognize that our employees are our strongest and most valuable assets and applaud their role in the maintenance of our reputation for first class service delivery to our customers and to the adherence to laws and regulations.

Signed on behalf of the Board by:



Elizabeth Ann Jones (Ms.) – Chairman

June 30, 2017



KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JN FUND MANAGERS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN Fund Managers Limited ("the company"), set out on pages 9 to 52, which comprise the statement of financial position as at March 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN FUND MANAGERS LIMITED

Report on the Audit of the Financial Statements (Continued)

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 company'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.

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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN FUND MANAGERS LIMITED

Report on the Audit of the Financial Statements (Continued)

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

- 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 company'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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN FUND MANAGERS LIMITED

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.

A handwritten signature in blue ink that reads 'KPMG'.


Chartered Accountants
Kingston, Jamaica

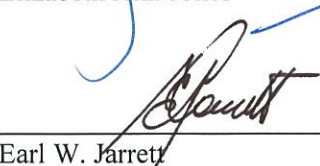
June 30, 2017

JN FUND MANAGERS LIMITEDStatement of Financial Position
March 31, 2017

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
ASSETS			
Cash and cash equivalents		21,428	8,078
Interest and other receivables	4	410,640	513,102
Securities purchased under resale agreements	5	6,688,767	5,522,071
Loans and advances	6	217,166	114,465
Investments	7	20,976,333	21,125,901
Income tax recoverable		-	139,938
Property, plant and equipment	8	121,586	17,017
Intangible assets	9	102,641	-
Customer liabilities under guarantees and indemnities, as per contra		<u>1,368</u>	<u>1,368</u>
		<u>28,539,929</u>	<u>27,441,940</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Securities sold under repurchase agreements	5	24,819,787	24,200,533
Due to specialised financial institution	10	9,232	12,410
Other payables	11	324,666	217,763
Taxation payable		14,441	-
Guarantees and indemnities, as per contra		1,368	1,368
Deferred tax liability	12	<u>165,813</u>	<u>106,009</u>
		<u>25,335,307</u>	<u>24,538,083</u>
SHAREHOLDERS' EQUITY			
Share capital	13	318,250	318,250
Investment fair value reserve		198,015	55,829
Retained profits		<u>2,688,357</u>	<u>2,529,778</u>
		<u>3,204,622</u>	<u>2,903,857</u>
		<u>28,539,929</u>	<u>27,441,940</u>

The financial statements on pages 9 to 52 were approved for issue by the Board of Directors on June 30, 2017 and signed on its behalf by:

 Chairman
Elizabeth Ann Jones

 Director
Earl W. Jarrett

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

JN FUND MANAGERS LIMITEDStatement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2017

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
Interest income:			
Interest on investments	14(a), 18(c)	1,593,235	1,583,707
Interest on loans and deposits with financial institutions	14(a)	<u>17,702</u>	<u>13,317</u>
		<u>1,610,937</u>	<u>1,597,024</u>
Interest expense:			
Securities sold under repurchase agreements	18(c)	(791,269)	(882,361)
Due to specialised financial institution		<u>(698)</u>	<u>(871)</u>
		<u>(791,967)</u>	<u>(883,232)</u>
Net interest income		818,970	713,792
Foreign exchange translation gains		84,283	63,926
Gain on sale of investments		260,300	6,865
Fee income	14(b), 18(c)	<u>60,573</u>	<u>50,321</u>
		<u>1,224,126</u>	<u>834,904</u>
Operating expenses:			
Employees' compensation and benefits	15(a)	295,738	202,258
Management fees	18(c)	12,125	12,185
Depreciation	8	17,937	7,070
Amortisation	9	31,930	-
Other expenses	15(b), 18(c)	<u>227,700</u>	<u>199,054</u>
		<u>585,430</u>	<u>420,567</u>
Profit before taxation	16	638,696	414,337
Taxation	17	<u>(230,117)</u>	<u>(151,804)</u>
Profit for the year		408,579	262,533
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments, net of tax		<u>142,186</u>	<u>(88,201)</u>
Total comprehensive income for the year		<u>550,765</u>	<u>174,332</u>

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

JN FUND MANAGERS LIMITED

Statement of Changes in Equity
Year ended March 31, 2017

	Share capital \$'000 (note 13)	Investment fair value reserve \$'000	Retained profits \$'000	Total \$'000
Balances at March 31, 2015	<u>318,250</u>	<u>144,030</u>	<u>2,335,863</u>	<u>2,798,143</u>
Total comprehensive income for the year:				
Profit for the year	<u>-</u>	<u>-</u>	<u>262,533</u>	<u>262,533</u>
Other comprehensive income:				
Change in fair value of available-for-sale investments	<u>-</u>	<u>(132,302)</u>	<u>-</u>	<u>(132,302)</u>
Deferred taxation (note 12)	<u>-</u>	<u>44,101</u>	<u>-</u>	<u>44,101</u>
Total other comprehensive income	<u>-</u>	<u>(88,201)</u>	<u>-</u>	<u>(88,201)</u>
Total comprehensive income	<u>-</u>	<u>(88,201)</u>	<u>262,533</u>	<u>174,332</u>
Transactions with owners recorded directly in equity:				
Dividends (note 20)	<u>-</u>	<u>-</u>	<u>(68,618)</u>	<u>(68,618)</u>
Balances at March 31, 2016	<u>318,250</u>	<u>55,829</u>	<u>2,529,778</u>	<u>2,903,857</u>
Total comprehensive income for the year:				
Profit for the year	<u>-</u>	<u>-</u>	<u>408,579</u>	<u>408,579</u>
Other comprehensive income				
Change in fair value of available-for-sale investments	<u>-</u>	<u>213,279</u>	<u>-</u>	<u>213,279</u>
Deferred taxation (note 12)	<u>-</u>	<u>(71,093)</u>	<u>-</u>	<u>(71,093)</u>
Total other comprehensive income	<u>-</u>	<u>142,186</u>	<u>-</u>	<u>142,186</u>
Total comprehensive income	<u>-</u>	<u>142,186</u>	<u>408,579</u>	<u>550,765</u>
Transaction with owners recorded directly in equity:				
Dividends (note 20)	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
Balances at March 31, 2017	<u>318,250</u>	<u>198,015</u>	<u>2,688,357</u>	<u>3,204,622</u>

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

JN FUND MANAGERS LIMITEDStatement of Cash Flows
Year ended March 31, 2017

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		408,579	262,533
Adjustments for:			
Interest income		(1,610,937)	(1,597,024)
Interest expense		791,967	883,232
Depreciation	8	17,937	7,070
Amortisation	9	31,930	-
Current tax expense	17	241,406	148,541
Gain on disposal of property, plant and equipment		(2,440)	-
Deferred income tax	12, 17	(11,289)	3,263
		(132,847)	(292,385)
Interest and other receivables		76,372	(52,576)
Securities purchased under resale agreements		(1,166,696)	1,048,646
Loans and advances		(102,701)	76,687
Securities sold under repurchase agreements		619,254	203,009
Interest received		1,637,027	1,586,288
Interest paid		(770,701)	(885,755)
Taxation payable		(16,527)	242,042
Other payables		85,637	56,754
		228,818	1,982,710
Tax paid		(70,500)	(250,059)
Net cash provided by operating activities		<u>158,318</u>	<u>1,732,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		362,847	(1,657,435)
Proceeds from the sale of property, plant equipment		4,002	-
Acquisition of property, plant and equipment	8	(126,322)	(6,992)
Acquisition of intangible assets	9	(132,317)	-
Net cash provided by/(used in) investing activities		<u>108,210</u>	<u>(1,664,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Ordinary dividends paid	20	(250,000)	(68,618)
Due to specialised financial institution		(3,178)	3,024
Net cash used in financing activities		<u>(253,178)</u>	<u>(65,594)</u>
Net increase in cash and cash equivalents		13,350	2,630
Cash and cash equivalents at beginning of year		<u>8,078</u>	<u>5,448</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>21,428</u></u>	<u><u>8,078</u></u>

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

JN FUND MANAGERS LIMITED

Notes to the Financial Statements
 March 31, 2017

1. The Company

JN Fund Managers Limited (“the company”) is a wholly-owned subsidiary of JN Financial Group Limited (“the parent company”) which is 100 % owned by The Jamaica National Group Limited (“ultimate parent”) [2016: Jamaica National Building Society – (“the parent society”)]. All the entities are incorporated in Jamaica. The company is domiciled in Jamaica and its principal place of business is 2 Belmont Road, Kingston 5.

On February 1, 2017, the parent society was converted to a commercial bank, JN Bank Limited. Simultaneously, the ordinary shares of the company were transferred to JN Financial Group Limited under a court approved scheme of arrangement.

The principal activities of the company are the provision of investment services, pension management and administration services and credit facilities. The company is designated as a primary dealer by the Bank of Jamaica, is licensed and authorised by the Financial Services Commission to provide investment advice, deal in securities and provide administration and investment management services, and operates as a broker of shares traded on the Jamaica Stock Exchange (“JSE”) based on an annually renewable licence purchased from the JSE.

2. Statement of compliance and basis of preparation**(a) Statement of compliance:**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and comply with the relevant provisions of the Companies Act of Jamaica.

Details of the company’s accounting policies, including changes during the year, are included in notes 25 and 26.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for investments classified as available-for-sale, 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.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

3. Accounting estimates and judgements

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

Key sources of estimation uncertainty:

(i) Allowance for loan losses:

In determining amounts recorded for impairment of loans in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loan portfolios with similar characteristics, such as credit risks.

(ii) Valuation of financial instruments:

The company's accounting policy on fair value measurements is discussed in accounting policy 26(a)(vii).

When measuring the fair value of an asset or liability, the company uses market observation data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

3. Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued):

(ii) Valuation of financial instruments (continued):

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

4. Interest and other receivables

	<u>2017</u> \$'000	<u>2016</u> \$'000
Interest receivable	364,152	390,242
Deposits on property, plant and equipment and computer software (note 24)	11,706	95,204
Other receivables and prepayments	<u>34,782</u>	<u>27,656</u>
	<u>410,640</u>	<u>513,102</u>

5. Securities purchased/sold under resale/repurchase agreements

At March 31, 2017, collateral held for securities purchased under resale agreements had a fair value of \$7,100,328,000 (2016: \$5,992,696,000).

Securities purchased under resale agreements are due, from the reporting date, as follows:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Within 3 months	3,558,150	3,403,258
From 3 months to 1 year	<u>3,130,617</u>	<u>2,118,813</u>
	<u>6,688,767</u>	<u>5,522,071</u>

At March 31, 2017, investments that are pledged by the company as collateral for repurchase agreements had a carrying value of \$24,819,787,000 (2016: \$24,200,533,000).

Securities sold under repurchase agreements are due, from the reporting date, as follows:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Within 3 months	16,376,741	16,769,854
From 3 months to 1 year	8,128,402	7,356,159
Over 1 year	<u>314,644</u>	<u>74,520</u>
	<u>24,819,787</u>	<u>24,200,533</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

6. Loans and advances

(a) Loans, less allowance for losses, are due from the reporting date as follows:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Within 3 months	170,109	78,464
From 3 months to 1 year	8,338	5,194
From 1 year to 5 years	32,829	24,001
5 years and over	<u>5,890</u>	<u>6,806</u>
	<u>217,166</u>	<u>114,465</u>

(b) Loans, less allowance for losses, are concentrated by industry sector as follows:

	<u>Number of</u>		<u>Carrying value</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
			\$'000	\$'000
Financial & professional services	2	1	157,534	40,000
Individuals	23	19	27,910	39,215
Manufacturing	2	2	9,334	12,454
Real estate	1	1	8,903	9,532
Distribution	<u>2</u>	<u>2</u>	<u>13,485</u>	<u>13,264</u>
	<u>30</u>	<u>25</u>	<u>217,166</u>	<u>114,465</u>

(c) As at the reporting date, none of the company's loans was either past due or impaired. No allowance for doubtful loans was required.

(d) No loan was renegotiated during the year.

7. Investments

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Available-for-sale:		
Bank of Jamaica:		
J\$ Certificates of deposit	7,124	4,884
US\$ Certificates of deposit	6,887,299	5,755,951
Government of Jamaica securities:		
J\$ Benchmark investment notes	6,650,843	7,966,771
J\$ Treasury bills	17,347	9,166
US\$ Global bonds	4,083,625	4,846,413
US\$ Promissory notes	1,654,393	1,649,359
Government of Jamaica-guaranteed corporate bonds	1,617,237	884,588
Other Government bonds	12,704	8,769
Corporate bond	6,689	-
Units held with JN Mutual Funds	<u>39,072</u>	<u>-</u>
	<u>20,976,333</u>	<u>21,125,901</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

7. Investments (continued)

Investments are due from the reporting date as follows:

	<u>2017</u> \$'000	<u>2016</u> \$'000
No specific maturity	39,072	-
Within 3 months	76,857	5,062
From 3 months to 1 year	18,194	232,551
From 1 year to 5 years	10,200,118	9,533,097
5 years and over	<u>10,642,092</u>	<u>11,355,191</u>
	<u>20,976,333</u>	<u>21,125,901</u>

8. Property, plant and equipment

	<u>Furniture and fixtures</u> \$'000	<u>Office equipment and computer hardware</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Leasehold improvements</u> \$'000	<u>Artwork/ painting</u> \$'000	<u>Total</u> \$'000
Cost:						
March 31, 2015	17,352	61,378	15,447	4,756	-	98,933
Additions	<u>30</u>	<u>2,462</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>6,992</u>
March 31, 2016	17,382	63,840	19,947	4,756	-	105,925
Additions	41,508	13,341	-	69,860	1,613	126,322
Reclassification to intangible assets (note 9)	-	(36,484)	-	-	-	(36,484)
Disposals	(15,644)	(15,170)	(2,645)	(4,757)	-	(38,216)
March 31, 2017	<u>43,246</u>	<u>25,527</u>	<u>17,302</u>	<u>69,859</u>	<u>1,613</u>	<u>157,547</u>
Depreciation:						
March 31, 2015	16,014	52,546	9,797	3,481	-	81,838
Charge for the year	<u>449</u>	<u>3,427</u>	<u>1,919</u>	<u>1,275</u>	<u>-</u>	<u>7,070</u>
March 31, 2016	16,463	55,973	11,716	4,756	-	88,908
Charge for the year	2,946	2,301	2,211	10,479	-	17,937
Reclassification to intangible assets (note 9)	-	(34,230)	-	-	-	(34,230)
Disposals	(15,598)	(14,285)	(2,014)	(4,757)	-	(36,654)
March 31, 2017	<u>3,811</u>	<u>9,759</u>	<u>11,913</u>	<u>10,478</u>	<u>-</u>	<u>35,961</u>
Net book values:						
March 31, 2017	<u>39,435</u>	<u>15,768</u>	<u>5,389</u>	<u>59,381</u>	<u>1,613</u>	<u>121,586</u>
March 31, 2016	<u>919</u>	<u>7,867</u>	<u>8,231</u>	<u>-</u>	<u>-</u>	<u>17,017</u>
March 31, 2015	<u>1,338</u>	<u>8,832</u>	<u>5,650</u>	<u>1,275</u>	<u>-</u>	<u>17,095</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

9. Intangible assets

	<u>Computer software</u> \$'000	<u>Website</u> \$'000	<u>Total</u> \$'000
Cost:			
Additions	128,648	3,669	132,317
Reclassified from property, plant and equipment (note 8)	<u>36,484</u>	<u>-</u>	<u>36,484</u>
March 31, 2017	<u>165,132</u>	<u>3,669</u>	<u>168,801</u>
Amortisation:			
Charge for the year	31,828	102	31,930
Reclassified from property, plant and equipment (note 8)	<u>34,230</u>	<u>-</u>	<u>34,230</u>
March 31, 2017	<u>66,058</u>	<u>102</u>	<u>66,160</u>
Net book values:			
March 31, 2017	<u>99,074</u>	<u>3,567</u>	<u>102,641</u>

10. Due to specialised financial institution

	<u>2017</u> \$'000	<u>2016</u> \$'000
Development Bank of Jamaica [see note (i)]	5,432	7,410
Development Bank of Jamaica [see note (ii)]	<u>3,800</u>	<u>5,000</u>
	<u>9,232</u>	<u>12,410</u>

Both loans were granted based on requests for on-lending and are secured by duly executed promissory notes by the company.

- (i) This loan commenced on January 22, 2016 and is payable in monthly principal installments of \$164,667. Interest is payable at 7% per annum. At March 31, 2017, the principal amount due within one year amounted to \$1,976,000 (2016: \$1,976,000).
- (ii) This loan commenced on May 4, 2015 and is payable in monthly principal installments of \$100,000. Interest is payable at 5.5% per annum. At March 31, 2017, amount due within one year amounted to \$1,200,000 (2016: \$1,200,000).

11. Other payables

	<u>2017</u> \$'000	<u>2016</u> \$'000
Interest payable	163,634	142,368
Clients' funds payable [see note (i)]	74,368	-
Other payables	<u>86,664</u>	<u>75,395</u>
	<u>324,666</u>	<u>217,763</u>

- (i) This consists mainly of long term saving accounts (LSA) amounting to \$55,391,000 for clients who have not yet executed Master Retail Repurchase Agreements (MRRA) with the company. It also includes J\$ and US\$ amounts totalling \$18,977,000 for clients whose investments have been termed "tax-exempt" as a result of their investments being held for more than five (5) years.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

12. Deferred tax liability

Deferred tax liability is attributable to the following:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Property, plant and equipment	(4,777)	(4,531)
Intangible assets	(6,505)	-
Interest receivable	121,384	130,081
Interest and other payables	(54,545)	(47,456)
Investments	82,003	27,915
Unrealised foreign exchange gains	28,802	-
Unused vacation leave	(549)	-
	<u>165,813</u>	<u>106,009</u>

Movements in net temporary differences during the year are as follows:

	<u>2017</u>			
	<u>Balance at</u>	<u>Recognised</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>beginning</u>	<u>in income</u>	<u>in other</u>	<u>end of year</u>
	<u>of year</u>	<u>in income</u>	<u>comprehensive</u>	<u>of year</u>
	\$'000	\$'000	income	\$'000
		(note 17)	\$'000	
Property, plant and equipment	(4,531)	(246)	-	(4,777)
Intangible assets	-	(6,505)	-	(6,505)
Interest receivable	130,081	(8,697)	-	121,384
Interest and other payables	(47,456)	(7,089)	-	(54,545)
Investments	27,915	(17,005)	71,093	82,003
Unrealised foreign exchange gains	-	28,802	-	28,802
Unused vacation leave	-	(549)	-	(549)
	<u>106,009</u>	<u>(11,289)</u>	<u>71,093</u>	<u>165,813</u>
	<u>2016</u>			
	<u>Balance at</u>	<u>Recognised</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>beginning</u>	<u>in income</u>	<u>in other</u>	<u>end of year</u>
	<u>of year</u>	<u>in income</u>	<u>comprehensive</u>	<u>of year</u>
	\$'000	\$'000	income	\$'000
		(note 17)	\$'000	
Property, plant and equipment	(3,374)	(1,157)	-	(4,531)
Interest receivable	126,502	3,579	-	130,081
Interest and other payables	(48,297)	841	-	(47,456)
Investments	72,016	-	(44,101)	27,915
	<u>146,847</u>	<u>3,263</u>	<u>(44,101)</u>	<u>106,009</u>

13. Share capital

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Authorised shares:		
400,000,000 ordinary shares of no par value		
Stated capital, issued and fully paid:		
318,250,000 ordinary shares		
of no par value	<u>318,250</u>	<u>318,250</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

14. Income

(a) Interest income:

This represents interest from securities, loans and deposits with financial institutions.

(b) Fee income:

This represents commissions and fees that are charged to customers relating to loan commitments, bid bonds, performance bonds, letters of undertaking and loan servicing activities, investment management-related fees, including fees for pension administration services, brokerage services and custody and trust services.

15. Expenses by nature

(a) Employees' compensation and benefits

	<u>2017</u> \$'000	<u>2016</u> \$'000
Salaries and wages	219,264	143,211
Statutory payroll contributions	22,405	16,445
Pension contributions (note 19)	6,230	5,662
Other staff costs	<u>47,839</u>	<u>36,940</u>
	<u>295,738</u>	<u>202,258</u>

(b) Other expenses

	<u>2017</u> \$'000	<u>2016</u> \$'000
Asset tax	56,413	56,206
Audit fees	4,662	4,690
Legal and professional fees	13,478	19,882
Utilities	8,918	7,184
Marketing and promotion	21,054	23,152
Contributions – JN Foundation	9,189	13,249
Directors' fees and other expenses	14,004	10,881
Motor vehicle and travel expenses	4,830	3,991
Printing, postage and stationery	3,818	4,814
Rent	10,434	8,096
Repairs and maintenance	6,838	4,471
License fees	40,441	19,958
Irrecoverable general consumption tax	14,064	10,686
Bank and brokerage charges	11,412	8,965
Donations and subscriptions	839	384
Other expenses	<u>7,306</u>	<u>2,445</u>
	<u>227,700</u>	<u>199,054</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

16. Profit before taxation

The following are the items charged in arriving at profit before taxation:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Depreciation (note 8)	17,937	7,070
Amortisation (note 9)	31,930	-
Directors' emoluments - fees	10,250	7,833
- remuneration	7,679	-
Auditors' remuneration	<u>4,662</u>	<u>4,690</u>

17. Taxation

- (a) The charge for income tax is computed at 33 $\frac{1}{3}$ % of the results for the year as adjusted for taxation purposes, and comprises:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Current income tax expense:		
Current year charge	241,397	148,449
Prior year's under provision	<u>9</u>	<u>92</u>
	241,406	148,541
Deferred income tax:		
Origination and reversal of temporary differences (note 12)	(11,289)	<u>3,263</u>
	<u>230,117</u>	<u>151,804</u>

- (b) Reconciliation of actual tax expense:

The effective tax rate for 2017 was 36.03% (2016: 36.64%) compared to the statutory tax rate of 33 $\frac{1}{3}$ %. The actual expense differs from the "expected" tax expense for the year as follows:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Profit before taxation	<u>638,696</u>	<u>414,337</u>
Computed "expected" tax expense at 33 $\frac{1}{3}$ %	212,899	138,112
Tax effect of differences between profit for the financial statements and tax reporting purposes:		
Depreciation charge and capital allowances	294	(318)
Foreign exchange differences and other adjustments	-	(21,307)
Disallowed expenses	712	3,345
Asset tax disallowed	18,804	18,735
Prior year's under provision	9	92
Caricom income	(213)	-
Amortisation of (premium)/discount on bonds	(2,388)	<u>13,145</u>
Actual tax expense	<u>230,117</u>	<u>151,804</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

18. Related party balances and transactions

(a) Identity of related parties:

The company has a related party relationship with its ultimate parent company, fellow subsidiaries, key management personnel including directors, associated companies, Jamaica National Foundation and the pension scheme operated for the employees of The Jamaica National Group Limited and its subsidiaries, and with the directors and key management personnel of the related entities.

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

	<u>2017</u> \$'000	<u>2016</u> \$'000
Cash and cash equivalents		
Parent society	-	675
Fellow subsidiary	1,262	-
Investments		
JN Mutual Funds	39,072	-
Securities sold under repurchase agreements:		
Parent society	-	219,060
Fellow subsidiaries	309,871	1,024,977
JNBS Group pension scheme	425,070	624,428
Directors	138,338	181,688
Other related parties	367,794	275,266
Loan and advances:		
Fellow subsidiary	150,000	40,000
Other related party	5,434	7,410
Other payables:		
Parent society	-	122
Fellow subsidiaries	10,137	3,621
JNBS Group pension scheme	1,943	4,448
Directors	109	585
Other related parties	<u>10,110</u>	<u>3,220</u>

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

18. Related party balances and transactions (continued)

- (c) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Income:		
Interest income:		
- Fellow subsidiary	10,978	7,046
- Director	12	11
- Other related party	618	7,195
Administration fees		
- JN Group pension scheme	13,403	12,601*
- JN Mutual Funds	836	-
Management fees		
- JN Group pension scheme	16,234	15,849*
- JN Mutual Funds	2,237	-
- JN Individual Retirement Scheme	<u>1,325</u>	<u>709</u>
Expenses:		
Interest expense		
- JN Group pension scheme	29,256	32,063
- Fellow subsidiaries	33,806	48,619
- Other related parties	12,157	9,963
- Parent society	-	282
- Directors	3,513	7,995
Rental expense		
- Parent society	-	7,153
- Fellow subsidiary	9,633	-
Management fees		
- Parent company	1,971	-
- Parent society	9,854	11,825
- Other related party	300	360
Contributions		
- Jamaica National Foundation	<u>9,189</u>	<u>13,249*</u>

* JNBS Group pension scheme

- (d) Key management personnel compensation, comprising short-term employee benefits included in staff costs, amounts to \$31,574,000 (2016: \$26,380,000).

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

19. Pension scheme

The company participates in a group defined-contribution pension scheme operated by a fellow subsidiary. Contributions to the scheme, made on the basis provided for in the rules, are recognised as an expense when due.

The company contributes at the rate of 5% of pensionable salaries. Employees contribute at a mandatory rate of 5%, but may make additional contributions not exceeding a further 10%. Contributions to the plan for the year amounted to \$6,230,000 (2016: \$5,662,000) [see note 15(a)].

20. Dividends

	<u>2017</u> \$'000	<u>2016</u> \$'000
Interim dividends paid to ordinary shareholders	<u>250,000</u>	<u>68,618</u>

At the Board of Directors' meetings held on December 14, 2016 and March 31, 2017 (2016: November 18, 2015 and March 30, 2016), the directors declared total interim dividends of \$0.79 (2016: \$0.22) per share.

21. Financial risk management**(a) Overview:**

The company has exposure to the following risks from its operations and the use of financial instruments:

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

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risks and the company's management of capital.

The company has a risk management framework that seeks to balance strong corporate oversight with well-defined independent risk management functions within the business. The company also has appropriate documented strategies, policies and processes, and authority is delegated throughout the organisation.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. It also has responsibility for capital management and to ensure prudential operations and regulatory compliance. The Board of Directors manages and reviews major risk exposures and concentrations across the organisation in accordance with best practices and regulatory requirements.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

21. Financial risk management (continued)**(a) Overview (continued):**

The risk management policies and procedures are established by the parent company's Risk Management Unit to identify, assess and measure the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits set. The focus of financial risk management for the company is ensuring that the company has adequate economic capital and that the use of, and proceeds from, its financial assets are sufficient to fund the obligations arising from its contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect of the management of the company's financial risk is matching the timing of cash flows from assets and liabilities. The company actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the company can meet its obligations without undue cost and in accordance with the company's internal and regulatory capital requirements.

The parent company's Group Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures. The Group's Audit Committee is assisted by the Group Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Compliance Department, the Group's Risk Management Unit, the Group's Audit Committee and the Board of Directors.

(b) Credit risk:

Credit risk is the risk of financial loss to the company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk arises principally from the company's loans and advances to customers and investment securities.

The company manages credit risk associated with loans by evaluating the borrowers' ability to repay loans, ensuring that:

- (i) all loans are properly collateralised and the securities are insured, where applicable;
- (ii) loans are not concentrated in one individual, company or group; and
- (iii) strong underwriting and credit administration systems are in place.

Counterparty credit risk

With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to liquid funds and debt securities. Further, locally issued Government of Jamaica notes are held with the Central Securities Depository (CSD), while global bonds issued by the Government of Jamaica and other investment assets are held with financial institutions which management regards as reputable and financially sound. These entities are regularly reviewed and risk rated by the parent company's Risk Management Unit.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

21. Financial risk management (continued)

(b) Credit risk (continued):

Exposure to credit risk

Credit risk exposure is the amount of loss that the company would suffer if all counterparties to which the company is exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held.

Credits to customers

Credit facilities to customers include loans and guarantees. The management of credit risk in respect of credits to customers is executed by a credit committee which evaluates the decision for each advance and formally approves those commitments. The Board of Directors has the responsibility for the oversight of the company's credit risk and the development of credit policies. There is a documented credit policy in place, which guides the company's credit process.

Impaired credits to customers

Impaired credits to customers are credits for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit.

Past due but unimpaired credits to customers

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed to the company.

Allowances for impairment

The company establishes an allowance for impairment losses that represents its estimate of incurred losses on loans and guarantees.

Write-off policy

The company writes off credits to customers (and any related allowances for impairment losses) when it determines that the balances are uncollectible. This determination is usually made after considering information such as changes in the customer's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Credits to customers for write-off are submitted to the Board of Directors for approval.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

21. Financial risk management (continued)

(b) Credit risk (continued):

Investment securities and resale agreements

The company limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The company has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The company's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

Concentration of credit risk

The company has significant concentration of credit risk in respect of securities issued by the Government of Jamaica.

Collateral and other credit enhancements held against financial assets

The company holds collateral against credits to borrowers primarily in the form of tangible assets and personal or corporate guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired.

Collateral generally is not held for balances with banks or brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

The nature and fair value of collateral held against loans to borrowers and others is shown below:

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
For amounts neither past due nor impaired:		
First floating charge over assets and undertakings	246,821	168,821
Liens on motor vehicles	23,726	26,200
Investments	<u>39,186</u>	<u>45,501</u>
Total	<u>309,733</u>	<u>240,522</u>

There are no past due loans.

There was no change in the nature of exposure to credit risk to which the company is subjected or its approach to measuring and managing the risk during the year.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(c) Liquidity risk:

Liquidity risk is the potential for loss to the company arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

- (i) *Funding liquidity risk* - the risk that the company will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and
- (ii) *Asset/Market liquidity risk* – the risk that the company will be unable to liquidate assets in an orderly manner, resulting in losses on liquidation. This usually stems from illiquid markets or market disruptions.

An analysis of the undiscounted cash flows of the company's financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity, is presented below by estimating the timing of the amounts recognised in the statement of financial position. The company does not expect that its counterparties will demand the payment of funds at the earliest date possible.

	2017				
	Total carrying amount \$'000	Total contractual cash flows \$'000	Less than 3 months \$'000	3 to 12 months \$'000	Over 1 year \$'000
Securities sold under repurchase agreements	24,819,787	25,142,546	16,483,654	8,329,229	329,663
Due to specialised financial institution	9,232	10,111	937	2,735	6,439
Other payables	324,666	324,666	324,666	-	-
Guarantees and indemnities, as per contra	1,368	1,368	252	-	1,116
Total liabilities	25,155,053	25,478,691	16,809,509	8,331,964	337,218
	2016				
	Total carrying amount \$'000	Total contractual cash flows \$'000	Less than 3 months \$'000	3 to 12 months \$'000	Over 1 year \$'000
Securities sold under repurchase agreements	24,200,533	24,508,042	16,977,846	7,454,760	75,436
Due to specialised financial institution	12,410	13,992	988	2,890	10,114
Other payables	217,763	217,763	217,763	-	-
Guarantees and indemnities, as per contra	1,368	1,368	1,368	-	-
Total liabilities	24,432,074	24,741,165	17,197,965	7,457,650	85,550

There was no change in the nature of exposure to liquidity risk which the company is subjected to or its approach to measuring and managing the risk during the year.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on all its financial assets.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

21. Financial risk management (continued)

(d) Market risk (continued):

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Market risk exposures are measured using sensitivity analysis.

Management of market risk

For each of the major components of market risk, the ultimate parent company has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the company at the reporting date are addressed below.

There was no change in the nature of exposure to market risk to which the company is subjected or its approach to measuring and managing the risk during the year.

(i) Foreign currency risk:

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currency giving rise to this risk is the United States dollar.

The company ensures that the net exposure is kept to an acceptable level by daily monitoring its cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the currencies. Foreign currency liabilities are backed by foreign currency assets resulting in an overall strong net assets or long foreign currency positions at all times.

Net foreign currency assets/(liabilities) were as follows:

	<u>Balances</u>		<u>Exchange rates</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000		
United States dollars (US\$)	18,361	13,430	128.22	121.70
Pound Sterling (£)	(<u>7</u>)	(<u>7</u>)	<u>158.72</u>	<u>172.73</u>

Sensitivity analysis:

A strengthening/weakening of the Jamaica dollar against the respective foreign currencies at year-end by the percentages shown would have (decreased)/increased profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was performed on the same basis as that for 2016.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

Sensitivity analysis (continued):

	2017		2016	
	1% strengthening J\$'000	6% weakening J\$'000	1% strengthening J\$'000	6% weakening J\$'000
United States dollars	(23,532)	141,194	(16,345)	98,069
Pound Sterling (£)	<u>11</u>	<u>(64)</u>	<u>11</u>	<u>(69)</u>

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The following table summarises the carrying amounts of recognised assets and liabilities to arrive at the company's interest rate gap based on the earlier of contractual repricing and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

	2017					Weighted Average interest rate %
	Within <u>3 months</u> \$'000	Three to <u>12 months</u> \$'000	Over <u>1 year</u> \$'000	Non-rate <u>sensitive</u> \$'000	<u>Total</u> \$'000	
Assets:						
Cash and cash equivalents	-	-	-	21,428	21,428	-
Interest and other receivables	-	-	-	410,640	410,640	-
Securities purchased						
under resale agreements	3,558,150	3,130,617	-	-	6,688,767	4.12
Loans and advances	170,109	8,339	38,718	-	217,166	9.55
Investments	6,358,967	18,194	14,560,100	39,072	20,976,333	6.16
Customer liabilities under guarantees and indemnities, as per contra	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>1,368</u>	
Total financial assets	<u>10,087,226</u>	<u>3,157,150</u>	<u>14,598,818</u>	<u>472,508</u>	<u>28,315,702</u>	
Liabilities:						
Securities sold under repurchase agreements	16,375,668	8,129,503	314,616	-	24,819,787	3.04
Due to specialised financial institution	794	2,382	6,056	-	9,232	6.53
Other payables	-	-	-	324,666	324,666	
Guarantees and indemnities, as per contra	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>1,368</u>	
Total financial liabilities	<u>16,376,462</u>	<u>8,131,885</u>	<u>320,672</u>	<u>326,034</u>	<u>25,155,053</u>	
On-balance sheet gap and total interest rate sensitivity gap	<u>(6,289,236)</u>	<u>(4,974,735)</u>	<u>14,278,146</u>	<u>146,474</u>	<u>3,160,649</u>	
Cumulative interest rate gap	<u>(6,289,236)</u>	<u>(11,263,971)</u>	<u>3,014,175</u>	<u>3,160,649</u>	<u>-</u>	

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	2016					Weighted Average interest rate %
	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	
Assets:						
Cash and cash equivalents	-	-	-	8,078	8,078	-
Interest and other receivables	-	-	-	513,102	513,102	-
Securities purchased under resale agreements	3,403,258	2,118,813	-	-	5,522,071	3.71
Loans and advances	78,464	5,194	30,807	-	114,465	8.98
Investments	6,593,178	232,551	14,300,172	-	21,125,901	6.57
Customer liabilities under guarantees and indemnities, as per contra	-	-	-	1,368	1,368	
Total financial assets	10,074,900	2,356,558	14,330,979	522,548	27,284,985	
Liabilities:						
Securities sold under repurchase agreements	16,769,854	7,356,159	74,520	-	24,200,533	3.53
Due to specialised financial institution	794	2,382	9,234	-	12,410	6.53
Other payables	-	-	-	217,763	217,763	
Guarantees and indemnities, as per contra	-	-	-	1,368	1,368	
Total financial liabilities	16,770,648	7,358,541	83,754	219,131	24,432,074	
On-balance sheet gap and total interest rate sensitivity gap	(6,695,748)	(5,001,983)	14,247,225	303,417	2,852,911	
Cumulative interest rate gap	(6,695,748)	(11,697,731)	2,549,494	2,852,911	-	

Sensitivity to interest rate movements:

The sensitivity of the financial assets and liabilities to interest rate risk is monitored using the following scenarios:

	Increase in interest rate	Decrease in interest rate
J\$ denominated instruments	100 basis points	100 basis points
US\$ denominated instruments	100 basis points	50 basis points

Fair value sensitivity analysis for fixed rate instruments:

An increase/decrease, using the above scenarios, would adjust reserves or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

Sensitivity to interest rate movements (continued):

Fair value sensitivity analysis for fixed rate instruments (continued):

	2017		2016	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
Other comprehensive income	(655,117)	357,612	(471,958)	269,361

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust retained earnings and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect on profit	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
March 31, 2017		
Variable rate instruments	62,833	(62,833)
March 31, 2016		
Variable rate instruments	65,894	(65,894)

(iii) Equity price risk

The company has no exposure to equity price risk.

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company'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, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk to achieve the optimal balance between the company's financial viability and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the ultimate parent company's Risk Management Unit centrally and in daily operations through the senior management team. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(e) Operational risk (continued):

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements 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;
- requirement 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 actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The parent company's Risk Management Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by the Group Internal Audit and Group Compliance. The results of all operational risk reviews are discussed with senior management and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Group's Audit Committee and to the Board of Directors.

There was no change in the company's approach to managing operational risk during the year.

(f) Capital management:

Regulatory capital:

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of capital adequacy ratios and the possible suspension or loss of its licence.

The company's main regulator is the Financial Services Commission (FSC), which monitors adequacy against the capital requirements.

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

- To comply with the capital requirements set by the regulators;
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

21. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued):

The company's regulatory capital position as at reporting date was as follows:

	<u>2017</u>	<u>2016</u>	
	\$'000	\$'000	
Tier 1 capital:			
Ordinary share capital	318,250	318,250	
Retained earnings	<u>2,688,357</u>	<u>2,529,778</u>	
Total Tier 1 capital	3,006,607	2,848,028	
Tier 2 capital:			
Investment fair value reserve	<u>198,015</u>	<u>55,829</u>	
Total qualifying capital	<u>3,204,622</u>	<u>2,903,857</u>	
	<u>2017</u>	<u>2016</u>	
	\$'000	\$'000	
Risk weighted assets:			
Deposits & other amounts due from local banks	4,253	1,552	
J\$ & US\$ investments & resale agreements	18,523,418	17,360,367	
Property, plant and equipment	121,586	17,017	
Intangible assets	102,641	-	
Other assets	282,736	346,533	
Foreign exchange exposure (long position)	<u>1,358,846</u>	<u>1,091,954</u>	
	<u>20,393,480</u>	<u>18,817,423</u>	
	<u>FSC Benchmark</u>	<u>2017</u>	<u>2016</u>
Capital ratios:			
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets	Minimum 10%	15.71%	15.43%
Total Tier 1 capital expressed as a percentage of total qualifying capital	Greater than 50%	93.82%	98.08%
Total regulatory qualifying assets expressed as a percentage of total assets	Minimum 6%	11.23%	10.58%

The company is compliant with externally imposed capital requirements. There was no change in the company's approach to capital management during the year.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

22. Fair value of financial instruments

The fair values of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the company determines fair value using other valuation techniques as detailed in note 26(a)(vii).

The fair value of cash and cash equivalents, other receivables, securities purchased/sold under resale/repurchase agreements and other payables are considered to approximate their carrying values due to their relatively short-term nature.

The fair value of loans and advances approximates their carrying values because these bear interest rates that approximate market rates

(a) Accounting classifications and fair values:

The following table shows the carrying amount and fair value of financial assets and liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and liabilities is a reasonable approximation of fair value.

	2017					
	Carrying amount			Fair value		
	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 2 \$'000	Total \$'000
Financial assets measured at fair value:						
Investments	-	20,976,333	-	20,976,333	20,976,333	20,976,333
Financial assets not measured at fair value:						
Cash and cash equivalents	21,428	-	-	21,428		
Interest and other receivables	410,640	-	-	410,640		
Securities purchased under resale agreements	6,688,767	-	-	6,688,767		
Loans and advances	217,166	-	-	217,166		
Customer liabilities under guarantees and indemnities, as per contra	1,368	-	-	1,368		
	<u>7,339,369</u>	<u>-</u>	<u>-</u>	<u>7,339,369</u>		
Financial liabilities not measured at fair value:						
Securities sold under repurchase agreements	-	-	24,819,787	24,819,787		
Due to specialised financial institution	-	-	9,232	9,232		
Other payables	-	-	324,666	324,666		
Guarantees and indemnities, as per contra	-	-	1,368	1,368		
	<u>-</u>	<u>-</u>	<u>25,155,053</u>	<u>25,155,053</u>		

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

22. Fair value of financial instruments (continued)

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

	2016					
	Carrying amount			Fair value		
	Loans and receivables \$'000	Available- for-sale \$'000	financial liabilities \$'000	Total \$'000	Level 2 \$'000	Total \$'000
Financial assets measured at fair value:						
Investments	-	21,125,901	-	21,125,901	21,125,901	21,125,901
Financial assets not measured at fair value:						
Cash and cash equivalents	8,078	-	-	8,078		
Interest and other receivables	513,102	-	-	513,102		
Securities purchased under resale agreements	5,522,071	-	-	5,522,071		
Loans and advances	114,465	-	-	114,465		
Customer liabilities under guarantees and indemnities, as per contra	1,368	-	-	1,368		
	<u>6,159,084</u>	<u>-</u>	<u>-</u>	<u>6,159,084</u>		
Financial liabilities not measured at fair value:						
Securities sold under repurchase agreements	-	-	24,200,533	24,200,533		
Due to specialised financial institution	-	-	12,410	12,410		
Other payables	-	-	217,763	217,763		
Guarantees and indemnities, as per contra	-	-	1,368	1,368		
	<u>-</u>	<u>-</u>	<u>24,432,074</u>	<u>24,432,074</u>		

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

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	Valuation techniques
US\$ denominated GOJ securities	<ul style="list-style-type: none"> Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer. Apply price to estimate fair value.
J\$ denominated securities issued or guaranteed by GOJ	<ul style="list-style-type: none"> Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids). Apply price to estimate fair value.
Units held with JN Mutual Funds	<ul style="list-style-type: none"> The net asset value (NAV) per unit, published by fund managers.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

23. Managed funds

The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. The company has no legal or equitable right or interest in these funds and, accordingly, these funds and the assets in which they are invested have been excluded from these financial statements. At March 31, 2017, these funds amounted to \$16,675,490,000 (2016: \$15,384,130,000).

24. Commitments

- (i) At March 31, 2017, the company had commitments for capital expenditure amounting to \$19,028,000 (2016: \$142,750,000) of which deposits were paid totaling \$11,706,000 (2016: \$95,204,000) (see note 4).
- (ii) The company occupies its office facility under an operating lease with a fellow subsidiary. The company had unexpired lease commitments amounting to \$28,737,000 (2016: \$16,593,000). The amount of \$18,977,000 (2016: \$7,980,000) is payable within one year of the reporting date.

25. Changes in accounting policies

Except for the changes below, the company has consistently applied the accounting policies set out in note 26 to all periods presented in these financial statements.

The company has assessed the changes that became effective during the year, and has adopted those which are relevant to its financial statements.

The details, nature and effects of the changes adopted are explained below:

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are the minimum requirements of a standard;
 - the order of notes to the financial statements is not prescribed;
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
 - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI;
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

25. Changes in accounting policies (continued)

The details, nature and effects of the changes adopted are explained below (continued):

- *Improvements to IFRS 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendment applicable to the company is as follows:
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
- Amendments IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*", which are effective for annual reporting periods beginning on or after January 1, 2016.
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used as such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The adoption of these amendments did not result in any changes to the presentation and disclosure in the financial statements.

26. Significant accounting policies

Except for the changes explained in note 25, the company has consistently applied the following accounting policies to all periods presented in the financial statements.

(a) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, interest and other receivables, securities purchased under resale agreements, loans and advances, investments and customer liabilities under guarantees and indemnities. Financial liabilities include other payables, securities sold under repurchase agreements, guarantees and indemnities and due to specialised financial institution.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(a) Financial instruments (continued):****(i) Classification:**

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments were acquired. Investments are classified as loans and receivables, at fair value through profit or loss, held-to-maturity and available-for-sale securities.

Loans and receivables are those created or acquired by the company, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, other receivables and loans and advances.

Financial investments at fair value through profit or loss are those that are held for trading or those designated by management and comprise equity and certain debt securities. Such investments are those which the company manages and makes purchases and sales decisions based on their fair value in accordance with its investment policy and strategy.

Held-to-maturity securities are those with fixed or determinable payment and fixed maturity that the company has the positive intent and ability to hold to maturity. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale securities are financial assets that are so designated by the company and comprise debt instruments and units held with mutual funds.

Non-derivative financial liabilities are classified as other financial liabilities.

(ii) Recognition:

The company initially recognises loans and advances, securities purchased or sold under resale/repurchase agreements, debt securities and units held with mutual funds on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(a) Financial instruments (continued):****(iii) Derecognition:**

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

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

(iv) Offsetting:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

(v) Measurement:

Financial assets classified as available-for-sale are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at fair value, with unrealised gains and losses arising from changes in fair value, except for impairment losses, and foreign currency differences on debt instruments, recognised in other comprehensive income and presented in investment fair value reserve in equity. Where fair value cannot be reliably determined, they are stated at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gains or losses are reclassified to profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value and changes therein including any interest or dividend income are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

All non-derivative financial assets classified as loans and receivables and held-to-maturity are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related instrument and are amortised based on the effective interest rate of the instrument.

The fair value of investments classified as available-for-sale and at fair value through profit or loss is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(a) Financial instruments (continued):****(v) Measurement (continued):**

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

(vi) Identification and measurement of impairment:

The carrying amounts of the company's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Objective evidence that financial assets (including equity securities) are impaired include default or delinquency by a borrower, restructuring of a loan or advance by the company on terms that the company would not otherwise consider, the disappearance of an active market for a security, adverse changes in the payment status of the borrowers or issuers, indications that a debtor or issuer will enter into bankruptcy, or observable data indicating that there is measurable decrease in expected cash flows from the company's financial assets. For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

The company considers evidence of impairment at both a specific asset and collective levels. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risks.

In assessing collective impairment, the company uses historical information on the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(a) Financial instruments (continued):****(vi) Identification and measurement of impairment (continued):**

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that was recognised in the investment revaluation reserve to profit or loss. The cumulative loss that is reclassified is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(vii) Fair value measurement:

‘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 in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(a) Financial instruments (continued):****(vii) Fair value measurement (continued):**

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(b) Cash and cash equivalents:

Cash and cash equivalents are measured at cost. They comprise cash in hand and at bank, including short term deposits where original maturities do not exceed three months from the reporting date, and other financial instruments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments.

(c) Loans and advances:

Loans and advances are measured at amortised cost less allowances for loan losses.

The allowance for loan losses is maintained at a level considered adequate to reduce the carrying amount of loans to their estimated recoverable amount at the reporting date. The level of the allowance is based on management's evaluation of the loan portfolio, collateral values and other relevant matters, including prevailing and anticipated business and economic conditions and regulatory requirements.

Changes in the allowance for loan losses that are due to changes in the recoverable amount of loans are recognised in profit or loss. Amounts are written off from the allowance whenever all the necessary legal procedures have been exhausted and the final losses have been determined.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

26. Significant accounting policies (continued)

- (d) Securities purchased/sold under resale/repurchase agreements:

Securities purchased under resale agreements (“Reverse repos”) and securities sold under repurchase agreements (“Repos”) are short-term transactions whereby securities are bought/sold with simultaneous agreements to resell/repurchase the securities on a specified date and at a specified price. Reverse repos and repos are accounted for as short-term collateralised lending and borrowing, respectively, and are measured at amortised cost, less impairment.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income and expense, respectively.

- (e) Property, plant, equipment and depreciation:

Items of property, plant and equipment, except artwork/painting are stated at cost less accumulated depreciation and impairment losses [see note (26)(p)]. Costs include expenditure that is directly attributable to the acquisition of the assets. 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 the future economic benefits embodied within the part will flow to the company and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment are depreciated on the straight-line basis at annual rates to write down the assets, except artwork or painting, to their estimated residual values over their expected useful lives and the depreciation is generally recognised in profit or loss. Leasehold properties are amortised in equal installments over the shorter of the lease term and the properties useful lives.

The depreciation/amortisation rates are as follows:

Furniture & fixtures	10 %
Office equipment	10 %
Computer hardware	20 %
Computer software	33 $\frac{1}{3}$ %
Motor vehicles	20 %
Leasehold improvements	shorter of lease term and useful life

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

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)

(f) Intangible assets:

An intangible asset that is acquired by the company and has a finite useful life is measured at cost, less accumulated amortisation (see (ii) below) and any accumulated impairment losses.

(i) Subsequent expenditure:

Subsequent expenditure on an intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(ii) Amortisation:

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful life of the intangible asset from the date it is available for use. The estimated useful life is 3 years.

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

(g) Other receivables:

Other receivables are measured at amortised cost less impairment losses.

(h) Other payables:

Other payables are measured at amortised cost.

(i) Provisions and contingencies:

(i) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(ii) Contingencies

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of an outflow of economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)**(j) Foreign currencies:**

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

(k) Interest income and expense:

Interest income and expense are recognised in profit or loss on the accrual basis using the effective interest method, except that where collection of interest income is considered doubtful, or where payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans which are in arrears for 90 days and over is excluded from income (see also note 6).

IFRS requires that when collection of loans becomes doubtful, such loans should be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount.

(l) Dividends:

Dividends to shareholders are recorded in the financial statements in the period in which they are declared.

(m) Fee and commission income and expense:

Fee and commission income and expense that are integral to the negotiation of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is expected to result in the drawdown of a loan, loan commitment fees are recognised on the straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees that are expensed as the services are received.

(n) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for services rendered by the employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual leave, and non-monetary benefits such as medical care and housing, post-employment benefits such as pension; and other long-term employee benefits such as termination benefits.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)

(n) Employee benefits (continued):

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

(i) Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans:

Obligation for contributions to defined contribution plans is expensed as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Other long-term employees benefits:

The company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits:

Termination benefits are expensed at the earlier of when the company can no longer withdraw the offer of those benefits and when the company recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(o) Taxation:

(i) Income tax:

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 directly in other comprehensive income.

Current tax comprises expected tax payable on the taxable income or loss for the year, as adjusted for tax purposes, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)

(o) Taxation (continued):

(ii) Deferred tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted as at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(p) Impairment of non-financial assets:

At each reporting date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)

(q) Operating lease:

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

(r) Definition of related party:

A related party is a person or entity that is related to the company (“reporting entity”).

(1) A person or a close member of that person’s family is related to the company if that person:

- (i) has control or joint control over the company;
- (ii) has significant influence over the company; or
- (iii) is a member of the key management personnel of the company or of the parent of the company.

(2) An entity is related to the company if any of the following conditions applies:

- (i) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company;
- (vi) the entity is controlled, or jointly controlled by a person identified in (1);
- (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) the entity, or any member of a group of which it is a part provides key management personnel services to the company or to the parent of the company.

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

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2017

26. Significant accounting policies (continued)

(s) New and amended standards and interpretation 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 company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretation with respect to the company's operations and has determined that the following are likely to have an effect on its financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

26. Significant accounting policies (continued)

(s) New and amended standards and interpretation not yet effective (continued):

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 also replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The company is assessing the impact that the standard will have on its 2019 financial statements.

- IFRS 15, *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The company is assessing the impact that the standard will have on its 2019 financial statements.

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
 March 31, 2017

26. Significant accounting policies (continued)

(s) New and amended standards and interpretation not yet effective (continued):

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, *Lease Accounting*, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17, *Operating Lease Accounting*.

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

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

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

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

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

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