



Jamaica Money Market Brokers Ltd.

2022 Annual Report



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VISION OF LOVE

JMMB is seeking to create an organisational environment in which team players can achieve their full potential. Accordingly, the teams at JMMB are committed to a long-term ongoing process of holistic development that recognises the complete development of the individual. JMMB is therefore, a medium through which individuals may have dreams for themselves; and can extend those dreams beyond the organisation into an infinite, prosperous and abundant society and universe. Each person is loving and respectful of each other, and represents an important link in a chain of **LOVE**, serving each other, sharing ideas, building each other. Hence the JMMB vision is shared by all team players.

The JMMB team is clear that the organisation is based on **UNCONDITIONAL LOVE** and **MUTUAL RESPECT**. This **LOVE** is expressed in ongoing day-to-day working relationships and performance. Unconditional love is expressed in every interaction and is the foundation upon which the organisation rests. Love motivates the JMMB team to serve our clients who are a very special part of our family. The driving force of the organisation is to provide opportunities for team players to expand their potential, to recognise the power within and their ability to fully express and manifest this power to the benefit of the individual, the organisation and the society. In the process, all individual and organisational goals are achieved.

This is the central ethos / philosophy of JMMB and becomes more challenging as the organisation increases in size. This innovative approach to life represents a new way of looking at the world, where equality and equity are dominant. Hence, this represents a paradigm shift.

JMMB is therefore, actively and publicly involved in charitable and voluntary activities within the society and recognises and accepts its social responsibility, understanding that it has everything to do with JMMB which is part of the link in the wider chain. With this perspective, the JMMB team recognises diversity, while celebrating differences among team members, realising that there are commonalities that bind members together. When this “One-Ness” is accepted, nurtured and developed, this enhances the ongoing implementation of the shared vision. The intention is to ensure that wherever conflict exists, we aspire to a positive outcome.

JMMB is committed to life in all its abundance. Accordingly, team players recognise the links between the organisation and the wider society and the inter-relatedness of all life. In keeping with this, JMMB is committed to being actively concerned with the conservation, preservation and sustenance of the natural environment in order to ensure sustainable development.



The atmosphere that JMMB is in the process of developing, may be defined as an energy field where overlapping circles of creativity, passion, excitement, fun and laughter coexist in a dynamic process that ultimately leads to higher levels of self-actualization; hence, the achievement of the organisational mission. This is a loving, caring and honest atmosphere where ideas are valued and shared openly; where a balance is created between aspirations and practical aspects of work and life, between actualization and potential. There are no fears, no limitations, no boundaries. Team members are therefore expected and encouraged to be genuine, taking responsibility to express anything they feel, knowing that it is safe to do so. To ensure this, JMMB is committed to providing an open forum for ideas to be discussed, tested and implemented in order to help each other grow.

Team members, therefore, envision JMMB as the premier financial institution of its kind: successful, professionally managed with excellent team members giving exceptional client care and striving to achieve excellence in all areas of life. Team members see JMMB continuing to expand beyond Jamaica, retaining its spiritual characteristics and therefore, developing all the disciplines required for its continued success.

DECLARATION

I believe so strongly in myself that I will not get defensive by criticism as I know that every experience is an opportunity for growth. I will nurture and build my fellow team players. I will use every opportunity to praise and give thanks. I embrace the uncertainty that forms part of my vision. I have a strong enough faith to know that everything that happens along my path happens for a reason, and that all things work together for my good.



CORPORATE INFORMATION

CLIENT CARE SUPPORT

(876) 998-JMMB (5662)

From the USA and Canada:

1 (877) 533-5662

From the UK: 0 (800) 404-9616

Opening Hours:

Monday – Sunday:

8:00 a.m. – 12:00 a.m.

Email: info@jmmb.com

www.jmmb.com

HAUGHTON AVENUE BRANCH

5 Haughton Avenue

Kingston 10

JUNCTION AGENCY

Shop 2, Roye's Plaza

Main Street, Junction

St. Elizabeth

MONTEGO BAY BRANCH

Suite 1

Fairview Office Park

Alice Eldemire Drive

Montego Bay, St. James

OCHO RIOS BRANCH

Guardian Life Building

2 Graham Street

Ocho Rios, St. Ann

SANTA CRUZ BRANCH

Shop # 2 Oasis Plaza, Coke Drive,

Santa Cruz, St. Elizabeth

HEAD OFFICE

6 Haughton Terrace

Kingston 10

Tel: (876) 998-5662

Fax: (876) 960-9546

Email: info@jmmb.com

www.jmmb.com

KNUTSFORDBOULEVARD BRANCH

11 Knutsford Boulevard

Kingston 5

MANDEVILLE BRANCH

23 Ward Avenue

Mandeville, Manchester

MAY PEN BRANCH

Shop 28B, Bargain Village Plaza,

35 Main Street

May Pen, Clarendon

PORTMORE BRANCH

47 - 48 West Trade Way

Portmore Town Centre

Portmore, St. Catherine



**JAMAICA MONEY MARKET BROKERS LIMITED
NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at JMMB Head Office, 6 Haughton Terrace, Kingston 10, Jamaica on Thursday, September 22, 2022, at 3.00 P.M. for the purpose to consider and if thought fit to pass the following ordinary resolutions:

- 1. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022, AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON.**

“THAT the Directors’ Report, the Auditors’ Report and the Statements of Account of the Company for the year ended March 31, 2022 be received.”

- 2. TO REAPPOINT DIRECTORS**

The directors retiring from office by rotation pursuant to Article 105 of the company’s Articles of Association are Dr Archibald Campbell and Mrs Kisha Anderson who being eligible offer themselves for re-election.

(a) THAT Dr Archibald Campbell be and is hereby re-elected a Director of the company;

(b) THAT Mrs. Kisha Anderson and is hereby re-elected a Director of the company;

- 3. TO APPOINT AUDITORS AND AUTHORISE THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS**

“THAT KPMG, Chartered Accountants, having agreed to continue in office as auditors, be and are hereby appointed auditors of the Company to hold office until the next annual general meeting at a remuneration to be fixed by the Directors of the Company”.



4. TO APPROVE DIRECTORS' REMUNERATION

“THAT the amount included in the Audited Accounts of the Company for the year ended March 31, 2022, as remuneration for their services be and is hereby approved.”

Dated this 27th day of July 2022

By Order of the Board

A handwritten signature in blue ink, appearing to read 'Carolyn DaCosta'.

Carolyn DaCosta
Secretary

REGISTERED OFFICE
6 Haughton Terrace
Kingston 10

NB: A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company. Enclosed is a proxy form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp duty of \$100.00. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.



CHAIRMAN'S MESSAGE

Jamaica Money Market Brokers Limited – 30 Years of Success and Continued Growth

The Board of Directors, the Management team and I are pleased to highlight the results of Jamaica Money Market Brokers Limited (JMMB) for the financial year ending March 31 2022; the year in which we celebrate our milestone 30th year of operations. This year's results and strategic achievements are a culmination of a 30-year-old vision to help Jamaicans achieve their life goals by making investing accessible to all.

The beginning, though simple, was powerful. Joan Duncan envisioned the creation of a company that would give the average investor access to the money market, at a time when it was primarily the domain of financial institutions. JMMB entered the market in November 1992 and dared to dominate it boldly stating, 'No One Knows the Money Market Like We Do. Full Stop'. This pioneering move meant that more individuals would be able to earn greater returns on their investments; empowering them to achieve their financial life goals sooner.

Thirty years later, JMMB has dominated the Jamaican financial services landscape with product innovation and continues to be the flagship company of the JMMB Group, a regional financial services group operating in three territories across the Caribbean. JMMB's operations has in many ways blazed the trail for the Group's expansion with love remaining at its nucleus for operations and partnering with clients. JMMB has also been at the heart of driving core technology implementation for the JMMB Group from as early as 2005 with the roll-out of its proprietary Electronic Teller Machines (ETMs) and online transaction platform, JMMB Moneyline. Year over year results also demonstrate JMMB's strategic value to the JMMB Group with its contribution to net earnings continuing to be a significant contributor to the Group's overall results.

The onset of the COVID-19 pandemic in the last two financial years, has somewhat slowed the pace of growth for JMMB, however, our clients and stakeholders have consistently chosen to partner with us and continue to have confidence in the vision and direction of the company. Thus, though posting net profit for the period of J\$1.6B resulting in a 39% decline over the prior period due to trading gains being largely realized in other



entities within its parent company, JMMB saw Funds Under Management grow by 20% to J\$363.3B.

In supporting clients to navigate the challenges of the pandemic, our teams continued to focus on further embedding our financial partnership strategy, which drives our operations and service delivery. Our teams therefore remained close to clients, having frequent contact with them in the management and protection of their goals and portfolios. Our teams also maintained their focus on driving the execution of business critical initiatives and improving client touchpoints. In the coming year, the emphasis of this work will be the continued enhancement of the digital platforms and channels through which we interact and serve our clients, to support our objective of being able to offer clients a digital experience for any part of or their entire journey with us by 2024/25.

Our management team continues to lead with confidence in the best interest of all our stakeholders. The Board salutes them for their hard work and commitment during a year fraught with uncertainty, global crises and slow economic recovery. We are also very grateful for all our team members and thank everyone for the role they each play in delivering the client value proposition and executing our strategy.

Thank you to our clients, who have demonstrated confidence in us and who continue to partner with us. We are truly committed to building shareholder value, and without you this would not be possible.

A handwritten signature in blue ink, which appears to read 'Archibald Campbell', is positioned above the printed name.

Archibald Campbell, DBA
Chairman
Jamaica Money Market Brokers Limited



DIRECTORS PROFILES

DR. ARCHIBALD CAMPBELL CD, DBA, FCA– CHAIRMAN



Archibald is the Chairman of JMMB Group Limited. He was also a member of the Sugar Industry Divestment negotiation team, a trustee of two pension funds and a director of several companies including hotels, property management companies, banks, tertiary level institutions and a number of non-profit organisations. He was a lecturer at the University of the West Indies, Mona (UWI) and later served as UWI's Bursar and Chief Financial Officer with responsibility for maintaining relations with the seventeen contributing Caribbean countries with regard to funding. Archibald also serves as an Independent Director of Sagicor Financial Company Ltd.

He is a Chartered Accountant by training and a member and Past President of the Institute of Chartered Accountants of Jamaica (ICAJ). He was named the Distinguished Member of ICAJ in 2020.

Archibald is also a published author and speaker in the accounting and finance sectors. With a Doctorate in Business Administration (DBA) and an M.Sc. in Accounting from UWI, extensive international training and certification and over 40 years of experience in the industry, he is an outstanding and invaluable resource.

In 2021, he was conferred with the National Honour of the Order of Distinction in the rank of Commander, for exemplary contribution in the Accounting and Finance Profession.



KISHA ANDERSON JP



Kisha began her tenure in the financial sector over 20 years ago at Jamaica Money Market Brokers Limited (JMMB). She entered the field with a degree in Environmental Sciences from the UWI, Mona and has subsequently completed a four (4) month Harvard Business School General Management Program, where she gained invaluable knowledge and exposure to new paradigms and techniques to support her strategic and leadership capabilities. During her tenure at JMMB she contributed to its branch development, strategic leadership and was instrumental in ensuring operational readiness in converting JMMB Merchant Bank Limited into a commercial bank.

Kisha served as Country Chief Executive Officer of JMMB's Jamaican-based subsidiaries namely JMMB Bank (Jamaica) Limited, JMMB Insurance Brokers Limited, JMMB Fund Managers Limited and JMMB Securities Limited (Jamaica). She also serves as a director for JMMB Insurance Brokers Limited, JMMB Fund Managers Limited and JMMB Securities Limited (Jamaica), JMMB Investments (Trinidad and Tobago) Limited and its subsidiary JMMB Securities (T&T) Limited and JMMB International Limited. Kisha is currently the CEO for Image Plus Consultants Ltd.

She is a Justice of the Peace for Kingston, Secretary for the Bethel Thrift Society Investment & Credit Committee and serves alongside her husband in the Moorlands summer camp ministry.



AUDREY DEER-WILLIAMS



Audrey is the Chief Technical Director assigned to the Social Security Division of the Ministry of Labour and Social Security. She worked in various capacities in the United States in the financial services sector prior to her service in the public sector in Jamaica. Audrey is a distinguished public servant whose extensive training and expertise in a multiplicity of areas has made her an invaluable resource to the JMMB Group. She holds an undergraduate degree in Economics and Accounting and a Master's degree in Business Administration from Manchester Business School, Manchester, England.

She is the Chair of the Group Culture and Human Development Committee and a member of the Group Board Risk Committee.

H. WAYNE POWELL, O.D., J.P.



Wayne is a Business, Financial and Leadership Consultant, who previously served as Executive Vice-President at Scotiabank Jamaica and as Vice-President of Scotiabank International with responsibilities across eighteen countries of the English Caribbean Region. In 2016 he was conferred with the Order of Distinction, Officer Class, for his extraordinary contribution to the banking sector in Jamaica. Wayne brings to the JMMB Group over forty-five years of wide-ranging experience in the banking and financial sector, having served both locally and internationally.

Wayne has an MBA from Barry University and is an Associate of the Chartered Institute of Bankers, London (ACIB). He is also a Justice of the Peace for Kingston, Past President of the Rotary Club of New Kingston and is currently serving on several charitable, corporate, and public sector Boards including as a Commissioner on the Integrity Commission of Jamaica.

Wayne also serves as a Director of JMMB Bank Jamaica and JMMB Fund Managers Ltd. He is also a member of the following Group Board committees: JMMB Group Audit Compliance, Finance, Culture and Human Development and chair of JMMB Bank's Jamaica Board Credit Committee.



KEITH DUNCAN



Keith is an Executive Director and the Group Chief Executive Officer of the JMMB Group of Companies and has responsibility for overall performance and charting the strategic direction of the Group.

His financial expertise has not only benefited the JMMB Group, but also the Jamaican financial sector. Keith is currently the President of the Private Sector Organization of Jamaica (PSOJ) and served as a Vice-President of the PSOJ throughout 2013 – 2015. He is a Past President of the Jamaica Securities Dealers Association (JSDA) and continues to contribute his service to Jamaica through various roles, including his current appointment as Chairman of the Economic Programme and Oversight Committee (EPOC). He also chairs the National Information and Communications Technology Advisory Council (NICTAC), providing advisory services to the Ministry of Science, Energy and Technology in relation to its ICT Portfolio.

Under his leadership, the JMMB Group was conferred with the American Foundation for the University of the West Indies (AFUWI) Award for Excellence in Business Leadership in February 2020, and the prestigious 'Best of Chamber Award' from the Jamaica Chamber of Commerce in March 2011.

In 2020, Keith was awarded the National Honour, the Order of Distinction, in the rank of Commander, by the Government of Jamaica, for his exceptional service in the fields of Finance, Business, Youth Empowerment and Community Development. Additionally, in April 2022, Keith received the International Achievement Award from The American Friends of Jamaica (AFJ) for his leadership and work in the area of National Development.

He holds the Chartered Financial Analyst professional designation as well as a B.A. (Economics) from the University of Western Ontario in Canada.



V. ANDREW WHYTE



Andrew is the Group Treasurer at Jamaica Producers Group, a multi-national company with operations in Jamaica, the Netherlands, United Kingdom, Spain, the Dominican Republic, Cayman Islands and the USA. He previously worked in the financial industry for several years. As an Independent Director, he currently serves as Chairman of the Audit and Compliance Committee, in addition to being a member of both the Risk and Finance Committees and a board member of several Subsidiaries. He has a Bachelor's degree in Chemical Engineering and a Master's degree in Business Administration. He also chairs the Board of Trustees of the preparatory school, Emmanuel Christian Academy.

CAROLYN DACOSTA - COMPANY SECRETARY



Carolyn has served as Corporate Secretary for Jamaica Money Market Brokers Limited and its subsidiaries since March 16, 2008, and for JMMB Group Limited since its incorporation in May 2012, when she was also appointed as the Group Chief Compliance Officer. As someone who "grew up" in the organization, she brings a unique combination of technical skills and experience, and invaluable institutional knowledge to these critical roles. Carolyn holds a certification in Corporate Governance from Harvard Business School, an MBA in Finance, a Diploma in

International Compliance from the Manchester Business School in the UK, a Bachelor of Laws degree from the University of London and a Bachelor of Arts degree from the University of the West Indies Mona. Additionally, Carolyn is a Fellow of the International Compliance Association and a Justice of the Peace for the parish of St. Catherine.

Carolyn offers proven, reliable and consistent support to the Board of Directors and Shareholders, while, in true JMMB fashion, building real heart to heart connections across the JMMB Group and the Jamaican financial sector.



JAMAICA MONEY MARKET BROKERS LIMITED SENIOR TEAM LEADERS

- Keisha Forbes-Ellis - Chief Executive Officer & Chief Country Officer – Jamaica
- Kwame Brooks - Country Treasurer
- Nerene Brown - Operations Manager, Client Sales & Service Delivery
- Kashwayne Bryson - Financial Controller
- Claudine Campbell-Bryan - Country Compliance Officer & Deputy Corporate Secretary
- Cecile Cooper - Country Chief, Culture and Human Development Officer
- Alwayne Cousins – Country Manager Corporate Client Partnership Corporate Solutions
- Patreina Messam - Internal Audit Manager
- Gifford Rankine General Manager Group Digital Services
- Densie Robinson - Senior Corporate Manager, Settlement & Securities
- Fornia Young - General Manager, Client Partnership
- Stephen Shim – Group Information Technology Officer

Group Executives with oversight responsibilities for the Company

- Keith Duncan - Group CEO
- Peta-Gaye Bartley - Group Chief Internal Auditor
- Damion Brown - Group Chief Investment Officer
- Carolyn DaCosta - Group Chief Compliance Officer
- Donna Duncan-Scott – Group Chief Culture and Leadership Development
- Patrick Ellis - Group Chief Financial Officer
- Dereck Rajack - Group Chief Risk Officer
- Kerry-Ann Stimpson - Group Chief Marketing Officer
- Patricia Sutherland – Group Chief Operations Officer
- Claudine Tracey - Group Chief Strategy Officer



**JAMAICA MONEY MARKET BROKERS LIMITED
TOP 10 SHAREHOLDERS AT 31 MARCH 2022**

| SHAREHOLDERS | SHAREHOLDINGS | ORDINARY SHARES |
|---------------------|----------------------|----------------------------|
| | | 1,741,552,000 |
| | | % |
| JMMB GROUP LTD | 1,741,552,000 | 100 |
| | 1,741,552,000 | 100 |

**SHAREHOLDINGS OF DIRECTORS AND SENIOR
MANAGEMENT**

| Directors | Shareholdings | Connected Parties |
|--------------------------|----------------------|----------------------------------|
| Archibald Campbell | Nil | |
| Keith P. Duncan | Nil | Concise E.I. Ltd & JVF E.I. Ltd |
| Kisha Anderson | Nil | |
| Audrey Deer-Williams | Nil | |
| V. Andrew Whyte | Nil | |
| H. Wayne Powell | Nil | |
| Senior Management | Shareholdings | Connected Parties |
| Donna Duncan-Scott | Nil | JVF O.N. Ltd & Concise O.N. Ltd. |
| Keith Duncan | Nil | Concise E.I. Ltd. & JVF E.I. Ltd |
| Carolyn DaCosta | Nil | |
| Paul Gray | Nil | |
| Julian Mair | Nil | |
| Patricia Sutherland | Nil | JVF RI Limited |
| Patrick Ellis | Nil | |
| Janet Patrick | Nil | |
| Damion Brown | Nil | |
| Kerry-Ann Stimpson | Nil | |
| Claudine Tracey | Nil | |
| Peta- Gaye Bartley | Nil | |



MANAGEMENT DISCUSSION AND ANALYSIS

The Management of Jamaica Money Market Brokers Limited and its subsidiaries (JMMB) is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A).

The information presented is based on the informed judgment of the management with appropriate consideration to materiality. The MD&A is prepared to enable readers, clients and shareholders to assess the operations and financial performance of JMMB for the financial year ended March 31st 2022 compared with prior years. It should be read in conjunction with the JMMB's financial statements.

In this regard, management maintains a system of accounting and reporting that provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposal and liabilities are fully recognized. Importantly, the system of control is continually reviewed for effectiveness and is supported by written policies and guidelines, qualified personnel, and strong internal audit and risk assessment procedures.

The financial information disclosed in this MD&A is consistent with JMMB's audited consolidated financial statements and related notes for the financial year ended March 31st, 2022. Unless otherwise indicated, all amounts expressed are in Jamaican dollars and have been primarily derived from JMMB's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS).

This MD&A may contain forward-looking statements. Forward-looking statements are statements made based on assumptions or predictions of the future which may not necessarily be realized. Although JMMB believes that in making any such statement its expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

FINANCIAL YEAR 2021/22 CONSOLIDATED FINANCIAL PERFORMANCE

The Management Discussion and Analysis section of this report details the combined results of the following entities:

- Jamaica Money Market Brokers Limited
- JMMB Fund Managers Limited
- JMMB Securities Limited



- JMMB Insurance Brokers Limited
- Capital and Credit Securities Limited
- JMMB Real Estate Limited

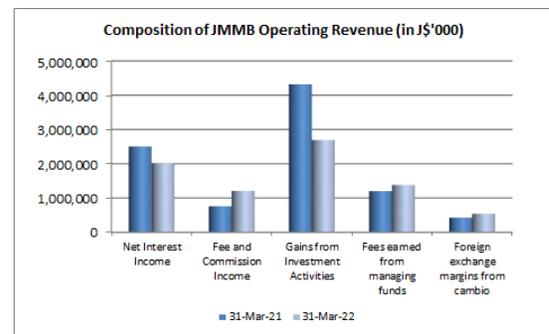
2021/22 Consolidated Financial Performance

NET PROFIT

For the financial year ended March 31, 2022, Jamaica Money Market Brokers Limited and its subsidiaries (JMMB) posted credible results. Net profit for the period totalled J\$1.6B resulting in a 39% decline over the prior period as trading gains were largely realized in other entities within its parent company, JMMB Group Limited ('JMMB Group' or 'the Group').

OPERATING REVENUE

Net operating revenue totalled J\$7.8B, reflecting a 15% decrease as net interest income and bond trading gains were lower than the prior period.



Net Interest Income (NII)

Despite the earnest rollout of vaccination programs in most countries globally, there still remained significant uncertainties in the economic and social landscape due, in large part, to a confluence of factors that had the potential to derail global economic recovery. These factors included new COVID-19 variants and the associated effectiveness of existing vaccines, rising energy prices, continued supply chain disruptions as well as sweeping changes to monetary policies. Given that responses to these factors could significantly impact asset prices, the team continued to focus on providing guidance, support and expert financial advice to clients. This was essential to the strategy for the Asset Management business line given that it includes off balance sheet funds, which are subject to price fluctuations.

The business line's positive result is demonstrative of the strong partnerships maintained as the team successfully supported clients in meeting their financial goals during the period. This resulted in growth of total clients' funds under management of 20% to J\$363.3B, largely driven by on-balance sheet FUM.

By successfully executing a consistent client engagement strategy, the team was able to ascertain clients' needs and defensively position their portfolios to mitigate against possible downside risks. Portfolios were therefore skewed towards on-balance sheet solutions, particularly for clients with short-term investment horizons. On-balance sheet



FUM consequently increased by 27% to J\$202.3B. NII however declined from J\$2.9B to J\$1.4B as it was negatively impacted by rising interest rates and, as a consequence, lower bond prices.

Fees Earned from Managed Funds

Fees earned from managed funds grew by 15% to J\$1.4B. Notwithstanding the continued impact of the COVID-19 pandemic and the onset of the Russia/Ukraine crisis towards the end of the financial year, off-balance sheet FUM growth remained robust increasing by 12% to J\$161B. During the period, clients continued to remain confident in the investment solutions offerings, fully assured that they would be able to achieve their financial goals. This continued confidence is a testament to the team's focus on educating clients on the need to establish long-term goals and their attainment via a well-structured and targeted program.

Collective Investment Schemes (CIS) – Enhanced Value Proposition

CIS market share continues to grow despite the challenging market context, reflecting the continued client confidence in the team and the financial solutions offered. Accounting for 13.72% of the local CIS market, market share reflected growth of 50 basis points over the period in line with forecasted long-term growth trajectory for the business line. The business line maintained its position as the third largest player in this space and continued to gain ground as the second place provider. CIS FUM thus increased by 8% over the prior period to J\$41.4B.

Collective investments schemes are managed in accordance with established investment policies geared towards providing long-term financial value for clients. The team continuously reviews strategies and makes tactical adjustments as market dynamics change. In the coming year, the team will continue to review unit trust solutions to ensure that value is maximized for clients and that their needs are continuously met through a suite of diversified investment solutions.

Pensions - Solid Growth through Client Engagement and Education

The performance of the pension business line remained robust producing another solid year's results as evidenced by a 19% growth in FUM ending the year at J\$24.2B. Continued efforts to strengthen partnerships with the existing client base and to promote the importance of long-term financial security resulted in this growth and strong performance. The team recorded a consistent increase in the client base and contribution levels over the period as they continued to successfully navigate the market and leverage opportunities.

The suite of services and solutions under this business line ranges from pooled funds to segregated fund management and other customized service offerings. Core focus areas remained consistent with the prior year as the team sought to improve client



communication and engagement with an emphasis on building corporate relationships and financial education, particularly on long-term financial planning, with its retail client base. Given the impact of the COVID-19 pandemic on the business line's operating context, the team continued to leverage social media, industry experts, as well as digital marketing and promotional campaigns to execute this focus. In the coming year, the team will continue to leverage these channels to raise awareness on financial and retirement planning and their relative importance given the challenges being experienced by many due to the persisting pandemic context and generally in the stage of their financial life cycle.

Bond and Equity Trading Gains

The trading environment was adversely impacted by a range of challenges as global economic recovery was accompanied by high inflationary pressures which resulted in a more aggressive position from central banks. As global interest rates rose, this had a negative impact on asset prices and liquidity. Consequently, gains from equity and fixed income stood at J\$1.8B compared to J\$3.6B in the prior year.

As a subsidiary of JMMB Group Limited, JMMB has benefitted from the Group's focus on leveraging expertise and opportunities towards better governance and an improved organizational structure. This has thus far included the re-engineering of leadership teams and, by extension, the oversight of revenue lines to ensure broadly that opportunities are maximized at the Group level. The implication of this this is that at times revenues in a particular entity may be lower but not at the aggregate level. This was the case with trading gains which fell considerably year-over-year at the subsidiary level but grew at the Group's consolidated level.

For the first half of the year, market liquidity was high, underpinned by an accommodative monetary stance, which in turn facilitated more robust trading activities. Market sentiment however changed mid-year as, in a bid to stem inflation, central banks across the world changed their stance to a more restrictive one. Emerging markets bore the brunt of the interest rate impact and this was further compounded by soaring global commodity prices. In addition to supply chain disruptions associated with the pandemic, Russia's invasion of Ukraine increased pressure on commodity prices resulting in increased market uncertainty. The trading desk was however able to successfully navigate the tenuous environment through prudent positioning and liquidity management.

During the year, the local equities market experienced moderate results with the Junior Market outpacing the Main Market. As a result, the Jamaica Stock Exchange (JSE) Combined Index appreciated by 2.2% over the previous financial year with the Junior Market leading the way with a 41.6% appreciation. This was mainly attributable to strong retail activity as the combined trade value and the number of trades grew year over year, while trade volume decreased.



JMMB Securities Limited (JMBSL) maintained its number one (1) ranking for number of trades on the JSE. As at the end of March 2022, the business line also ranked 1st in Volume and 2nd in Trade Value as the team continued being a choice broker for investors, particularly among retail investors. This was enhanced by the real time online stock trading option and enhanced live trade data on the Group's online banking and transaction platform, JMMB Moneyline. These features, added in the previous financial year, have thus served to support and enhance investor trading activity as intended.

Foreign Exchange (FX) Margins from Cambio Trading

The cambio business line posted another strong year of earnings ending with FX trading gains of J\$542M, a 28% increase over the prior year. With the recovery of tourism and the easing of COVID-19 prevention measures, there was increased demand for foreign exchange. The team continued to closely partner with clients to efficiently meet their FX needs. With this focus, the cambio business line managed to maintain its position as the second largest cambio in the market.

Volatility was moderate throughout the year in the FX market with the Bank of Jamaica (BOJ) continuing to play an active role in addressing supply imbalances in the market through the BOJ Foreign Exchange Intervention & Trading Tool (BFIXTT) interventions. Consequently, depreciation was modest as the Jamaican dollar lost approximately 5% against the United States dollar over the financial year. As inflationary pressures increased, there was increased demand for FX as market players sought the protection of United States dollars. The team continues to position cambio services as a value add for clients and, ensure best in class transaction execution and service delivery.

Other Fees and Commission

Other fees and commission rose by 59% to J\$1.2B. This was due mainly to improved economic activity resulting in increased transactions such as capital markets activities.

Insurance Brokerage

The suite of services and solutions under the insurance brokerage business line continued to augment core financial services with competitively priced personal and corporate insurance solutions. Given the local economic environment, the team sought to support clients in mitigating against the risk of financial uncertainty and loss. In so doing, the team sought to further partner with the Group's business lines in Jamaica to ensure clients' goals were adequately protected. The team also particularly focused on strengthening core operations by digitizing key client facing and internal processes which will ensure more efficient service delivery.

Net operating revenue improved 5% over the prior year totalling J\$236M, reflecting improved growth in brokerage fees. This growth was attributable to sustained efforts to



maximize on cross-selling opportunities within the Group, particularly its Jamaican banking business line. This growth was also in large part due to the team's focus on partnership, service quality and convenience, the result of which was high retention rates during the period.

Capital Markets

The Capital Markets Team continued to deliver exceptional results during the year under review. Transaction volumes for the financial year totaled J\$154.8B up from J\$68B, continuing a year over year trend of growth for the capital markets business. Included in the list of transactions completed during the year were two RegS/144A Senior Note issuances for Sagikor Financial Company Limited for an aggregate of US\$650M for which the Group was Joint Bookrunners. The team was also Arranger and Broker for a number of real estate transactions using market leading and very creative financing structures.

The team's skillful leveraging of global relationships and local expertise to creatively satisfy client needs using innovative financial solutions, continues to punctuate its successful results and demonstrates why it is one of the best Investment Banking teams in the Caribbean.

EFFICIENCY

The team continued to leverage the Group's strategic cost management framework which seeks to balance expenditure associated with long-term strategic imperatives and short-term profitability expectations. Consequently, in the prior period there were short-term cost containment measures implemented to improve operational efficiency in light of the impact of COVID-19. Given improvement at the Group level over the reporting period, digitization and other efficiency projects were again placed into keen focus for execution. Additionally, inflationary increases were granted during the period and adjustments made to staffing to achieve long-term objectives. Given this focus and set of activities for the period, administrative expenses moved from J\$6.1B to J\$8.2B. The team will however, continue to focus on extracting efficiencies from all entities through continued work on system and technology standardization and process improvement projects

JMMB'S FINANCIAL POSITION

The asset base rose by 21% to J\$296.5B over the period, with growth funded by repos.

Total shareholders' equity moved from J\$25.5B to J\$24.8B as even though the entities in aggregate were profitable over the period, fair value reserves deteriorated on account of increased macroeconomic uncertainties. Jamaica Money Market Brokers Limited, however remained adequately capitalized as at March 31, 2022.



2022/23 FINANCIAL YEAR STRATEGIC OUTLOOK

While the economy is expected to continue to recover in the 2022/2023 financial year, the team is cognizant that significant risks still persist including the potential economic and social impact of new COVID-19 variants, the Russia-Ukraine crisis, increasing food and fuel prices as a consequence of rising inflation.

The team recognizes that there could be short-term price fluctuations but these should not nullify long-term value creation given that they are expected to be transient. It is also expected that there may be opportunities created in the short-term that clients should be able to benefit from. The team remains proactive in identifying such opportunities with a view to positioning them to best meet clients' needs.

Within this context, the team will also continue to position its portfolios to achieve the optimal risk/reward profile to create shareholder value. Given the continued reopening of the economy and the expectation for increased activity, the team anticipates that this will lead to increased commercial activity and, by extension, increased FX trading activity. Headwinds to foreign exchange remain as the Central Bank continues to pursue its restrictive monetary policy stance and it is expected that liquidity conditions and interest rates will have a larger influence on the trend of FX transactions and devaluation. With this in mind, the team will continue to take a prudent approach to the market in the coming year.

LOVE AND PARTNERSHIP - YOUR BEST INTEREST AT HEART

The team closed the financial year truly thankful for the many achievements attained internally and enters the new financial year recommitted to JMMB's core value of Love and partnership. The team remains hopeful and confident in the sustainability of JMMB and expects to continue seeing realized value for all the stakeholders, clients and team members for whom JMMB continues to be built with their 'Best Interest at Heart'.



CORPORATE GOVERNANCE REPORT

High standards of Corporate Governance have always been central to JMMB's Strategy and a central plank in our financial and reputational success. The Covid-19 pandemic presented an unprecedented challenge to the world and every single institution. The board responded immediately to maintain the viability of JMMB and its subsidiaries and ensure the effectiveness of the risk management and compliance processes in support of our clients, shareholders and team members. This response provided reassurance of its business and governance structure in light of extraordinary challenges. This has strategically positioned us to face the future.

The Board of Directors of Jamaica Money Market Brokers Limited (JMMB) has met quarterly and has continued the progression towards achieving the strategic goals and objectives of the Company. In April 2022, the customary annual review of the goals and objectives were met.

The Directors and Management are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices, that are aligned with our strategy and risk appetite. We believe that good governance is not just about overseeing JMMB and its practices, but doing so in a way that is transparent. It involves the board actively engaging with all stakeholders, knowing the respective business lines and their risks, understanding the challenges and opportunities of a changing industry and economy and challenging management where necessary. Good governance also involves setting robust standards and principles that will guide the JMMB to success as well as help clients thrive and our communities prosper – all while ensuring that we are constantly enhancing value for our shareholders.

This report provides a summary of the work of the Board and its committees over the financial year ended March 31, 2022.

JMMB Board of Directors and its committees have oversight responsibility for the Board committees. The Board of Directors proactively adopts governance policies and practices designed to align the interests of the Board and management with those of shareholders and other stakeholders, and to promote the highest standards of ethical behaviour and risk management at every level within the organisation. The Company's corporate governance framework is subject to ongoing review, assessment and improvement.



DEFINITIONS:

| | |
|----------------------------|---|
| “Company” | Jamaica Money Market Brokers Limited |
| “Director” or “Directors” | The person(s) who is(are) a member(s) of the Board |
| “Executive Director” | a director who is a member of the management team of JMMB Group Limited or its subsidiaries and affiliates. |
| “Independent Director” | director who is not: an employee of a company within the Group within the last five years; a person holding five per centum or more of the shares of the company or a connected person; and a party to a significant economic or other relationship with the company within the last five years. |
| “Non- Executive Director” | a director who is not part of the current management in the JMMB. |
| “JMMB” | Jamaica Money Market Brokers Limited |
| “JMMBGL” | JMMB Group Limited (Parent Company) |
| JMMB Group” or “the Group” | The group of companies comprised of JMMBGL, its subsidiaries and affiliates. A list of the companies can be found at Note 1 of the Audited Financial Statements. |
| “JSE” | The Jamaica Stock Exchange |

The core principles defined:

| | |
|---------------------|--|
| Conduct and culture | By setting the tone from the top, the board champions JMMB Group’s values of love, trust, openness, integrity and good governance |
| Stewardship | Directors are stewards of the Company exercising independent judgment and safeguarding the interest of shareholders |
| Risk oversight | The Board oversees the frameworks, policies and processes to identify and manage the risks faced by the Group. |
| Independence | Independence from management is fundamental to the Board’s effective oversight, and mechanisms are in place to ensure its independence |
| Strategic oversight | Directors are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business opportunities and the JMMB Group’s risk appetite. |



| | |
|------------------------|---|
| Continuous improvement | The board is committed to continuously improving its corporate governance principles, policies and practices. |
| Accountability | Transparency is a hallmark of good governance. The board is committed to clear and comprehensive financial reporting and disclosure, and constructive shareholder and stakeholder engagement. |

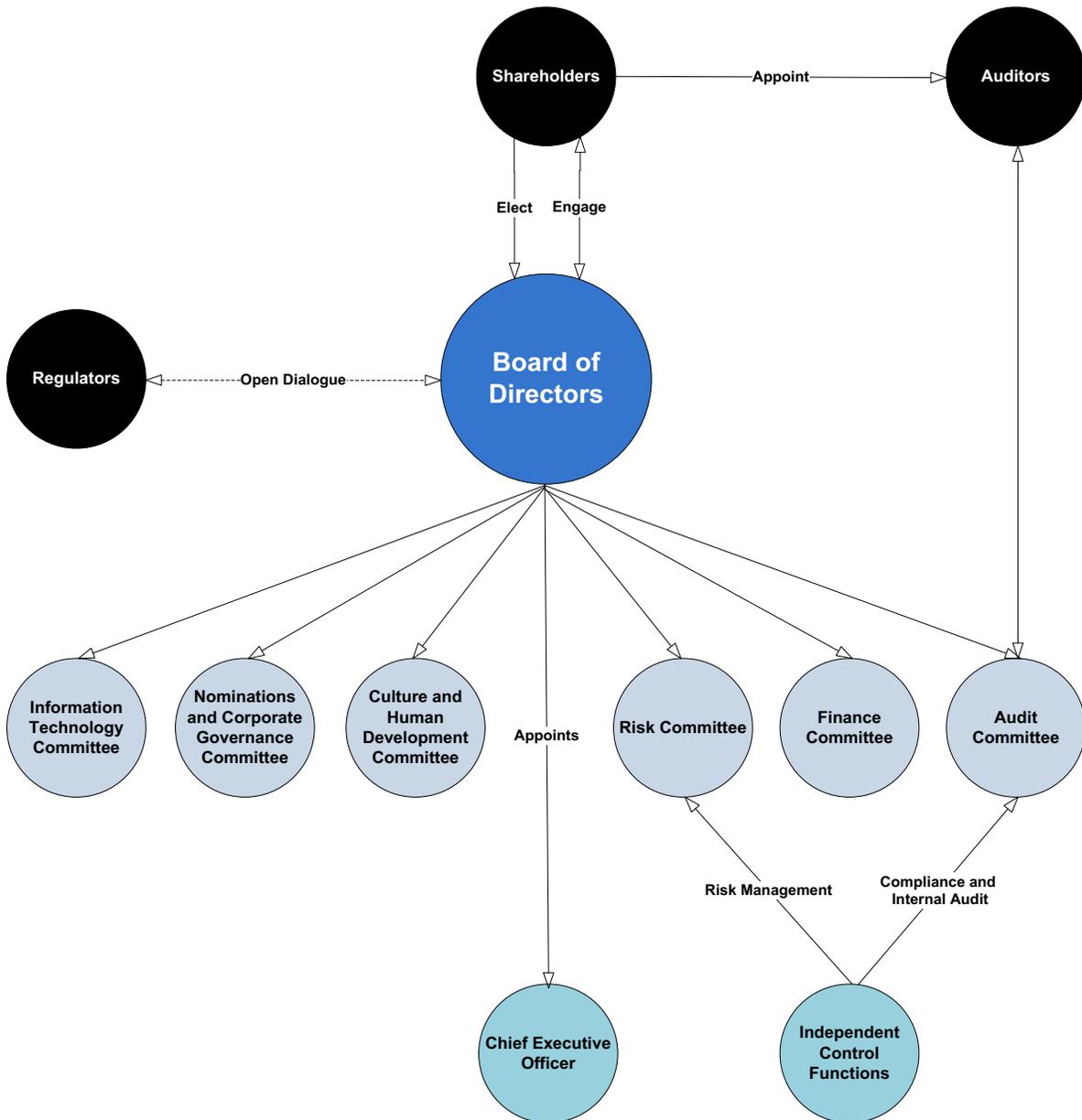
For the Financial year 2021/22, the Board deliberated on several matters, including, but not limited to, the following:

- Reviewing and confirming strategic direction, along with related risks and opportunities
- Analyzing and overseeing the ongoing response to COVID-19, including financial structure and cash flow management
- Overseeing the management of cybersecurity threats and control environment improvements
- Considering sustainability issues and responses
- Financial performance
- Review of capital structure and dividend
- Review and approval of Policies
- Operational performance
- Governance and compliance matters
- External financial reporting
- Changes in regulatory environment and impact on the Company
- Changes in information technology
- Risk Management
- Corporate Culture
- Human Resources leadership development
- Corporate Social Responsibility



OUR GOVERNANCE STRUCTURE

JMMB Group Limited, the parent, governance structure establishes the fundamental relationships among the board, its committees, management, shareholders and other stakeholders. It plays an oversight role in the management of JMMB by way of the different board committees. JMMB Group Limited sets the culture and values as well as the strategic and corporate objectives for the entities within the Group, and it determines the plans for achieving and monitoring performance through this structure.



**each board committee reports on its activities to the Board of Directors.*



Role of the Board of Directors

The JMMB board makes major policy decisions, participates in strategic planning and reviews management's performance and effectiveness. The board is guided by the laws and regulations of the various jurisdictions in which it operates. The board reviews and makes decisions about strategic directions and delegates other decisions to its board committees or management using a board approved decision rights matrix. As provided by our policies, management may require board approval for some matters that exceed a certain dollar value or may have significant impact on the JMMB brand.

Role of the Board Chairman

Dr. Archibald Campbell is our independent Board Chairman. Having an independent, non-executive Board Chair enhances management's accountability and the board's independent oversight. The Board Chair leads board and shareholder meetings and is responsible for the management, development and effective functioning of the Board. The Chair has the deciding vote if a board vote results in a tie.

The Board Chair:

- advises the CEO on major issues and liaises between the board and senior management
- participates in the orientation of new directors and the continuing development of current directors
- along with the Nominations and Corporate Governance Committee Chair, conducts the board's effectiveness evaluation and plans board succession and recruitment
- interacts with directors and senior executives on a regular basis
- meets with regulators, shareholders and stakeholders on behalf of the board when needed, and meets periodically with independent directors of our subsidiaries.

The Board reviews and approves the Board Chair's mandate, while the Nominations and Corporate Governance committee, under the direction of its Chair, annually assesses the effectiveness of the Board Chair in fulfilling his mandate. Our Group Corporate Governance Policy, which contains the mandates of the board, board chair and board committees may be found at www.jmmb.com.

Our Code of Ethics and Conduct

The JMMB Code of Ethics and Conduct ("the Code") promotes standards of desired behaviour that apply to directors, senior management and all team members. It includes the responsibility to be truthful, respect others, comply with laws, regulations and our policies, and engage in practices that are fair and not misleading. Each year Directors



and team members must acknowledge that they have read and understand the Code, and certify that they are in compliance with it.

The Company has adopted the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research (AIMR®) and each new team member is trained in this area during orientation. There is also a mandatory annual refresher course for all team members and Directors.

Board Information

The Chairman and CEO, supported by the Company Secretary, ensure procedures are in place to give the board timely access to the information it needs to carry out its duties. To ensure timely access to information, directors:

- receive a comprehensive package of information at least five (5) days prior to each board and committee meeting
- have access to board committee meeting minutes
- participate in annual and biannual strategic sessions
- have full access to senior management and team members
- receive educational material on matters that affect our business
- Identify their continuing education needs through discussions at board or committee meetings
- receive timely updates on matters that may affect the business's performance and reputation
- are kept abreast of all regulatory matters such as regulatory audits, changes in regulations or guidelines and outcomes of meetings with regulators, to name a few.

Board Expertise

The Directors of the Board are selected on the criteria of proven skill and ability in their particular field of proficiency, and a diversity of outlook and experience which directly benefits the operation of the Board as the custodian of the business.

Board Delegation

The JMMB Group Board has delegated specific responsibilities for Audit, Risk, Nominations and Corporate Governance, Information Systems, Finance and Culture and Human Development to Committees. These Committees have written approved terms of reference setting out their respective roles and responsibilities and limits of authority.

Each Committee's terms of reference is included in the Group's Corporate Governance Policy which may be found at www.jmmb.com.



JMMB GROUP BOARD COMMITTEE REPORTS

The following reports from the JMMB board committees provide an insight into the role of the committees as it related to the JMMB Group, of which JMMB is a part. Independent Directors of JMMB are members of the JMMBGL board committees in order to execute on their oversight responsibilities.

1. Report from the Nominations & Corporate Governance Committee

The Committee is satisfied that its activities over the fiscal year have fulfilled its mandate. Over the financial year, the committee met and discussed the following;

1. Review of Annual General meeting and recommendations for improvement
2. Opined on the restructuring of the governance structures at the country level

The Nominations and Corporate Governance Committee is responsible for, on an ongoing basis determining the appropriate skills, perspectives, experience and characteristics required of Board candidates, considering the Group's changing needs and the Board composition

In assessing candidates and selecting nominees for the boards, diversity is an essential factor that is taken into consideration by the Committee. As such, the Committee has an objective that at least 30% of board members should be women. Currently, JMMB stands at 33% being women.

Three (3) meetings were convened during the financial year.

2. Report from the Culture and Human Development Committee

The purpose of the JMMB Group Culture and Human Development Committee is to assist the board of directors in discharging its duties with regards to team members, ensuring that the activities are consistent with the policies and directives of the boards of the JMMB Group. The Committee formulates and reviews the compensation programmes for Board members and senior officers. In doing so, it ensures that compensation is consistent with the Group's objectives, strategy and control environment to guarantee fairness and compliance with the legal requirements of the countries in which the Group operates and consistency with its mission and values.

During the year, the Committee focused on the following:

1. The Gender Diversity and Inclusion Initiative



2. Approval of revision of CHD Strategy & Budget in light of the continued impact of the pandemic;
3. Approval of the Group CHD Pandemic response plan to ensure Team member physical and emotional well-being and teams safely manned to take care of the clients throughout the pandemic.

There were for (4) meetings for the year.

3. Report of the Finance Committee

The Finance Committee has responsibility for oversight of the Group's financial reporting, ensuring that fair, balanced and comprehensible reports that comply with International Accounting Standards are produced. The Committee maintained oversight of the financial statements review process and submitted certification to the Board to enable it to be in a position to approve the financial statements.

The Group has robust controls, procedures and systems that are designed to ensure that information is disclosed in a timely manner to the regulators and the market.

The Committee met and review the following:

- ✓ Recommended the approval of the audited financial statements for Jamaica Money Market Brokers Ltd. and its subsidiaries
 - ✓ Recommended the approval of unaudited financial statements for Jamaica Money Market Brokers and its subsidiaries
 - ✓ Considered dividend payment to its shareholders
 - ✓ Opined on possible partnerships
 - ✓ Recommended the approval of annual budget
-
- *Auditor independence*

For the year ended March 31, 2022, the Committee reviewed the external auditor's independence, the scope of non-audit services and independence safeguards with the Group's external auditor - KPMG Chartered Accountants,

As part of the review, the Committee received and reviewed confirmation in writing that, in KPMG's professional judgement, the independence and objectivity of the audit engagement partner and audit staff were not impaired.

Eleven (11) meetings were convened during the financial year.



4. Report of the Information Technology Committee

The Information Systems (IS) Committee assists the Board in its oversight of technology strategy investments made to support the Group strategy and Technology risk. The Committee is responsible for establishing structures, mechanisms and processes that ensures information systems (IS) is controlled and delivers value to the business. The responsibilities of the committee include:

- Guiding the Group as to the future of technological developments;
- Linking IT strategy and goals to the business strategy and goals;
- Leading the development of a process framework based on generally accepted practices that aligns, controls and measures IT activities;
- Ensuring there is consistent and relevant communication between IT and the business on strategic and operational activities, issues and opportunities;
- Directing the development and implementation of a performance measurement mechanism to monitor IT-related strategic and operational activities across the Group;
- Leading the development of a robust IT risk management framework with clearly defined and articulated responsibilities across the Group; and
- Providing oversight to ensure that IT policies are adhered to, and procedures exist to reinforce defined policies.

During the year, the Committee focused on the following areas:

- Review and update IS board charter given to ensure alignment with the changes in the IT organizational structure
- Review and assess the performance of the technology stack utilized to facilitate the new permanency of remote working
- Review and assess the security systems to ensure Group is protected especially as we moved into remote working
- Align IT Strategy to ensure the capacity to operationalize the overall Group strategy
- Align Group IT to an effective Service Model and Service Level Agreement needed to drive IT efficiencies
- Assess hardware infrastructure and recommend improvements and review cloud strategy

Three (3) meetings were convened during the financial year.



5. Report from the Audit & Compliance Committee of the Board

As an integral part of the Group's corporate governance structure, the Group's Internal Audit Department and its activities are guided by a Charter approved by the Group Audit & Compliance Committee. The Department reports to the Group Audit & Compliance Committee, which ensures independence in the Department's review of the effectiveness of the Group's risk management, governance and internal control processes.

The scope of the Department's review includes assessing areas such as corporate governance, risk management, the efficiency and effectiveness of management's controls over the Company's operations (including the safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations.

The Group's internal audit assessment of internal controls is based on the standards set by the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control Framework). This model evaluates the internal control measures adopted by management. All audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In its oversight of the internal audit function, the Group Audit & Compliance Committee reviews Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements and management of risk. The Committee, during its activities, also reviews management reports on regulatory, risk and fraud-related matters. Additionally, some members of the Group Audit & Compliance Committee also sit on the Audit Committees of subsidiary companies. The Group Audit & Compliance Committee Chairman reports to the JMMBGL Board on all significant issues considered by the Committee.

During the financial year under review, the Committee achieved the following:

- Reviewed and approved JMMB's and its subsidiaries audit and compliance plans and strategies while ensuring the plans were designed to assist the Group in achieving its strategic objectives.
- Reviewed compliance with internal policies, procedures and standards, relevant external laws and regulations, and assessed the adequacy and effectiveness of the internal control system.
- Reviewed reports on specific key business processes and assessed recommendations to improve their effectiveness and efficiency.
- Reviewed the adequacy and effectiveness of the controls incorporated in implementing new systems/processes.
- Approved the Group AML/CFT KYC Policy



The issues identified during the financial year have been or are being addressed by the process owners.

Six (6) meetings were convened during the financial year.

6. Report from the Risk Committee of the Board

The Group has an enterprise-wide risk management framework to identify, assess, manage, and report risks and risk-adjusted returns consistently and accurately.

The role of the Board Risk Committee is to ensure that the approved enterprise-wide risk management framework is **fully** enacted by management and to promote an appropriate risk management culture on behalf of the Board for both the On- and Off-Balance Sheet portfolios. The Board Risk Committee's oversight responsibilities concerning the risk management framework and the underlying compliance monitoring and governance structure include overseeing risk exposures and strategies in relation to the following:

- Capital Allocation
- Credit
- Market (inclusive of interest rate, liquidity, counterparty, concentration, foreign currency exposure and equity risks)
- Operational (inclusive of IT Risk)
- Compliance
- Legal
- Reputational

The Board Risk Committee approves the Group's risk policies and risk appetite statement, including risk limits, which are then recommended to the Group Board of Directors for ratification.

The Risk framework is designed to achieve business outcomes consistent with the Group's risk-return expectations and includes:

- The Group Risk Appetite, which is determined by an annual survey, and Internal Capital Adequacy Assessment frameworks,
- Group-wide risk management policies for each of the principal risk areas,
- Major risk limits to manage exposures and risk concentrations, and
- Appropriate monitoring and reporting of business risks during the year,

The Board Risk Committee undertook the following during the financial year:



- Monitored management's compliance with the Group risk management framework, including policies and limits
- Oversee the execution of the Group Risk Unit's strategic initiatives
- Reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP) for JMMB GL and its subsidiaries
- Reviewed and recommended to the Group Board any capital requests that were outside of those identified in the ICAAP
- Reviewed Group Credit Risk policy and Liquidity risk policies for subsidiaries
- Discussed preparations to address the anticipated changes in the regulatory framework and industry conditions over the next few years.
- Assessed the impact of the Russia-Ukraine conflict and changes in domestic and US interest rates on the portfolios, liquidity profile and capital of the Group,

Twenty-one (21) meetings were convened during the financial year.



DIRECTORS CONTINUING PROFESSIONAL EDUCATION

The Directors attended various training sessions during the financial year including:

| Organization | Topic |
|---|---|
| Internal training | Cyber Security Training |
| JISF | Unmasking Digital Fraud |
| Compliance Aid | Board of Directors Training: AML/KYC/CFT |
| FID | Staying One Step Ahead: An Exploration of Financial Crimes and Financial Criminals |
| Caribbean Corporate Governance Institute | Enterprise ERM What Every Director Should Know |
| Caribbean Corporate Governance Institute | The Role and Functions of The Audit Committee |
| Caribbean Corporate Governance Institute | ESG and The Move To Sustainable Energy in The Caribbean |
| Caribbean Corporate Governance Institute | Effective Board Evaluations |
| JISF | AML FOR CEO and BOD Governance in A Digital Pandemic World |
| IDB | Gender Equality |
| Caribbean Corporate Governance Institute | Finance For Directors |



| | |
|--|--|
| Caribbean Corporate Governance Institute | The Impact of The Ukraine/Russia War On The Caribbean Region |
|--|--|

DIRECTORS' COMPENSATION

Experienced, focused and talented directors are essential to the achievement of our strategic objectives and to provide effective guidance and oversight to management. The Culture and Human Development Committee is responsible for board compensation and annually reviews the amount and form of non-executive directors' compensation, taking into account the:

- size, complexity and geographic scope of JMMB Group
- time commitment expected of directors;
- overall expertise and experience required;
- need for compensation that is fair and positioned to attract highly qualified directors; and
- alignment of the interests of directors with those of our shareholders.

JMMB compensates its directors fairly and responsibly in alignment with the Group's compensation principle. For the financial year compensation totalled J\$7,758,000 for the directors.



REGULATORY COMPLIANCE

The Compliance Department ensures compliance with laws, regulations, guidance notes, policies and standards of good governance in the territories within which the Group operates. The Group Chief Compliance Officer provides a bi-monthly compliance report to the Group Board of Directors and a quarterly report to the Company's Board of Directors. The report provides details on, among other matters, changes in the regulatory environment in which the entities operate as well as information on regulatory audits and 'Know Your Client' matters.

The Board is satisfied that compliance issues raised during the financial year have been properly addressed and resolved and that there are no material unresolved issues.

The Board understands the regulatory framework under which the Group operates and cooperates with regulators to ensure that the financial system is safe and sound.

The Board and Management therefore:

- Maintain open communication with the regulators;
- Comply promptly and fully with requests for information as required by law;
- Keep abreast of the findings of on-site examination processes and direct management to determine whether similar problems exist elsewhere in the Group and take corrective action; and
- Ensure that there is annual training of all team members and directors on the Proceeds of Crime Act, Code of Ethics, 'Know Your Client and Employee' and any new regulations.
- No significant issues were identified in regulatory audits conducted during the financial year.

CONFLICT OF INTEREST

Declaration of interest is required where personal or business relationships or interests of directors and management may conflict with that of the Group. Where there is deemed to be a conflict of interest the director or management team member will recuse themselves from that portion of the meeting when the matter is being discussed.

SHAREHOLDER ENGAGEMENT AND COMMUNICATION

Members of the Board of Directors make themselves available to engage with shareholders and encourage them to express their views. The Board is committed to maintaining and improving dialogue with shareholders in order to ensure that the objectives of both the Group and the shareholders are understood. The Board has an



open door policy whereby any shareholder or any team member may contact the Chairman via the Company Secretary or by sending emails to shareholderquery@jmmb.com.

The Company uses email alerts and actively promotes downloading of all reports from its website which enhances the speed and equality of shareholder communication. As part of our commitment to 'Going Green' and preserving the earth for future generations, the Company has taken full advantage of provisions within the Articles of Incorporation allowing the website to be used as a means of communication to and from shareholders, where they have not requested hard copy documents.

There are many ways in which people can engage with us and access important information:

| | |
|--------------------|---|
| Board of Directors | Stakeholders can communicate with the directors or the board chair as described at shareholdersquery@jmmb.com |
| Management | The CEO, group executive and senior management may be contacted at info@jmmb.com |
| Investor relations | Investors are encourage to communicate with us via our email address info@jmmb.com |

YOUR VIEWPOINT IS IMPORTANT

We value your support, and encourage you to share your opinions, suggestions and concerns with us. You can do so by emailing the Company Secretary at shareholderquery@jmmb.com, or writing directly to the Chairman, Dr. Archibald Campbell, c/o JMMB, 6 Houghton Terrace, Kingston 10.



RISK MANAGEMENT REPORT

Given the ever-changing financial landscape that Jamaica Money Market Brokers Limited operates in, we continuously monitor our operating environment in order to proactively manage our risk exposures.

Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These risks stem from a wide variety of sources, including legal liabilities, strategic management errors, accidents, natural disasters and market uncertainty associated with the effect of changes on the value of assets and liabilities due to market factors.

Jamaica Market Money Brokers Limited (JMMB) continues to adjust its financial and investment profile and actively manages its risk exposures to position itself to take advantage of market opportunities and ensure resilience even if significant adverse market conditions should develop in global markets or in any of the jurisdictions in which we operate.

RISK GOVERNANCE FRAMEWORK: Safeguarding stakeholders' interest

Our unique value proposition remains at the core of all our undertakings at the JMMB. Since 'we always keep the customers' best interest at heart', JMMB invariably takes proactive measures to safeguard the best interest of our stakeholders. This is within the context of a robust capital and risk management framework whereby the risk universe is accurately identified; material risk factors are then continuously measured, monitored, controlled and reported. The limit and breach escalation system provides a mechanism for risk control, with limits based on the risk appetite for each major risk approved by the Board of Directors along with having been reviewed and approved by the Group Board Risk Committee (BRC).

The Board of Directors determines the overall level of acceptable risk, with active oversight provided by the BRC that approves and monitors the supporting risk tolerances. Thus, the BRC provides strategic direction for the Group and ensures that the risk governance framework remains strong. Furthermore, to ensure that risk management is a part of the fabric of the organization, members of the Group Risk Department are included on committees that address the strategic objectives of the company.

On an annual basis an internal capital adequacy assessment process (ICAAP) is conducted which supports our strategies and provides a comprehensive view of the risk profile and capital requirements of the entity. It also provides the mechanism to adjust our business operations and strategies given changes in the internal and external environments.



RISK MANAGEMENT PRINCIPLES AND CULTURE

JMMB remains committed to the following core principles of its risk management framework:

- i. There is full Board ownership of risk governance and this oversight responsibility is enhanced by the specific focus of a BRC;
- ii. There is a vibrant risk management culture embedded in the organization inclusive of the Board, Senior Management, Team Leaders and all team members. They are all aware of, and aligned on, their roles and responsibilities in risk management through regular training and the prevalence of risk-based assessments in decision making.
- iii. Best practice risk management techniques are employed in managing the various risks to which the company is exposed and adequate resources are allocated to the management of risk.
- iv. Risks undertaken are within the company's risk appetite and there are effective, dynamic and adaptive processes for the ongoing identification, measurement and management of material risk exposures.
- v. Adequate capitalization to protect against the effects of major shocks.
- vi. Data quality is continuously monitored in order to achieve timeliness, transparency, accuracy, completeness and relevance of reporting.
- vii. The operating environment is taken into consideration and risk management techniques are tailored to adequately support each entity.

RISK MEASUREMENT, CONTROL AND REPORTING

The assessment of the material risk exposures includes both quantitative and qualitative approaches, thus ensuring an optimal balance between model outputs and the extensive experience of our management team. Given the ever-changing financial landscape, these models and techniques are validated periodically to ensure that they are efficient, adequately capturing the risk factors, and in alignment with applicable international best practices. Our data quality is also assessed for accuracy and sufficiency. These risk assessment processes and the management of material risk exposures are documented in our various risk policies and procedures.

The operations of JMMB gives rise to the following material risk exposures: I) market risk, II) credit risk, III) liquidity risk and IV) operational risk V) Regulatory VI) Reputational and VII) Capital Adequacy



Tools used to measure and manage risk

I. Market Risk

Market risk is commonly defined as the likelihood that there is a decline in the value of assets due to adverse movements in market factors such as interest rates, foreign exchange rates and equity prices.

In accordance with international best practices, the JMMB monitors both the market risk exposures within individual entities and consolidated exposures across the countries in which we operate. There is no single measure to capture market risk and therefore we use various metrics, both statistical and non-statistical, to assess risk including:

1. Value-at-risk (VaR)
2. Stress testing
3. Non-statistical risk measures
4. Other sensitivity assessments

Value-at-Risk (VaR) which is a widely used risk metric provides a single measure that captures the potential loss in the portfolio over a specific time period and for a given probability.

Stress testing and reverse stress testing considers plausible movement in market factors such as interest and foreign exchange rates and equity prices- and the impact on our current financial position.

The JMMB also utilized non-statistical risk measures and other sensitivity techniques such as duration which reflects an instrument's sensitivity to interest rate risk as well as repricing gaps which approximates the potential change in net interest income. Likewise, scenario based stress test comprising of both specific and systematic risks are conducted in line with the near and long-term strategy.

II. Credit and Counterparty Risk

Credit risk is the potential for loss due to failure of a borrower to meet their contractual obligation to repay a debt in accordance with the agreed terms. The JMMB is exposed to credit risk from its margin lending, investments and funding activities where counterparties have contractual obligations to make payments or facilitate transactions. The Board specifies a tolerance level for credit and counterparty risk, which is actively managed by the market risk team for the margin loan and investment portfolios.



Using internally developed quantitative and qualitative models and fundamental research, we determine exposure limits to counterparties arising from lending, investment and funding activities.

Given the expansion of the entity's balance sheet and the increased diversity of clients, we continuously aim to improve and standardize our counterparty risk management capabilities to better manage exposures.

III. Liquidity Risk

Liquidity risk is the risk that a financial institution's condition and soundness will be challenged by an inability or perceived inability to efficiently meet both expected and unexpected current and future cash flow needs. Liquidity risk usually arises from other issues such as credit deterioration and market disruption, it is actively managed within the entity with both short-term and long-term horizons.

The ability of the JMMB to maintain or generate sufficient cash resources to meet its obligations as they fall due on acceptable terms is critically important, since an inability to do so can quickly undermine the viability of the entity's operations. Thus, JMMB proactively approaches liquidity management to ensure that this position is never compromised.

There is a liquidity risk policy which specifies liquidity principles and minimum liquidity requirements for the entity, as well as other guidelines and limits which provide stronger assurance that all obligations can be met despite very stressful market conditions.

The liquidity risk profile is assessed in detail as part of the review by the Group Liquidity Management Committee on a bi-weekly basis to determine the potential liquidity needs in light of changes in market conditions. Liquidity stress tests are also conducted periodically to determine if obligations can be met in predefined adverse scenarios, and potential response plans are in place to ensure that obligations can be reasonably expected to be serviced under any plausible scenario.

Key liquidity metrics monitoring including volatile liabilities coverage ratio, liquidity gaps, overall liquid assets to total assets and available liquid assets are regularly monitored to ensure that liquidity objectives are not compromised. Desired liquidity levels are adjusted according to evaluations of market conditions and liquidity conditions.

IV. Operational Risk

Operational risk may be defined as "the risk of loss from inadequate or failed internal processes, people and systems or from external events." The entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage



to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The operational risk framework seeks to limit operational risks to acceptable levels, even as complexity of operations increases. Appropriate control systems and processes, along with operational redundancies and business recovery plans act to safeguard against significant disruptions in our operations. Recruitment and training of competent staff, segregation of duties and independent checks are employed to reduce the possibility of errors or inappropriate actions. A rigorous compliance framework and independent internal audit program ensures that controls are maintained and all material risks are properly identified and adequately managed. These all support our aim of helping our clients achieve their financial life goals in the safest and most client friendly way possible.

An important part of managing operational risks is a robust business continuity plan (“BCP”). The BCP encompasses a defined set of planning, preparatory and related activities which are intended to ensure that the critical business functions will either continue to operate despite serious incidents or disasters that might otherwise have interrupted its operations, or will be recovered to an operational state within a reasonably short period.

The objectives of the BCP are to:

- (a) Protect human life;
- (b) Identify processes critical to the operations of JMMB and safeguard its assets;
- (c) Provide tested plans which, when executed, will permit timely and efficient recovery and resumption of critical business functions;
- (d) Minimize the inconvenience and potential disruption of service to internal and external customers;
- (e) Describe the organizational structure necessary for executing the plan;
- (f) Identify the equipment, procedures and activities for recovery.
- (g) Ensure that the reputation and financial viability of the entity is maintained at all times; and
- (h) Ensure compliance with regulatory requirements.

The BCP is focused on minimizing the down time and data loss within the thresholds identified the entity. The plan is meant to minimize losses and/or negative impact to client service as a result of serious incidents or disasters that may occur from time to time.



V. Regulatory Risk

Regulatory risk may be defined as the risk of having the license to operate withdrawn by a regulator, being fined or having conditions applied (retrospectively or prospectively) that adversely impact the economic value of an enterprise. JMMB embraces the importance of developing a team approach to identifying, understanding, and managing regulatory risks.

The Compliance Department is charged with overseeing compliance with all regulatory requirements. The Compliance function conducts reviews and assesses controls; conformance with policies and procedures; and submits monthly compliance reports to the JMMB Board. Where there is the potential for any breach, this is promptly escalated to all relevant parties and the Board with an appropriate explanation and remediation plan.

VI. Reputational Risk

Reputational risk is defined as the risk of possible damage to our brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders or regulators to be inappropriate or inconsistent with the JMMB's values and beliefs as outlined in our Vision of Love.

Reputational risk is a key consideration in all activities that the entity undertakes. The Group has various policies, systems and controls in place to ensure proactive identification, assessment and management of reputational risk issues that can arise from internal or external sources. Team members are strongly encouraged through a Staff Code of Conduct and directives from management to act in a manner that reflects positively on the institution and adheres to the JMMB Group's standards.

VII. Capital Adequacy

On an annual basis, JMMB institutes an Internal Capital Adequacy Assessment Process (ICAAP) process which supports our strategies and provides a comprehensive view of the risk profile and capital requirements of the entity. It also provides the mechanism to adjust our business operations and strategies given changes in the internal and external environment. Where the assessments suggest that the entity could require additional capital to support the projected growth or in the event of very adverse market developments, this is reviewed by the BRC and the board of directors and appropriate capital plans articulated.

Capital will be maintained above the minimum levels needed to support the financial profile given the desire to ensure the financial stability the entity under all plausible circumstances.



RISK MONITORING AND CONTROL

The Risk Management Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring in the context of the market environment and business strategy. In setting limits, JMMB takes into consideration factors such as market volatility, liquidity, and overall approved risk appetite.

Periodic reports are used to inform the decisions of senior management and the Group Board Risk Committee with a clear understanding of the company's risk profile. This includes compliance with risk limits, and reflect management's strategies and tactics while ensuring compliance with Board's expressed risk tolerance.



APPENDIX: RELEVANT REGULATION

| Country | Regulation |
|---------|---|
| Jamaica | The Bank of Jamaica (BoJ) circulated its consultation paper on the Implementation of the Basel III Framework for review and feedback from the industry. While this regulation is directed towards the banking entities, it is expected to impact investment subsidiaries in its application to Financial Holding Companies (FHCs) |
| | Implementation of the Retail Repo Mismatch Ratio (RRMR) 20% limit which was due to start in March 2021 will be further delayed until September 2021. |



REPORT OF THE DIRECTORS FOR THE YEAR ENDED MARCH 31ST 2022

The Directors are pleased to present their Report for the year ended March 31, 2022. The Report represents the results for Jamaica Money Market Brokers Limited and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in its associated companies.

GROUP RESULTS

- i. Operating Revenue net of interest expense was \$7.84 billion (2021: \$9.21 billion)
- ii. The Profit before income tax was \$0.38 billion (2021: \$ 2.95 billion)
- iii. The Profit attributable to equity holders of the parent after income tax was \$1.6 billion (2021: \$ 2.65 billion)
- iv. Shareholders’ Equity was \$24.78 billion (2021: \$25.46 billion)

DIVIDENDS

For the financial year ended March 31, 2022, no dividends were declared.

DIRECTORS

The members of the Board of Directors as at March 31, 2022 were as follows:

| | |
|------------------------------|--|
| Dr. Archibald A. Campbell | Chairman |
| Mr. Keith P. Duncan | Executive Director & Group Chief Executive Officer |
| Mrs. Audrey Deer-Williams | Director |
| Mr. H. Wayne Powell | Director |
| Mr. V. Andrew Whyte | Director |
| Mrs. Kisha Anderson | Director |
| Ms. Carolyn DaCosta | Corporate Secretary |
| Mrs. Claudine Campbell-Bryan | Deputy Corporate Secretary |



In accordance with Article 105 of the Company's Articles of Association, the Directors retiring from office by rotation are Dr Archibald Campbell and Mrs. Kisha Anderson who, being eligible, offer themselves for re-election.

AUDITORS

KPMG, the external Auditors, have indicated their willingness to continue in office pursuant to Section 154 of the Companies Act, 2004.

APPRECIATION

The Directors wish to express their heartfelt thanks to the management and all team members for the commendable work done during the challenging year - the company results generated are derived from your dedication and commitment to long-term value creation. As always, deep and sincere appreciation to the clients for their continued support and partnership.

By Order of the Board

Dated this July 27th day of July 2022

Carolyn DaCosta
Corporate Secretary



APPENDIX 1- AUDITED FINANCIALS FOR THE YEAR ENDED MARCH 31, 2022

PROXY FORM

I/We _____
of _____
being a member/members of **JAMAICA MONEY MARKET BROKERS LIMITED** hereby
appoint _____ of _____
_____ or failing him/her _____ of _____
_____ as my/our proxy to vote for me/us on my/our
behalf at the Annual General Meeting of the Company to be held on Thursday September
22, 2022 at 3.00 P.M. at the JMMB HEAD OFFICE 6 HAUGHTON TERRACE
KINGSTON 10 JAMAICA, and at any adjournment thereof.

| RESOLUTIONS | FOR | AGAINST |
|------------------|-----|---------|
| Resolution 1 | | |
| Resolution 2 | | |
| Resolution 2 (a) | | |
| Resolution 2 (b) | | |
| Resolution 3 | | |
| Resolution 4 | | |

Dated this _____ day of _____ 2022

Signature _____

Notes:

1. To be valid this proxy must be deposited with the Secretary Jamaica Money Market Brokers Limited at 6 HAUGHTON TERRACE, KINGSTON 10, not less than 48 hours before the time appointed for holding the meeting. A Proxy need not be a member of the Company.
2. This Form of Proxy should bear stamp duty of \$100.00. Adhesive stamps are to be cancelled by the person signing the proxy
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

| |
|---|
| <p>Affix stamp</p> <p>\$100</p> |
|---|

JAMAICA MONEY MARKET BROKERS LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2022

Jamaica Money Market Brokers Limited

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KPMG
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Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Money Market Brokers Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 9 to 119, which comprise the Group's and Company's statements of financial position as at 31 March 2022, the Group's and Company's profit and loss accounts, statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 March 2022, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants 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
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

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

1. *Fair value of investments*

| <i>Key Audit Matter [see notes 13 and 27]</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>A significant portion of the Group's and Company's investment securities are measured at fair value.</p> <p>Valuation of these investments, although based on observable market inputs, requires significant estimation. Management used valuation techniques which require inputs such as market yields obtained from established yield curves which are impacted by uncertainty of market factors.</p> <p>Though market conditions have improved since the onset of the COVID-19 pandemic, there has been continued volatility of prices in various markets which has increased estimation risk for yield and prices used in determining fair values.</p> | <p>Our procedures in this area included the following:</p> <ul style="list-style-type: none">• Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values.• Challenging the reasonableness of yields or prices by comparison to independent third-party pricing sources.• Assessing the reasonableness of significant assumptions used by management.• Involving our own valuation specialists to determine or obtain yields or prices of specific securities and compare these estimates to those used by management.• Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values. |



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

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

| <i>Key Audit Matter [see note 26(b)]</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>The Group and Company recognise expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and assumptions.</p> <p>The key areas that required greater management judgement included the determination of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default and the application of forward-looking information.</p> | <p>Our procedures in this area included the following:</p> <ul style="list-style-type: none">• Obtaining an understanding of the models used by management for the calculation of expected credit losses on financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI).• Assessing and testing the design and implementation of controls over the determination of expected credit losses.• Testing the design of key controls over the completeness and accuracy of data inputs into the IFRS 9 impairment models.• Testing the completeness and accuracy of data used in the models to the underlying accounting records, on a sample basis.• Involving our financial risk modelling specialists to evaluate the appropriateness of the Group's and Company's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probabilities of default, loss given default and exposure at default and the incorporation of forward-looking information. |



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

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

| <i>Key Audit Matter [see note 26(b)]</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>Whilst there have been improvements in market conditions since the onset of the COVID-19 pandemic, there is still uncertainty regarding the outcome of the pandemic. This continues to require increased judgements in determining increases in credit risk and uncertainties about potential future economic scenarios and other impact on credit losses.</p> <p>Significant management judgement and assumptions are also used in determining the appropriate variables and assumptions in an appropriate model used in the measurement of the expected credit losses.</p> <p>The use of these judgements and assumptions increases the risk of material misstatement and is therefore an area of increased audit focus.</p> | <p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none">• Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with IFRS 9. |



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 7-8, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

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

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

Chartered Accountants
Kingston, Jamaica

June 1, 2022



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Appendix to the Independent Auditors' report

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

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

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Appendix to the Independent Auditors' report (Continued)

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

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

Jamaica Money Market Brokers Limited

Consolidated Profit and Loss Account

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|---------------------|--------------------|
| Net Interest Income and Other Revenue | | | |
| Interest income from securities, calculated using the effective interest method | 4 | 10,411,646 | 8,474,990 |
| Interest expense | 4 | (8,393,950) | (5,973,164) |
| Net Interest Income | | 2,017,696 | 2,501,826 |
| Fee and commission income | | 1,208,801 | 758,384 |
| Gains on securities trading, net | | 1,772,336 | 3,648,065 |
| Net gain from financial assets at fair value through profit or loss (FVTPL) | | 137,398 | 36,624 |
| Fees earned on managing funds on behalf of clients | | 1,380,391 | 1,202,090 |
| Foreign exchange margins from cambio trading | | 542,326 | 425,181 |
| Foreign exchange gains | | 781,776 | 633,601 |
| Operating Revenue Net of Interest Expense | | 7,840,724 | 9,205,771 |
| Other Income | | | |
| Dividends | | 127,556 | 114,493 |
| Management fees | | 760,679 | 169,760 |
| Other | | 12,725 | 20,849 |
| Gain on disposal of property, plant and equipment | | 5,241 | - |
| | | 8,746,925 | 9,510,873 |
| Operating Expenses | | | |
| Staff costs | 5 | (4,923,509) | (3,373,461) |
| Other expenses | 6 | (3,256,667) | (2,749,567) |
| | | (8,180,176) | (6,123,028) |
| | | 566,749 | 3,387,845 |
| Impairment loss on financial assets | 7 | (185,646) | (435,567) |
| Profit before Taxation | | 381,103 | 2,952,278 |
| Taxation credit/(charge) | 8 | 1,222,783 | (307,051) |
| Profit for the Year | | 1,603,886 | 2,645,227 |
| Earnings per stock unit | 20 | \$0.98 | \$1.62 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------------------|-------------------------|
| Profit for the Year | 1,603,886 | 2,645,227 |
| Other Comprehensive (Loss)/Income | | |
| Item that may not be reclassified to profit or loss: | | |
| Unrealised gains/(losses) on equity securities at fair value through other comprehensive income (FVOCI) | 33,870 | (76,037) |
| Items that may be reclassified to profit or loss: | | |
| Realised gains/(losses) on investment securities at FVOCI reclassified to profit or loss | (833,605) | (33,293) |
| Unrealised (losses)/gains on investment securities at FVOCI, net of tax | (4,183,165) | 3,424,071 |
| | <u>(4,982,900)</u> | <u>3,314,741</u> |
| Total Comprehensive (Loss)/Income for the Year, net of tax | <u>(3,379,014)</u> | <u>5,959,968</u> |

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 9 | 15,154,402 | 15,629,482 |
| Interest receivable | | 2,138,112 | 1,862,896 |
| Income tax recoverable | | 280,106 | 353,067 |
| Loans and notes receivable | 10 | 27,699,102 | 13,967,458 |
| Other receivables | 11 | 5,939,225 | 2,134,265 |
| Due from parent company | 25 | 4,064,393 | 13,783,924 |
| Securities purchased under agreements to resell | 12 | 87,934,524 | 45,091,307 |
| Investment securities | 13 | 139,180,712 | 144,291,076 |
| Investment property | 15 | 1,227,476 | 698,932 |
| Intangible assets | 16 | 2,173,728 | 1,681,315 |
| Property, plant and equipment | 17 | 2,690,740 | 2,640,646 |
| Deferred tax assets | 18 | 7,881,151 | 3,499,320 |
| Right-of-use assets | 24 | 125,436 | 155,531 |
| | | 296,489,107 | 245,789,219 |
| STOCKHOLDERS' EQUITY | | | |
| Share capital | 19 | 4,564,054 | 1,864,054 |
| Investment revaluation reserve | 21(a) | (2,844,166) | 2,138,734 |
| Retained earnings reserve | 21(b) | 9,605,055 | 9,605,055 |
| Retained earnings | | 13,458,013 | 11,854,127 |
| | | 24,782,956 | 25,461,970 |
| LIABILITIES | | | |
| Securities sold under agreements to repurchase | 22 | 233,172,167 | 178,862,034 |
| Notes payable | 23 | 12,110,590 | 21,823,542 |
| Lease liabilities | 24 | 148,644 | 171,658 |
| Redeemable preference shares | 19 | 20,883,423 | 14,116,815 |
| Deferred income tax liabilities | 18 | 15,813 | 8,434 |
| Interest payable | | 1,771,126 | 1,070,696 |
| Income tax payable | | 552,427 | 2,234,854 |
| Other payables | | 3,051,961 | 2,039,216 |
| | | 271,706,151 | 220,327,249 |
| | | 296,489,107 | 245,789,219 |

The financial statements on pages 9 to 119 were approved for issue by the Board of Directors on May 31, 2022 and signed on its behalf by:



Archibald Campbell

Chairman



Keith P. Duncan

Group Chief Executive Officer

Jamaica Money Market Brokers Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| Notes | Share | Retained | Investment | Cumulative | Retained | Total | Total |
|--|------------------|------------------|--------------------|----------------|-------------------|-------------------|-------------------|
| | Capital | Earnings | Revaluation | Translation | Earnings | Attributable | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | to Equity | \$'000 |
| | | | | | | holders of | |
| | | | | | | the Parent | |
| Balances at 31 March 2020 | 1,864,054 | 9,605,055 | (4,490,790) | 777,135 | 11,633,366 | 19,388,820 | 19,388,820 |
| Profit for the year | - | - | - | - | 2,645,227 | 2,645,227 | 2,645,227 |
| Other comprehensive income for 2021: | | | | | | | |
| Unrealised gains on investment securities at FVOCI, net of tax, being total other comprehensive income | - | - | 3,314,741 | - | - | 3,314,741 | 3,314,741 |
| Total comprehensive income | - | - | 3,314,741 | - | 2,645,227 | 5,959,968 | 5,959,968 |
| Effect of group re-organisation | 1 (c) - | - | 3,314,783 | (777,135) | (2,424,466) | 113,182 | 113,182 |
| Balances at 31 March 2021 | 1,864,054 | 9,605,055 | 2,138,734 | - | 11,854,127 | 25,461,970 | 25,461,970 |
| Profit for the year | - | - | - | - | 1,603,886 | 1,603,886 | 1,603,886 |
| Other comprehensive loss for 2022: | | | | | | | |
| Unrealised losses on investment securities at FVOCI, net of tax, being total other comprehensive loss | - | - | (4,982,900) | - | - | (4,982,900) | (4,982,900) |
| Total comprehensive (loss)/income | - | - | (4,982,900) | - | 1,603,886 | (3,379,014) | (3,379,014) |
| Transactions with owners of the Company: | | | | | | | |
| Issue of ordinary share capital | 19 2,700,000 | - | - | - | - | 2,700,000 | 2,700,000 |
| Balances at 31 March 2022 | 4,564,054 | 9,605,055 | (2,844,166) | - | 13,458,013 | 24,782,956 | 24,782,956 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|---------------------|-------------------|
| Cash Flows from Operating Activities | | | |
| Profit for the year | | 1,603,886 | 2,645,227 |
| Adjustments for: | | | |
| Dividend income | | (127,556) | (114,493) |
| Interest income | 4 | (10,411,646) | (8,474,990) |
| Interest expense | 4 | 8,393,950 | 5,973,164 |
| Impairment loss on financial assets | 7 | 185,646 | 435,567 |
| Income tax (credit)/charge | 8 | (1,222,783) | 307,051 |
| Gain on sale of property, plant and equipment | | (5,241) | - |
| Amortisation of intangible assets | 16 | 124,808 | 76,776 |
| Depreciation of property, plant and equipment | 17 | 223,672 | 245,907 |
| Depreciation of right-of-use-assets | 24 | 34,406 | 32,178 |
| Fair value gains on investment property | 15 | (74,803) | (77,700) |
| Unrealised gains on trading securities | | (137,398) | (36,624) |
| Foreign exchange losses on lease liabilities | | - | 9,634 |
| Foreign currency translation gains | | (72,123) | (635,601) |
| | | <u>(1,485,182)</u> | <u>386,096</u> |
| Changes in operating assets and liabilities: | | | |
| Income tax recoverable, net | | 72,961 | (2,694) |
| Loans and notes receivable | | (13,801,131) | (23,121) |
| Other receivables | | (3,805,580) | 3,505,267 |
| Due from parent company | | 9,719,531 | (3,652,374) |
| Other payables | | 1,012,745 | (1,119,676) |
| Securities purchased under agreements to resell | | (42,843,262) | (25,080,960) |
| Securities sold under agreements to repurchase | | 54,310,133 | 34,694,498 |
| | | <u>3,180,215</u> | <u>8,707,036</u> |
| Interest received | | 10,136,430 | 8,770,531 |
| Interest paid | | (7,684,063) | (5,770,779) |
| Taxation paid | | (2,343,024) | (1,570,768) |
| | | <u>3,289,558</u> | <u>10,136,020</u> |
| Net cash provided by operating activities (Page 14) | | 3,289,558 | 10,136,020 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2022

expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|---------------------|---------------------|
| Net cash provided by operating activities (Page 13) | | 3,289,558 | 10,136,020 |
| Cash Flows from Investing Activities | | | |
| Investment securities, net | | (2,341,704) | 3,299,556 |
| Dividend received | | 127,556 | 114,493 |
| Investment properties, net | | (453,741) | - |
| Purchase of computer software | 16 | (617,221) | (488,269) |
| Purchase of property, plant and equipment | 17 | (276,683) | (98,833) |
| Proceeds from disposal of property, plant and equipment | | 8,158 | - |
| Net cash (used in)/provided by investing activities | | (3,553,635) | 2,826,947 |
| Cash Flows from Financing Activities | | | |
| Notes payable | | (9,712,952) | (8,444,856) |
| Redeemable preference shares | | 6,766,607 | - |
| Lease liabilities | 24 | (43,880) | (39,863) |
| Issue of ordinary shares | 19 | 2,700,000 | - |
| Net cash used in financing activities | | (290,225) | (8,484,719) |
| Effect of exchange rate changes on cash and cash equivalents | | 79,222 | (295,482) |
| Net (decrease)/increase in cash and cash equivalents | | (475,080) | 4,182,766 |
| Cash and cash equivalents at beginning of year | | 15,629,482 | 11,446,716 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 9 | 15,154,402 | 15,629,482 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Company Profit and Loss Account

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|---------------------|--------------------|
| Net Interest Income and Other Revenue | | | |
| Interest income from securities, calculated using the effective interest method | 4 | 10,392,988 | 8,286,405 |
| Interest expense | 4 | (8,407,544) | (5,928,706) |
| Net Interest Income | | 1,985,444 | 2,357,699 |
| Fee and commission income | | 229,854 | 160,189 |
| Gains on securities trading | | 1,542,405 | 3,323,215 |
| Net gain from financial assets at fair value through profit and loss (FVTPL) | | 65,083 | 58,016 |
| Fees earned on managing funds on behalf of clients | | 60,870 | 54,009 |
| Foreign exchange gains | | 663,269 | 443,185 |
| Operating Revenue Net of Interest Expense | | 4,546,925 | 6,396,313 |
| Other Income | | | |
| Dividends | | 1,442,966 | 1,900,736 |
| Management fees | | 1,024,435 | 437,002 |
| Other | | 12,724 | 19,331 |
| Gain on disposal of property plant and equipment | | 5,241 | - |
| | | 7,032,291 | 8,753,382 |
| Operating Expenses | | | |
| Staff costs | 5 | (4,344,329) | (2,865,270) |
| Other expenses | 6 | (2,812,713) | (2,504,888) |
| | | (7,157,042) | (5,370,158) |
| | | (124,751) | 3,383,224 |
| Impairment loss on financial assets | 7 | (115,694) | (256,631) |
| (Loss)/Profit before Taxation | | (240,445) | 3,126,593 |
| Taxation credit | 8 | 1,890,282 | 134,188 |
| Profit for the Year | | 1,649,837 | 3,260,781 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | 2022 \$'000 | 2021 \$'000 |
|--|---------------------------|-------------------------|
| Profit for the Year | 1,649,837 | 3,260,781 |
| Other Comprehensive (Loss)/Income | | |
| Item that may not be reclassified to profit or loss: | | |
| Unrealised gains/(losses) on equity securities at FVOCI, net of tax | 62,856 | (123,929) |
| Item that may be reclassified to profit or loss: | | |
| Realised losses on investment securities at FVOCI reclassified to profit or loss | (833,605) | (33,293) |
| Unrealised (losses)/gains on investment securities at FVOCI, net of tax | (4,183,166) | 4,414,523 |
| | <u>(4,953,915)</u> | <u>4,257,301</u> |
| Total Comprehensive (Loss)/Income for the Year, net of tax | <u>(3,304,078)</u> | <u>7,518,082</u> |

Jamaica Money Market Brokers Limited

Company Statement of Financial Position

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 9 | 13,657,179 | 13,658,600 |
| Interest receivable | | 2,136,901 | 1,862,521 |
| Income tax recoverable | | 263,377 | 332,167 |
| Loans and notes receivable | 10 | 27,187,565 | 12,931,781 |
| Other receivables | 11 | 8,103,382 | 4,604,155 |
| Due from parent company | 25 | 4,064,393 | 13,783,924 |
| Securities purchased under agreements to resell | 12 | 87,934,522 | 45,237,131 |
| Investment securities | 13 | 136,457,021 | 142,306,667 |
| Interest in subsidiaries | 14 | 608,421 | 608,421 |
| Intangible asset | 16 | 2,050,861 | 1,545,055 |
| Property, plant and equipment | 17 | 1,718,815 | 1,743,907 |
| Right-of-use assets | 24 | 116,252 | 142,791 |
| Deferred income tax assets | 18 | 7,827,427 | 3,460,566 |
| | | 292,126,116 | 242,217,686 |
| STOCKHOLDERS' EQUITY | | | |
| Share capital | 19 | 4,564,054 | 1,864,054 |
| Investment revaluation reserve | 21(a) | (3,023,933) | 1,929,982 |
| Retained earnings reserve | 21(b) | 9,605,055 | 9,605,055 |
| Retained earnings | | 10,871,755 | 9,221,918 |
| | | 22,016,931 | 22,621,009 |
| LIABILITIES | | | |
| Securities sold under agreements to repurchase | 22 | 233,192,329 | 179,143,964 |
| Notes payable | 23 | 12,110,590 | 21,823,542 |
| Lease liabilities | 24 | 139,044 | 158,753 |
| Redeemable preference shares | 19 | 20,883,423 | 14,116,815 |
| Interest payable | | 1,771,514 | 1,071,762 |
| Income tax payable | | 40,755 | 1,899,435 |
| Other payables | | 1,971,530 | 1,382,406 |
| | | 270,109,185 | 219,596,677 |
| | | 292,126,116 | 242,217,686 |

The financial statements on pages 9 to 119 were approved for issue by the Board of Directors on May 31, 2022 and signed on its behalf by:



Archibald Campbell

Chairman



Keith P. Duncan

Group Chief Executive Officer

Jamaica Money Market Brokers Limited

Company Statement of Changes in Stockholders' Equity

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | Share Capital \$'000 | Investment Revaluation Reserve \$'000 | Retained Earnings Reserve \$'000 | Retained Earnings \$'000 | Total \$'000 |
|---|------|----------------------------|--|---|--------------------------------|-------------------|
| Balances at 31 March 2020 | | 1,864,054 | (2,327,319) | 9,605,055 | 5,961,137 | 15,102,927 |
| Profit for the year | | - | - | - | 3,260,781 | 3,260,781 |
| Other comprehensive income for 2021: | | | | | | |
| Unrealised gains on investment securities at FVOCI, net of tax | | - | 4,257,301 | - | - | 4,257,301 |
| Total comprehensive income for 2021 | | - | 4,257,301 | - | 3,260,781 | 7,518,082 |
| Balances at 31 March 2021 | | 1,864,054 | 1,929,982 | 9,605,055 | 9,221,918 | 22,621,009 |
| Profit for the year | | - | - | - | 1,649,837 | 1,649,837 |
| Other comprehensive loss for 2022: | | | | | | |
| Unrealised losses on investment securities at FVOCI, net of tax | | - | (4,953,915) | - | - | (4,953,915) |
| Total comprehensive loss for 2022 | | - | (4,953,915) | - | 1,649,837 | (3,304,078) |
| Transactions with owners of the Company | | | | | | |
| Issue of ordinary share capital | 19 | 2,700,000 | - | - | - | 2,700,000 |
| Balances at 31 March 2022 | | 4,564,054 | (3,023,933) | 9,605,055 | 10,871,755 | 22,016,931 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Company Statement of Cash Flows

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|-----------------------|--------------------------|
| Cash Flows from Operating Activities | | | |
| Profit for the year | | 1,649,837 | 3,260,781 |
| Adjustments for: | | | |
| Dividend income | | (1,442,966) | (1,900,736) |
| Interest income | 4 | (10,392,988) | (8,286,405) |
| Interest expense | 4 | 8,407,544 | 5,928,706 |
| Income tax credit | 8 | (1,890,282) | (134,188) |
| Impairment loss on financial assets | 7 | 115,694 | 256,631 |
| Gain on sale of property, plant and equipment | | (5,241) | - |
| Amortisation of intangible assets | 16 | 110,631 | 54,109 |
| Depreciation of property, plant and equipment | 17 | 210,623 | 237,603 |
| Depreciation of right-of-use assets | 24 | 30,850 | 28,743 |
| Unrealised gain on trading securities | | (65,083) | (58,016) |
| Foreign exchange losses on lease liabilities | | 5,867 | 11,092 |
| Foreign currency translation gains | | (663,269) | (432,093) |
| | | <u>(3,928,783)</u> | <u>(1,033,773)</u> |
| Changes in operating assets and liabilities: | | | |
| Income tax recoverable, net | | 68,790 | (23,106) |
| Loans and notes receivable | | (14,255,939) | (117,901) |
| Other receivables | | (3,499,227) | 2,307,085 |
| Other payables | | 589,124 | (650,277) |
| Due from parent company | | 9,719,531 | (3,163,874) |
| Securities purchased under agreements to resell | | (42,697,436) | (11,967,599) |
| Securities sold under agreements to repurchase | | 54,048,365 | 34,386,874 |
| | | <u>44,425</u> | <u>19,737,429</u> |
| Interest received | | 10,118,608 | 7,807,915 |
| Interest paid | | (7,697,846) | (5,643,305) |
| Taxation paid | | (1,858,680) | (1,010,363) |
| Net cash provided by operating activities | | <u>606,507</u> | <u>20,891,676</u> |
| (Page 20) | | | |

Jamaica Money Market Brokers Limited

Company Statement of Cash Flows (Continued)

Year ended 31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|---------------------|---------------------|
| Net cash provided by operating activities (Page 19) | | 606,507 | 20,891,676 |
| Cash Flows from Investing Activities | | | |
| Dividends received | | 1,442,966 | 1,900,736 |
| Investment securities, net | | (129,120) | (29,498,175) |
| Purchase of computer software | 16 | (616,437) | (488,268) |
| Purchase of property, plant and equipment | 17 | (188,448) | (98,775) |
| Proceeds from sale to property, plant and equipment | | 8,158 | |
| Net cash used in investing activities | | 517,119 | (28,184,482) |
| Cash Flows from Financing Activities | | | |
| Lease liabilities | 24 | (39,833) | (37,874) |
| Issue of ordinary stock units | 19 | 2,700,000 | - |
| Redeemable preference shares | 19 | 6,083,434 | - |
| Notes payable | | (9,938,373) | 11,649,145 |
| Net cash (used in)/provided by financing activities | | (1,194,772) | 11,611,271 |
| Effect of exchange rate changes on cash and cash equivalents | | 69,725 | (295,672) |
| Net (decrease)/increase in cash and cash equivalents | | (1,421) | 4,022,793 |
| Cash and cash equivalents at beginning of year | | 13,658,600 | 9,635,807 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 9 | 13,657,179 | 13,658,600 |

The notes on pages 21 to 119 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) Jamaica Money Market Brokers Limited (the “Company”) is incorporated and domiciled in Jamaica. The registered office of the Company is located at 6 Haughton Terrace, Kingston 10, Jamaica. The Company is a wholly owned subsidiary of JMMB Group Limited (“parent”), a company incorporated in Jamaica. The principal activities of the Company are securities brokering, securities trading, dealing in money market instruments, and managing funds on behalf of clients.

The Company is exempt from the provisions of the Money Lending Act.

Certain of the Company’s preference shares are listed on the Jamaica Stock Exchange.

- (b) The Company has interest in the operating subsidiaries listed below. The Company and its subsidiaries are collectively referred to as the “Group”.

| Name of Subsidiary | % Shareholding Held by the Company | Country of Incorporation | Principal Activities |
|-------------------------------------|------------------------------------|--------------------------|-----------------------------------|
| JMMB Securities Limited | 100 | Jamaica | Stock brokering |
| JMMB Insurance Brokers Limited | 100 | Jamaica | Insurance brokering |
| JMMB Real Estate Holdings Limited | 100 | Jamaica | Real estate holding |
| Capital & Credit Securities Limited | 100 | Jamaica | Investment holding and management |
| JMMB Fund Managers Limited | 100 | Jamaica | Fund management |

- (c) During the prior year, the Company transferred ownership of JMMB International Limited to its parent company, JMMB Group Limited.

As the reorganisation is a transaction among entities under common control, the Group applied book value accounting under which:

- The Group did not restate assets and liabilities to their fair values. Instead, the Group incorporated the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted to achieve harmonisation of accounting policies.
- No goodwill arose.
- The consolidated financial statements incorporated the combined companies’ results as if the companies had always been combined.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(c) (Continued)

The net assets transferred comprised the following:

| | 2021 |
|---|-----------------------|
| | \$'000 |
| Cash and cash equivalents | 850,215 |
| Interest receivable | 353,995 |
| Investments | 34,390,513 |
| Other assets | 1,710 |
| Deferred tax assets | 1,416,264 |
| Securities sold under agreement to repurchase | (14,083,551) |
| Notes payable | (21,376,500) |
| Interest payable | (5,558) |
| Other liabilities | (718,535) |
| | <u>828,553</u> |

2. Statement of Compliance and Basis of Preparation

(a) Statement of compliance:

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

Certain new and amended standards came into effect during the current financial year. None of these issued had a material impact on the Group's financial statements. Details of the Group's accounting policies are included in note 30.

(b) Basis of preparation:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities:

(a) Key sources of estimation uncertainty

(i) *Impairment of financial assets*

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 26(b) and 30(b).

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

- Determining criteria for significant increases in credit risk with qualitative factors incorporated for the economic impact of Covid-19;
- Choosing appropriate assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios, with increased uncertainties due to Covid-19 for each type of product/market and the associated ECL.

(ii) *Fair value of financial instruments*

There are no quoted market prices for a significant portion of the Group's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, particularly with the increased volatility of certain markets due to Covid-19. The fair values determined in this way are classified as Level 2 fair values.

Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument (see notes 13 and 27).

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

(1) Classification of financial assets:

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

(2) Impairment of financial assets:

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

(3) Income taxes

The current and deferred tax liabilities and assets arising from certain transactions or events may be uncertain in the ordinary course of business. The Group recognises tax assets and liabilities based on its understanding of the relevant tax rules and its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

4. Net Interest Income

| | The Group | | The Company | |
|--|-------------------|------------------|-------------------|------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Interest income | | | | |
| Cash and cash equivalents | 21,104 | 24,164 | 13,319 | 12,522 |
| Loans and notes receivable | 1,520,085 | 812,412 | 1,529,504 | 817,425 |
| Resale agreements | 1,500,686 | 811,120 | 1,497,130 | 812,437 |
| Investment securities | 7,369,771 | 6,827,294 | 7,353,035 | 6,644,021 |
| Total interest income | 10,411,646 | 8,474,990 | 10,392,988 | 8,286,405 |
| Interest expense | | | | |
| Repurchase agreements | 5,244,187 | 4,273,145 | 5,258,523 | 4,272,936 |
| Notes payable | 1,830,798 | 795,768 | 1,830,798 | 752,083 |
| Lease liabilities | 9,457 | 10,510 | 8,715 | 9,946 |
| Redeemable preference shares | 1,309,508 | 893,741 | 1,309,508 | 893,741 |
| Total interest expense | 8,393,950 | 5,973,164 | 8,407,544 | 5,928,706 |
| Net interest income, calculated using the effective interest method | 2,017,696 | 2,501,826 | 1,985,444 | 2,357,699 |

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Staff Costs

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Salaries and benefits, including profit-related pay | 4,105,054 | 2,704,349 | 3,673,471 | 2,295,110 |
| Statutory payroll contributions | 346,558 | 262,509 | 311,112 | 226,334 |
| Pension costs (note 28) | 106,749 | 96,755 | 95,781 | 87,001 |
| Training and development | 43,211 | 52,220 | 43,211 | 42,092 |
| Other staff benefits | 321,937 | 257,628 | 220,754 | 214,733 |
| | 4,923,509 | 3,373,461 | 4,344,329 | 2,865,270 |

6. Other Expenses

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Asset tax | 568,572 | 433,928 | 558,556 | 424,776 |
| Information technology | 436,595 | 424,019 | 423,003 | 418,471 |
| Legal and professional fees | 669,085 | 510,489 | 484,765 | 425,074 |
| Marketing, corporate affairs and donations | 274,148 | 216,510 | 178,827 | 171,326 |
| Depreciation and amortisation | 382,885 | 354,861 | 352,104 | 320,453 |
| Irrecoverable – GCT | 214,538 | 181,122 | 210,392 | 179,235 |
| Utilities | 130,423 | 137,971 | 127,760 | 135,391 |
| Repairs and maintenance | 160,297 | 108,507 | 118,032 | 106,230 |
| Security | 88,844 | 79,361 | 85,216 | 76,658 |
| Other | 35,040 | 31,639 | 17,314 | 10,947 |
| Stationery, printing and postage | 49,983 | 51,311 | 47,892 | 48,801 |
| Bank charges | 42,087 | 42,213 | 26,526 | 28,025 |
| Directors' fees | 15,424 | 11,827 | 7,758 | 7,668 |
| Insurance | 98,185 | 85,463 | 96,227 | 83,181 |
| Office rental | 28,458 | 23,742 | 28,458 | 23,767 |
| Auditors' remuneration | 38,713 | 34,853 | 26,493 | 23,419 |
| Motor vehicle expenses and rental | 23,390 | 21,751 | 23,390 | 21,466 |
| | 3,256,667 | 2,749,567 | 2,812,713 | 2,504,888 |

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

7. Impairment Loss on Financial Assets

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Investment securities at amortised cost (note 13) | (28,207) | 38,536 | (28,207) | 38,536 |
| Investment securities at FVOCI | 143,701 | 248,027 | 143,701 | 248,027 |
| Loans and notes receivable (note 10) | 69,487 | 148,227 | 155 | (30,157) |
| Other receivables (note 11) | 620 | 511 | - | - |
| Securities purchased under agreements to resell (note 12) | 45 | 266 | 45 | 225 |
| | 185,646 | 435,567 | 115,694 | 256,631 |

8. Taxation

(a) Income tax is computed at 33 $\frac{1}{3}$ % on the profit for the year adjusted for tax purposes.

| | The Group | | The Company | |
|---|--------------------|----------------|--------------------|-------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Current income tax | 661,457 | 2,440,857 | - | 1,956,921 |
| Tax credit | (375) | (375) | - | - |
| Prior year (over)/under provision | (485) | 1,738 | - | 1,546 |
| | 660,597 | 2,442,220 | - | 1,958,467 |
| Deferred tax | | | | |
| Origination and reversal of temporary differences (note 18) | (1,883,380) | (2,135,169) | (1,890,282) | (2,092,655) |
| | (1,222,783) | 307,051 | (1,890,282) | (134,188) |

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8. Taxation (Continued)

- (b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33 $\frac{1}{3}$ % as follows:

| | The Group | | The Company | |
|--------------------------------------|--------------------|------------------|--------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit/(loss) before taxation | 381,103 | 2,952,278 | (240,445) | 3,126,593 |
| Tax calculated at 33 $\frac{1}{3}$ % | 127,034 | 984,093 | (80,148) | 1,042,198 |
| Adjusted for the effects of: | | | | |
| Income not subject to tax | (1,635,815) | (837,566) | (2,051,015) | (1,302,073) |
| Tax credit | (375) | (375) | - | - |
| Disallowed expenses | 290,652 | 223,893 | 240,881 | 188,419 |
| Prior year (over)/under provision | (485) | 1,738 | - | 1,546 |
| Other | (3,794) | (64,732) | - | (64,278) |
| | (1,222,783) | 307,051 | (1,890,282) | (134,188) |

- (c) At the reporting date, taxation losses, subject to agreement with the Commissioner General, Tax Administration Jamaica, available for set off against future taxable profits, amounted to approximately \$1,345,985,584 (2021: \$1,263,241,000) for the Group and \$989,852,000 (2021: \$ Nil) for the Company.

9. Cash and Cash Equivalents

| | The Group | | The Company | |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 14,484,943 | 14,092,084 | 12,987,720 | 12,121,202 |
| Cash equivalents | 669,459 | 1,537,398 | 669,459 | 1,537,398 |
| | 15,154,402 | 15,629,482 | 13,657,179 | 13,658,600 |

Cash equivalents include held by an investment broker as security for funding provided on certain investment securities, which is not available for immediate use.

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10. Loans and Notes Receivable

| | The Group | | The Company | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Corporate | 6,712,286 | 6,246,663 | 5,824,050 | 4,094,164 |
| Financial institutions | 14,567,500 | 3,194,794 | 14,567,500 | 3,194,794 |
| Individuals | 6,848,104 | 5,695,858 | 6,848,104 | 5,695,858 |
| | <u>28,127,890</u> | <u>15,137,315</u> | <u>27,239,654</u> | <u>12,984,816</u> |
| Less: allowance for impairment [note 26(b)(vi)(v)] | (428,788) | (1,169,857) | (52,089) | (53,035) |
| | <u>27,699,102</u> | <u>13,967,458</u> | <u>27,187,565</u> | <u>12,931,781</u> |

Allowance for impairment:

| | The Group | | The Company | |
|--------------------------|-----------------------|-------------------------|----------------------|----------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Balance at 1 April | 1,169,857 | 1,024,008 | 53,035 | 87,424 |
| Charge for year (note 7) | 69,487 | 148,227 | 155 | (30,157) |
| Recoveries | (809,455) | - | - | - |
| Write-offs, net | (1,101) | (2,378) | (1,101) | (4,232) |
| Balance at 31 March | <u>428,788</u> | <u>1,169,857</u> | <u>52,089</u> | <u>53,035</u> |

11. Other Receivables

| | The Group | | The Company | |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Receivables from related parties | 4,283,984 | 1,290,770 | 7,569,986 | 4,329,764 |
| Other receivables | 1,642,895 | 828,182 | 516,552 | 254,400 |
| Staff loans | 16,844 | 19,991 | 16,844 | 19,991 |
| | <u>5,943,723</u> | <u>2,138,943</u> | <u>8,103,382</u> | <u>4,604,155</u> |
| Less: Allowance for impairment | (4,498) | (4,678) | - | - |
| | <u>5,939,225</u> | <u>2,134,265</u> | <u>8,103,382</u> | <u>4,604,155</u> |

Allowance for impairment:

| | The Group | | The Company | |
|------------------------------|---------------------|---------------------|-----------------|-----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Balance at 1 April | 4,678 | 4,167 | - | - |
| Charge for the year (note 7) | 620 | 511 | - | - |
| Recoveries/write off | (800) | - | - | - |
| Balance at 31 March | <u>4,498</u> | <u>4,678</u> | <u>-</u> | <u>-</u> |

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12. Securities Purchased Under Agreements to Resell

| | The Group | | The Company | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Denominated in Jamaica dollars | 28,385,620 | 26,616,021 | 28,385,620 | 26,616,022 |
| Denominated in Trinidad and Tobago dollars | 596,096 | - | 596,096 | - |
| Denominated in United States dollars | 58,953,229 | 18,475,662 | 58,953,230 | 18,621,488 |
| | <u>87,934,945</u> | <u>45,091,683</u> | <u>87,934,946</u> | <u>45,237,510</u> |
| Less: allowance for impairment [note 26(b)(vi)(v)] | (421) | (376) | (424) | (379) |
| | <u>87,934,524</u> | <u>45,091,307</u> | <u>87,934,522</u> | <u>45,237,131</u> |

Allowance for impairment:

| | The Group | | The Company | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April | 376 | 110 | 379 | 154 |
| Charge for the year (note 7) | 45 | 266 | 45 | 225 |
| Balance at 31 March | <u>421</u> | <u>376</u> | <u>424</u> | <u>379</u> |

Resale agreements include balances with related parties as set out in note 25. All resale agreements mature within twelve months after the reporting date.

The securities that the Company obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (note 22).

At the reporting date, the fair value of the securities obtained and held under resale agreements was \$110,879,822,999 (2021: \$64,368,691,000) for the Group and \$110,899,981,000 (2021: \$64,796,445,000) for the Company.

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13. Investment Securities

| | The Group | | The Company | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Debt securities at amortised cost: | | | | |
| Certificates of deposit | 720,570 | 255,668 | - | - |
| Government of Jamaica securities | 801,441 | 7,951,068 | 801,441 | 7,951,068 |
| | <u>1,522,011</u> | <u>8,206,736</u> | <u>801,441</u> | <u>7,951,068</u> |
| Debt securities at fair value through other comprehensive income [FVOCI]: | | | | |
| Government of Jamaica securities | 54,318,251 | 54,588,108 | 54,318,251 | 54,588,108 |
| Certificates of deposit | 16,635,495 | 20,873,966 | 16,635,495 | 20,873,966 |
| Corporate bonds: | | | | |
| Government of Jamaica guaranteed | 178,490 | 143,909 | 178,490 | 143,909 |
| Other | 50,860,617 | 44,645,786 | 50,860,617 | 44,645,786 |
| Sovereign bonds | 10,096,757 | 11,014,725 | 10,096,757 | 11,014,725 |
| | <u>132,089,610</u> | <u>131,266,494</u> | <u>132,089,610</u> | <u>131,266,494</u> |
| Equity securities at FVOCI: | | | | |
| Quoted equities | 2,131,843 | 2,143,954 | 1,977,090 | 1,945,723 |
| Unquoted equities | 33,970 | 16,344 | 33,970 | 16,344 |
| | <u>2,165,813</u> | <u>2,160,298</u> | <u>2,011,060</u> | <u>1,962,067</u> |
| Equity securities at fair value through profit and loss: | | | | |
| Quoted equities | 2,375,469 | 1,781,423 | 903,663 | 707,710 |
| Unquoted equities | 93,750 | 88,458 | 93,750 | 88,458 |
| | <u>2,469,219</u> | <u>1,869,881</u> | <u>997,413</u> | <u>796,168</u> |
| Other securities at fair value through profit and loss: | | | | |
| Units in unit trusts | 713,916 | 515,894 | 494,496 | 309,097 |
| Money market funds | 66,447 | 67,289 | 66,447 | 67,289 |
| Redeemable preference shares | 157,142 | 250,000 | - | - |
| | <u>937,505</u> | <u>833,183</u> | <u>560,943</u> | <u>376,386</u> |
| | <u>139,184,158</u> | <u>144,336,592</u> | <u>136,460,467</u> | <u>142,352,183</u> |
| Less: allowance for impairment losses of debt securities at amortised cost [note 26(b)(vi)(v)] | (3,446) | (45,516) | (3,446) | (45,516) |
| | <u>139,180,712</u> | <u>144,291,076</u> | <u>136,457,021</u> | <u>142,306,667</u> |

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13. Investment Securities (Continued)

Allowance for impairment losses of investment securities at amortised cost:

| | The Group | | The Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Balance at 1 April | 45,516 | 270,102 | 45,516 | 263,002 |
| (Credit)/charge for the year (note 7) | (28,207) | 38,536 | (28,207) | 38,536 |
| Write off | (13,863) | (263,122) | (13,863) | (256,022) |
| Balance at 31 March | 3,446 | 45,516 | 3,446 | 45,516 |

Investments mature, from the reporting date, as follows:

| | The Group | | The Company | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Government of Jamaica securities: | | | | |
| Within 3 months | 66,310 | - | 66,310 | - |
| Over 3 months to 1 year | 1,927,767 | 9,782,420 | 1,927,767 | 9,782,420 |
| Over 1 year to 5 years | 11,799,204 | 9,638,127 | 11,799,204 | 9,638,127 |
| Over 5 years | 41,322,965 | 43,086,977 | 41,322,965 | 43,086,977 |
| | 55,116,246 | 62,507,524 | 55,116,246 | 62,507,524 |
| Certificates of deposit: | | | | |
| Within 3 months | 17,356,065 | 424,788 | 16,635,495 | 169,120 |
| Over 3 months to 1 year | - | 5,631,838 | - | 5,631,838 |
| Over 1 year to 5 years | - | 15,073,008 | - | 15,073,008 |
| | 17,356,065 | 21,129,634 | 16,635,495 | 20,873,966 |
| Sovereign bonds and corporate bonds: | | | | |
| Within 3 months | 4,900,013 | 5,407,195 | 4,900,013 | 5,407,195 |
| Over 3 months to 1 year | 3,194,152 | 1,575,487 | 3,194,152 | 1,575,487 |
| Over 1 year to 5 years | 32,552,536 | 30,179,506 | 32,552,536 | 30,179,506 |
| Over 5 years | 20,489,163 | 18,642,232 | 20,489,163 | 18,642,232 |
| | 61,135,864 | 55,804,420 | 61,135,864 | 55,804,420 |
| Other [see (c) below] | 5,572,537 | 4,849,498 | 3,569,416 | 3,120,757 |
| | 139,180,712 | 144,291,076 | 136,457,021 | 142,306,667 |

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13. Investment Securities (Continued)

- (a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (note 22).
- (b) Government of Jamaica securities having an aggregate face value of \$620,000,000 (2021: \$620,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the Company's bankers.
- (c) Other includes quoted equities, unit trusts and interest in pooled money market funds for which there are no fixed maturity dates and redeemable preference shares with convertible features.

14. Interest in Subsidiaries

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------------|-----------------------|
| JMMB Securities Limited | | |
| Shares, at cost – equity | 26,050 | 26,050 |
| – preference | 55,000 | 55,000 |
| | <u>81,050</u> | <u>81,050</u> |
| JMMB Insurance Brokers Limited | | |
| Shares, at cost - equity | 125,000 | 125,000 |
| Loan | 10,000 | 10,000 |
| | <u>135,000</u> | <u>135,000</u> |
| JMMB Real Estate Holdings Limited | | |
| Shares, at cost – equity | <u>1</u> | <u>1</u> |
| Capital & Credit Securities Limited | | |
| Shares, at cost – equity | <u>126,315</u> | <u>126,315</u> |
| JMMB Fund Managers Limited | | |
| Shares, at cost - equity | 266,055 | 266,055 |
| | <u>608,421</u> | <u>608,421</u> |

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15. Investment Property

| | The Group | |
|-----------------------|------------------|----------------|
| | 2022 \$'000 | 2021 \$'000 |
| Balance as at 1 April | 698,932 | 621,232 |
| Additions | 453,741 | - |
| Change in fair value | 74,803 | 77,700 |
| | 1,227,476 | 698,932 |

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

Investment properties earned rental income of \$Nil (2021: \$Nil) and incurred expenses of \$38,489,000 (2021: \$18,821,000) for the year.

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

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|--|--|
| <p>Market approach. This model takes into account:</p> <ul style="list-style-type: none"> The assumed intention to dispose of the property in an open market transaction The assumed sale would take place on the basis of a willing seller and willing buyer; A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market; Values are expected to remain stable throughout the period of market exposure and disposal (hypothetical); and The property will be freely exposed to the market. | <ul style="list-style-type: none"> Judgements about whether the property can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its use class. The strength of demand for the property, given its condition, location and range of potential uses. The potential rental value of the property in the current investment climate. | <p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> The strength of the demand is greater/(less) than estimated. The potential rental income from the property is greater/(less) than judged. |

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16. Intangible Assets

| | The Group | | | | Total \$'000 |
|---------------------------------|-------------------|-------------------------|--------------------|--------------------------------|------------------|
| | Licence \$'000 | Customer List \$'000 | Goodwill \$'000 | Computer Software \$'000 | |
| Cost | | | | | |
| 31 March 2020 | 25,040 | 333,166 | 9,064 | 1,967,052 | 2,334,322 |
| Additions | - | - | - | 488,269 | 488,269 |
| 31 March 2021 | 25,040 | 333,166 | 9,064 | 2,455,321 | 2,822,591 |
| Additions | - | - | - | 617,221 | 617,221 |
| 31 March 2022 | 25,040 | 333,166 | 9,064 | 3,072,542 | 3,439,812 |
| Accumulated Amortisation | | | | | |
| 31 March 2020 | - | 236,203 | - | 828,297 | 1,064,500 |
| Charge for the year | - | 7,760 | - | 69,016 | 76,776 |
| 31 March 2021 | - | 243,963 | - | 897,313 | 1,141,276 |
| Charge for the year | - | 1,411 | - | 123,397 | 124,808 |
| 31 March 2022 | - | 245,374 | - | 1,020,710 | 1,266,084 |
| Net Book Value | | | | | |
| 31 March 2022 | 25,040 | 87,792 | 9,064 | 2,051,832 | 2,173,728 |
| 31 March 2021 | 25,040 | 89,203 | 9,064 | 1,558,008 | 1,681,315 |

| | The Company | |
|---------------------------------|--------------------------------|------------------|
| | Computer Software \$'000 | |
| Cost | | |
| 31 March 2020 | | 1,873,564 |
| Additions | | 488,268 |
| 31 March 2021 | | 2,361,832 |
| Additions | | 616,437 |
| Disposals | | (119,667) |
| 31 March 2022 | | 2,858,602 |
| Accumulated Amortisation | | |
| 31 March 2020 | | 762,668 |
| Charge for the year | | 54,109 |
| 31 March 2021 | | 816,777 |
| Charge for the year | | 110,631 |
| Disposals | | (119,667) |
| 31 March 2022 | | 807,741 |
| Net Book Value | | |
| 31 March 2022 | | 2,050,861 |
| 31 March 2021 | | 1,545,055 |

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17. Property, Plant and Equipment

| | The Group | | | | | |
|---------------------------------|-----------------------------|-----------------------|----------------|--------------------|-----------------------------------|-----------|
| | Freehold Land and Buildings | Leasehold Improvement | Motor Vehicles | Computer Equipment | Equipment, Furniture and Fittings | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | | | |
| 31 March 2020 | 2,363,822 | 154,532 | 99,405 | 1,373,242 | 816,242 | 4,807,243 |
| Additions | 2,209 | 10,874 | 5,573 | 17,527 | 62,650 | 98,833 |
| Transfer to parent company | - | - | - | (344) | (3,498) | (3,842) |
| 31 March 2021 | 2,366,031 | 165,406 | 104,978 | 1,390,425 | 875,394 | 4,902,234 |
| Additions | 103,310 | 12,504 | 14,500 | 127,670 | 18,699 | 276,683 |
| Disposals | - | (29,844) | (12,500) | (86,447) | (18,718) | (147,509) |
| 31 March 2022 | 2,469,341 | 148,066 | 106,978 | 1,431,648 | 875,375 | 5,031,408 |
| Accumulated Depreciation | | | | | | |
| 31 March 2020 | 268,758 | 133,744 | 51,656 | 1,049,481 | 515,483 | 2,019,122 |
| Charge for the year | 34,425 | 2,520 | 13,027 | 50,602 | 145,333 | 245,907 |
| Transfer to parent company | - | - | - | (344) | (3,097) | (3,441) |
| 31 March 2021 | 303,183 | 136,264 | 64,683 | 1,099,739 | 657,719 | 2,261,588 |
| Charge for the year | 39,239 | 4,032 | 14,791 | 116,763 | 48,847 | 223,672 |
| Disposals | - | (29,844) | (9,583) | (86,447) | (18,718) | (144,592) |
| 31 March 2022 | 342,422 | 110,452 | 69,891 | 1,130,055 | 687,848 | 2,340,668 |
| Net Book Value | | | | | | |
| 31 March 2022 | 2,126,919 | 37,614 | 37,087 | 301,593 | 187,527 | 2,690,740 |
| 31 March 2021 | 2,062,848 | 29,142 | 40,295 | 290,686 | 217,675 | 2,640,646 |

| | The Company | | | | | |
|---------------------------------|-----------------------------|-----------------------|----------------|--------------------|-----------------------------------|------------|
| | Freehold Land and Buildings | Leasehold Improvement | Motor Vehicles | Computer Equipment | Equipment, Furniture and Fittings | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | | | |
| 31 March 2020 | 1,416,401 | 129,271 | 99,404 | 1,341,479 | 747,037 | 3,733,592 |
| Additions | 2,209 | 10,874 | 5,573 | 62,650 | 17,469 | 98,775 |
| 31 March 2021 | 1,418,610 | 140,145 | 104,977 | 1,404,129 | 764,506 | 3,832,367 |
| Additions | 15,075 | 12,504 | 14,500 | 127,670 | 18,699 | 188,448 |
| Disposals | - | (29,844) | (12,500) | (86,447) | (18,718) | (147,509) |
| 31 March 2022 | 1,433,685 | 122,805 | 106,977 | 1,445,352 | 764,487 | 3,873,306 |
| Accumulated Depreciation | | | | | | |
| 31 March 2020 | 223,836 | 108,898 | 51,657 | 1,020,466 | 446,000 | 1,850,857 |
| Charge for the year | 26,552 | 2,471 | 13,027 | 145,333 | 50,220 | 237,603 |
| 31 March 2021 | 250,388 | 111,369 | 64,684 | 1,165,799 | 496,220 | 2,088,460 |
| Charge for the year | 26,624 | 3,983 | 14,791 | 116,763 | 48,462 | 210,623 |
| Disposals | - | (29,844) | (9,583) | (86,447) | (18,718) | (144,592) |
| 31 March 2022 | 277,012 | 85,508 | 69,892 | 1,196,115 | 525,964 | 2,154,491 |
| Net Book Value | | | | | | |
| 31 March 2022 | 1,156,673 | 37,297 | 37,085 | 249,237 | 238,523 | 1,718,815 |
| 31 March 2021 | 1,168,222 | 28,776 | 40,293 | 238,330 | 268,286 | 1,743,907 |

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18. Deferred Income Taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same fiscal authority.

Deferred income tax is calculated in full on temporary differences using a principal tax rate of 33 $\frac{1}{3}$ %.

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

| | The Group | | The Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Deferred income tax assets | 7,881,151 | 3,499,320 | 7,827,427 | 3,460,566 |
| Deferred income tax liabilities | (15,813) | (8,434) | - | - |
| Net deferred income tax assets | <u>7,865,338</u> | <u>3,490,886</u> | <u>7,827,427</u> | <u>3,460,566</u> |

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

| | The Group | | | |
|------------------------------------|--|---|---|-------------------------------------|
| | 2022 | | | |
| | Balance at Beginning of Year \$'000 | Recognised in Income (note 8) \$'000 | Recognised in Other Comprehensive Income \$'000 | Balance at End of Year \$'000 |
| Tax losses carried forward | - | 361,279 | - | 361,279 |
| Investments | 1,038,372 | (840,945) | 2,491,072 | 2,688,499 |
| Accounts payable | 69,422 | (17,207) | - | 52,215 |
| Property, plant and equipment | 9,245 | (45,907) | - | (36,662) |
| Accounts receivable | 5,875 | 308 | - | 6,183 |
| Interest payable | 357,218 | 233,229 | - | 590,447 |
| Unrealised foreign exchange losses | 2,422,662 | 2,222,867 | - | 4,645,529 |
| Notes receivable | 17,677 | 30,637 | - | 48,314 |
| Lease liabilities | 5,375 | 41,106 | - | 46,481 |
| Interest receivable | (434,960) | (101,987) | - | (536,947) |
| | <u>3,490,886</u> | <u>1,883,380</u> | <u>2,491,072</u> | <u>7,865,338</u> |

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18. Deferred Income Taxes (Continued)

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

| | The Group | | | | |
|------------------------------------|---|---|---------------------------------|---|-----------------------------------|
| | 2021 | | | | |
| | Balance at Beginning of Year | Transfer to parent Company | Recognised in Income | Recognised in Other Comprehensive Income | Balance at End of Year |
| | [note 1(c)] | (note 8) | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Tax losses carried forward | 12,726 | (12,726) | - | - | - |
| Investments | 3,686,154 | (1,390,812) | 511,015 | (1,767,985) | 1,038,372 |
| Accounts payable | 49,197 | - | 20,225 | - | 69,422 |
| Property, plant and equipment | (18,642) | - | 27,887 | - | 9,245 |
| Accounts receivable | 6,315 | - | (440) | - | 5,875 |
| Interest payable | 265,409 | - | 91,809 | - | 357,218 |
| Unrealised foreign exchange losses | 886,180 | - | 1,536,482 | - | 2,422,662 |
| Notes receivable | 26,123 | - | (8,446) | - | 17,677 |
| Lease liabilities | 1,223 | - | 4,152 | - | 5,375 |
| Interest receivable | (387,445) | - | (47,515) | - | (434,960) |
| | 4,527,240 | (1,403,538) | 2,135,169 | (1,767,985) | 3,490,886 |

| | The Company | | | | |
|------------------------------------|---|------------------|---------------------------------|---|-----------------------------------|
| | 2022 | | | | |
| | Balance at Beginning of Year | | Recognised in Income | Recognised in Other Comprehensive Income | Balance at End of Year |
| | | (note 8) | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Tax losses | - | 361,279 | - | 361,279 | |
| Investments | 1,029,978 | (810,822) | 2,476,579 | 2,695,735 | |
| Notes receivable | 17,677 | (316) | - | 17,361 | |
| Other receivables | 6,415 | (126) | - | 6,289 | |
| Accounts payable | 62,622 | (17,785) | - | 44,837 | |
| Property, plant and equipment | (1,029) | (48,469) | - | (49,498) | |
| Interest payable | 357,218 | 233,228 | - | 590,446 | |
| Unrealised foreign exchange losses | 2,417,100 | 2,234,440 | - | 4,651,540 | |
| Interest receivable | (434,735) | (102,170) | - | (536,905) | |
| Lease liabilities | 5,320 | 41,023 | - | 46,343 | |
| | 3,460,566 | 1,890,282 | 2,476,479 | 7,827,427 | |

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18. Deferred Income Taxes (Continued)

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

| | The Company | | | |
|------------------------------------|------------------------------------|-------------------------------------|---|---------------------------|
| | 2021 | | | |
| | Balance at Beginning of Year | Recognised in Income (note 8) | Recognised in Other Comprehensive Income | Balance at End of Year |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investments | 2,680,902 | 477,421 | (2,128,345) | 1,029,978 |
| Notes receivable | 26,123 | (8,446) | - | 17,677 |
| Other receivables | 7,026 | (611) | - | 6,415 |
| Accounts payable | 44,662 | 17,960 | - | 62,622 |
| Property, plant and equipment | (25,567) | 24,538 | - | (1,029) |
| Interest payable | 265,409 | 91,809 | - | 357,218 |
| Unrealised foreign exchange losses | 883,390 | 1,533,710 | - | 2,417,100 |
| Interest receivable | (387,041) | (47,694) | - | (434,735) |
| Lease liabilities | 1,352 | 3,968 | - | 5,320 |
| | 3,496,256 | 2,092,655 | (2,128,345) | 3,460,566 |

19. Share Capital

| | 2022 | 2021 |
|--|---------------------------------|---------------------------------|
| | Number of Shares 000 | Number of Shares 000 |
| Authorised: | | |
| Ordinary stock units of no par value | 1,816,400 | 1,816,400 |
| Fixed rate cumulative redeemable preference shares of no par value | 4,000,000 | 4,000,000 |
| | 5,816,400 | 5,816,400 |
| | | |
| | 2022 | 2021 |
| | Number of Stock units 000 | Number of Stock units 000 |
| Issued ordinary share capital: | | |
| Ordinary stock units in issue | 1,741,552 | 1,630,552 |

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19. Share Capital (Continued)

| | 2022 \$'000 | 2021 \$'000 |
|--|-------------------------|-------------------------|
| Stated capital: | | |
| 1,741,552,530 (2021: 1,630,552,530) ordinary stock units | 4,564,054 | 1,864,054 |
| 941,699,000 7.50% cumulative redeemable preference stock units | 941,699 | 941,699 |
| 33,938,125 USD 6.00% cumulative redeemable preference stock units | 5,203,054 | 4,916,956 |
| 57,000,000 USD 6.90% cumulative redeemable preference stock units | 8,738,670 | 8,258,160 |
| 6,000,000,000 7.35% cumulative redeemable preference stock units | 6,000,000 | - |
| | <u>25,447,477</u> | <u>15,980,869</u> |
| Less redeemable preference stock units classified as liabilities in the financial statements | <u>(20,883,423)</u> | <u>(14,116,815)</u> |
| | <u>4,564,054</u> | <u>1,864,054</u> |

By ordinary resolution dated 28 February 2022, the directors approved the issuance of 105,000,000 ordinary shares valued at J\$2.1 billion in favor of JMMB Group Limited in settlement of a promissory note. The new shares rank pari passu with existing ordinary shares.

By ordinary resolution dated 30 March 2022, the Board of directors approved the issuance of 6 million ordinary shares valued at J\$600 million in favor of JMMB Group Limited. The new shares rank pari passu with existing ordinary shares.

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

- (i) The right to cumulative preferential dividends payable monthly at the rate agreed for each class;
- (ii) The right, on winding up, to receive all arrears of dividends and repayment of the capital in priority to the ordinary shareholders;
- (iii) No right to vote at general meetings, except where dividends are not paid for twelve months or on winding up of the Company.

The rights attaching to the ordinary shares include the following:

- (i) Entitlement of dividends as declared from time to time.
- (ii) Entitlement to one vote per share at meetings of the Company.

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20. Earning per stock unit

Earning per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent of \$1,603,866,000 (2021: \$2,645,227,000) by the weighted average number of ordinary stock units in issue during the year, numbering, 1,639,802,531 (2021: 1,630,552,530).

21 Reserves

(a) Investment Revaluation Reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of investments measured at fair value through other comprehensive income (FVOCI) net, of deferred tax, until the assets are derecognised or impaired.

(b) Retained Earnings Reserve

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

22. Securities Sold Under Agreements to Repurchase

| | The Group | | The Company | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Denominated in Jamaica dollars | 69,184,738 | 59,198,864 | 69,204,899 | 59,480,794 |
| Denominated in United States dollars | 163,840,276 | 119,403,596 | 163,840,277 | 119,403,596 |
| Denominated in Pound Sterling | - | 110,128 | - | 110,128 |
| Denominated in Euros | 147,153 | 149,446 | 147,153 | 149,446 |
| | 233,172,167 | 178,862,034 | 233,192,329 | 179,143,964 |

Repurchase agreements are collateralised by certain securities and other instruments with a carrying value of \$243,256,823,000 (2021: \$193,785,153,000) for the Group and \$243,276,985,000 (2021: \$194,100,667,000), for the Company respectively, (notes 12 and 13).

Repurchase agreements include balances with related parties as set out in note 25. Certain of the securities described in note 13 and interest accrued thereon are pledged as securities.

23. Notes Payable

| | The Group | | The Company | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Senior Unsecured US\$ Fixed Note (i) | 2,962,562 | 2,799,661 | 2,962,562 | 2,799,661 |
| Unsecured J\$ Fixed Note (ii) | - | 9,965,934 | - | 9,965,934 |
| Unsecured US\$ Fixed Note (iii) | 1,638,228 | 1,548,147 | 1,638,228 | 1,548,147 |
| Unsecured J\$ Fixed Note (iv) | 7,509,800 | 7,509,800 | 7,509,800 | 7,509,800 |
| | 12,110,590 | 21,823,542 | 12,110,590 | 21,823,542 |

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23. Notes Payable (continued)

- (i) The note is unsecured and bears interest at 5.5% per annum, with interest payable on a quarterly basis. The note matures on 15 June 2023.
- (ii) This represents unsecured fixed rate J\$ debt issued in two tranches bearing interest at 7.15% and 7.35% per annum, payable annually. The note matured and was repaid on 19 June 2021.
- (iii) This represents an unsecured fixed rate US\$ indexed debt bearing interest at 5.75% per annum, payable on a quarterly basis. The note matures on 27 July 2022.
- (iv) This represents unsecured fixed rate J\$ debt bearing interest at 6.75% per annum, payable on a quarterly basis. The note matures on 27 July 2022.

24. Leases

The Group leases properties for office space and other uses. The leases run for a period of 1-5 years. Certain leases have an option to renew for further periods of 1 to 5 years.

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

- (i) Amounts recognised in the statement of financial position relating to leases are as follows:

Right of use assets:

| | The Group | | The Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Balance at 1 April | 215,256 | 214,372 | 197,691 | 197,691 |
| Additions | 4,311 | 884 | 4,311 | - |
| Balance at 31 March | 219,567 | 215,256 | 202,002 | 197,691 |
| Depreciation at 1 April | 59,725 | 27,547 | 54,900 | 26,157 |
| Charge for the year | 34,406 | 32,178 | 30,850 | 28,743 |
| | 94,131 | 59,725 | 85,750 | 54,900 |
| Balance at 31 March | 125,436 | 155,531 | 116,252 | 142,791 |
| Lease liabilities: | | | | |
| Current | 34,905 | 32,730 | 31,378 | 29,425 |
| Non-current | 113,739 | 138,928 | 107,666 | 129,328 |
| | 148,644 | 171,658 | 139,044 | 158,753 |

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24. Leases (Continued)

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

Lease liabilities (continued):

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Undiscounted cashflows of lease liabilities | | | | |
| Less than one year | 42,400 | 10,400 | 38,353 | 9,388 |
| One to five years | 114,028 | 31,200 | 107,621 | 28,165 |
| More than five years | 12,039 | 157,518 | 12,039 | 147,064 |
| | 168,467 | 199,118 | 158,013 | 184,617 |
| Less future interest charges | (19,823) | (27,460) | (18,969) | (25,864) |
| | <u>148,644</u> | <u>171,658</u> | <u>139,044</u> | <u>158,753</u> |

- (ii) Amounts recognised in the profit and loss account relating to leases:

| | The Group | | The Company | |
|---|-----------|--------|-------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation charge of right-of-use assets | 34,406 | 32,178 | 30,850 | 28,743 |
| Interest expense | 9,457 | 10,510 | 8,715 | 9,946 |
| Expense relating to short-term leases (included in administration expenses) | 28,458 | 23,742 | 28,458 | 23,266 |

- (iii) Amounts recognised in the statement of cash flows

| | The Group | | The Company | |
|---------------------------------|-----------|--------|-------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total cash out flows for leases | 43,880 | 39,863 | 39,833 | 37,874 |

- (iv) Extension options

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

- (v) Extension options

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$20,883,000 (2021: \$23,969,000) for the Group and \$6,305,000 (2021: \$10,307,000) for the Company.

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25. Related Party Transactions and Balances

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

Related companies include parent company, subsidiaries and fellow subsidiaries. Related parties include directors, key management and companies for which the Company provides management services.

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

| | The Group | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Directors: | | | | |
| Notes receivable | 90,670 | 36,356 | 90,670 | 36,356 |
| Interest payable | (618) | (609) | (618) | (609) |
| Repurchase agreements | (78,963) | (89,965) | (78,963) | (89,965) |
| Other related parties: | | | | |
| Notes receivable | 2,458,549 | 2,458,549 | 2,458,549 | 2,458,549 |
| Interest payable | (2,743) | (68) | (2,743) | (68) |
| Repurchase agreements | (263,896) | (26,581) | (263,896) | (26,581) |
| | | | | |
| | The Group | | The Company | |
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Parent company: | | | | |
| Other receivable | 4,064,393 | 13,783,924 | 4,064,393 | 13,783,924 |
| Redeemable preference shares | (20,883,423) | (14,116,815) | (20,883,423) | (14,116,815) |
| Interest payable | (219,992) | (238,735) | (219,992) | (238,735) |
| Notes payable | (9,148,028) | (19,023,881) | (9,148,028) | (19,023,881) |
| Repurchase agreements | (186,875) | (719,272) | (186,875) | (719,272) |
| Subsidiaries: | | | | |
| Resale agreements | - | - | - | 145,827 |
| Notes receivable | - | - | 255,745 | 252,498 |
| Interest receivable | - | - | 386 | 427 |
| Accounts receivable | - | - | 3,577,197 | 3,069,645 |
| Repurchase agreements | - | - | 20,162 | 281,930 |
| Interest payable | - | - | (2) | (640) |

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25. Related Party Transactions and Balances (Continued)

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

| | The Group | | The Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Fellow subsidiaries: | | | | |
| Cash and bank balances | 879,370 | 305,706 | - | - |
| Other receivable | 1,848,542 | 821,072 | 1,557,347 | 779,194 |
| Notes receivable | 14,311,755 | 1,283,616 | 14,311,755 | 1,283,616 |
| Resale agreements | 87,934,945 | 41,791,683 | 87,934,945 | 41,791,683 |
| Interest receivable | 583,295 | 516,132 | 581,827 | 514,691 |
| Investments | 18,397,200 | 17,385,600 | 18,397,200 | 17,385,600 |
| Repurchase agreements | (1,554,805) | (3,441,903) | (1,554,805) | (3,441,903) |
| Interest payable | (413) | (37,164) | (413) | (37,164) |
| Managed funds: | | | | |
| Investments | 219,420 | - | - | - |
| Cash and cash equivalents | 1,013,797 | 1,433,160 | - | - |
| Other receivables | 2,692,421 | 569,991 | 2,435,441 | 469,325 |
| Accounts payable | (260,190) | (103,272) | - | - |

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

| | The Group | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| Directors: | | | | |
| Interest income | 3,240 | 1,487 | 3,240 | 1,487 |
| Interest expense | (3,722) | (2,011) | (3,722) | (2,011) |
| Other related parties: | | | | |
| Commission income | 985 | - | - | - |
| Interest expense | (522) | - | (522) | - |
| Subsidiaries: | | | | |
| Interest income | - | - | 5,983 | 6,295 |
| Interest expense | - | - | (14,376) | (17,547) |
| Parent company: | | | | |
| Interest income | - | 529,716 | - | 529,716 |
| Interest expense | (1,832,497) | (1,485,503) | (2,230,133) | (1,485,503) |
| Fellow subsidiaries: | | | | |
| Interest income | 3,272,907 | 680,686 | 3,272,907 | 1,144,327 |
| Gain from securities trading | - | 1,481 | - | 1,481 |
| Interest expense | (207,749) | (121,646) | (270,749) | (121,646) |
| Management fees | 760,679 | - | 760,679 | - |

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25. Related Party Transactions and Balances (Continued)

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

| | The Group | | The Company | |
|----------------------------|-----------|-----------|-------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Managed funds:- | | | | |
| Gain on sale of securities | 58,277 | 71,598 | 58,277 | 71,598 |
| Fee income | 980,919 | 858,020 | - | - |
| Interest income | 13,592 | 7,164 | - | - |
| Interest expense | (413,734) | (329,261) | (413,734) | (329,261) |

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

| | The Group | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Directors' emoluments: | | | | |
| Fees | 15,424 | 11,827 | 7,758 | 7,668 |
| Management remuneration | 98,483 | 73,792 | 98,483 | 73,792 |
| Key management compensation: | | | | |
| Salaries and related costs | 341,780 | 329,960 | 276,022 | 212,836 |
| Post-employment benefits | 12,901 | 12,049 | 11,951 | 10,619 |
| | 468,588 | 427,628 | 394,214 | 304,915 |

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26. Financial Risk Management

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

(a) Introduction and overview

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

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

Risk management framework

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

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

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

(i) Risk Management Committee

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

The Risk Committee is responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in Credit Risk Policy. The committee is ultimately responsible for determining the composition and management of the credit portfolio and has available a number of measures it can employ in this respect including the making of specific and general impairment allowances against actual or potential bad debts. The committee is supported in its work by the Management Credit Committee.

(ii) Audit Committee

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

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

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26. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

(iii) Investment Committee

The Investment Committee is a senior management level committee responsible for the management of market risks. The committee monitors the composition of assets and liabilities, evaluates potential market risk involved in launching new products, reviews and articulates funding policy and decides optimal ways of managing the Group's liquidity.

(iv) Asset and liability Committees (ALCOs)

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

Impact of Covid-19

In April 2022 the Government of Jamaica lifted all Covid-19 pandemic related restrictions with similar actions taken in other territories of operation. This follows months of gradual easing of restrictions both locally and internationally as the world prepares to return to a level of normalcy in spite of the continued presence of the virus. This has been made possible through the widespread use of vaccines as well as the presence of less severe strains of the virus which helps to develop herd immunity over time. While the virus is likely to be prevalent for the foreseeable future and further waves of infection are likely, management through large scale lockdowns is a less likely outcome despite being used in some places like China. The accommodative stance taken by local regulators during the height of the pandemic has been reduced and removed in some cases with the large-scale accommodation arrangements that were offered by most financial institutions being reduced significantly.

Going forward we expect to see a gradual recovery in all the territories of operation. The Jamaican economy has seen a reopening of all sectors that were previously restricted, including the entertainment sector. It is anticipated that over the medium term, most sectors should return to normality. Tourism has seen a notable recovery with the sector recording growth of 76.2% for the Oct-Dec-2021 quarter. Overall, the Jamaican economy is estimated to have grown by 4.4% for the 2021 calendar year and about 6% to 7% for the 2021/22 fiscal year.

The Group continued to monitor its exposure to systemic risk and has continued to focus on active management of capital, liquidity and operational risks.

There is a framework in place to ensure that all entities within the Group are adequately capitalized through the Internal Capital Adequacy Assessment Process (ICAAP) and that these entities have sufficient liquid assets and ready access to financing to support business operations and growth. Furthermore, the Group has developed contingency plans to ensure that the impact of any unforeseen events is manageable and to facilitate timely responses. The Group maintains its Business Continuity Plan (BCP) to ensure that our clients, team members and other key stakeholders remain safe and that the Group is prepared for any eventuality.

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26. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

Impact of Covid-19 (continued)

Despite the gradual reduction of the impacts of the pandemic and reopening of the economy, management has adopted several measures specifically around financial risk management. These measures include the following:

- (i) Enhanced monitoring of market movements by the Risk Unit and the impact on the credit and investment portfolios and the resulting impact on capital and liquidity to support timely decision making.
- (ii) Ensuring that the Group's recovery plan for banking and investments subsidiaries is kept up to date. The key aspects of the plan include:
 - Measures to secure sufficient funding and adequate availability;
 - Contingency arrangements that enable continuation of operations as recovery measures are being implemented;
 - Actions that can be taken to strengthen the entity's capital base;
 - A clear escalation and decision-making process to ensure that the plan can be executed in a timely manner; and
 - Crisis Management and Communication plan to ensure that stakeholders (internal and external) are given timely and appropriate information during any recovery process.
- (iii) Keeping close communication with our clients and supporting them through the use of payment accommodations where appropriate as well as restructuring options to provide more appropriate payment arrangements and modification of loan terms and conditions based on clients' specific situation. Other special arrangements with clients, such as amending their collateral/margin requirements on select products based on their needs continue to be utilized in some cases.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from, its lending activities, as well as from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

(i) Management of credit risk

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

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

The Management Credit Committee, Liquidity Management Committee and the Asset and Liability Committees within the Company meet regularly to discuss strategies and plans around managing the liquidity and the capital needs of the Company.

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

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

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

The Group manages the credit risk of financial assets as follows:

(i) Loans and notes receivable

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

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

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

| Rating grades | Description of the grade |
|---------------|--------------------------|
| 1 | Excellent |
| 2 | Good credit |
| 3 | Average credit |
| 4 | Acceptable |
| 5 | Marginal |
| 6 | Substandard |
| 7 | Doubtful |
| 8 | Loss |

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

Jamaica Money Market Brokers Limited

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

(ii) Investments and resale agreements

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

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

(iii) Cash and cash equivalents

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

(ii) Credit risk analysis

The following table sets out information about the credit risk and the credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loans and notes receivable at amortised cost:

| | The Group | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| Credit grade | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Standard monitoring | 26,510,116 | 631,500 | - | 27,141,616 |
| Default | - | - | 986,274 | 986,274 |
| | 26,510,116 | 631,500 | 986,274 | 28,127,890 |
| Loss allowance [note 26(b)(vi)(v)] | (50,697) | (476) | (377,615) | (428,788) |
| | 26,459,419 | 631,024 | 608,659 | 27,699,102 |

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Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Credit risk analysis (continued)

Loans and notes receivable at amortised cost:

| | The Group | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Standard monitoring | 12,203,190 | 932,407 | - | 13,135,597 |
| Default | - | - | 2,001,718 | 2,001,718 |
| | 12,203,190 | 932,407 | 2,001,718 | 15,137,315 |
| Loss allowance [note 26(b)(vi)(v)] | (45,147) | (286) | (1,124,424) | (1,169,857) |
| | 12,158,043 | 932,121 | 877,294 | 13,967,458 |

| | The Group | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Ageing of loans and notes receivable | | | | |
| Neither past due nor impaired | 26,370,366 | - | - | 26,370,366 |
| Past due 1-30 days | 139,750 | - | - | 139,750 |
| Past due 31-60 | - | 499,170 | - | 499,170 |
| Past due 61-90 | - | 132,330 | - | 132,330 |
| More than 90 days | - | - | 986,274 | 986,274 |
| Total | 26,510,116 | 631,500 | 986,274 | 28,127,890 |

| | The Group | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Ageing of loans and notes receivable | | | | |
| Neither past due nor impaired | 9,274,062 | - | - | 9,274,062 |
| Past due 1-30 days | 2,929,128 | - | - | 2,929,128 |
| Past due 31-60 | - | 777,057 | - | 777,057 |
| Past due 61-90 | - | 155,350 | - | 155,350 |
| More than 90 days | - | - | 2,001,718 | 2,001,718 |
| Total | 12,203,190 | 932,407 | 2,001,718 | 15,137,315 |

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Loans and notes receivable at amortised cost (continued):

| | The Company | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Standard monitoring | 26,510,116 | 631,500 | - | 27,141,616 |
| Default | - | - | 98,038 | 98,038 |
| | 26,510,116 | 631,500 | 98,038 | 27,239,654 |
| Loss allowance [note 26(b)(vi)(v)] | (50,697) | (476) | (916) | (52,089) |
| | 26,459,419 | 631,024 | 97,122 | 27,187,565 |

| | The Company | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Standard monitoring | 11,956,517 | 932,407 | - | 12,888,924 |
| Default | - | - | 95,892 | 95,892 |
| | 11,956,517 | 932,407 | 95,892 | 12,984,816 |
| Loss allowance [note 26(b)(vi)(v)] | (48,475) | (286) | (4,274) | (53,035) |
| | 11,908,042 | 932,121 | 91,618 | 12,931,781 |

| | The Company | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Ageing of loans and notes receivable | | | | |
| Neither past due nor impaired | 26,370,366 | - | - | 26,370,366 |
| Past due 1-30 days | 139,750 | - | - | 139,750 |
| Past due 31-60 | - | 499,170 | - | 499,170 |
| Past due 61-90 | - | 132,330 | - | 132,330 |
| More than 90 days | - | - | 98,038 | 98,038 |
| Total | 26,510,116 | 631,500 | 98,038 | 27,239,654 |

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Notes to the Financial Statements

31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Loans and notes receivable at amortised cost (continued):

| | The Company | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Ageing of loans and notes receivable | | | | |
| Neither past due nor impaired | 9,027,389 | - | - | 9,027,389 |
| Past due 1-30 days | 2,929,128 | - | - | 2,929,128 |
| Past due 31-60 | - | 777,057 | - | 777,057 |
| Past due 61-90 | - | 155,350 | - | 155,350 |
| More than 90 days | - | - | 95,892 | 95,892 |
| Total | 11,956,517 | 932,407 | 95,892 | 12,984,816 |

Debt securities at amortised cost:

| | The Group | |
|------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | Stage 1 \$'000 | Stage 1 \$'000 |
| Credit grade | | |
| Watch | 1,522,011 | 8,206,736 |
| Loss allowance [note 26(b)(vi)(v)] | (3,446) | (45,516) |
| | 1,518,565 | 8,161,220 |

| | The Company | |
|------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | Stage 1 \$'000 | Stage 1 \$'000 |
| Credit grade | | |
| Watch | 801,441 | 7,951,068 |
| Loss allowance [note 26(b)(vi)(v)] | (3,446) | (45,516) |
| | 797,995 | 7,905,552 |

Jamaica Money Market Brokers Limited

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Securities purchased under agreements to resell at amortised cost:

| | The Group | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Watch | 87,934,945 | - | - | 87,934,945 |
| Loss allowance [note 26(b)(vi)(v)] | (421) | - | - | (421) |
| | 87,934,524 | - | - | 87,934,524 |

| | The Group | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Watch | 45,091,683 | - | - | 45,091,683 |
| Loss allowance [note 26(b)(vi)(v)] | (376) | - | - | (376) |
| | 45,091,307 | - | - | 45,091,307 |

| | The Company | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Watch | 87,934,946 | - | - | 87,934,946 |
| Loss allowance [note 26(b)(vi)(v)] | (424) | - | - | (424) |
| | 87,934,522 | - | - | 87,934,522 |

| | The Company | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Watch | 45,237,510 | - | - | 45,237,510 |
| Loss allowance [note 26(b)(vi)(v)] | (379) | - | - | (379) |
| | 45,237,131 | - | - | 45,237,131 |

Jamaica Money Market Brokers Limited

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31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Debt securities at FVOCI:

| | The Group | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Investment grade | 5,545,192 | - | - | 5,545,192 |
| Watch | 121,938,126 | 765,199 | - | 122,703,325 |
| Speculative | 3,363,767 | 15,033 | - | 3,378,800 |
| Default | - | - | 462,293 | 462,293 |
| | 130,847,085 | 780,232 | 462,293 | 132,089,610 |
| Loss allowance [note 26(b)(vi)(v)] | 814,015 | 41,915 | 234,108 | 1,090,038 |

| | The Group | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Investment grade | 4,672,062 | - | - | 4,672,062 |
| Watch | 122,025,395 | 881,719 | - | 122,907,114 |
| Speculative | 3,353,773 | 13,869 | - | 3,367,642 |
| Default | - | - | 319,676 | 319,676 |
| | 130,051,230 | 895,588 | 319,676 | 131,266,494 |
| Loss allowance [note 26(b)(vi)(v)] | 781,617 | 31,184 | 132,589 | 945,390 |

| | The Company | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Investment grade | 5,545,192 | - | - | 5,545,192 |
| Watch | 121,938,126 | 765,199 | - | 122,703,325 |
| Speculative | 3,363,767 | 15,033 | - | 3,378,800 |
| Default | - | - | 462,293 | 462,293 |
| | 130,847,085 | 780,232 | 462,293 | 132,089,610 |
| Loss allowance [note 26(b)(vi)(v)] | 814,015 | 41,915 | 234,108 | 1,090,038 |

Jamaica Money Market Brokers Limited

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit risk analysis (continued)

Debt securities at FVOCI (continued):

| | The Company | | | |
|------------------------------------|--------------------|-------------------|-------------------|--------------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Credit grade | | | | |
| Investment grade | 4,672,062 | - | - | 4,672,062 |
| Watch | 122,025,395 | 881,719 | - | 122,907,114 |
| Speculative | 3,353,773 | 13,869 | - | 3,367,642 |
| Default | - | - | 319,676 | 319,676 |
| | 130,051,230 | 895,588 | 319,676 | 131,266,494 |
| Loss allowance [note 26(b)(vi)(v)] | 781,617 | 31,184 | 132,589 | 945,390 |

(iii) Maximum exposure to credit risk

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

(iv) Concentration of credit risk

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

| | The Group | | | | |
|---------------------------|--|--|--------------------------------|------------------------------------|--------------------|
| | 2022 | | | | |
| | Cash and cash equivalents \$'000 | Loans and notes receivable \$'000 | Resale agreements \$'000 | Investment securities \$'000 | Total \$'000 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 55,294,737 | 55,294,737 |
| Sovereign bonds | - | - | - | 10,096,756 | 10,096,756 |
| Bank of Jamaica | 2,975,554 | - | - | 16,635,495 | 19,611,049 |
| Corporate | - | 6,325,788 | - | 56,373,357 | 62,699,145 |
| Financial institutions | 12,178,848 | 14,542,737 | 87,934,524 | 780,367 | 115,436,476 |
| Retail | - | 6,830,577 | - | - | 6,830,577 |
| | 15,154,402 | 27,699,102 | 87,934,524 | 139,180,712 | 269,968,740 |
| Concentration by location | | | | | |
| Jamaica | 14,540,524 | 11,349,299 | 24,366,788 | 88,957,318 | 139,213,929 |
| North America | 404,470 | - | - | 4,600,154 | 5,004,624 |
| Trinidad and Tobago | 209,408 | 761,828 | 596,096 | 11,973,172 | 13,540,504 |
| Dominican Republic | - | 544,637 | - | - | 544,637 |
| Other | - | 15,043,338 | 62,971,640 | 33,650,068 | 111,665,046 |
| | 15,154,402 | 27,699,102 | 87,934,524 | 139,180,712 | 269,968,740 |

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Concentration of credit risk (continued)

| | The Group | | | | |
|---------------------------|--|--|--------------------------------|------------------------------------|--------------------|
| | 2021 | | | | |
| | Cash and cash equivalents \$'000 | Loans and notes receivable \$'000 | Resale agreements \$'000 | Investment securities \$'000 | Total \$'000 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 62,651,433 | 62,651,433 |
| Sovereign bonds | - | - | - | 11,014,725 | 11,014,725 |
| Bank of Jamaica | 1,031,654 | - | - | 20,873,966 | 21,905,620 |
| Corporate | - | 5,125,802 | - | 49,167,768 | 54,293,570 |
| Financial institutions | 14,597,828 | 3,165,419 | 45,091,307 | 583,184 | 63,437,738 |
| Retail | - | 5,676,237 | - | - | 5,676,237 |
| | 15,629,482 | 13,967,458 | 45,091,307 | 144,291,076 | 218,979,323 |
| Concentration by location | | | | | |
| Jamaica | 14,036,473 | 10,757,916 | 26,615,645 | 100,507,274 | 151,917,308 |
| North America | 1,368,211 | - | - | 3,622,513 | 4,990,724 |
| Trinidad and Tobago | 224,798 | 685,801 | - | 9,289,697 | 10,200,296 |
| Dominican Republic | - | 575,187 | - | - | 575,187 |
| Other | - | 1,948,554 | 18,475,662 | 30,871,592 | 51,295,808 |
| | 15,629,482 | 13,967,458 | 45,091,307 | 144,291,076 | 218,979,323 |
| | The Company | | | | |
| | 2022 | | | | |
| | Cash and cash equivalents \$'000 | Loans and notes receivable \$'000 | Resale agreements \$'000 | Investment securities \$'000 | Total \$'000 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 55,294,737 | 55,294,737 |
| Sovereign bonds | - | - | - | 10,096,756 | 10,096,756 |
| Bank of Jamaica | 2,975,554 | - | - | 16,635,495 | 19,611,049 |
| Corporate | - | 5,814,252 | - | 53,869,089 | 59,683,341 |
| Financial institutions | 10,681,625 | 14,542,736 | 87,934,522 | 560,944 | 113,719,827 |
| Retail | - | 6,830,577 | - | - | 6,830,577 |
| | 13,657,179 | 27,187,565 | 87,934,522 | 136,457,021 | 265,236,287 |
| Concentration by location | | | | | |
| Jamaica | 12,987,720 | 10,837,763 | 24,366,785 | 86,524,006 | 134,716,274 |
| North America | 464,525 | - | - | 4,600,154 | 5,064,679 |
| Trinidad and Tobago | 204,934 | 761,828 | 596,096 | 11,682,796 | 13,245,654 |
| Dominican Republic | - | 544,637 | - | - | 544,637 |
| Other | - | 15,043,337 | 62,971,641 | 33,650,065 | 111,665,043 |
| | 13,657,179 | 27,187,565 | 87,934,522 | 136,457,021 | 265,236,287 |

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Concentration of credit risk (continued)

| | The Company | | | | Total \$'000 |
|---------------------------|--|--|--------------------------------|------------------------------------|--------------------|
| | 2021 | | | | |
| | Cash and cash equivalents \$'000 | Loans and notes receivable \$'000 | Resale agreements \$'000 | Investment securities \$'000 | |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 62,651,433 | 62,651,433 |
| Sovereign bonds | - | - | - | 11,014,725 | 11,014,725 |
| Bank of Jamaica | 1,031,654 | - | - | 20,873,966 | 21,905,620 |
| Corporate | - | 4,090,125 | - | 47,390,157 | 51,480,282 |
| Financial institutions | 12,626,946 | 3,165,419 | 45,237,131 | 376,386 | 61,405,882 |
| Retail | - | 5,676,237 | - | - | 5,676,237 |
| | 13,658,600 | 12,931,781 | 45,237,131 | 142,306,667 | 214,134,179 |
| Concentration by location | | | | | |
| Jamaica | 12,121,202 | 9,722,239 | 26,761,469 | 98,699,294 | 147,304,204 |
| North America | 1,314,825 | - | - | 3,622,513 | 4,937,338 |
| Trinidad and Tobago | 222,573 | 685,801 | - | 9,113,267 | 10,021,641 |
| Dominican Republic | - | 575,187 | - | - | 575,187 |
| Other | - | 1,948,554 | 18,475,662 | 30,871,593 | 51,295,809 |
| | 13,658,600 | 12,931,781 | 45,237,131 | 142,306,667 | 214,134,179 |

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

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities and other assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the reporting date (2021: no collateral held).

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Expected credit loss measurement

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

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

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

(i) Significant increase in credit risk

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

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

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

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

Credit risk grades:

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

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

(i) *Significant increase in credit risk (continued)*

Credit risk grades (continued)

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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

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

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

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

Individual:

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

Commercial & Corporate:

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

Treasury

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

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(i) *Significant increase in credit risk (continued)*

Credit risk grades (continued):

Treasury (continued)

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

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

Generating the term structure of PD:

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

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

Determining when credit risk has increased significantly

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

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

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

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(i) *Significant increase in credit risk (continued)*

Credit risk grades (continued)

Determining when credit risk has increased significantly (continued)

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

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

(ii) *Definition of default*

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

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

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

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

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(iii) *Incorporation of forward-looking information*

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

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, exposure at default (EAD) and loss given default (LGD) vary by financial instrument.

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

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

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

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

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

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

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

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

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

(iv) *Calculation of the expected credit loss (ECL)*

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

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

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

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

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

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation.

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(iv) *Calculation of the expected credit loss (ECL) (continued)*

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

The Group employs a simplified scorecard in estimating its forward-looking indicator factors. This model differentiates between sovereign, corporate and retail loan exposures. A minimum of three leading macroeconomic variables are used for each asset class.

(v) *Loss allowance*

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(v) *Loss allowance (continued)*

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

Loans and notes receivable at amortised cost:

| | The Group | | | |
|--|------------------|----------------|----------------|----------------|
| | 2022 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April | 45,147 | 286 | 1,124,424 | 1,169,857 |
| Transfer from stage 1 to stage 2 | (112) | 112 | - | - |
| Transfer from stage 2 to stage 1 | 190 | (190) | - | - |
| Transfer from stage 3 to stage 1 | 99 | - | (99) | - |
| Transfer from stage 3 to stage 2 | - | 10 | (10) | - |
| Financial assets derecognised during period | (1,899) | (96) | (1,423) | (3,418) |
| New financial assets originated or purchased | 1,150 | - | 96 | 1,246 |
| Paydowns | (3,556) | - | - | (3,556) |
| Net remeasurement of loss allowance | 11,589 | - | (2,406) | 9,183 |
| Foreign exchange and other movements | (1,911) | 354 | (742,967) | (744,524) |
| Balance at 31 March | 50,697 | 476 | 377,615 | 428,788 |

| | The Group | | | |
|--|------------------|----------------|------------------|------------------|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April | 73,413 | 1,815 | 948,780 | 1,024,008 |
| Transfer from stage 1 to stage 2 | (61) | 61 | - | - |
| Transfer from stage 1 to stage 3 | (28) | - | 28 | - |
| Transfer from stage 2 to stage 1 | 144 | (144) | - | - |
| Transfer from stage 2 to stage 3 | - | (93) | 93 | - |
| Transfer from stage 3 to stage 1 | 572 | - | (572) | - |
| Transfer from stage 3 to stage 2 | - | 216 | (216) | - |
| Financial assets derecognised during period | (10,830) | (1,578) | (8,123) | (20,531) |
| New financial assets originated or purchased | 9,328 | 190 | 56 | 9,574 |
| Paydowns | (65) | - | (13) | (78) |
| Net remeasurement of loss allowance | (16,505) | - | 1 | (16,504) |
| Foreign exchange and other movements | (10,821) | (181) | 184,390 | 173,388 |
| Balance at 31 March | 45,147 | 286 | 1,124,424 | 1,169,857 |

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(v) *Loss allowance (continued)*

Loans and notes receivable at amortised cost (continued):

| | The Company | | | |
|---|--------------------|----------------|----------------|---------------|
| | 2022 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April | 48,475 | 286 | 4,274 | 53,035 |
| Transfer from stage 1 to stage 2 | (112) | 112 | - | - |
| Transfer from stage 2 to stage 1 | 190 | (190) | - | - |
| Transfer from stage 3 to stage 1 | 99 | - | (99) | - |
| Transfer from stage 3 to stage 2 | - | 10 | (10) | - |
| Financial assets derecognised during the year | (1,899) | (96) | (1,423) | (3,418) |
| New financial assets originated or purchased | 1,150 | - | 96 | 1,246 |
| Paydowns | (3,556) | - | - | (3,556) |
| Net remeasurement of loss allowance | 11,589 | - | (2,406) | 9,183 |
| Foreign exchange and other movements | (5,239) | 354 | 484 | (4,401) |
| Balance at 31 March | 50,697 | 476 | 916 | 52,089 |

| | The Company | | | |
|---|--------------------|----------------|----------------|---------------|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April | 76,561 | 1,815 | 9,048 | 87,424 |
| Transfer from stage 1 to stage 2 | (61) | 61 | - | - |
| Transfer from stage 1 to stage 3 | (28) | - | 28 | - |
| Transfer from stage 2 to stage 1 | 144 | (144) | - | - |
| Transfer from stage 2 to stage 3 | - | (93) | 93 | - |
| Transfer from stage 3 to stage 1 | 572 | - | (572) | - |
| Transfer from stage 3 to stage 2 | - | 216 | (216) | - |
| Financial assets derecognised during the year | (10,830) | (1,578) | (8,123) | (20,531) |
| New financial assets originated or purchased | 9,328 | 190 | 56 | 9,574 |
| Paydowns | (65) | - | (13) | (78) |
| Net remeasurement of loss allowance | (16,505) | - | 1 | (16,504) |
| Foreign exchange and other movements | (10,641) | (181) | 3,972 | (6,850) |
| Balance at 31 March | 48,475 | 286 | 4,274 | 53,035 |

Jamaica Money Market Brokers Limited

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(v) *Loss allowance (continued)*

Securities purchased under agreements to resell:

| | The Group | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | Stage 1 \$'000 | Stage 1 \$'000 |
| Balance at 1 April | 376 | 110 |
| Net remeasurement of loss allowance during the year | 45 | 266 |
| Balance at 31 March | 421 | 376 |

| | The Company | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| | Stage 1 \$'000 | Stage 1 \$'000 |
| Balance at 1 April | 379 | 154 |
| Net remeasurement of loss allowance during the year | 45 | 225 |
| Balance at 31 March | 424 | 379 |

Debt securities at amortised cost:

| | The Group | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 45,516 | - | - | 45,516 |
| Financial assets derecognised during the year | (40,754) | - | - | (40,754) |
| Foreign exchange and other movements | (1,316) | - | - | (1,316) |
| Balance at 31 March | 3,446 | - | - | 3,446 |

| | The Group | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 31,010 | - | 239,092 | 270,102 |
| Financial assets derecognised during the year | - | - | (239,092) | (239,092) |
| Financial assets transferred during the year | (7,100) | - | - | (7,100) |
| Foreign exchange and other movements | 21,606 | - | - | 21,606 |
| Balance at 31 March | 45,516 | - | - | 45,516 |

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(v) *Loss allowance (continued)*

Debt securities at amortised cost (continued):

| | The Company | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 45,516 | - | - | 45,516 |
| Financial assets derecognised during the year | (40,754) | - | - | (40,754) |
| Foreign exchange and other movements | (1,316) | - | - | (1,316) |
| Balance at 31 March | 3,446 | - | - | 3,446 |

| | The Company | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 23,910 | - | 239,092 | 263,002 |
| Financial assets derecognised during the year | - | - | (239,092) | (239,092) |
| Foreign exchange and other movements | 21,606 | - | - | 21,606 |
| Balance at 31 March | 45,516 | - | - | 45,516 |

Debt securities at FVOCI:

| | The Group | | | |
|--|-------------------|-------------------|-------------------|------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 781,617 | 31,184 | 132,589 | 945,390 |
| Transfer from Stage 1 to Stage 3 | (503) | - | 503 | - |
| Financial asset derecognised | (162,234) | (136) | - | (162,370) |
| New financial assets originated or purchased | 255,765 | 250 | 30,116 | 286,131 |
| Foreign exchange and other movements | (60,630) | 10,617 | 70,900 | 20,887 |
| Balance at 31 March | 814,015 | 41,915 | 234,108 | 1,090,038 |

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26. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) *Expected credit loss measurement (continued)*

(v) *Loss allowance (continued)*

Debt securities at FVOCI (continued):

| | The Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 714,654 | 92,182 | 2,274 | 809,110 |
| Transfer from stage 1 to stage 2 | (1,210) | 1,210 | - | - |
| Transfer from stage 1 to stage 3 | (1,250) | - | 1,250 | - |
| Financial assets derecognised | (187,477) | (90,161) | (2,274) | (279,912) |
| Financial assets transferred during period | (111,746) | - | - | (111,746) |
| New financial assets originated or purchased | 433,894 | 136 | 418 | 434,448 |
| Foreign exchange and other movements | (65,248) | 27,817 | 130,921 | 93,490 |
| Balance at 31 March | 781,617 | 31,184 | 132,589 | 945,390 |

| | The Company | | | |
|--|-------------------|-------------------|-------------------|------------------|
| | 2022 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 781,617 | 31,184 | 132,589 | 945,390 |
| Transfer from stage 1 to stage 3 | (503) | - | 503 | - |
| Financial assets derecognised | (162,234) | (136) | - | (162,370) |
| New financial assets originated or purchased | 255,765 | 250 | 30,116 | 286,131 |
| Foreign exchange and other movements | (60,630) | 10,617 | 70,900 | 20,887 |
| Balance at 31 March | 814,015 | 41,915 | 234,108 | 1,090,038 |

| | The Company | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | 2021 | | | |
| | Stage 1 \$'000 | Stage 2 \$'000 | Stage 3 \$'000 | Total \$'000 |
| Balance at 1 April | 602,908 | 92,182 | 2,274 | 697,364 |
| Transfer from stage 1 to stage 2 | (1,210) | 1,210 | - | - |
| Transfer from stage 1 to stage 3 | (1,250) | - | 1,250 | - |
| Financial assets derecognised | (187,477) | (90,161) | (2,274) | (279,912) |
| New financial assets originated or purchased | 433,894 | 136 | 418 | 434,448 |
| Foreign exchange and other movements | (65,248) | 27,817 | 130,921 | 93,490 |
| Balance at 31 March | 781,617 | 31,184 | 132,589 | 945,390 |

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26. Financial Risk Management (Continued)

(c) Liquidity risk

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

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

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

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

The Group has implemented a liquidity risk response strategy, including stress testing for entities within the Group.

Liquidity risk management process

The Group's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Optimising cash returns on investments; and
- (iv) Managing the concentration and profile of debt maturities.

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

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26. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Liquidity risk management process (continued)

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

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

| | The Group | | | | |
|--|--------------------|-------------------|--------------------------|--------------------------|--------------------|
| | 2022 | | | | |
| | Within 3 Months | 3 to 12 Months | Over 1 Year | Contractual Cash Flow | Carrying Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 172,534,266 | 63,946,556 | 235,802 | 236,716,624 | 233,172,167 |
| Notes payable | 41,070 | 9,317,950 | 2,996,490 | 12,355,510 | 12,110,590 |
| Redeemable preference shares | 345,828 | 1,037,484 | 28,141,979 | 29,525,291 | 20,883,423 |
| Lease liabilities | 10,845 | 31,554 | 126,058 | 168,457 | 148,644 |
| Other payables | 3,051,961 | - | - | 3,051,961 | 3,051,971 |
| | 175,983,970 | 74,333,544 | 31,500,329 | 281,817,843 | 269,366,785 |
| The Group | | | | | |
| 2021 | | | | | |
| Within 3 Months | 3 to 12 Months | Over 1 Year | Contractual Cash Flow | Carrying Amount | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 150,374,718 | 30,232,834 | - | 180,607,552 | 178,862,034 |
| Notes payable | 10,067,786 | 714,896 | 12,615,008 | 23,397,690 | 21,823,542 |
| Redeemable preference shares | 226,857 | 680,570 | 18,621,573 | 19,529,000 | 14,116,815 |
| Lease liabilities | 10,400 | 31,200 | 157,518 | 199,118 | 171,658 |
| Other payables | 2,039,216 | - | - | 2,039,216 | 2,039,216 |
| | 162,718,977 | 31,659,500 | 31,394,099 | 225,772,576 | 217,013,265 |

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26. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

| | The Company | | | | |
|--|--------------------|-------------------|-------------------|--------------------------|--------------------|
| | 2022 | | | | |
| | Within 3 Months | 3 to 12 Months | Over 1 Year | Contractual Cash Flow | Carrying Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 172,554,428 | 63,946,556 | 235,802 | 236,736,786 | 233,192,329 |
| Notes payable | 41,070 | 9,317,950 | 2,996,490 | 12,355,510 | 12,110,590 |
| Redeemable preference shares | 345,828 | 1,037,484 | 28,141,979 | 29,525,291 | 20,883,423 |
| Lease liabilities | 9,833 | 28,519 | 119,661 | 158,013 | 139,044 |
| Other payables | 1,971,530 | - | - | 1,971,530 | 1,971,530 |
| | 174,922,689 | 74,330,509 | 31,493,932 | 280,747,130 | 268,296,916 |

| | The Company | | | | |
|--|--------------------|-------------------|-------------------|--------------------------|--------------------|
| | 2021 | | | | |
| | Within 3 Months | 3 to 12 Months | Over 1 Year | Contractual Cash Flow | Carrying Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 150,656,648 | 30,232,834 | - | 180,889,482 | 179,143,964 |
| Notes payable | 10,067,743 | 714,896 | 12,615,008 | 23,397,647 | 21,823,542 |
| Redeemable preference shares | 226,857 | 680,569 | 18,621,573 | 19,528,999 | 14,116,815 |
| Lease liabilities | 9,388 | 28,165 | 147,064 | 184,617 | 158,753 |
| Other payables | 1,382,406 | - | - | 1,382,406 | 1,382,406 |
| | 162,343,042 | 31,656,464 | 31,383,645 | 225,383,151 | 216,625,480 |

(d) Market risk

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

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

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

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

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

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

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

A summary of the VaR position of the Group's overall portfolio as at 31 March 2022 and during the year then ended is as follows:

| | 31 March | Average for Year | Maximum during Year | Minimum during Year |
|------------------|-----------|---------------------|------------------------|------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2022 Overall VaR | 4,121,137 | 9,253,072 | 15,723,274 | 3,751,623 |
| 2021 Overall VaR | 9,193,285 | 12,085,707 | 28,597,903 | 5,948,407 |

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

The Covid-19 pandemic has caused increased volatility in asset prices which has increased the Group's market risk. While market conditions have generally improved since the onset of the pandemic, continued volatility is anticipated as the impact on many countries will likely continue in the short to medium term.

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk

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

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

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

| | The Group | | Company | |
|-----------------------------|-------------|---------|-------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| United States dollars | (7,919,626) | 924,250 | (8,189,879) | 519,043 |
| Great Britain Pounds | 79,787 | 411,464 | (25,656) | 385,083 |
| Euros | (84,225) | 9,229 | (90,211) | 3,723 |
| Trinidad and Tobago dollars | 1,654,660 | 637,976 | 1,358,602 | 592,215 |
| Canadian dollars | 157,930 | 231,346 | 120,369 | 212,034 |
| Pesos | - | 44,891 | - | 44,891 |

Foreign currency sensitivity

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

| | The Group | | | |
|-----------|------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | 2022 | | 2021 | |
| Currency: | Change in Currency Rate % | Effect on Profit \$'000 | Change in Currency Rate % | Effect on Profit \$'000 |
| USD | 8 | (633,570) | 6 | 55,455 |
| GBP | 8 | 6,383 | 6 | 24,688 |
| EUR | 8 | (6,738) | 6 | 554 |
| TT | 8 | 132,373 | 6 | 38,279 |
| CAD | 8 | 12,634 | 6 | 13,881 |
| RD\$ | 8 | - | 6 | 2,693 |
| | | (488,918) | | 135,550 |

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

| | The Group | | | |
|-----------|------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | 2022 | | 2021 | |
| | Change in Currency Rate % | Effect on Profit \$'000 | Change in Currency Rate % | Effect on Profit \$'000 |
| Currency: | | | | |
| USD | -2 | 158,393 | -2 | (18,485) |
| GBP | -2 | (1,596) | -2 | (8,229) |
| EUR | -2 | 1,685 | -2 | (185) |
| TT | -2 | (33,093) | -2 | (12,760) |
| CAD | -2 | (3,159) | -2 | (4,627) |
| RD\$ | -2 | - | -2 | (898) |
| | | 122,230 | | (45,184) |

| | The Company | | | |
|-----------|------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | 2022 | | 2021 | |
| | Change in Currency Rate % | Effect on Profit \$'000 | Change in Currency Rate % | Effect on Profit \$'000 |
| Currency: | | | | |
| USD | 8 | (655,190) | 6 | 31,143 |
| GBP | 8 | (2,052) | 6 | 23,105 |
| EUR | 8 | (7,217) | 6 | 223 |
| TT | 8 | 108,688 | 6 | 35,533 |
| CAD | 8 | 9,630 | 6 | 12,722 |
| RD\$ | 8 | - | 6 | 2,693 |
| | | (546,141) | | 105,419 |
| USD | -2 | 163,798 | -2 | (10,381) |
| GBP | -2 | 513 | -2 | (7,702) |
| EUR | -2 | 1,804 | -2 | (74) |
| TT | -2 | (27,172) | -2 | (11,844) |
| CAD | -2 | (2,407) | -2 | (4,241) |
| RD\$ | -2 | - | -2 | (898) |
| | | 136,536 | | (35,140) |

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk

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

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

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

| | The Group | | | | | Total \$'000 |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------------------|--------------------|
| | 2022 | | | | | |
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non- Interest Bearing \$'000 | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 15,154,383 | - | - | - | 19 | 15,154,402 |
| Interest receivable | - | - | - | - | 2,138,112 | 2,138,112 |
| Loans and notes receivable | 26,168,001 | 200,000 | 567,150 | - | 763,951 | 27,699,102 |
| Other receivables | - | - | - | - | 5,939,225 | 5,939,225 |
| Due from parent company | - | - | - | - | 4,090,882 | 4,090,882 |
| Securities purchased under agreements | 74,770,142 | 13,164,382 | - | - | - | 87,934,524 |
| Investment securities | 10,958,570 | 8,456,673 | 4,676,511 | 109,673,563 | 5,415,395 | 139,180,712 |
| Total financial assets | 127,051,096 | 21,821,055 | 5,243,661 | 109,673,563 | 18,347,584 | 282,136,959 |
| Financial Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 171,073,733 | 27,487,875 | 34,390,579 | 219,980 | - | 233,172,167 |
| Notes payable | - | 9,148,028 | - | 2,962,562 | - | 12,110,590 |
| Redeemable preference shares | - | - | - | 20,883,423 | - | 20,883,423 |
| Lease liabilities | 8,469 | 8,326 | 16,741 | 115,108 | - | 148,644 |
| Interest payable | - | - | - | - | 1,771,126 | 1,771,126 |
| Other payables | - | - | - | - | 3,051,961 | 3,051,961 |
| Total financial liabilities | 171,082,202 | 36,644,229 | 34,407,320 | 24,181,073 | 4,823,087 | 271,137,911 |
| Total interest rate sensitivity gap | (44,031,106) | (14,823,174) | (29,163,659) | 85,492,490 | 13,524,497 | 10,999,048 |
| Cumulative interest rate sensitivity gap | (44,031,106) | (58,854,280) | (88,017,139) | (2,525,449) | 10,999,048 | |

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

| | The Group | | | | | Total \$'000 |
|--|------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------------------|--------------------|
| | 2021 | | | | | |
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non- Interest Bearing \$'000 | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 15,605,453 | - | - | - | 24,029 | 15,629,482 |
| Interest receivable | - | - | - | - | 1,862,896 | 1,862,896 |
| Loans and notes receivable | 10,450,219 | 200,000 | 2,032,393 | - | 1,284,846 | 13,967,458 |
| Other receivables | - | - | - | - | 2,134,265 | 2,134,265 |
| Due from parent company | - | - | - | - | 13,783,924 | 13,783,924 |
| Securities purchased under agreements | 33,360,709 | 6,905,829 | 4,824,769 | - | - | 45,091,307 |
| Investment securities | 10,999,962 | 841,859 | 16,147,886 | 111,701,870 | 4,599,499 | 144,291,076 |
| Total financial assets | 70,416,343 | 7,947,688 | 23,005,048 | 111,701,870 | 23,689,459 | 236,760,408 |
| Financial Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 149,437,933 | 16,758,848 | 12,665,253 | - | - | 178,862,034 |
| Notes payable | 9,965,977 | - | - | 11,857,565 | - | 21,823,542 |
| Redeemable preference shares | - | - | - | 14,116,815 | - | 14,116,815 |
| Lease liabilities | 8,009 | 8,124 | 16,597 | 138,928 | - | 171,658 |
| Interest payable | - | - | - | - | 1,070,696 | 1,070,696 |
| Other payables | - | - | - | - | 2,039,216 | 2,039,216 |
| Total financial liabilities | 159,411,919 | 16,766,972 | 12,681,850 | 26,113,308 | 3,109,912 | 218,083,961 |
| Total interest rate sensitivity gap | (88,995,576) | (8,819,284) | 10,323,198 | 85,588,562 | 20,579,547 | 18,676,447 |
| Cumulative interest rate sensitivity gap | (88,995,576) | (97,814,860) | (87,491,662) | (1,903,100) | 18,676,447 | |

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

| | The Company | | | | | Total \$'000 |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------------------|------------------|
| | 2022 | | | | | |
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non- Interest Bearing \$'000 | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 13,657,179 | - | - | - | - | 13,657,179 |
| Interest receivable | - | - | - | - | 2,136,901 | 2,136,901 |
| Loans and notes receivable | 26,420,415 | 200,000 | 567,150 | - | - | 27,187,565 |
| Other receivables | - | - | - | - | 8,103,382 | 8,103,382 |
| Due from parent company | - | - | - | - | 4,064,393 | 4,064,393 |
| Securities purchased under agreements to resell | 74,770,139 | 13,164,383 | - | - | - | 87,934,522 |
| Investment securities | 10,238,000 | 8,456,673 | 4,676,511 | 109,516,421 | 3,569,416 | 136,457,021 |
| Total financial assets | 125,085,733 | 21,821,056 | 5,243,661 | 109,516,421 | 17,874,092 | 279,540,963 |
| Financial Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 171,093,895 | 27,487,875 | 34,390,579 | 219,980 | - | 233,192,329 |
| Notes payable | - | 9,148,028 | - | 2,962,562 | - | 12,110,590 |
| Redeemable preference | - | - | - | 20,883,423 | - | 20,883,423 |
| Lease liabilities | 7,924 | 7,790 | 15,664 | 107,666 | - | 139,044 |
| Interest payable | - | - | - | - | 1,771,514 | 1,771,514 |
| Other payables | - | - | - | - | 1,971,530 | 1,971,530 |
| Total financial liabilities | 171,101,819 | 36,643,693 | 34,406,243 | 24,173,631 | 3,743,044 | 270,068,430 |
| Total interest rate sensitivity gap | (46,016,086) | (14,822,637) | (29,162,582) | 85,342,790 | 14,131,048 | 9,472,533 |
| Cumulative interest rate sensitivity gap | (46,016,086) | (60,838,723) | (90,001,305) | (4,658,515) | 9,472,533 | |

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(expressed in Jamaican dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

| | The Company | | | | | |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------------------|--------------------|
| | 2021 | | | | | |
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non- Interest Bearing \$'000 | Total \$'000 |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 13,658,600 | - | - | - | - | 13,658,600 |
| Interest receivable | - | - | - | - | 1,862,521 | 1,862,521 |
| Loans and notes receivable | 10,699,387 | 200,000 | 2,032,394 | - | - | 12,931,781 |
| Other receivables | - | - | - | - | 4,604,155 | 4,604,155 |
| Due from parent company | - | - | - | - | 13,783,924 | 13,783,924 |
| Securities purchased under agreements to resell | 33,506,533 | 6,905,829 | 4,824,769 | - | - | 45,237,131 |
| Investment securities | 10,744,295 | 841,859 | 16,147,886 | 111,451,870 | 3,120,757 | 142,306,667 |
| Total financial assets | 68,608,815 | 7,947,688 | 23,005,049 | 111,451,870 | 23,371,357 | 234,384,779 |
| Financial Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 149,719,863 | 16,758,848 | 12,665,253 | - | - | 179,143,964 |
| Notes payable | 9,965,934 | - | - | 11,857,608 | - | 21,823,542 |
| Lease liabilities | 7,203 | 7,304 | 14,918 | 129,328 | - | 158,753 |
| Redeemable preference shares | - | - | - | 14,116,815 | - | 14,116,815 |
| Interest payable | - | - | - | - | 1,071,762 | 1,071,762 |
| Other payables | - | - | - | - | 1,382,406 | 1,382,406 |
| Total financial liabilities | 159,693,000 | 16,766,152 | 12,680,171 | 26,103,751 | 2,454,168 | 217,697,242 |
| Total interest rate sensitivity gap | (91,084,185) | (8,818,464) | 10,324,878 | 85,348,119 | 20,917,189 | 16,687,537 |
| Cumulative interest rate sensitivity gap | (91,084,185) | (99,902,649) | (89,577,771) | (4,229,652) | 16,687,537 | |

Jamaica Money Market Brokers Limited

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

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

| | Effect on Profit 2022 \$'000 | Effect on Equity 2022 \$'000 | Effect on Profit 2021 \$'000 | Effect on Equity 2021 \$'000 |
|-------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Change in basis points | | | | |
| JMD/USD | | | | |
| +300/+150 (2021: +100/+100) | 51,406 | 5,361,910 | 6,711,979 | 51,406 |
| -50/-50 (2021: -100/-100) | (51,406) | (5,361,910) | (6,216,353) | (51,406) |

(iii) Equity price risk

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

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago Stock Exchanges.

The following tables indicate the possible impact on the Group and Company's profit and equity as a result of possible increases/decreases in equity prices:

| | The Group | | | |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2022 | | 2021 | |
| | Effect on Profit \$'000 | Effect on Equity \$'000 | Effect on Profit \$'000 | Effect on Equity \$'000 |
| Change in equity prices | | | | |
| +5% (2021: +5%) | 139,174 | 111,259 | 103,555 | 108,015 |
| -5% (2021: -5%) | (139,174) | (111,259) | (103,555) | (108,015) |

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26. Financial Risk Management (Continued)

(d) Market risk (continued)

(iii) Equity price risk (continued)

The following tables indicate the possible impact on the Group and Company's profit and equity as a result of possible increases/decreases in equity prices (continued):

| | The Company | | | |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2022 | | 2021 | |
| | Effect on Profit \$'000 | Effect on Equity \$'000 | Effect on Profit \$'000 | Effect on Equity \$'000 |
| Change in equity prices | | | | |
| +5% (2021: +5%) | 65,620 | 193,521 | 39,808 | 98,103 |
| -5% (2021: -5%) | (65,620) | (193,521) | (39,808) | (98,103) |

(e) Operational risk

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

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

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

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

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26. Financial Risk Management (Continued)

(e) Operational risk (continued)

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

(f) Capital management

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

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

- (i) To comply with the capital requirements set by the regulators of the financial markets where the Group operates;
- (ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

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

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

The regulated authorities require each regulated entity to:

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

Certain subsidiaries' regulatory capital is divided into two tiers:

- (i) Tier 1 capital: share capital, share premium, retained earnings, investment revaluation reserve and cumulative translation reserve.
- (ii) Tier 2 capital: redeemable preference shares and investment revaluation reserve.

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

The regulated companies within the Group with prescribed capital requirements are Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Fund Managers Limited (JMMBFM) and JMMB Insurance Brokers Limited (JMMBIB).

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27. Financial Instruments – Fair Value

(a) Definition and measurement of fair values

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

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

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

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

There were no transfers between levels during the year.

Jamaica Money Market Brokers Limited

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(expressed in Jamaican dollars unless otherwise indicated)

27. Financial Instruments – Fair Value (Continued)

- (b) Techniques for measuring fair value of financial instruments

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

- (c) Accounting classifications and fair values

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

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

Jamaica Money Market Brokers Limited

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27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Group | | | | | | |
|--|-------------------|---|--|--------------------|------------------|--------------------|--------------------|
| | 2022 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised Cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets measured at fair value | | | | | | | |
| Government of Jamaica Securities | - | 54,318,251 | - | 54,318,251 | - | 54,318,251 | 54,318,251 |
| Certificates of Deposit | - | 16,635,495 | - | 16,635,495 | - | 16,635,495 | 16,635,495 |
| Corporate bonds | - | 51,039,107 | - | 51,039,107 | - | 51,039,107 | 51,039,107 |
| Foreign Government Securities | - | 10,096,757 | - | 10,096,757 | - | 10,096,757 | 10,096,757 |
| Ordinary shares quoted | - | 2,131,843 | 2,375,469 | 4,507,312 | 4,507,312 | - | 4,507,312 |
| Ordinary shares unquoted | - | 33,970 | 93,750 | 127,720 | - | 127,720 | 127,720 |
| Units in Unit Trusts | - | - | 713,916 | 713,916 | - | 713,916 | 713,916 |
| Money Market Funds | - | - | 66,447 | 66,447 | - | 66,447 | 66,447 |
| Redeemable preference shares | - | - | 157,142 | 157,142 | - | 157,142 | 157,142 |
| | - | 134,255,423 | 3,406,724 | 137,662,147 | 4,507,312 | 133,154,835 | 137,662,147 |

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27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Group | | | | | | |
|---|--------------------|---|--|--------------------|------------|--------------------|--------------------|
| | 2022 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised Cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets not measured at fair value | | | | | | | |
| Cash and cash equivalents | 15,154,402 | - | - | 15,154,402 | - | 15,154,402 | 15,154,402 |
| Interest receivable | 2,138,112 | - | - | 2,138,112 | - | 2,138,112 | 2,138,112 |
| Loans and notes receivable | 27,699,102 | - | - | 27,699,102 | - | 27,699,102 | 27,699,102 |
| Other receivables | 5,939,225 | - | - | 5,939,225 | - | 5,939,225 | 5,939,225 |
| Due from parent company | 4,090,882 | - | - | 4,090,882 | - | 4,090,882 | 4,090,882 |
| Securities purchased under agreements to resell | 87,934,524 | - | - | 87,934,524 | - | 87,934,524 | 87,934,524 |
| Certificates of Deposit | 720,570 | - | - | 720,570 | - | 720,570 | 720,570 |
| Foreign Government Securities | 801,441 | - | - | 801,441 | - | 1,019,103 | 1,019,103 |
| | 144,478,258 | - | - | 144,478,258 | - | 144,695,920 | 144,695,920 |
| Financial liabilities not measured at fair value | | | | | | | |
| Securities sold under agreements to repurchase | 233,172,167 | - | - | 233,172,167 | - | 233,172,167 | 233,172,167 |
| Notes payable | 12,110,590 | - | - | 12,110,590 | - | 12,110,590 | 12,110,590 |
| Redeemable preference shares | 20,883,423 | - | - | 20,883,423 | - | 20,883,423 | 20,883,423 |
| Lease liabilities | 148,644 | - | - | 148,644 | - | 148,644 | 148,644 |
| Interest payable | 1,771,126 | - | - | 1,771,126 | - | 1,771,126 | 1,771,126 |
| Other payables | 3,078,450 | - | - | 3,078,450 | - | 3,078,450 | 3,078,450 |
| | 271,164,400 | - | - | 271,164,400 | - | 271,164,400 | 271,164,400 |

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27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Group | | | | | | |
|--|-------------------|---|--|--------------------|------------------|--------------------|--------------------|
| | 2021 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised Cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets measured at fair value | | | | | | | |
| Government of Jamaica Securities | - | 54,588,108 | - | 54,588,108 | - | 54,588,108 | 54,588,108 |
| Certificates of Deposit | - | 20,873,966 | - | 20,873,966 | - | 20,873,966 | 20,873,966 |
| Corporate bonds | - | 44,789,695 | - | 44,789,695 | - | 44,789,695 | 44,789,695 |
| Foreign Government Securities | - | 11,014,725 | - | 11,014,725 | - | 11,014,725 | 11,014,725 |
| Ordinary shares quoted | - | 2,143,954 | 1,781,423 | 3,925,377 | 3,925,377 | - | 3,925,377 |
| Ordinary shares unquoted | - | 16,344 | 88,458 | 104,802 | - | 104,802 | 104,802 |
| Units in Unit Trusts | - | - | 515,894 | 515,894 | - | 515,894 | 515,894 |
| Money Market Funds | - | - | 67,289 | 67,289 | - | 67,289 | 67,289 |
| Redeemable preference shares | - | - | 250,000 | 250,000 | - | 250,000 | 250,000 |
| | - | 133,426,792 | 2,703,064 | 136,129,856 | 3,925,377 | 132,204,479 | 136,129,856 |

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(expressed in Jamaican dollars unless otherwise indicated)

27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Group | | | | | | | |
|---|--------------------|---|--|--------------------|------------|--------------------|--------------------|--|
| | 2021 | | | | | | | |
| | Carrying amount | | | | Fair value | | | |
| | Amortised Cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets not measured at fair value | | | | | | | | |
| Cash and cash equivalents | 15,629,482 | - | - | 15,629,482 | - | 15,629,482 | 15,629,482 | |
| Interest receivable | 1,862,896 | - | - | 1,862,896 | - | 1,862,896 | 1,862,896 | |
| Loans and notes receivable | 13,967,458 | - | - | 13,967,458 | - | 13,967,458 | 13,967,458 | |
| Other receivables | 2,134,265 | - | - | 2,134,265 | - | 2,134,265 | 2,134,265 | |
| Due from parent company | 13,783,924 | - | - | 13,783,924 | - | 13,783,924 | 13,783,924 | |
| Securities purchased under agreements to resell | 45,091,307 | - | - | 45,091,307 | - | 45,091,307 | 45,091,307 | |
| Certificates of Deposit | 255,668 | - | - | 255,668 | - | 255,668 | 255,668 | |
| Foreign Government Securities | 7,951,068 | - | - | 7,951,068 | - | 8,825,113 | 8,825,113 | |
| | 100,676,068 | - | - | 100,676,068 | - | 101,550,113 | 101,550,113 | |
| Financial liabilities not measured at fair value | | | | | | | | |
| Securities sold under agreements to repurchase | 178,862,034 | - | - | 178,862,034 | - | 178,862,034 | 178,862,034 | |
| Notes payable | 21,823,542 | - | - | 21,823,542 | - | 21,823,542 | 21,823,542 | |
| Redeemable preference shares | 14,116,815 | - | - | 14,116,815 | - | 14,116,815 | 14,116,815 | |
| Lease liabilities | 171,658 | - | - | 171,658 | - | 171,658 | 171,658 | |
| Interest payable | 1,070,696 | - | - | 1,070,696 | - | 1,070,696 | 1,070,696 | |
| Other payables | 2,039,216 | - | - | 2,039,216 | - | 2,039,216 | 2,039,216 | |
| | 218,083,961 | - | - | 218,083,961 | - | 218,083,961 | 218,083,961 | |

Jamaica Money Market Brokers Limited

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31 March 2022

(expressed in Jamaican dollars unless otherwise indicated)

27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Company | | | | | | |
|--|-----------------|---|--------------------------------------|--------------------|------------------|--------------------|--------------------|
| | 2022 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets measured at fair value | | | | | | | |
| Government of Jamaica Securities | - | 54,318,251 | - | 54,318,251 | - | 54,318,251 | 54,318,251 |
| Certificates of Deposit | - | 16,635,495 | - | 16,635,495 | - | 16,635,495 | 16,635,495 |
| Corporate bonds | - | 51,039,107 | - | 51,039,107 | - | 51,039,107 | 51,039,107 |
| Foreign Government Securities | - | 10,096,757 | - | 10,096,757 | - | 10,096,757 | 10,096,757 |
| Ordinary shares quoted | - | 1,977,090 | 903,663 | 2,880,753 | 2,880,753 | - | 2,880,753 |
| Ordinary shares unquoted | - | 33,970 | 93,750 | 127,720 | - | 127,720 | 127,720 |
| Units in Unit Trusts | - | - | 494,496 | 494,496 | - | 494,496 | 494,496 |
| Money Market Funds | - | - | 66,447 | 66,447 | - | 66,447 | 66,447 |
| | - | 134,100,670 | 1,558,356 | 135,659,026 | 2,850,753 | 132,778,273 | 135,659,026 |

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27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Company | | | | | | |
|---|--------------------|---|--------------------------------------|--------------------|------------|--------------------|--------------------|
| | 2022 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets not measured at fair value | | | | | | | |
| Cash and cash equivalents | 13,657,179 | - | - | 13,657,179 | - | 13,657,179 | 13,657,179 |
| Interest receivable | 2,136,901 | - | - | 2,136,901 | - | 2,136,901 | 2,136,901 |
| Loans and notes receivable | 27,187,565 | - | - | 27,187,565 | - | 27,187,565 | 27,187,565 |
| Other receivables | 8,103,382 | - | - | 8,103,382 | - | 8,103,382 | 8,103,382 |
| Due from parent company | 4,064,393 | - | - | 4,064,393 | - | 4,064,393 | 4,064,393 |
| Securities purchased under agreements to resell | 136,457,021 | - | - | 136,457,021 | - | 136,457,021 | 136,457,021 |
| Government of Jamaica Securities | 801,441 | - | - | 801,441 | - | 1,019,103 | 1,019,103 |
| | 192,407,882 | - | - | 192,407,882 | - | 192,625,544 | 192,625,544 |
| Financial liabilities not measured at fair value | | | | | | | |
| Securities sold under agreements to repurchase | 233,192,329 | - | - | 233,192,329 | - | 233,192,329 | 233,192,329 |
| Notes payable | 12,110,590 | - | - | 12,110,590 | - | 12,110,590 | 12,110,590 |
| Lease liabilities | 139,044 | - | - | 139,044 | - | 139,044 | 139,044 |
| Redeemable preference shares | 20,883,423 | - | - | 20,883,423 | - | 20,883,423 | 20,883,423 |
| Interest payable | 1,771,514 | - | - | 1,771,514 | - | 1,771,514 | 1,771,514 |
| Other payables | 1,971,530 | - | - | 1,971,530 | - | 1,971,530 | 1,971,530 |
| | 270,068,430 | - | - | 270,068,430 | - | 270,068,430 | 270,068,430 |

Jamaica Money Market Brokers Limited

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27. Financial Instruments - Fair Value (Continued)

(c) Accounting classifications and fair values (continued)

| | The Company | | | | | | |
|--|-----------------|---|--------------------------------------|--------------------|------------------|--------------------|--------------------|
| | 2021 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets measured at fair value | | | | | | | |
| Government of Jamaica Securities | - | 54,588,108 | - | 54,588,108 | - | 54,588,108 | 54,588,108 |
| Certificates of Deposit | - | 20,873,966 | - | 20,873,966 | - | 20,873,966 | 20,873,966 |
| Corporate bonds | - | 44,789,695 | - | 44,789,695 | - | 44,789,695 | 44,789,695 |
| Foreign Government Securities | - | 11,014,725 | - | 11,014,725 | - | 11,014,725 | 11,014,725 |
| Ordinary shares quoted | - | 1,945,723 | 707,710 | 2,653,433 | 2,653,433 | - | 2,653,433 |
| Ordinary shares unquoted | - | 16,344 | 88,458 | 104,802 | - | 104,802 | 104,802 |
| Units in Unit Trusts | - | - | 309,097 | 309,097 | - | 309,097 | 309,097 |
| Money Market Funds | - | - | 67,289 | 67,289 | - | 67,289 | 67,289 |
| | - | 133,228,561 | 1,172,554 | 134,401,115 | 2,653,433 | 131,747,682 | 134,401,115 |

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27. Financial Instruments - Fair Value (Continued)

(d) Accounting classifications and fair values (continued)

| | The Company | | | | | | |
|---|--------------------|---|--------------------------------------|--------------------|------------|--------------------|--------------------|
| | 2021 | | | | | | |
| | Carrying amount | | | | Fair value | | |
| | Amortised cost | Fair value through other comprehensive income | At fair value through profit or loss | Total | Level 1 | Level 2 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Financial assets not measured at fair value | | | | | | | |
| Cash and cash equivalents | 13,658,600 | - | - | 13,658,600 | - | 13,658,600 | 13,658,600 |
| Interest receivable | 1,862,521 | - | - | 1,862,521 | - | 1,862,521 | 1,862,521 |
| Loans and notes receivable | 12,931,781 | - | - | 12,931,781 | - | 12,931,781 | 12,931,781 |
| Other receivables | 4,604,155 | - | - | 4,604,155 | - | 4,604,155 | 4,604,155 |
| Due from parent company | 13,783,924 | - | - | 13,783,924 | - | 13,783,924 | 13,783,924 |
| Securities purchased under agreements to resell | 45,237,131 | - | - | 45,237,131 | - | 45,237,131 | 45,237,131 |
| Government of Jamaica Securities | 7,951,068 | - | - | 7,951,068 | - | 8,825,113 | 8,825,113 |
| | 100,029,180 | - | - | 100,029,180 | - | 100,903,225 | 100,903,225 |
| Financial liabilities not measured at fair value | | | | | | | |
| Securities sold under agreements to repurchase | 179,143,964 | - | - | 179,143,964 | - | 179,143,964 | 179,143,964 |
| Notes payable | 21,823,542 | - | - | 21,823,542 | - | 21,823,542 | 21,823,542 |
| Lease liabilities | 158,753 | - | - | 158,753 | - | 158,753 | 158,753 |
| Redeemable preference shares | 14,116,815 | - | - | 14,116,815 | - | 14,116,815 | 14,116,815 |
| Interest payable | 1,071,762 | - | - | 1,071,762 | - | 1,071,762 | 1,071,762 |
| Other payables | 1,382,406 | - | - | 1,382,406 | - | 1,382,406 | 1,382,406 |
| | 217,697,242 | - | - | 217,697,242 | - | 217,697,242 | 217,697,242 |

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28. Post-employment Benefits

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

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

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

The contributions for the year amounted to \$106,749,000 (2021: \$96,755,000) for the Group and \$95,781,000 (2021: \$87,001,000) for the Company.

29. Managed Funds

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. This includes some of the assets of the Group's pension scheme (Note 28). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested are not recognised on the statement of financial position.

At 31 March 2022, managed funds amounted to \$149,868,877,000 (2021: \$134,508,586,000) including assets of the Group's pension scheme, amounting to \$5,582,970,000 (2021: \$4,870,416,000). The financial statements include the following assets held in/(liabilities payable to) the managed funds:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| | \$'000 | \$'000 |
| Investments | 66,447 | 67,289 |
| Interest payable | (106,611) | (920) |
| Securities sold under agreements to repurchase | <u>(50,006,724)</u> | <u>(49,019,616)</u> |

30. Significant Accounting Policies

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

(a) Basis of consolidation

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

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30. Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued)

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

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

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

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

(i) Non-controlling interests

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

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

(ii) Loss of control

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

(b) Financial Instruments

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

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

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30. Significant Accounting Policies (Continued)

(b) Financial Instruments (continued)

(i) Initial recognition and measurement

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

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

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

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

(ii) Classification and subsequent remeasurement

Financial assets

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

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

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

(a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

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

(a) Debt instruments (continued)

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance, measured and recognised as described at note 30(b)(vii). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI).
- *Fair value through profit or loss*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

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

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

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

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

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(expressed in Jamaican dollars unless otherwise indicated)

30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

- (ii) Classification and subsequent remeasurement (continued):

Financial assets (continued)

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

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

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

- (b) Equity instruments

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

The Group subsequently measures all equity investments at fair value through profit or loss (FVTPL), except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Gains and losses on equity investments at FVTPL are included in the 'net income from financial assets at FVTPL' line in the statement of profit or loss.

Financial liabilities

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent remeasurement (continued):

Financial liabilities (continued)

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

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(iii) Derecognition of financial assets and financial liabilities

Financial assets:

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

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

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

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

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

Financial liabilities:

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

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

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

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

Financial liabilities (continued):

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

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

(iv) Modifications

Financial assets:

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

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

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

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

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

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(iv) Modifications (continued)

Financial liabilities:

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

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

(v) Measurement and gains and losses

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

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

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

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

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

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(v) Measurement and gains and losses (continued)

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

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

Specific financial instruments:

Cash and cash equivalents

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

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

Resale and repurchase agreements

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

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

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(v) Measurement and gains and losses (continued)

Specific financial instruments (continued):

Loans and notes receivable and other receivables

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

Account payable

Accounts payable are classified and measured at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings on an effective interest basis.

Embedded derivatives

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

(vi) Offsetting

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

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

(vii) Impairment

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

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

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

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

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

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

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

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

Restructured financial assets (continued)

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired.

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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30. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(vii) Impairment (continued)

Credit-impaired financial assets (continued)

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

- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

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

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30. Significant Accounting Policies (Continued)

(c) Property, plant and equipment

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

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

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

| | |
|---|--|
| Freehold buildings | 2½% - 5% |
| Leasehold improvements | The shorter of the estimated useful life and the period of the lease |
| Motor vehicles | 20% |
| Computer equipment | 20% - 25% |
| Other equipment, furniture and fittings | 10% - 20% |
| Right-of-use assets | The shorter of the asset's useful life and the lease term. |

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

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs meeting the criteria of IAS 38, are not capitalised but charged against profits in the year of expenditure. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at a minimum at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. Intangible assets with infinite useful lives are measured at cost less impairment losses. They are assessed for impairment at least annually.

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30. Significant Accounting Policies (Continued)

(d) Intangible assets (continued)

(i) Computer software

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

(ii) Goodwill

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

(iii) Customer lists and core deposits

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

(iv) Licence

This represents the value of JMMB Securities Limited's seat on the Jamaica Stock Exchange, which has an indefinite useful life. It is tested for impairment annually, and whenever there is an indication that the asset is impaired, the carrying amount is reduced to the recoverable amount.

(v) Other intangibles

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

(e) Leases

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

As a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial lease payments, plus the amount of the lease liability at 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.

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30. Significant Accounting Policies (Continued)

(e) 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

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

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

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

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

Short-term leases

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

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30. Significant Accounting Policies (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

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

(g) Share capital

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

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

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

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30. Significant Accounting Policies (Continued)

(h) Taxation

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

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

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

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

(i) Impairment of non-financial assets

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

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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30. Significant Accounting Policies (Continued)

(j) Revenue recognition

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

(i) Interest income

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

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

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

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

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

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

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

(ii) Fees and commissions

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

Fee and commission income which includes account service, portfolio management and management advisory fees are recognised as the related services are performed.

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(j) Revenue recognition (continued)

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

(ii) Fees and commissions (continued)

Performance obligations and revenue recognition policies:

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:

| <i>Type of service</i> | <i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i> | <i>Revenue recognition under IFRS 15.</i> |
|---|---|---|
| Investment banking services | The Group provides investment banking related services, including execution of customers' transactions and maintenance of customers' investments records. Fees are charged when the transaction takes place and are based on fixed rates or a fixed percentage of the assets value. | Revenue from investment banking related services is recognised at the point in time when the service is provided. |
| Portfolio and asset management services | The Group provides portfolio and asset management services to customers. Fees are calculated based on a fixed percentage of the value of the assets and are charged at various time intervals based on the investment agreement but at no time period exceeding twelve months. | Revenue from portfolio and asset management services is recognised over time as the service is provided. |
| Capital market services | The Group provides capital market services including from debt issuances, equity issuance and merger and acquisition advisory services. Fees are charged when services has been successfully executed. | Revenue is recognised at the point in time when the transaction has been successfully executed. |

(iii) Dividends

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

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(k) Employee benefits

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

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

Pensions are the Group's only post-employment benefit. Pension fund costs included in Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 28). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged as expense when due.

(l) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker.

The Group's reportable segments are its strategic business units and are based on the Group's management and internal reporting structure. At this time there are no material reportable segments into which the Group's business may be broken down, other than as disclosed in these financial statements.

The Group's operations are located mainly in Jamaica, based on the geographical location of its clients.

(m) Interest expense

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

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

The 'amortised cost' of a financial liability is the amount at which the 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.

The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

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Notes to the Financial Statements

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30. Significant Accounting Policies (Continued)

(n) Borrowings

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

(o) Investment properties

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

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

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 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, the standard requires that a right to defer settlement must have substance and exist at the end of the reporting period. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting date. It has now been clarified that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the reporting date, 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 an entity 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 entity's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that an entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group does not expect the amendments to have a significant impact on its 2024 financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards and are effective for annual periods beginning on or after 1 January 2022. Those that affect the company's operations are IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.
 - 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.
 - IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

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

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

30. Significant Accounting Policies (Continued)

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

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help entities provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring entities to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The Group is assessing the impact that the amendment will have on its 2024 financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after 1 January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Group is assessing the impact that the amendment will have on its 2024 financial statements.

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

30. Significant Accounting Policies (Continued)

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

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group is assessing the impact that the amendment will have on its 2024 financial statements.

