JN FUND MANAGERS LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2021

KPMG
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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 5 to 70, which comprise the statement of financial position as at March 31, 2021, 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, 2021, and of its financial performance and its 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 International Code of Ethics for Professional Accountants including International Independence Standards (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.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

June 30, 2021

JN FUND MANAGERS LIMITED

Statement of Financial Position
March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2021 $'000	2020 $'000
ASSETS			
Cash and cash equivalents	21(c)	339,898	220,285
Interest and other receivables	4	283,438	243,374
Securities purchased under resale agreements	5(a), 21(c)	7,048,607	6,932,324
Loans and advances	6, 21(c)	850,825	746,140
Investments	7, 21(c)	16,079,077	13,184,186
Income tax recoverable		266,449	316,671
Property, plant and equipment	8	55,188	70,319
Intangible assets	9	24,799	34,180
Deferred tax asset	10	100,982	145,008
Right-of-use assets	15(a)	40,634	56,887
		25,089,897	21,949,374
LIABILITIES AND EQUITY			
LIABILITIES			
Securities sold under repurchase agreements	5(b), 21(c)	18,630,512	17,375,919
Due to specialised financial institution	11	593,031	443,939
Notes payable	12	1,403,400	894,400
Subordinated debt	13	669,000	-
Other payables	14, 21(c)	568,496	265,855
Lease liabilities	15(b)	45,483	60,200
		21,909,922	19,040,313
EQUITY			
Share capital	16	318,250	318,250
Investment fair value reserve	17	(87,872)	(169,746)
Retained profits		2,949,597	2,760,557
		3,179,975	2,909,061
		25,089,897	21,949,374

The financial statements on pages 5 to 70 were approved for issue by the Board of Directors on June 29, 2021 and signed on its behalf by:

Elizabeth Ann Jones Chairman
Elizabeth Ann Jones

Director
Allan J. Lewis

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

JN FUND MANAGERS LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2021 $'000	2020 $'000
Interest income calculated using the effective interest method:			
Interest on investments at fair value through other comprehensive income/(losses) (FVOCI)	18(a), 21(d)	861,348	726,778
Interest on securities purchased under resale agreements at amortised cost	18(a)	177,979	125,367
Interest on loans and deposits with financial institutions at amortised cost	18(a)	77,386	94,578
		1,116,713	946,723
Interest expense:			
Securities sold under repurchase agreements	21(d)	(562,960)	(397,844)
Lease liabilities	15(c)	(3,612)	(4,388)
Due to specialised financial institution		(33,821)	(34,837)
		(600,393)	(437,069)
Net interest income		516,320	509,654
Impairment losses on financial instruments	24(b)(vii)(F)	(41,846)	(11,413)
Foreign exchange translation gains		29,192	126,174
Gains on sale of investments		476,487	228,666
Gains on investments at fair value through profit or loss (FVTPL)		39,306	9,144
Fees and other income	18(b)	237,348	227,962
		1,256,807	1,090,187
Operating expenses:			
Employees compensation and benefits	19(a)	457,194	404,254
Management fees	21(d)	114,844	112,647
Depreciation	8,15(c)	40,867	39,353
Amortisation	9	25,383	41,842
Other expenses	19(b),21(d)	298,958	267,913
		937,246	866,009
Profit before taxation		319,561	224,178
Taxation charge	20	(70,521)	(51,821)
Profit for the year		249,040	172,357
Other comprehensive income/(losses):			
Item that may be reclassified to profit or loss:			
Gains/(losses) on fair value of debt instruments classified as FVOCI, net of impairment and tax		81,874	(332,595)
Total comprehensive income/(loss) for the year		330,914	(160,238)

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

JN FUND MANAGERS LIMITED

Statement of Changes in Equity
Year ended March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

	Share capital $'000 (note 16)	Investment fair value reserve $'000 (note 17)	Retained profits $'000	Total $'000
Balances at April 1, 2019	318,250	162,849	2,638,200	3,119,299
Total comprehensive income for the year				
Profit for the year	-	-	172,357	172,357
Other comprehensive loss:				
Losses on fair value of investments at FVOCI	-	(490,013)	-	(490,013)
Deferred taxation (note 10)	-	157,418	-	157,418
Total other comprehensive loss	-	(332,595)	-	(332,595)
Total comprehensive loss	-	(332,595)	172,357	(160,238)
Transactions with owners recorded directly in equity:				
Dividends (note 23)	-	-	(50,000)	(50,000)
Balances at March 31, 2020	318,250	(169,746)	2,760,557	2,909,061
Total comprehensive income for the year:				
Profit for the year	-	-	249,040	249,040
Other comprehensive income:				
Gains on fair value of investments at FVOCI	-	115,308	-	115,308
Deferred taxation (note 10)	-	(33,434)	-	(33,434)
Total other comprehensive income	-	81,874	-	81,874
Total comprehensive income	-	81,874	249,040	330,914
Transaction with owners recorded directly in equity:				
Dividends (note 23)	-	-	(60,000)	(60,000)
Balances at March 31, 2021	318,250	(87,872)	2,949,597	3,179,975

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

JN FUND MANAGERS LIMITED

Statement of Cash Flows
Year ended March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		249,040	172,357
Adjustments for:			
Interest income		(1,116,713)	(946,723)
Interest expense		596,781	432,681
Interest cost – lease liabilities	15(c)	3,612	4,388
Depreciation	8	24,614	23,100
Amortisation	9	25,383	41,842
Depreciation – right-of-use asset	15(c)	16,253	16,253
Current income tax expense	20(a)	59,929	59,596
Dividend income		(1,294)	(917)
Movement in fair value – Equity		(23,171)	(7,800)
Movement in fair value – Mutual Funds		(16,134)	(1,344)
Impairment losses on securities purchased under resale agreements	24(b)(vii)(F)	(37)	(988)*
Impairment losses on loans and advances	24(b)(vii)(F)	2,766	1,215*
Impairment losses on investments	24(b)(vii)(F)	39,117	11,186*
Deferred income tax	10, 20(a)	10,592	(7,775)
		(129,262)	(202,929)
Other receivables		(21,554)	(26,893)
Securities purchased under resale agreements		(116,246)	(5,111,062)
Loans and advances		(107,451)	(80,636)
Securities sold under repurchase agreements		1,254,593	3,249,310
Interest received		1,098,203	979,764
Interest paid		(579,379)	(360,148)
Other payables		285,239	32,690
		1,684,143	(1,519,904)
Income tax paid		(9,708)	(165,144)
Net cash provided by/ (used) in operating activities		1,674,435	(1,685,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		(2,779,263)	759,105
Dividend received		1,294	917
Acquisition of property, plant and equipment	8	(9,485)	(11,718)
Acquisition of intangible assets	9	(16,002)	(13,619)
Net cash (used in)/provided by investing activities		(2,803,456)	734,685
CASH FLOWS FROM FINANCING ACTIVITIES			
Ordinary dividends paid	23	(60,000)	(50,000)
Due to specialised financial institution		149,092	327,272
Notes payable		509,000	894,400
Subordinated debt		669,000	-
Payment of lease liabilities	15(d)	(18,458)	(17,328)
Net cash provided by financing activities		1,248,634	1,154,344
Net increase in cash and cash equivalents		119,613	203,981
Cash and cash equivalents at beginning of year		220,285	16,304
CASH AND CASH EQUIVALENTS AT END OF YEAR		339,898	220,285

*Reclassified to conform with current year's presentation.

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

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"). 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.

The principal activities of the company are investment banking, the provision of investment services, pension management and administrative services, credit facilities and stock brokerage services.

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) and comply with the relevant provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements; none of which resulted in any change to the amounts recognised or disclosed in the financial statements.

Details of the company's accounting policies are included in note 28.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for certain financial instruments, 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 rounded to the nearst thousand 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, assumptions and judgements 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. Although these estimates are based on management's best knowledge of current events and actions, actual amounts could differ from those estimates.

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements (continued):

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

(e) Licence and regulations:

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

3. Accounting estimates and judgements

(a) Key assumptions and sources of estimation uncertainty:

The key assumptions about the future and other major sources of estimation uncertainty that have a significant risk of the carrying amounts of assets and liabilities at the reporting date being materially adjusted in the year ending March 31, 2022 are as follows:

(i) Allowance for impairment losses:

Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI") requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 24(b)(vii) and 28(a)(v) which also set out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establising the criteria for determining whether credit risk has increased significantly since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3. Accounting estimates and judgements (continued)

(a) Key assumptions and sources of estimation uncertainty (continued):

(ii) Valuation of financial instruments:

The company's accounting policy on fair value measurements is set out in accounting policy 28(a)(vi).

When measuring the fair value of an asset or liability, the company uses observable market inputs 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.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values for levels 2 and 3. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

3. Accounting estimates and judgements (continued)

(a) Key assumptions and sources of estimation uncertainty (continued):

(iii) Residual value and expected useful life of property, plant and equipment and intangible assets:

The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

(b) Critical accounting judgements in applying accounting policies:

Information about critical judgements (other than those involving estimations) made by management in applying accounting policies that have the most significant effects on amounts recognised in the financial statements are set out below and in the related notes.

(i) Classification of financial assets:

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

(ii) Deferred tax asset:

The recognition of a deferred tax asset requires management to make assumptions concerning future taxable profits against which deferred tax assets can be recovered.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

4. Interest and other receivables

	2021 $'000	2020 $'000
Interest receivable	177,953	159,443
Other receivables and prepayments	105,485	83,931
	283,438	243,374

5. Securities purchased/sold under resale/repurchase agreements

(a) At March 31, 2021, collateral held for securities purchased under resale agreements had a fair value of $8,334,610,000 (2020: $7,121,824,000). The balance is shown net of expected credit losses of $17,000 (2020: $54,000).

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

	2021 $'000	2020 $'000
Within 3 months	7,048,607	6,061,639
From 3 months to 1 year	-	870,685
	7,048,607	6,932,324

(b) At March 31, 2021, investments that are pledged by the company as collateral for securities sold under repurchase agreements had a carrying value of $17,512,739,000 (2020: $18,003,347,000).

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

	2021 $'000	2020 $'000
Within 3 months	11,782,459	12,287,198
From 3 months to 1 year	6,848,053	5,045,332
Over 1 year	-	43,389
	18,630,512	17,375,919

6. Loans and advances

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

	2021 $'000	2020 $'000
Within 3 months	281,522	303,936
From 3 months to 1 year	312,689	179,839
From 1 year to 5 years	253,451	261,766
5 years and over	3,163	599
	850,825	746,140

6. Loans and advances (continued)

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

	Number of loans		Carrying value	
	2021	2020	2021	2020
			$'000	$'000
Financial and professional services	5	4	769,922	658,566
Individuals	26	27	41,710	42,039
Real estate	4	4	39,193	45,535
	35	35	850,825	746,140

(c) No loans were renegotiated during the current year or prior year.

7. Investments

	2021	2020
	$'000	$'000
Fair value through other comprehensive income (FVOCI)		
Bank of Jamaica US$ certificates of deposit	2,865,625	4,799,144
JN Bank J$ certificate of deposit	3,000	3,000
Government of Jamaica securities:		
J$ Benchmark Investment Notes	2,319,867	2,350,801
US$ Global bonds	6,662,485	3,611,023
Other Government bonds	14,717	12,961
Corporate bonds	3,841,742	2,148,837
	15,707,436	12,925,766
Fair value through profit or loss		
Quoted equities	142,599	57,098
JN Mutual Funds [note 21(c)]	229,042	201,322
	371,641	258,420
	16,079,077	13,184,186

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

7. Investments (continued)

Investments are due from the reporting date as follows:

	2021 $'000	2020 $'000
No specific maturity	256,958	258,420
Within 3 months	1,932,788	2,085,764
From 3 months to 1 year	1,359,743	1,777,067
From 1 year to 5 years	4,983,231	6,209,258
5 years and over	7,546,357	2,853,677
	16,079,077	13,184,186

8. Property, plant and equipment

	Furniture and fixtures $'000	Office equipment and computer hardware $'000	Motor vehicles $'000	Leasehold improvements $'000	Artwork/ paintings $'000	Total $'000
Cost:						
March 31, 2019	45,803	29,687	9,551	69,859	1,613	156,513
Additions	4,524	5,790	-	1,404	-	11,718
March 31, 2020	50,327	35,477	9,551	71,263	1,613	168,231
Additions	155	8,935	-	887	-	9,977
Disposals	(529)	-	-	(40)	-	(569)
March 31, 2021	49,953	44,412	9,551	72,110	1,613	177,639
Depreciation:						
March 31, 2019	12,523	15,816	8,051	38,422	-	74,812
Charge for the year	4,609	3,491	900	14,100	-	23,100
March 31, 2020	17,132	19,307	8,951	52,522	-	97,912
Charge for the year	4,957	4,341	600	14,716	-	24,614
Disposals	(57)	-	-	(18)	-	(75)
March 31, 2021	22,032	23,648	9,551	67,220	-	122,451
Net book values:						
March 31, 2021	27,921	20,764	-	4,890	1,613	55,188
March 31, 2020	33,195	16,170	600	18,741	1,613	70,319
March 31, 2019	33,280	13,871	1,500	31,437	1,613	81,701

9. Intangible assets

	Computer software $'000	Website $'000	Total $'000
Cost:			
March 31, 2019	245,449	3,779	249,228
Additions	13,619	-	13,619
March 31, 2020	259,068	3,779	262,847
Additions	16,002	-	16,002
March 31, 2021	275,070	3,779	278,849
Amortisation:			
March 31, 2019	184,211	2,614	186,825
Charge for the year	40,683	1,159	41,842
March 31, 2020	224,894	3,773	228,667
Charge for the year	25,377	6	25,383
March 31, 2021	250,271	3,779	254,050
Net book values:			
March 31, 2021	24,799	-	24,799
March 31, 2020	34,174	6	34,180
March 31, 2019	61,238	1,165	62,403

10. Deferred tax asset

Deferred tax asset is attributable to the following:

	2021 $'000	2020 $'000
Property, plant and equipment	15,838	13,223
Intangible assets	46,112	44,080
Investments	63,864	95,136
Interest receivable	(58,787)	(49,446)
Interest and other payables	44,682	38,881
Right-of-use asset [15(a)]	(13,545)	-
Unrealised foreign exchange gains	(17,969)	(2,840)
Lease liabilities	15,161	1,104
Unused vacation leave	5,626	4,870
	100,982	145,008

JN FUND MANAGERS LIMITED

Notes to the Financial Statements (Continued)
March 31, 2021
(Expressed in Jamaica dollars unless otherwise stated)

10. Deferred tax asset (continued)

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

	2021			
	Balance at beginning of year	Recognised in income	Recognised in other comprehensive income	Balance at end of year
	$'000	$'000 [note 20(a)]	$'000	$'000
Property, plant and equipment	13,223	2,615	-	15,838
Intangible assets	44,080	2,032	-	46,112
Investments	95,136	(10,877)	(20,395)	63,864
Interest receivable	(49,446)	(9,341)	-	(58,787)
Interest and other payables	38,881	5,801	-	44,682
Right-of-use asset	(18,962)	5,417	-	(13,545)
Unrealised foreign exchange gains	(2,840)	(15,129)	-	(17,969)
Lease liabilities	20,066	(4,905)	-	15,161
Unused vacation leave	4,870	756	-	5,626
Impairment of FVOCI instruments	-	13,039	(13,039)	-
	145,008	(10,592)	(33,434)	100,982

	2020			
	Balance at beginning of year	Recognised in income [note 20(a)]	Recognised in other comprehensive income	Balance at end of year
	$'000	$'000	$'000	$'000
Property, plant and equipment	8,557	4,666	-	13,223
Intangible assets	37,783	6,297	-	44,080
Investments	(50,563)	(15,448)	161,147	95,136
Interest receivable	(58,590)	9,144	-	(49,446)
Interest and other payables	14,703	24,178	-	38,881
Right-of-use asset	-	(18,962)	-	(18,962)
Unrealised foreign exchange losses/(gains)	23,390	(26,230)	-	(2,840)
Lease liabilities	-	20,066	-	20,066
Unused vacation leave	4,535	335	-	4,870
Impairment of FVOCI investments	-	3,729	(3,729)	-
	(20,185)	7,775	157,418	145,008

11. Due to specialised financial institution

	2021	2020
	$'000	$'000
Development Bank of Jamaica Limited [see note (i)]	-	50,000
Development Bank of Jamaica Limited [see note (ii)]	212,121	393,939
Development Bank of Jamaica Limited [see note (iii)]	290,910	-
Development Bank of Jamaica Limited [see note (iv)]	30,000	-
Development Bank of Jamaica Limited [see note (v)]	60,000	-
	593,031	443,939

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

11. Due to specialised financial institution (continued)

(i) This loan commenced on December 15, 2017 and was payable in monthly principal installments of $5,555,556. Interest was payable at 7.5% per annum. The loan was fully repaid during the year.

(ii) This loan commenced on June 3, 2019 and is payable in monthly principal installments of $15,151,516. Interest is payable at 7.5% per annum. At March 31, 2021, the principal amount due within one year amounted to $181,818,000 (2020: $181,818,000).

(iii) This loan commenced on November 20, 2020 and is payable in monthly principal installments of $9,091,000. Interest is payable at 5.25% per annum. At March 31, 2021, the principal amount due within one year amounted to $109,092,000 (2020: $Nil).

(iv) This loan commenced on October 30, 2020 and is payable in semi-annual principal installments of $5,000,000. Interest is payable at 5.25% per annum. At March 31, 2021, the principal amount due within one year amounted to $10,000,000 (2020: $Nil).

(v) This loan commenced on October 30, 2020 and is payable in semi-annual principal installments of $10,000,000. Interest is payable at 5.75% per annum. At March 31, 2021, the principal amount due within one year amounted to $20,000,000 (2020: $Nil).

12. Notes payable

Notes payable are due from the reporting date as follows:

	2021 $'000	2020 $'000
From 3 months to 1 year	603,400	291,000
Over 1 year	800,000	603,400
	1,403,400	894,400

Notes payable represent issued debt obligations maturing between November 15, 2021 and March 31, 2023. The notes bear interest at rates ranging from 5.75% to 6.25% per annum, are secured by a basket of securities, and typically have fixed quarterly coupon payments and bullet payments of principal at maturity.

13. Subordinated debt

Subordinated debt is due from the reporting date as follows:

	2021 $'000	2020 $'000
5 years and over	669,000	-

Subordinated debt represents issued debt obligations maturing on September 30, 2026. The debt obligations which were issued on March 31, 2021 at 7.75% per annum for 5.5 years is secured by a basket of securities, and have fixed quarterly coupon payments and bullet payments of principal at maturity, and qualify as Tier 2 capital in keeping with the requirements of the Financial Services Commission.

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14. Other payables

	2021	2020
	$'000	$'000
Interest payable	134,045	116,643
Client funds payable [see (i)]	28,389	31,045
Other payables	406,062	118,167
	568,496	265,855

(i) This consists mainly of (a) tax exempt, long-term investment accounts (LIA) amounting to $21,973,000 (2020: $25,142,000) and (b) US$ accounts totalling $6,416,000 (2020: $5,903,000) for which Master Retail Repurchase Agreements (MRRA) are not held by the company.

15. Leases

The company leases land and buildings; the leases run for a period of 5 years with options to renew. Lease payments are renegotiated every 5 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The company has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

Information about leases for which the company is a lessee is presented below.

(a) Right-of-use assets

	Buildings	
	2021	2020
	$'000	$'000
Cost:		
At the start of year	73,140	-
Additions	-	73,140
At end of year	73,140	73,140
Depreciation:		
At start of the year	16,253	-
Charge for the year	16,253	16,253
At end of year	32,506	16,253
Net book values	40,634	56,887

(b) Lease liabilities

	2021	2020
	$'000	$'000
Lease liabilities are classified as follows:		
Current	18,193	17,291
Non-current	27,290	42,909
	45,483	60,200
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	19,403	18,328
One to three years	31,137	50,540

15. Leases (continued)

(c) Amounts recognised in profit or loss

	2021 $'000	2020 $'000
Interest expense on lease liabilities	3,612	4,388
Depreciation on right-of-use assets	16,253	16,253

(d) Amounts recognised in statement of cash flows:

	2021 $'000	2020 $'000
Total cash outflow for leases	18,458	17,328

(e) Extension options

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

16. Share capital

	2021 $'000	2020 $'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	318,250	318,250

17. Investment fair value reserve

	2021 $'000	2020 $'000
Unrealised fair value movement, net of taxes [see (i)]	(148,798)	(207,385)
Expected credit loss reserve [see (ii)]	60,926	37,639
	(87,872)	(169,746)

(i) This comprises the cumulative net change in the fair value of instruments classified as fair value through other comprehensive income, net of deferred taxes, until the assets are derecognised.

(ii) This represents the estimated loss allowance associated with debt instruments carried at fair value through other comprehensive income net of deferred taxes. The company will recognise a loss allowance for these instruments at each reporting date if an ECL is incurred.

18. Income

(a) Interest income calculated using the effective interest method:

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

(b) Fee and other 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 and mutual fund administrative services, brokerage services and custody and trust services.

	2021 $'000	2020 $'000
Asset management fees	165,436	150,643
Corporate finance and advisory fees	48,417	56,435
Other	23,495	20,884
	237,348	227,962

19. Expenses by nature

(a) Employees compensation and benefits

	2021 $'000	2020 $'000
Salaries and wages	323,464	253,658
Statutory payroll contributions	31,772	30,820
Pension scheme contributions (note 22)	10,660	11,055
Other staff costs	66,715	70,265
Directors remuneration	24,583	38,456
	457,194	404,254

(b) Other expenses

	2021 $'000	2020 $'000
Asset tax	44,655	33,915
Audit fees	7,816	6,721
Legal and other professional fees	45,739	33,051
Utilities	13,624	16,502
Marketing and promotion	23,656	25,929
Charitable contributions [note 21(d)]	6,032	189
Directors fees and other expenses	14,971	14,577
Motor vehicle and travel expenses	2,320	4,284
Printing, postage and stationery	2,833	2,996
Rent	507	2,585
Repairs and maintenance	12,523	12,463
License fees and IT Support	89,038	80,938
Irrecoverable General Consumption Tax	12,622	9,527
Bank and brokerage charges	12,376	13,178
Donations and subscriptions	1,797	1,694
Other expenses	8,449	9,364
	298,958	267,913

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20. Taxation

(a) Income tax is computed at 33⅓% of the results for the year as adjusted for taxation purposes, and comprises:

	2021 $'000	2020 $'000
Current income tax expense:		
Current year charge	60,293	59,941
Prior year's over provision	(364)	(345)
	59,929	59,596
Deferred income tax:		
Origination and reversal of temporary differences (note 10)	10,592	(7,775)
Taxation charge	70,521	51,821

(b) Reconciliation of actual tax expense:

The effective tax rate for 2021 was 22.07% (2020: 23.12%) compared to the statutory tax rate of 33⅓%. The actual expense differs from the "expected" tax expense for the year as follows:

	2021 $'000	2020 $'000
Profit before taxation	319,561	224,178
Computed "expected" tax expense at 33⅓%	106,520	74,726
Tax effect of differences between profit for the financial statements and tax reporting purposes:		
Depreciation charge and capital allowances	5,102	5,160
Other adjustments and disallowed expenses	2,154	(16,251)
Asset tax disallowed	14,885	11,305
Caricom income	(31,286)	(29,486)
Amortisation of (premium)/discount on bonds net	(26,490)	9,991
Impairment of FVOCI instruments	-	(3,279)
	70,885	52,166
Prior year's over provision	(364)	(345)
Actual tax charge	70,521	51,821

21. Related party balances and transactions

(a) Definition of related party:

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

(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.

21. Related party balances and transactions (continued)

(b) Identity of related parties:

The company has a related party relationship with its ultimate parent company, parent company, fellow subsidiaries, key management personnel including directors, associated companies, JN 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.

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

	2021 $'000	2020 $'000
Cash and cash equivalents		
Fellow subsidiary	200,144	30,235
Securities purchased under resale agreements:		
Fellow subsidiary	3,394,132	3,031,517
Loans and advances:		
Fellow subsidiary	653,030	643,939
Investments		
JN Mutual Funds (note 7)	229,042	201,322
Securities sold under repurchase agreements:		
Fellow subsidiaries	2,319	56,585
JN Group pension scheme	346,878	1,066,876
Directors	107,298	137,751
Other related parties	518,264	531,428
Other payables:		
Fellow subsidiaries	1,771	2,856

(d) 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:

	2021 $'000	2020 $'000
Income:		
Interest income:		
- Fellow subsidiary	113,495	103,539
Administrative fees:		
- JN Group pension scheme	22,714	22,183
- JN Mutual Funds	30,819	27,939
Management fees:		
- JN General Insurance Co. Ltd	5,000	5,000
- JN Life Insurance Co. ltd	4,081	-
- JN Group pension scheme	33,119	29,719
- JN Mutual Funds	43,020	38,469
- JN Individual Retirement Scheme	5,372	3,088
Other income:		
- Parent company	57,500	32,500

21. Related party balances and transactions (continued)

(d) 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 (continued):

	2021	2020
	$'000	$'000
Expenses:		
Interest expense		
- JN Group pension scheme	11,584	5,740
- Fellow subsidiaries	4,221	1,015
- Other related parties	15,942	8,335
- Directors	3,688	2,320
Management fees		
- Ultimate parent company	79,610	80,128
- Parent company	32,270	29,759
- Fellow subsidiary	2,218	2,760
Contributions		
- JN Foundation [note 19(b)]	6,032	189

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any of its directors.

22. Pension scheme

The company participates in a group defined-contribution pension scheme operated by the ultimate parent. 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 by the company to the plan for the year amounted to $10,660,000 (2020: $11,055,000) [Note 19(a)].

23. Dividends

	2021	2020
	$'000	$'000
Dividends paid to ordinary shareholders	60,000	50,000

The Board of Directors approved the payment of two dividends during the financial year ended March 31, 2021. The first dividend of J$30.0M was paid on December 29, 2020 and the second dividend of J$30.0M was paid on March 31, 2021. The prior year dividend of J$50.0M was also approved by the Board of Directors and was paid on March 20, 2020.

24. 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.

As stated in note 1, certain risk management activities are arranged on a Group-wide basis and overseen or performed at that level, hence references to 'Group' in this note.

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.

The risk management policies and procedures are established by the Group Risk and Compliance 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.

24. Financial risk management (continued)

(a) Overview (continued)

The company is a member of the Jamaica National Group Limited, which, together with other subsidiaries are referred to as the "Group". The Group Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures. The Group 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 Group Risk and Compliance Unit, the Group 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. Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The company measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The risk arises principally from the company's loans and advances to customers and its investment securities.

(i) Management of credit risk

The company manages credit risk on its financial assets in a manner that takes account of the nature of the asset, as follows:

Loans and advances:

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.

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

1) all loans are properly collateralised and the securities are insured, where applicable;
2) loans are not concentrated in one individual, company or group; and
3) strong underwriting and credit administration systems are in place.

24. Financial risk management (continued)

(b) Credit risk (continued):

(i) Management of credit risk (continued)

The company manages credit risk on its financial assets as follows (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 guides the management of 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.

Cash and cash equivalents:

These are held with reputable, regulated financial institutions as assessed by the company's Asset and Liability Committee (ALCO). Collateral is not required for such accounts as management regards the institutions as strong.

(ii) Counterparty credit risk

With the exception of Bank of Jamaica certificates of deposit and Government of Jamaica securities, there is no significant concentration of credit risk related to cash and cash equivalents and investments. Additionally, these assets are held with licenced and regulated financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Group's Risk Management Unit.

(iii) Maximum 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.

(iv) Concentration of credit risk

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

There is no significant concentration of credit risk related to related party balances, as they are held with related parties which management regards as being sound and reputable.

There is no significant concentration of credit risk related to loans or other receivables.

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24. Financial risk management (continued)

(b) Credit risk (continued):

(v) Credit quality analysis

The following tables contain information about the credit quality of financial assets measured at amortised cost and FVOCI and represents their gross carrying amounts.

Loans and advances at amortised cost:

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Credit grade				
Non-investment grade	828,519	22,254	6,253	857,026
Loss allowance	(3,309)	(151)	(2,741)	(6,201)
	825,210	22,103	3,512	850,825

	2020		
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
	$'000	$'000	$'000
Credit grade			
Non-investment grade	744,924	4,651	749,575
Loss allowance	(3,403)	(32)	(3,435)
	741,521	4,619	746,140

Investment securities at FVOCI:

	2021		
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
	$'000	$'000	$'000
Investment grade			
Standard monitoring	15,705,970	1,466	15,707,436
Loss allowance	(92,770)	(15)	(92,785)

24. Financial risk management (continued)

(b) Credit risk (continued):

(v) Credit quality analysis (continued)

Investment securities at FVOCI:

	2020		
	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000
Investment grade			
Standard monitoring	12,925,766	-	12,925,766
Loss allowance	(56,459)	-	(56,459)

Other financial assets at amortised cost:

	2021	2020
	Stage 1 12-month ECL	**Stage 1** 12-month ECL
	$'000	$'000
Standard monitoring	7,671,960	7,396,037
Loss allowance	(17)	(54)
	7,671,943	7,395,983

(vi) 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 lending and are generally not updated except when credits to borrowers are individually assessed as impaired.

24. Financial risk management (continued)

(b) Credit risk (continued):

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

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

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

	2021 $'000	2020 $'000
For amounts neither past due nor impaired:		
Floating charge over assets and undertakings	979,200	986,900
Liens on motor vehicles	60,481	33,550
Investments	51,212	39,186
	1,090,893	1,059,636

(vii) Impairment

Credit risk grading:

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The company uses internal rating models tailored to the various categories of counterparties. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

For debt securities, external rating agency (Moody's) credit grades are used. These published grades are continually monitored and updated. The probability of default (PD) associated with each grade is determined based on realised default rates over the prior 12 months, as published by the rating agency.

The company's rating method comprises 20 rating levels for instruments not in default (1 to 20) and three default classes (21 to 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

24. Financial risk management (continued)

(b) Credit risk (continued):

(vii) Impairment (continued)

The company's internal rating scale, mapped to external ratings, are set out below:

Group rating	**TTC PD as a percentage (Corporate)**	**TTC PD as a percentage (Sovereign)**	**S & P**	**Moody's**	**Description of Grade**
1	0.01%	0.00%	AAA	Aaa	Investment Grade
2	0.02%	0.00%	AA+	Aa1	
3	0.02%	0.00%	AA	Aa2	
4	0.02%	0.00%	AA-	Aa3	
5	0.05%	0.02%	A+	A1	
6	0.05%	0.02%	A	A2	
7	0.05%	0.02%	A-	A3	
8	0.16%	0.10%	BBB+	Baa1	
9	0.16%	0.10%	BBB	Baa2	
10	0.16%	0.10%	BBB-	Baa3	
11	0.83%	0.48%	BB+	Ba1	Speculative grade
12	0.83%	0.48%	BB	Ba2	
13	0.83%	0.48%	BB-	Ba3	
14	3.04%	2.40%	B+	B1	
15	3.04%	2.40%	B	B2	
16	3.04%	2.40%	B-	B3	
17	7.21%	11.27%	CCC+	Caa1	
18	7.21%	11.27%	CCC	Caa2	
19	7.21%	11.27%	CCC-	Caa3	
20	27.94%	11.27%	CC	Ca	
21	27.94%	11.27%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

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

Stage 1
A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continually monitored by the company.

Stage 2
If a significant increase in credit risk ('SICR') since initial recognition is identified, but is not yet deemed to be credit-impaired, the financial instrument is moved to 'Stage 2'. See below for a description of how the company determines when a significant increase in credit risk has occurred.

Stage 3
Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. POCI financial assets and financial assets for which there has been a significant increase in credit risk, since initial recognition such that the financial assets are determined to be credit impaired and are moved to stage 3.

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Significant increase in credit risk and assets deemed credit impaired)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. See below for inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 24(b)(vii)(D) includes an explanation of how the company has incorporated this in its ECL models.

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

The key judgements and assumptions used by the company in addressing the requirements of the standards relating to the determination of ECL are set out below:

(A) Significant increase in credit risk (SICR)

The company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria:

- Short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all financial instruments held by the company. In relation to financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent JN Group Credit Risk team.

Quantitative criteria:

Where external credit rating of debt instruments decreased by two notches. Movements within grades are not considered as significant increase in credit risk.

Backstop:

Delinquency is applied as a backstop, thus the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The company has not used the low credit risk exemption for any financial instruments in the year ended March 31, 2021 (March 31, 2020: Not used).

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

(B) Default and credit-impaired assets

The company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria - The counterparty is more than 90 days past due on its contractual payments.

- Qualitative criteria - The counterparty meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  - The borrower is in long-term forbearance
  - The borrower is deceased
  - The borrower is insolvent
  - The borrower is in breach of financial covenant(s)
  - An active market for that financial asset has disappeared because of financial difficulties
  - Concessions have been made by the lender relating to the borrower's financial difficulty
  - It is becoming probable that the borrower will enter bankruptcy
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD), and loss given default (LGD) throughout the company's expected loss calculations.

(C) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Expected credit losses are measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

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

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

(C) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

Expected credit losses are measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD defined as follows (continued):

- The EAD is based on the amounts the company is owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (Lifetime EAD).

- The LGD represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the credit.

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

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by asset type. For amortising assets, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation. For revolving assets, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by asset type and current limit utilisation band, based on analysis of the company's recent default data.

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

(C) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured assets, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured assets, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation, such as, how the maturity profile of the PDs and how collateral values change etc., are monitored and reviewed on a quarterly basis.

(D) Forward-looking information incorporated in the ECL models

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

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the company's Global Investment Research Unit on a quarterly basis and provide the best-estimate view of the Jamaican economy and those of the G7 countries over the next five years.

After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group Risk and Compliance unit also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

(D) Forward-looking information incorporated in the ECL models (continued)

At March 31, 2021 and March 31, 2020, for all but two portfolios, the company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes of which each chosen scenario is a representative. The assessment of SICR is performed using the Lifetime PD under each of the bases, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recognised. Following this assessment, the company measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs) or as with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

The company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2021 and March 31, 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario at March 31, 2021 and March 31, 2020 were as follows:

	Base	**Upside**	**Downside**
March 31, 2021			
Loans	15%	10%	75%
Investments	70%	10%	20%
March 31, 2020			
All portfolios	75%	15%	10%

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

24. Financial risk management (continued)

(b) Credit risk (continued)

(vii) Impairment (continued)

(E) Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the company has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined at note 28(a)(v).

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk or similar team.

(F) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

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

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

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

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

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

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

24. Financial risk management (continued)

(b) Credit risk (continued):

(vii) Impairment (continued)

(F) Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors (continued):

Loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Loss allowance as at April 1, 2020	3,403	32	-	3,435
Impairment recognised/(recovered) during the year	(94)	119	2,741	2,766
Loss allowance as at March 31, 2021	3,309	151	2,741	6,201

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
	$'000	$'000	$'000
Loss allowance as at April 1, 2019	2,161	59	2,220
Impairment recognised/(recovered) during the year	1,242	(27)	1,215
Loss allowance as at March 31, 2020	3,403	32	3,435

Investment securities at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Total
	$'000	$'000	$'000
Loss allowance as at April 1, 2020	56,459	-	56,459
Impairment recognised during the year	39,102	15	39,117
Reclassification of impairment ECL to fair value reserve	(2,791)	-	(2,791)
Loss allowance as at March 31, 2021	92,770	15	92,785

24. Financial risk management (continued)

(b) Credit risk (continued):

(vii) Impairment (continued)

(F) Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors: (continued)

Investment securities at FVOCI (continued)

	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000
Loss allowance as at April 1, 2019	43,036	2,237	45,273
Impairment recognised during the year	11,186	-	11,186
Transfer of impairment between stages	2,237	(2,237)	-
Loss allowance as at March 31, 2020	56,459	-	56,459

Other financial asset at amortised cost

	Stage 1 12-month ECL
	$'000
Loss allowance as at April 1, 2020	54
Impairment recovered during the year	(37)
Loss allowance as at March 31, 2021	17

	Stage 1
	$'000
Loss allowance as at April 1, 2019	1,042
Impairment recovered during the year	(988)
Loss allowance as at March 31, 2020	54

The total impairment loss recognised during the year amounted to $41,846,000 (2020: $11,413,000).

24. 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 commitments with respect to the purchase of 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 fashion without incurring loss 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 settlement 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.

	2021				
	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	18,630,512	18,892,881	11,892,958	6,999,923	-
Due to specialised financial institution	593,031	646,590	82,442	239,575	324,573
Notes payable	1,403,400	1,516,362	-	616,362	900,000
Subordinated debt	669,000	949,841	-	-	949,841
Other payables	568,496	568,496	568,496	-	-
Lease liabilities	45,483	50,540	4,851	14,552	31,137
Total financial liabilities	21,909,922	22,624,710	12,548,747	7,870,412	2,205,551

	2020				
	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	17,375,919	17,581,020	12,372,072	5,163,731	45,217
Due to specialised financial institution	443,939	478,236	69,492	203,330	205,414
Notes payable	894,400	977,778	-	304,095	673,683
Other payables	265,855	265,855	265,855	-	-
Lease liabilities	60,200	68,868	4,582	13,746	50,540
Total financial liabilities	19,040,313	19,371,757	12,712,001	5,684,902	974,854

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

24. Financial risk management (continued)

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates and equity prices, 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.

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 Group 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 during the year in the nature of exposure to market risk to which the company is subject or its approach to measuring and managing the risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows 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 net assets or long foreign currency positions at all times.

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

	Balances		Exchange rates	
	2021	2020	2021	2020
	’000	’000		
United States dollars (US$)	2,043	(510)	144.88	133.96
Pound Sterling (£)	(6)	(7)	199.00	165.49

24. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to exchange rate movements:

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. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis as that for 2020.

	2021		2020	
	2% strengthening J$'000	6% weakening J$'000	2% strengthening J$'000	4% weakening J$'000
United States dollars	(5,919)	17,757	1,367	(4,102)
Pound Sterling (£)	22	(67)	23	(70)

(ii) Interest rate risk:

Interest rate risk is the risk that the value or cash flows 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.

	2021					
	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted Average interest rate %
Financial assets:						
Cash and cash equivalents	-	-	-	339,898	339,898	-
Interest and other receivables	-	-	-	283,438	283,438	-
Securities purchased under resale agreements	7,048,607	-	-	-	7,048,607	2.25
Loans and advances	281,522	312,689	256,614	-	850,825	9.20
Investments	1,932,788	1,359,743	12,529,588	256,958	16,079,077	6.20
Total financial assets	9,262,917	1,672,432	12,786,202	880,294	24,601,845	

24. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(ii) Interest rate risk (continued)

	2021					
	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted Average interest rate %
Financial liabilities:						
Securities sold under repurchase agreements	11,782,459	6,848,053	-	-	18,630,512	2.59
Due to specialised financial institution	72,728	218,183	302,120	-	593,031	7.03
Notes payable	-	603,400	800,000	-	1,403,400	5.51
Subordinated debt	-	-	669,000	-	669,000	7.75
Other payables	-	-	-	568,496	568,496	-
Lease liabilities	-	-	-	45,483	45,483	-
Total financial liabilities	11,855,187	7,669,636	1,771,120	613,979	21,909,922	
On-balance-sheet gap and total interest rate sensitivity gap	(2,592,270)	(5,997,204)	11,015,082	266,315	2,691,923	
Cumulative interest rate gap	(2,592,270)	(8,589,474)	2,425,608	2,691,923	-	

	2020					
	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted Average interest rate %
Financial assets:						
Cash and cash equivalents	-	-	-	220,285	220,285	-
Interest and other receivables	-	-	-	243,374	243,374	-
Securities purchased under resale agreements	6,061,639	870,685	-	-	6,932,324	2.70
Loans and advances	303,936	179,839	262,365	-	746,140	9.62
Investments	2,085,764	1,777,067	9,062,935	258,420	13,184,186	4.97
Total financial assets	8,451,339	2,827,591	9,325,300	722,079	21,326,309	
Financial liabilities:						
Securities sold under repurchase agreements	12,287,198	5,045,332	43,389	-	17,375,919	2.38
Due to specialised financial institution	62,121	186,364	195,454	-	443,939	7.50
Notes payable	291,000	603,400	-	-	894,400	4.48
Other payables	-	-	-	265,855	265,855	-
Lease liabilities	-	-	-	60,200	60,200	-
Total financial liabilities	12,640,319	5,835,096	238,843	326,055	19,040,313	
On-balance-sheet gap and total interest rate sensitivity gap	(4,188,980)	(3,007,505)	9,086,457	396,024	2,285,996	
Cumulative interest rate gap	(4,188,980)	(7,196,485)	1,889,972	2,285,996	-	

24. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(ii) Interest rate risk (continued)

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	100 basis points

Fair value sensitivity analysis for fixed rate instruments:

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

	2021		2020	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(837,266)	930,147	(459,133)	149,238

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust 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	
	Increase	Decrease
	$'000	$'000
March 31, 2021		
Variable rate instruments	11,367	(11,367)
March 31, 2020		
Variable rate instruments	20,798	(20,798)

24. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from equity instruments measured at FVTPL held by the company as part of its investment portfolio. A 5% (2020: 5%) increase or 5% (2020: 10%) decrease in quoted bid prices of the underlying equity investments at the reporting date would result in loss of $1,396,000 (2020: $3,418,000) or gain of $1,396,000 (2020: $6,836,000).

(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 natural and man-made disasters, and the need to comply with legal and regulatory requirements and 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 Group Risk and Compliance Unit, centrally, and, in daily operations, to 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:

- 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;

24. Financial risk management (continued)

(e) Operational risk (continued):

- 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 Group's Risk and Compliance 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 during the year in the company's approach to managing operational risk.

(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 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, 2021
(Expressed in Jamaica dollars unless otherwise stated)

24. Financial risk management (continued)

(f) Capital management (continued):

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

	2021 $'000	2020 $'000
Tier 1 capital:		
Ordinary share capital	318,250	318,250
Retained profits	2,949,597	2,760,557
Total Tier 1 capital	3,267,847	3,078,807
Tier 2 capital:		
Investment fair value reserve	(87,872)	(169,746)
Subordinated debt	669,000	-
Total regulatory qualifying capital	3,848,975	2,909,061

	2021 $'000	2020 $'000
Risk weighted assets:		
Deposits and other amounts due from local banks	41,714	12,711
J$ and US$ investments and resale agreements	17,952,581	13,410,121
Property, plant and equipment	55,189	70,319
Intangible assets	24,799	34,180
Right-of-use assets	40,633	56,887
Other assets	1,575,373	1,435,137
Foreign exchange exposure	1,777,098	132,810
	21,467,387	15,152,165

	FSC Benchmark	2021	2020
Capital ratios:			
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets:	Minimum 10%	17.93%	19.20%
Total Tier 1 capital expressed as a percentage of total qualifying capital:	Greater than 50%	84.90%	105.84%
Total regulatory qualifying capital expressed as a percentage of total assets:	Minimum 6%	15.34%	14.03%

Total regulatory qualifying capital is the same as total qualifying capital only when the Tier 2 capital has a negative balance. If the Tier 2 capital has a positive balance then the total regulatory qualifying capital is the Tier 1 capital.

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

25. 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 28(a)(vi).

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 and would fall in level 3 of the fair value hierarchy.

The fair value of loans and advances approximates their carrying values due to their credit quality and because they 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 financial liabilities not measured at fair value is a reasonable approximation of fair value.

	2021						
	Carrying amount				Fair value		
	Amortised cost	FVOCI	FVTPL	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:							
Investments	-	15,707,436	371,641	16,079,077	142,599	15,936,478	16,079,077
Financial assets not measured at fair value:							
Cash and cash equivalents	339,898	-	-	339,898			
Interest and other receivables	283,438	-	-	283,438			
Securities purchased under resale agreements	7,048,607	-	-	7,048,607			
Loans and advances	850,825	-	-	850,825			
	8,522,768	-	-	8,522,768			
Financial liabilities not measured at fair value:							
Securities sold under repurchase agreements	18,630,512	-	-	18,630,512			
Due to specialised financial institution	593,031	-	-	593,031			
Notes payable	1,403,400	-	-	1,403,400			
Subordinated debt	669,000	-	-	669,000			
Other payables	568,496	-	-	568,496			
Lease liabilities	45,483	-	-	45,483			
	21,909,922	-	-	21,909,922			

25. Fair value of financial instruments (continued)

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

	2020						
	Carrying amount				Fair value		
	Amortised cost $'000	FVOCI $'000	FVTPL $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:							
Investments	-	12,925,766	258,420	13,184,186	57,098	13,127,088	13,184,186
Financial assets not measured at fair value:							
Cash and cash equivalents	220,285	-	-	220,285			
Interest and other receivables	243,374	-	-	243,374			
Securities purchased under resale agreements	6,932,324	-	-	6,932,324			
Loans and advances	746,140	-	-	746,140			
	8,142,123	-	-	8,142,123			
Financial liabilities not measured at fair value:							
Securities sold under repurchase agreements	17,375,919	-	-	17,375,919			
Due to specialised financial institution	443,939	-	-	443,939			
Notes payable	894,400	-	-	894,400			
Other payables	265,855	-	-	265,855			
Lease liabilities	60,200	-	-	60,200			
	19,040,313	-	-	19,040,313			

(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	• Obtain bid price provided by a recognised broker/dealer. • Apply price to estimate fair value.
J$ denominated securities issued or guaranteed by GOJ	• 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	• The net asset value (NAV) per unit, published by JN Fund Managers. • Apply price to estimated fair value.

26. 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, 2021 the unaudited carrying amount of the funds was $35,632,955,000 (2020: $34,317,424,000).

27. Commitments

The company occupies its office facility under an operating lease with a fellow subsidiary. At the reporting date the company had unexpired lease commitments amounting to $36,470,000 (2020: $47,923,000). The amount of $15,403,000 (2020: $14,716,000) is payable within one year of the reporting date.

28. Significant accounting policies

This note sets out the significant accounting policies adopted in the preparation of these financial statements. The company has consistently applied them to all periods presented in the financial statements.

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 24(b)(vii).

(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 and investments. Financial liabilities include other payables, securities sold under repurchase agreements, due to specialised financial institution, notes payable and subordinated debt.

(i) Initial recognition

The company initially recognises loans and advances, securities purchased/sold under resale/repurchase agreements, debt securities and units in 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.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Classification and subsequent measurement

The company classifies its financial assets in the following measurement categories:

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

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the company's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

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

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

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net loss on sale of investments'. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within 'Net trading income' in the period in which it arises.

Business model: the business model reflects how the company manages the assets in order to generate cash flows. The measurement category (from the three above) that the company selects for a particular financial instrument depends on the business model applicable to that instrument. There are three business models, namely; hold and collect, hold to collect and sell and other. The company determines if it's objectiveis solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the company's business model for the loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

Equity instruments

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

The company subsequently measures all equity investments at fair value through profit or loss, except where the company's management has elected for instruments that are not held for trading, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

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

(iii) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (1) the company transfers substantially all the risks and rewards of ownership, or (2) the company neither transfers nor retains substantially all the risks and rewards of ownership and the company has not retained control.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(iii) Derecognition (continued)

Where the company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards, these transactions are accounted for as 'pass through' transfers that result in derecognition if the company:

- has no obligation to make payments unless it collects equivalent amounts from the assets; and
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the company under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the company retains a subordinated residual interest.

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

The exchange between the company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(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) Impairment

The company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 24(b)(vii) provides more details of how the expected credit loss allowance is measured.

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

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

(vi) 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.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

(vi) Fair value measurement (continued)

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.

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.

28. Significant accounting policies (continued)

(b) Cash and cash equivalents:

Cash and cash equivalents are classified and measured at amortised 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 classified and measured at amortised cost less allowances for impairment losses.

The allowance for impairment losses is maintained at a level considered adequate to reduce the carrying amount of loans to their estimated recoverable amount at the reporting date. Note 24(b)(vii) provides more details of how the expected credit loss allowance is measured.

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.

(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 consideration 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/paintings, are measured at cost less accumulated depreciation and impairment losses [see note 28 (o)]. 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.

28. Significant accounting policies (continued)

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

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 improvements are amortised in equal installments over the shorter of the lease term and the assets useful lives.

The depreciation rates are as follows:

Furniture and fixtures	10 %
Office equipment	10 %
Computer hardware	20 %
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.

(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 classified and measured at amortised cost less impairment losses.

28. Significant accounting policies (continued)

(h) Other payables:

Other payables are classified and measured at amortised cost.

(i) 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.

(j) Interest income and expense:

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

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

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Interest income calculated using the effective interest method is presented in profit or loss and includes:

- interest on financial assets measured at amortised cost; and
- interest on debt instruments measured at FVOCI;

Interest expense presented in profit or loss includes interest on financial liabilities measured at amortised cost.

28. Significant accounting policies (continued)

(k) Dividends:

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

(l) Fee and commission income and expense:

Fee and commission income from contracts with customers, including account servicing fees, administrative fees and investment management fees are measured based on the consideration specified in a contract with customers and are recognised as the related services are performed.

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

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15
Administrative fees	The company provides trustee and other administrative services for physical custody of securities based on executed client agreements along with the management of members database and pensions contributions. Fees are calculated based on a fixed percentage of the value of the assets and is charged quarterly.	Revenue from trustee service is recognised over time as the service is provided.
Asset management fees	The company provides portfolio and investment management services to its clients based on duly executed client agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.

28. Significant accounting policies (continued)

(l) Fee and commission income and expense (continued):

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15
Corporate Finance & Advisory fees	The company charges fees for advisory services provided to its corporate clients based on agreed mandate. Fees are charged based on the nature of the transaction which varies from client to client and are paid at the successful execution of each transaction.	Revenue from services is recognised at the successful execution of each transaction, which is at a point in time.

(m) 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 payroll contributions, annual vacation 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.

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:

The obligation for contributions to defined-contribution plans is expensed when due based on the rules of the plan. 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. Remeasurements are recognised in profit or loss in the period in which they arise.

28. Significant accounting policies (continued)

(m) Employee benefits (continued)

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

(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.

(n) Taxation:

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

(i) Current tax:

Current tax comprises expected tax payable on the taxable profit 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.

(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 income tax purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is possible that the temporary difference will not reverse in the foreseeable future.

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

28. Significant accounting policies (continued)

(o) 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 for any asset, then that 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.

(p) Leases:

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

28. Significant accounting policies (continued)

(p) Leases (continued):

As a lessee (continued)

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

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

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

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

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

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

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

28. Significant accounting policies (continued)

(p) Leases (continued):

As lessee (continued)

The company presents right-of-use assets that do not meet the definition of investment property in 'rights-of-use assets' and the corresponding obligation as 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

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

(q) New and amended standards not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the company has not early-adopted. The company has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance contracts and* IFRS 16 *Leases, are* effective for annual reporting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The company does not expect the amendments to have a significant impact on its financial statements.

28. Significant accounting policies (continued)

(q) New and amended standards not yet effective (continued):

- Amendments to IFRS 16 *Leases* is effective for annual reporting periods beginning on or after June 1, 2020, and provides guidance for COVID-19 related rent concessions.

  The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

  The practical expedient will only apply if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2022; and no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose:

  - that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and

  - the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

  No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

  The company does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 37 *Provision*, *Contingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

  This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The company does not expect the amendments to have a significant impact on its financial statements.

28. Significant accounting policies (continued)

(q) New and amended standards not yet effective (continued):

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards and are effective for annual reporting periods beginning on or after January 1, 2022. Those that affect the company's operations are IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

  (i) IFRS 9 Financial Instruments amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  The company does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The company does not expect the amendments to have a significant impact on its financial statements.

29. Impact of COVID-19

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

(i) Enhancing the Liquidity Risk Management Framework. The key aspects of the enhanced Framework include:

- Heightened assessment of the daily inflow and outflow of funds (liquidity forecasting);
- Identifying and assessing the adequacy of financial resources for contingent needs;
- Implementing measures geared at strengthening the company's capital base; and
- Defining escalation and decision-making procedures to ensure that the Liquidity Recovery plan can be executed on a timely basis.

(ii) On-going monitoring of capital, which includes sensitivity analysis, to determine:

- The impact of a downward adjustment in asset values on our regulatory ratios;
- The impact of a downward adjustment in asset values on the projected profitability; and
- The level of capital shortfall, if any, and how additional capital could be raised to address any projected shortfall.

(iii) Accelerating the development of alternative channels including:

- Online booking of appointments with our Financial Advisory team.

While management is aware that a long duration of the pandemic could have a material adverse effect on the company, and its clients and employee, it is hopeful that the initiatives implemented to mitigate its impact will be successful.