Jamaica Money Market Brokers Limited

Financial Statements
31 March 2013

Jamaica Money Market Brokers Limited
Index
31 March 2013

Page

Independent Auditors' Report to the Members

Financial Statements

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Financial Statements

We have audited the 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 3 to 88, which comprise the group and company statements of financial position as at 31 March 2013, and the group and company profit and loss accounts, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as of 31 March 2013, and of the group's and company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

May 30, 2013

Jamaica Money Market Brokers Limited

Consolidated Profit and Loss Account

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Net Interest Income and Other Revenue			
Interest income	5	11,251,553	9,165,585
Interest expense	5	(6,603,857)	(5,626,237)
Net interest income		4,647,696	3,539,348
Fee and commission income		247,312	225,291
Gains on securities trading, net		1,692,224	2,042,260
Loss on GOJ's National Debt Exchange	6	(754,272)	-
Fees earned from managing funds on behalf of clients		88,329	39,527
Foreign exchange margins from cambio trading		322,027	141,053
Operating revenue net of interest expense		**6,243,316**	**5,987,479**
Other income			
Dividends		37,741	11,413
Other		34,000	-
Gain/(loss) on sale of property, plant and equipment		1,795	(430)
		6,316,852	**5,998,462**
Operating Expenses			
Staff costs	7	(2,256,177)	(1,724,133)
Other expenses	9	(2,360,448)	(1,490,570)
		(4,616,625)	(3,214,703)
Operating Profit		**1,700,227**	**2,783,759**
Impairment loss on financial assets	8	(73,798)	-
Impairment loss on intangible assets	22	(107,000)	-
Gain on acquisition of subsidiaries	31	2,055,592	-
Share of profits of associated companies (net of tax)		72,354	30,258
Profit before Taxation		**3,647,375**	**2,814,017**
Taxation	10	209,488	(573,561)
Profit for the Year		**3,856,863**	**2,240,456**
Attributable to:			
Equity holders of the parent		3,739,058	2,216,808
Non-controlling interest		117,805	23,648
		3,856,863	**2,240,456**
Earning per stock unit	11	**$2.35**	**$1.51**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	2012 $'000
Profit for the Year	**3,856,863**	**2,240,456**
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale investments	1,629,269	(316,580)
Foreign exchange differences on translation of foreign subsidiaries	(93,819)	(31,196)
Total other comprehensive income, net of tax	1,535,450	(347,776)
Total comprehensive income for year, net of tax	**5,392,313**	**1,892,680**
Total comprehensive income attributable to:		
Equity holders of the parent	4,966,887	1,871,904
Non-controlling interest	425,426	20,776
	5,392,313	**1,892,680**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
ASSETS			
Cash and cash equivalents	13	5,831,430	4,157,234
Interest receivable		2,220,864	1,904,807
Income tax recoverable		1,832,210	1,423,097
Loans and notes receivable	14	10,227,126	3,375,627
Other receivables	15	868,172	833,746
Securities purchased under agreements to resell	16	3,890,913	2,553,739
Investment securities	17	138,412,944	108,153,801
Membership shares	18	50,520	19,520
Investment properties	20	457,591	457,591
Interest in associated companies	21	808,306	665,737
Intangible assets	22	472,522	86,090
Property, plant and equipment	23	1,296,136	1,102,948
Deferred income tax assets	24	447,951	2,617
Customers' liability acceptances, guarantees and letters of credit, as per contra		44,276	-
		166,860,961	124,736,554

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position (Continued)

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
STOCKHOLDERS' EQUITY			
Share capital	25	1,850,279	365,847
Share premium		13,775	13,775
Retained earnings reserve	26 (a)	9,109,778	8,222,323
Investment revaluation reserve	26 (b)	1,724,253	402,605
Cumulative translation reserve	26(c)	(101,711)	(7,892)
Retained earnings		4,096,999	1,781,396
		16,693,373	10,778,054
Non-controlling interests		519,503	94,077
		17,212,876	10,872,131
LIABILITIES			
Customer deposits		7,567,380	-
Due to other banks		378,560	-
Loan participations	27	341,082	-
Securities sold under agreements to repurchase	28	135,907,311	107,591,924
Notes payable	29	-	470,688
Redeemable preference shares	25	2,759,346	2,759,346
Deferred income tax liabilities	24	536,698	752,393
Interest payable		1,193,398	937,521
Income tax payable		11,546	805,763
Other payables		908,488	546,788
Liabilities under acceptances, guarantees and letters of credit, as per contra		44,276	-
		149,648,085	113,864,423
		166,860,961	124,736,554

Approved for issue by the Board of Directors on 30 May 2013 and signed on its behalf by:

Noel A. Lyon Chairman

Keith P. Duncan Group Chief Executive Officer

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Retained Earnings Reserve $'000	Investment Revaluation Reserve $'000	Cumulative Translation Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total Attributable to Equity holders of the Parent $'000	Non-Controlling Interests $'000	Total $'000
Balances at 31 March 2011		**365,847**	**13,775**	**-**	**719,185**	**20,432**	**13,672**	**8,212,255**	**9,345,166**	**57,165**	**9,402,331**
Profit for the year		-	-	-	-	-	-	2,216,808	2,216,808	23,648	2,240,456
Other comprehensive income for year:											
Unrealised gains on available-for-sale securities		-	-	-	(316,580)	-	-	-	(316,580)	-	(316,580)
Foreign exchange differences on translation of foreign subsidiaries		-	-	-	-	(28,324)	-	-	(28,324)	(2,872)	(31,196)
Total other comprehensive income for year		-	-	-	(316,580)	(28,324)	-	-	(344,904)	(2,872)	(347,776)
Total comprehensive income for year		-	-	-	(316,580)	(28,324)	-	2,216,808	1,871,904	20,776	1,892,680
Transfer from retained earnings		-	-	8,222,323	-	-	-	(8,222,323)	-	-	-
Paid in capital		-	-	-	-	-	(13,672)	13,672	-	16,136	16,136
Dividends	12	-	-	-	-	-	-	(439,016)	(439,016)	-	(439,016)
Balances at 31 March 2012		**365,847**	**13,775**	**8,222,323**	**402,605**	**(7,892)**	**-**	**1,781,396**	**10,778,054**	**94,077**	**10,872,131**
Profit for the year		-	-	-	-	-	-	3,739,058	3,739,058	117,805	3,856,863
Other comprehensive income for year:											
Unrealised gains on available-for-sale securities		-	-	-	1,321,648	-	-	-	1,321,648	307,621	1,629,269
Foreign exchange differences on translation of foreign subsidiaries		-	-	-	-	(93,819)	-	-	(93,819)	-	(93,819)
Total other comprehensive income for year		-	-	-	1,321,648	(93,819)	-	-	1,227,829	307,621	1,535,450
Total comprehensive income for year		-	-	-	1,321,648	(93,819)	-	3,739,058	4,966,887	425,426	5,392,313
Issue of shares related to business combination	25	1,484,432	-	-	-	-	-	-	1,484,432	-	1,484,432
Transfer from retained earnings	26	-	-	887,455	-	-	-	(887,455)	-	-	-
Dividends	12	-	-	-	-	-	-	(536,000)	(536,000)	-	(536,000)
Balances at 31 March 2013		**1,850,279**	**13,775**	**9,109,778**	**1,724,253**	**(101,711)**	**-**	**4,096,999**	**16,693,373**	**519,503**	**17,212,876**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities			
Profit for the year		3,856,863	2,240,456
Adjustments for:			
Interest income	5	(11,251,553)	(9,165,585)
Interest expense	5	6,603,857	5,626,237
Income tax charge	10	(209,488)	573,561
Gain on acquisition of subsidiaries	31	(2,055,592)	-
Share of profits of associated companies		(72,354)	(30,258)
Provision for credit losses		-	156,926
Impairment of financial assets	8	73,798	-
Impairment of intangible assets	22	107,000	-
Amortisation of intangible assets	22	57,670	23,509
Depreciation of property, plant and equipment	23	120,363	89,196
(Gain)/loss on disposal of property, plant and equipment		(1,795)	430
Foreign currency translation gains		(503,579)	(21,944)
		(3,274,810)	(507,472)
Changes in operating assets and liabilities -			
Income tax recoverable, net		(316,471)	(509,865)
Notes receivable		(1,449,185)	(86,753)
Other receivables		878,398	1,306,246
Securities purchased under agreements to resell		(1,336,719)	(1,874,505)
Customer deposits		2,303,892	-
Due to other banks		(330,791)	-
Loan participations		(193,346)	-
Other payables		(57,007)	(50,109)
Securities sold under agreements to repurchase		10,086,754	10,523,658
		6,310,715	8,801,200
Interest received		11,458,722	9,020,908
Interest paid		(6,595,242)	(5,611,209)
Taxation paid		(863,718)	-
Net cash provided by operating activities (Page 9)		**10,310,477**	**12,210,899**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities (Page 8)		**10,310,477**	**12,210,899**
Cash Flows from Investing Activities			
Investment securities, net		(6,203,724)	(10,502,987)
Purchase of computer software	22	(54,662)	(31,811)
Purchase of property, plant and equipment	23	(261,710)	(214,118)
Proceeds from disposal of property, plant and equipment		9,405	12,971
Acquisition of subsidiaries, net of cash acquired		(1,505,921)	-
Net cash used in investing activities		**(8,016,612)**	**(10,735,945)**
Cash Flows from Financing Activities			
Repayment of redeemable preference shares		-	(165,648)
Notes payable		(470,688)	(153,185)
Dividends paid	12	(536,000)	(439,016)
Net cash used in financing activities		**(1,006,688)**	**(757,849)**
Effect of exchange rate changes on cash and cash equivalents		387,019	123,072
Net increase in cash and cash equivalents		1,674,196	840,177
Cash and cash equivalents at beginning of year		4,157,234	3,317,057
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**5,831,430**	**4,157,234**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Profit and Loss Account

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Net Interest Income and Other Revenue			
Interest income from securities	5	8,136,455	7,815,843
Interest expense	5	(4,902,279)	(4,681,174)
Net interest income		3,234,176	3,134,669
Fee and commission income		70,756	71,269
Gains on securities trading, net		701,969	1,430,045
Loss on GOJ's National Debt Exchange	6	(749,484)	-
Fees earned on managing funds on behalf of clients		47,837	37,454
Foreign exchange margins from cambio trading		223,427	141,053
Operating revenue net of interest expense		3,528,681	4,814,490
Other income			
Dividends		13,665	8,970
Other		64,612	-
(Loss)/gain on sale of property plant and equipment		(220)	870
		3,606,738	**4,824,330**
Operating Expenses			
Staff costs	7	(1,655,296)	(1,534,383)
Other expenses	9	(1,549,551)	(1,319,560)
		(3,204,847)	(2,853,943)
Profit before Taxation		**401,891**	**1,970,387**
Taxation	10	96,855	(535,802)
Profit for the Year		**498,746**	**1,434,585**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Comprehensive Income

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	2012 $'000
Profit for the Year	498,746	1,434,585
Other comprehensive income		
Unrealised losses on available-for-sale investments	(840,514)	(299,084)
Total comprehensive income for year, net of tax	(341,768)	1,135,501

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Financial Position

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
ASSETS			
Cash and cash equivalents	13	3,774,450	3,597,056
Interest receivable		1,281,833	1,372,383
Income tax recoverable		1,473,208	1,403,354
Loans and notes receivable	14	2,760,375	3,278,270
Other receivables	15	1,582,723	1,528,496
Securities purchased under agreements to resell	16	17,197,640	16,458,216
Investment securities	17	94,681,516	87,577,686
Interest in subsidiaries	19	6,200,949	1,175,490
Intangible assets	22	99,004	58,999
Property, plant and equipment	23	1,124,982	1,011,809
		130,176,680	117,461,759
STOCKHOLDERS' EQUITY			
Share capital	25	1,850,279	365,847
Share premium		13,775	13,775
Retained earnings reserve	26 (a)	9,109,778	8,222,323
Investment revaluation reserve	26 (b)	85,941	926,455
Retained earnings		2,538,022	3,462,731
		13,597,795	12,991,131
LIABILITIES			
Securities sold under agreements to repurchase	28	111,588,745	98,938,664
Notes payable	29	380,870	-
Redeemable preference shares	25	2,759,346	2,759,346
Deferred income tax liabilities	24	531,493	752,393
Interest payable		969,328	869,529
Income tax payable		-	791,637
Other payables		349,103	359,059
		116,578,885	104,470,628
		130,176,680	117,461,759

Approved for issue by the Board of Directors on 30 May 2013 and signed on its behalf by:

Noel A. Lyon Chairman

Keith P. Duncan Group Chief Executive Officer

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Changes in Stockholders' Equity

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Investment Revaluation Reserve $'000	Retained Earnings Reserve $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2011		**365,847**	**13,775**	**1,225,539**	**-**	**10,689,485**	**12,294,646**
Profit for year		-	-	-	-	1,434,585	1,434,585
Other comprehensive income for year:							
Unrealised gains on available-for-sale investments		-	-	(299,084)	-	-	(299,084)
Total comprehensive income for year		-	-	(299,084)	-	1,434,585	1,135,501
Transfer from retained earnings				-	8,222,323	(8,222,323)	-
Dividends	12	-	-	-	-	(439,016)	(439,016)
Balances at 31 March 2012		**365,847**	**13,775**	**926,455**	**8,222,323**	**3,462,731**	**12,991,131**
Profit for year		-	-	-	-	498,746	498,746
Other comprehensive income for year:							
Unrealised gains on available-for-sale investments		-	-	(840,514)	-	-	(840,514)
Total comprehensive income for year		-	-	(840,514)	-	498,746	(341,768)
Issue of shares related to business combination	31	1,484,432	-	-	-	-	1,484,432
Transfer from retained earnings	26	-	-	-	887,455	(887,455)	-
Dividends	12	-	-	-	-	(536,000)	(536,000)
Balances at 31 March 2013		**1,850,279**	**13,775**	**85,941**	**9,109,778**	**2,538,022**	**13,597,795**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Cash Flows

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities			
Profit for the year		498,746	1,434,585
Adjustments for:			
Interest income	5	(8,136,455)	(7,815,843)
Interest expense	5	4,902,279	4,681,174
Income tax charge	10	(96,855)	535,802
Provision for credit losses		34,967	111,842
Amortisation of intangible assets	22	14,657	23,500
Depreciation of property, plant and equipment	23	94,040	80,003
Losses/(gains) on disposal of property, plant and equipment		220	(870)
Foreign currency translation gains		-	(81,748)
		(2,688,401)	(1,031,555)
Changes in operating assets and liabilities -			
Income tax recoverable, net		(69,850)	(506,346)
Notes receivable		482,928	(474,362)
Other receivables		(54,231)	45,039
Other payables		(9,956)	129,722
Securities purchased under agreements to resell		(739,424)	47,896
Securities sold under agreements to repurchase		12,650,081	10,926,117
		9,571,147	9,136,511
Interest received		8,227,004	7,694,616
Interest paid		(4,802,480)	(4,664,331)
Taxation paid		(791,637)	-
Net cash provided by operating activities (Page 15)		**12,204,034**	**12,166,796**

Jamaica Money Market Brokers Limited

Statement of Cash Flows (Continued)

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities (Page 14)		**12,204,034**	**12,166,796**
Cash Flows from Investing Activities			
Investment securities, net		(8,472,125)	(10,593,989)
Interest in subsidiary		(3,160,156)	(10,000)
Purchase of computer software	22	(54,662)	(21,355)
Purchase of property, plant and equipment	23	(208,518)	(185,475)
Proceeds from disposal of property, plant and equipment		1,085	7,323
Net cash used in investing activities		**(11,894,376)**	**(10,803,496)**
Cash Flows from Financing Activities			
Repayment of redeemable preference shares		-	(165,648)
Notes payable		-	(74,128)
Dividends paid	12	(536,000)	(439,016)
Net cash used in financing activities		**(536,000)**	**(678,792)**
Effect of exchange rate changes on cash and cash equivalents		403,736	123,072
Net increase in cash and cash equivalents		177,394	807,580
Cash and cash equivalents at beginning of year		3,597,056	2,789,476
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**3,774,450**	**3,597,056**

The notes on pages 16 to 88 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

Jamaica Money Market Brokers Limited (the "company" or "JMMB") is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. It has eight (2012 – three) subsidiaries incorporated in Jamaica, and there are other subsidiaries incorporated outside of Jamaica. The operating subsidiaries are listed below. The company and its subsidiaries are collectively referred to as "Group"; the Group has interest in associated companies, as detailed below.

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

The principal activities of the company and its subsidiaries are securities brokering, securities trading, merchant banking, dealing in money market instruments, operating a foreign exchange cambio and managing funds on behalf of clients. Information on the subsidiaries and the associated companies is set out below:

Name of Subsidiary	**% Shareholding Held by Parent/Subsidiary**		**Country of Incorporation**	**Principal Activities**
	Parent	Subsidiary		
JMMB Securities Limited	100		Jamaica	Stock brokering
JMMB Insurance Brokers Limited	100		Jamaica	Insurance brokering
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiary and associated companies	100		Trinidad and Tobago	Investment holding company
JMMB Investments (Trinidad and Tobago) Limited		100	Trinidad and Tobago	Securities brokering
Intercommercial Bank Limited and its subsidiary, Intercommercial Trust and Merchant Bank Limited		50	Trinidad and Tobago	Commercial and Merchant Banking
JMMB International Limited and its subsidiaries	100		St. Lucia	Investment holding and management
JMMB Dominicana, SRL		100	Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa,S.A.		80	Dominican Republic	Securities brokering
JMMB Real Estate Holdings Limited	100		Jamaica	Real estate holding
Capital & Credit Financial Group Limited and its subsidiaries	100		Jamaica	Investment holding
Capital & Credit Remittance Limited		100	Jamaica	Funds transfer
Capital & Credit Holdings Inc.		100	United States of America	Investment holding
Capital & Credit Merchant Bank Limited		100	Jamaica	Merchant Banking
Capital & Credit Securities Limited	100		Jamaica	Investment holding
JMMB Fund Managers Limited, formerly Capital & Credit Fund Managers Limited	100		Jamaica	Fund management

1. Identification (Continued)

On 29 June 2012, the Company acquired 93.14% of the share capital of Capital & Credit Financial Group Limited (CCFG) and its subsidiaries. JMMB, pursuant to Section 209 (1) of the Companies Act 2004 of Jamaica, compulsorily acquired the remaining 6.86% shares, which was concluded on 11 August 2012 (Note 31).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant provisions of the Jamaican Companies Act. These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, as well as investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New, revised and amended standards and interpretations that became effective during the year that are relevant to the Group's operations:

Certain new, revised and amended standards and interpretations came into effect during the financial year under review. Other than as noted in the following paragraphs, they did not have any significant effect on the financial statements, and, based on the Group's current operations, are not expected to have any significant effect on the amounts and disclosures in the financial statements in the foreseeable future.

The Group adopted the amendment to IAS 12, *Income Taxes*, contained in Deferred Tax Recovery: of Underlying Assets. As a result, it changed its accounting policy for measuring deferred tax for investment property accounted for under the fair value model (see note 2(r)). The Group now measures deferred tax arising from investment property using the assumption that the carrying amount of the property will be recovered entirely through sale. Previously, the Group measured deferred tax for investment property using a blended rate approach that reflected the dual intention of sale and use.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New, revised and amended standards and interpretations that were issued but not yet effective and have not been early adopted by the Group

Certain new, revised and amended standards and interpretations have been published and management considers that the following may be relevant to the Group's operations when they become effective:

- IAS 1, *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IFRS7, *Financial Instruments: Disclosures*, has been amended by the issue of "Amendment to IFRS 7, *Disclosures – Transfer of Financial Assets"*, which is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2015 (previously January 1, 2013), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement,* on the recognition and de-recognition of financial assets and financial liabilities.

- IFRS 10, *Consolidated Financial Statements,* which is effective for annual reporting periods beginning on or after January 1, 2013, supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

- IFRS 11, *Joint Arrangements* and IAS 28, *Investments in Associates and Joint Ventures* (2011), which is effective for annual reporting periods beginning on or after January 1, 2013, removes from IAS 31, *Jointly Controlled Entities*, those cases which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. In addition, there is no longer a free choice of equity accounting or proportionate consolidation as it is now required that the equity method be used.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New, revised and amended standards and interpretations that were issued but not yet effective and have not been early adopted by the Group (continued)

- IFRS 12, *Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Group is assessing the impact, if any, that these new, revised and amended standards and interpretations will have on the financial statements when they become effective.

(b) Basis of consolidation

The consolidated financial statements combine the financial position, results of operations and cash flows of the company and its subsidiaries (Note 1), and the Group's interest in its associated companies, subject to the elimination described at Note 2 (b)(iii).

(i) Subsidiaries

Subsidiaries are all entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on the equity basis, from the date that significant influence commences until the date that influence ceases. When the Group's share of losses in an associate exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses and income and expenses arising from intra-group transaction are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the Group's interest.

(c) Financial instruments

General

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.

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, loans and notes receivable, other receivables, securities purchased under agreements to resell and investments securities. Financial liabilities comprises securities sold under agreements to repurchase, notes payable, redeemable preference shares and other payables. Information relating to fair values and financial instruments risks is summarized below.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of ownership of the assets. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by quoted market price, if one exists. Where quoted market prices are not available, the fair value of these instruments has been determined using a generally accepted alternative method. However, considerable judgement is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the Group would receive on realisation of its financial assets or pay to settle its financial liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial Instrument	**Method of estimating fair value**
Cash and cash equivalents, other receivables, resale agreements, accounts payable, repurchase agreements, Bank of Jamaica certificates of deposits	Considered to approximate their carrying values, due to their short-term nature
Quoted equities	Quoted market bid prices.
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 using JSDA yield curve.
Interest in money market fund	Considered to be the carrying value because of the short-term nature and variable interest rate.
Loans and notes receivable	Considered to be carrying value as the coupon rate, approximates the market rate.
Notes payable	Considered to be carrying value as the coupon rate approximates the market rate.

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(i) 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 carried 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.

(ii) Investments

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale and are carried at fair value except for unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes therein, other than impairment losses [Note 2(i)], and foreign exchange gains and losses on available-for-sale monetary items [see note 2(f)], are recognised in other comprehensive income and reflected in investment revaluation reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

The Group carries some investment securities at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term.

Loans and receivables are measured at amortised cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(iii) 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. 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.

(iv) Loans and notes receivable and other receivables

Loans and notes receivable and other receivables are stated at amortised cost less impairment provisions.

(v) Account payable

Accounts payable are stated at their amortised cost.

(vi) Interest-bearing borrowings

Interest-bearing borrowings [other than repos, which are described in Note 2(c) (iii)] are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs, with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(vii) 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.

2. Summary of Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

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

(e) Intangible assets

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

(i) Computer software

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

2. Summary of Significant Accounting Policies (Continued)

(e) Intangible assets (continued)

(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 excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

(iii) Customer lists

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

(iv) 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

(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 and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

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

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

2. Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation (continued)

(iii) Group companies

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

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

(g) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a 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 liability.

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

(h) Taxation

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

(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.

2. Summary of Significant Accounting Policies (Continued)

(h) Taxation (continued)

(ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Impairment

The carrying amounts of the Group's 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, the asset's recoverable amount is estimated at each reporting date. 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 the profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss account.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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.

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment (continued)

(ii) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss, but through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

(j) Membership share

Membership share is stated at cost less impairment provisions.

(k) Interest income and expense

Interest income and expense are recorded on the accrual basis. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. When financial assets become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount, which is the original effective interest rate of the instrument calculated at the acquisition or origination date.

(l) Employee benefits

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

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

Pensions are the Group's only post-employment benefit. Pension fund costs included in Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 32). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged off when due.

2. Summary of Significant Accounting Policies (Continued)

(m) Operating leases

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

(n) Segment reporting

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

(o) Fee and commission income

Fee and commission income are recognised on the accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(p) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated 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.

(q) Investment properties

Investment properties are held for rental yields and fair value gains and are not occupied by the Group. Investment properties are treated as a long-term investment and are carried at fair value, representing open market value determined annually by the directors or by independent valuers. Changes in fair values are recognised in profit or loss. Rental income from investment properties is recognised in profit and loss on a straight line basis over the tenor of the lease.

(r) Comparative information

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated to confirm their continuing appropriateness.

Use of estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets liabilities, contingent assets and continent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the area of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

Key sources of estimation uncertainty

(i) Allowance for losses

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from investments, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific counterparty of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes assumptions about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the work out strategy and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

(ii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the Group's financial instruments was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

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

Critical accounting judgements in applying the Group's accounting policies

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as ''trading'', the Group has determined that they meet the description of trading assets and liabilities set out in accounting policy 2 (c)(ii).
- In designating financial assets and liabilities at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 2(c)(ii).

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

4. Segment Reporting

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

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

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

iii) Other represents remittance and related services, insurance brokering, investment and real estate holding.

	The Group				
	Year ended 31 March 2013				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	11,466,343	1,350,817	103,549	-	12,920,709
Inter-segment revenue	475,566	20,844	-	(496,410)	-
Total segment revenue	11,941,909	1,371,661	103,549	(496,410)	12,920,709
Segment results	1,660,798	32,732	6,697	-	1,700,227
Impairment loss on financial assets					(73,798)
Impairment loss on intangible assets					(107,000)
Gain on acquisition of subsidiaries					2,055,592
Share of profit of associated companies					72,354
Profit before tax					3,647,375
Income tax expense					209,488
Profit for the year					3,856,863
Total segment assets	168,123,610	21,074,966	808,001	(23,145,616)	166,860,961
Total segment liabilities	150,141,331	16,348,736	744,242	(17,586,224)	149,648,085
Interest income	10,254,955	984,219	12,379	-	11,251,553
Interest expense	6,010,322	593,535	-	-	6,603,857
Operating expenses	3,795,223	724,550	96,852	-	4,616,625
Depreciation and amortisation	148,441	26,757	2,835	-	178,033
Capital expenditure	277,501	38,871	-	-	316,372

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

4. Segment Reporting (Continued)

	The Group				
	Year ended 31 March 2012				
	Financial & Related Services	Banking & Related Services	Other	Elimination s	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	11,538,791	-	85,908	-	11,624,699
Inter-segment revenue	456,984	-	7,783	(464,767)	-
Total segment revenue	11,995,775	-	93,691	(464,767)	11,624,699
Segment results	2,767,600	-	16,159	-	2,783,759
Share of profits of associated companies					30,258
Profit before tax					2,814,017
Income tax expense					(573,561)
Profit for the year					2,240,456
Total segment assets	141,326,995	-	806,787	(17,397,228)	124,736,554
Total segment liabilities	129,905,840	-	768,250	(16,809,668)	113,864,422
Interest income	9,155,991	-	9,594	-	9,165,585
Interest expense	5,626,237	-	-	-	5,626,237
Operating expenses	3,144,926	-	69,777	-	3,214,703
Depreciation and amortisation	111,052	-	1,653	-	112,705
Capital expenditure	245,925	-	-	-	245,925

5. Net Interest Income

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Interest income				
Cash and cash equivalents	18,027	13,352	13,353	12,668
Loans and notes receivable	682,393	344,946	345,785	333,810
Resale agreements	619,279	629,484	506,868	628,613
Investment securities	9,931,854	8,177,803	7,270,449	6,840,752
Total interest income	11,251,553	9,165,585	8,136,455	7,815,843
Interest expense				
Repurchase agreements	6,107,848	5,326,780	4,654,419	4,414,048
Notes payable	222,550	38,668	6,647	6,337
Loans payable	32,246	-	-	-
Redeemable preference shares	241,213	260,789	241,213	260,789
Total interest expense	6,603,857	5,626,237	4,902,279	4,681,174
Net interest income	4,647,696	3,539,348	3,234,176	3,134,669
Total interest income on financial assets not at fair value through profit or loss	11,251,553	9,165,585	8,136,455	7,815,843

6. Loss on GOJ's National Debt Exchange

The Group voluntarily participated in Government of Jamaica ("GOJ") National Debt Exchange ("NDX"). The par value of JA$ securities exchanged was $53.8 billion. The par value of US$ securities exchanged was US$53.6 million. The Group and company realised a one-time loss of J754.2 million and J$749.5 million, respectively.

7. Staff Costs

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Salaries and benefits, including profit-related pay	1,815,338	1,445,609	1,327,159	1,276,402
Statutory payroll contributions	150,597	106,580	119,683	101,206
Pension costs (Note 34)	52,349	40,974	40,523	36,211
Training and development	32,408	33,783	30,937	24,740
Staff welfare	205,485	97,187	136,994	95,824
	2,256,177	1,724,133	1,655,296	1,534,383

8. Impairment Loss on Financial Assets

The impairment charge was for a provision on certain of the Group's investments in its equity and corporate bond portfolios.

9. Operating Expenses

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Marketing, corporate affairs and donation	315,840	244,160	278,689	224,419
Bad debts, less recoveries	34,967	75,842	34,967	75,842
Depreciation and amortisation	178,033	112,705	108,697	103,503
Directors' fees	35,691	32,319	31,481	28,670
Irrecoverable - GCT	164,781	99,139	137,504	98,947
Insurance	51,606	30,232	32,438	25,940
Auditors' remuneration	30,826	19,100	12,600	10,400
Asset tax	168,850	-	153,050	-
Information technology	178,176	110,909	134,629	110,855
Legal and other professional fees	298,565	286,311	200,709	244,371
Repairs and maintenance	69,777	55,192	65,482	52,839
Loan loss, less recoveries	269,063	81,084	-	36,000
Security	63,714	46,746	63,611	46,660
Stationery, printing and postage	82,602	85,467	80,438	82,710
Utilities	102,806	94,236	94,588	87,609
Bank charges and interest	121,726	80,485	87,721	76,022
Other	193,425	36,643	32,947	14,773
	2,360,448	1,490,570	1,549,551	1,319,560

10. Taxation

(a) Income tax for the company and the subsidiaries incorporated in Jamaica is computed on the profit for the year, adjusted for tax purposes, at 33⅓%. Income taxes for other subsidiaries are based on statutory income tax rates prevailing in each jurisdiction:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
1% tax on assets	-	2,567	-	-
Current income tax	69,501	810,600	-	791,637
Deferred income tax (Note 24)	(278,989)	(239,606)	(96,855)	(255,835)
	(209,488)	573,561	(96,855)	535,802

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33⅓% as follows:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Profit before taxation	3,647,375	2,814,017	401,891	1,970,387
Tax calculated at 33⅓%	1,215,792	938,006	133,964	656,796
Adjusted for the effects of:				
Income not subject to tax	(1,216,354)	(156,690)	(316,102)	(156,690)
Disallowed expenses	139,569	33,782	85,283	33,775
Effect of lower tax rate on associated companies share of profits	(19,484)	(9,861)	-	-
Tax losses not recognized	19,267	(4,518)	-	-
Effect of taxation under different tax regime	(345,318)	(229,079)	-	-
Adjustment to prior year estimate	(2,960)	1,921	-	1,921
	(209,488)	573,561	(96,855)	535,802

(c) At the reporting date, taxation losses, subject to agreement with the relevant Tax Authorities, available for set off against future taxable profits, amounted to approximately $4,121,099,000 (2012: $2,910,678,000) for the Group and $1,072,487,000 (2012: $Nil) for the company.

11. Earnings per Stock Unit

Earning per stock unit (‘’ EPS’’) is computed by dividing the profit attributable to stockholders of the parent of $3,739,058,000 (2012: $2,216,808,000) by the weighted average number of ordinary stock units in issue during the year, numbering 1,588,761,066 (2012: 1,463,386,752).

12. Dividends

	The Group and The Company	
	2013	2012
	$'000	$'000
Final dividend in respect of 2012 @ 11.0 cents (2011: 10.0) cents per stock unit	160,973	146,339
Interim dividend in respect of 2013 @ 13.0 cents (2012: 12.0) cents per stock unit	211,972	175,606
Special dividend in respect of 2013 @ 11.0 cents (2012: 8.0) cents per stock unit	-	117,071
Final dividend in respect of 2013 @ 10.0 cents	163,055	-
	536,000	439,016

13. Cash and Cash Equivalents

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash	5,426,635	3,815,420	3,409,234	3,255,342
Cash equivalents	404,795	341,814	365,216	341,714
	5,831,430	4,157,234	3,774,450	3,597,056

Cash equivalents of the Group and company include $364,936,000 (2012: $341,714,000) held by an investment broker as security for funding provided on certain investment securities and is not available for immediate use. In addition, the Group also has a restricted amount of $7,533,009 (2012: $7,425,412) deposited at an interest rate of 2.5% (2012: 2.5%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the Group for its employees.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

14. Loans and Notes Receivable

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	5,611,519	1,102,331	108,521	957,172
Financial institutions	3,563	-	-	-
Individuals	5,133,694	2,393,289	2,669,599	2,357,649
	10,748,776	3,495,620	2,778,120	3,314,821
Less: provision for impairment	(521,650)	(119,993)	(17,745)	(36,551)
	10,227,126	3,375,627	2,760,375	3,278,270

Provision for impairment

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	119,993	148,556	36,551	66,522
Provision acquired	628,020	-	-	-
Charge for year	269,063	81,084	-	36,000
Recoveries/write-off	(495,426)	(109,647)	(18,806)	(65,971)
Balance at 31 March	521,650	119,993	17,745	36,551

Notes receivable include an interest-free revolving advance of $344,036,605 (2012: $394,036,605) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not yet been fixed. The number of shares held by the ESOP at 31 March 2013 was 164,726,375 (2012: 171,336,702).

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

15. Other Receivables

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Receivables from related parties	-	-	1,078,611	1,083,942
Other receivables	637,056	1,421,705	270,924	1,042,011
Due from managed funds	-	61,895	-	52,397
Staff loans	236,370	175,965	236,370	175,965
	873,426	1,659,565	1,585,905	2,354,315
Less: provision for impairment	(5,254)	(825,819)	(3,182)	(825,819)
	868,172	833,746	1,582,723	1,528,496

Provision for impairment

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	825,819	1,042,480	825,819	1,042,480
Charge for year	34,967	75,842	34,967	75,842
Recoveries/write-off	(855,532)	(292,503)	(857,604)	(292,503)
Balance at 31 March	5,254	825,819	3,182	825,819

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

16. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Jamaica dollars	1,815,662	126,050	1,615,000	-
Denominated in United States dollars	2,075,251	2,427,689	14,916,330	15,142,308
Denominated in Euro	-	-	-	649,608
Denominated in Dominican Republic Pesos	-	-	666,310	666,300
	3,890,913	2,553,739	17,197,640	16,458,216

Resale agreements include balances with related parties as set out in Note 30. All resale agreements mature within twelve months after the reporting date.

The securities that the Group obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (Note 28).

At the reporting date, the fair value of the securities obtained and held under resale agreements was $3,833,851,000 (2012: $2,885,611,000) and $17,403,868,000 (2012: $16,983,846,000) for the Group and company, respectively.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

17. Investments

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables				
Certificates of deposit	-	6,797,628	-	6,730,645
Government of Jamaica securities	20,642,824	19,940,999	16,382,458	14,978,302
Sovereign	174,144	268,500	174,144	268,500
Corporate				
Government of Jamaica guaranteed	10,610,080	8,536,912	6,485,450	4,688,500
Other	5,724	407,101	-	4,252
	31,432,772	35,951,140	23,042,052	26,670,199
Available-for-sale securities:				
Government of Jamaica securities	71,074,327	52,641,331	61,960,163	52,641,331
Certificates of deposit	800,206	-	400,000	-
US Treasury Bills	442,382	-	-	-
Corporate bonds	16,410,000	11,902,243	8,451,049	7,772,202
Sovereign bonds	17,432,947	7,185,031	100,588	118,862
Quoted equities	125,191	221,432	54,321	139,256
Units in unit trusts	32,588	47,749	17,682	47,749
Money Market Funds	511,405	220,529	511,405	220,529
Other	17,442	16,788	-	-
	106,846,488	72,235,103	71,495,208	60,939,929
Faire value through profit and loss				
Corporate bonds	74,803	-	74,803	-
Sovereign bonds	69,452	-	69,453	-
Quoted equities	33,482	-	-	-
Unquoted equities	12,956	-	-	-
	190,693	-	144,256	-
	138,469,953	108,186,243	94,681,516	87,610,128
Less: provision for impairment losses	(57,009)	(32,442)	-	(32,442)
	138,412,944	108,153,801	94,681,516	87,577,686

17. Investments (Continued)

Provision for impairment

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Balance as 1 April	32,442	32,442	32,442	32,442
Written off/recovered	(32,442)	-	(32,442)	-
Charge for the year	57,009	-	-	-
Balance as 31 March	57,009	32,442	-	32,442

Investments mature, from the reporting date, as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities				
Within 3 months	2,500	-	2,500	-
From 3 months to 1 year	3,534,818	10,004,025	3,659,462	8,832,003
From 1 year to 5 years	26,397,799	22,172,595	24,369,048	21,628,943
Over 5 years	61,782,037	40,405,710	50,311,613	37,158,688
	91,717,154	72,582,330	78,342,623	67,619,634
Certificates of deposit				
Within 3 months	800,206	6,797,628	400,000	6,730,645
US Treasury Bills				
Within 3 months	442,382	-	-	-
Sovereign bonds and corporate bonds:				
Within 3 months	71,386	733,486	-	-
From 3 months to 1 year	2,025,422	233,852	2,463	-
From 1 year to 5 years	8,438,113	7,329,936	1,655,957	1,521,189
Over 5 years	34,180,396	20,002,512	13,697,065	11,331,126
	44,715,317	28,299,786	15,355,485	12,852,315
Other [see (c) below]	737,885	474,057	583,408	375,092
	138,412,944	108,153,801	94,681,516	87,577,686

(a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (Note 28) and notes payable (Note 29).

(b) Government of Jamaica securities having an aggregate face value of $165,000,000 (2012: $275,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

17. Investments (Continued)

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

18. Membership Shares

This represents two qualifying shares held in the Jamaica Stock Exchange Limited ("JSE"). The qualifying share entitle each of JMMB Securities Limited and Capital & Credit Securities Limited to operate as a broker/dealer and be a member of the Council of the JSE. Under the JSE's constitution, its members are not entitled to dividends from JSE, and are not entitled to its residual assets or the assets of the Compensation Fund, upon a winding up or liquidation, as the assets would be required to be used for development of the securities market in Jamaica.

19. Interest in Subsidiaries

	The Company	
	2013	**2012**
	$'000	**$'000**
JMMB Securities Limited		
Shares, at cost – equity	26,050	26,050
– preference	79,000	79,000
	105,050	105,050
JMMB Insurance Brokers Limited		
Shares, at cost - equity	125,000	125,000
Loan	10,000	10,000
	135,000	135,000
Jamaica Money Market Brokers (Trinidad and Tobago) Limited		
Shares, at cost – equity	-	-
Loan	336,765	336,765
	336,765	336,765
JMMB International Limited		
Shares, at cost – equity	500,000	500,000
JMMB Real Estate Holdings Limited		
Shares, at cost – equity	1	1
JMMB Holdings Limited		
Shares, at cost - equity	9	9
Loan	98,665	98,665
	98,674	98,674
Balance carried forward to page 44	**1,175,490**	**1,175,490**

19. Interest in Subsidiaries (Continued)

	The Company	
	2013	**2012**
	$'000	**$'000**
Balance brought forward from page 43	**1,175,490**	**1,175,490**
Capital and Credit Financial Group Limited		
Shares, at cost - equity	4,644,589	-
Capital and Credit Securities Limited		
Shares, at cost - equity	126,315	-
JMMB Fund Managers Limited		
Shares, at cost - equity	254,555	-
	6,200,949	**1,175,490**

20. Investment Properties

	The Group	
	2013	**2012**
	$'000	**$'000**
Balance at beginning of year	457,591	457,591
Asset acquired at fair value	70,370	-
Disposed of during year	(70,370)	-
Balance at end of year	457,591	457,591

The properties are stated at fair value, as appraised by professional, independent valuers. Investment properties generated revenue of $5,289,867 (2012: $2,268,100) and expenses of $18,777,357 (2012: $1,486,359) for the year.

21. Interest in Associated Companies

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Shares, at cost	331,042	331,042	-	-
Share of post-acquisition profits	340,133	267,779	-	-
Share of investment revaluation reserve	(25,837)	(26,033)	-	-
Cumulative translation reserve	162,968	92,949	-	-
	808,306	665,737	-	-

The summarized financial information for the associates is as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Assets	23,792,542	16,530,296	-	-
Liabilities	22,124,286	15,195,667	-	-
Revenue	1,187,960	912,225	-	-
Profit	144,734	60,503	-	-

Jamaica Money Market Brokers Limited
Notes to the Financial Statements
31 March 2013
(expressed in Jamaican dollars unless otherwise indicated)

22. Intangible Assets

	Group				
	Other	Customer List	Computer Software	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 31 March 2011	-	-	387,580	16,744	404,324
Additions	-	10,456	21,355	-	31,811
At 31 March 2012	-	10,456	408,935	16,744	436,135
Acquired in business combination (Note 31)	174,000	305,000	16,456	-	495,456
Additions	-	-	54,662	-	54,662
Exchange rate adjustment	-	-	984	-	984
At 31 March 2013	174,000	315,456	481,037	16,744	987,237
Accumulated Amortisation					
At 31 March 2011	-	-	326,536	-	326,536
Charge for the year	-	-	23,509	-	23,509
At 31 March 2012	-	-	350,045	-	350,045
Impairment charge	107,000	-	-	-	107,000
Charge for the year	-	26,557	31,113	-	57,670
At 31 March 2013	107,000	26,557	381,158	-	514,715
Net Book Value					
31 March 2013	67,000	288,899	99,879	16,744	472,522
31 March 2012	-	10,456	58,890	16,744	86,090
31 March 2011	-	-	61,044	16,744	77,788

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

22. Intangible Assets (Continued)

	Company	
	Computer Software	**Total**
	$'000	**$'000**
Cost		
At 31 March 2011	361,241	361,241
Additions	21,355	21,355
At 31 March 2012	382,596	382,596
Additions	54,662	54,662
At 31 March 2013	437,258	437,258
Accumulated Amortisation		
At 31 March 2011	300,097	300,097
Charge for the year	23,500	23,500
At 31 March 2012	323,597	323,597
Charge for the year	14,657	14,657
At 31 March 2013	338,254	338,254
Net Book Value		
31 March 2013	99,004	99,004
31 March 2012	58,999	58,999
31 March 2011	61,144	61,144

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

23. 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
				The Group		
Cost						
At 31 March 2011	818,540	94,552	34,581	310,099	290,872	1,548,644
Additions	48,911	18,183	11,865	95,674	39,485	214,118
Disposals	(7,288)	-	(7,543)	-	-	(14,831)
At 31 March 2012	860,163	112,735	38,903	405,773	330,357	1,747,931
Acquisition of subsidiaries (Note 31)	19,026	7,340	1,528	1,461	30,093	59,448
Additions	23,713	40,173	14,645	95,154	88,025	261,710
Disposals	-	-	(13,459)	(12,580)	(723)	(26,762)
At 31 March 2013	902,902	160,248	41,617	489,808	447,752	2,042,327
Accumulated Depreciation						
At 31 March 2011	59,344	69,847	12,980	268,161	146,885	557,217
Charge for the year	13,650	7,426	6,654	35,746	25,720	89,196
Disposals	(835)	-	(298)	-	-	(1,133)
Adjustment	-	(2)	(12)	(202)	(81)	(297)
At 31 March 2012	72,159	77,271	19,324	303,705	172,524	644,983
Charge for the year	14,185	12,436	7,350	47,104	39,288	120,363
Disposals	-	-	(8,579)	(10,667)	-	(19,246)
Exchange adjustment	-	17	4	48	22	91
At 31 March 2013	86,344	89,724	18,099	340,190	211,834	746,191
Net Book Value						
At 31 March 2013	816,558	70,524	23,518	149,618	235,918	1,296,136
At 31 March 2012	788,004	35,464	19,579	102,068	157,833	1,102,948
At 31 March 2011	759,196	24,705	21,601	41,938	143,987	991,427

Jamaica Money Market Brokers Limited
Notes to the Financial Statements
31 March 2013
(expressed in Jamaican dollars unless otherwise indicated)

23. Property, Plant and Equipment (Continued)

The Company

	Freehold Land and Buildings	Leasehold Improvements	Motor Vehicles	Computer Equipment	Equipment, Furniture and Fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 31 March 2011	763,084	73,858	30,586	305,507	274,708	1,447,743
Additions	48,911	3,598	2,020	93,195	37,751	185,475
Disposals	(7,288)	-	-	-	-	(7,288)
At 31 March 2012	804,707	77,456	32,606	398,702	312,459	1,625,930
Additions	33,334	21,379	5,855	89,439	58,511	208,518
Transfer from work in progress	(9,621)	2,178	-	-	7,443	-
Disposals	-	-	-	(11,585)	-	(11,585)
At 31 March 2013	828,420	101,013	38,461	476,556	378,413	1,822,863
Accumulated Depreciation						
At 31 March 2011	59,344	69,590	12,206	253,898	139,915	534,953
Charge for the year	12,264	2,725	6,070	34,545	24,399	80,003
Disposals	(835)	-	-	-	-	(835)
At 31 March 2012	70,773	72,315	18,276	288,443	164,314	614,121
Charge for the year	12,417	3,551	5,127	45,363	27,582	94,040
Disposals	-	-	-	(10,280)	-	(10,280)
At 31 March 2013	83,190	75,866	23,403	323,526	191,896	697,881
Net Book Value						
At 31 March 2013	745,230	25,147	15,058	153,030	186,517	1,124,982
At 31 March 2012	733,934	5,141	14,330	110,259	148,145	1,011,809
At 31 March 2011	703,740	4,268	18,380	51,609	134,793	912,790

24. 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 on either the taxable entity or a different taxable entity where there is an intention to settle the balances on the net basis.

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓% as deferred tax is currently applicable only to the jurisdiction that apply this rate.

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

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred income tax assets	447,951	2,617	-	-
Deferred income tax liabilities	(536,698)	(752,393)	(531,493)	(752,393)
Net deferred income tax liabilities	(88,747)	(749,776)	(531,493)	(752,393)

Jamaica Money Market Brokers Limited
Notes to the Financial Statements
31 March 2013
(expressed in Jamaican dollars unless otherwise indicated)

24. Deferred Income Taxes (Continued)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year - liabilities	(749,776)	(1,139,447)	(752,393)	(1,157,747)
Deferred tax acquired on acquisition	211,218	-	-	-
Credited to profit or loss (Note 10)	278,989	239,606	96,855	255,835
Charged to other comprehensive income	170,822	150,065	124,045	149,519
Balance at end of year - liabilities	(88,747)	(749,776)	(531,493)	(752,393)

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

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Investments	778,677	3,459	464,712	-
Other payables	10,811	5,295	7,450	5,280
Property, plant and equipment	51	-	-	-
Accounts receivable	-	226,682	-	226,682
Interest payable	363,874	289,814	323,077	289,814
Tax losses carried forward	564,982	-	357,460	-
	1,718,395	525,250	1,152,699	521,776
Deferred income tax liabilities -				
Investments	35,677	14,980	-	14,980
Unrealised foreign exchange gains	1,275,021	802,104	1,270,025	801,586
Property, plant and equipment	29,805	30,004	22,439	30,017
Interest receivable	466,639	427,938	391,728	427,586
	1,807,142	1,275,026	1,684,192	1,274,169
Net deferred income tax liabilities	(88,747)	(749,776)	(531,493)	(752,393)

25. Share Capital

	2013	2012
	Number of stock units 000	**Number of stock units 000**
Authorised:		
Ordinary stock units of no par value	1,816,400	1,816,400
8.75% cumulative redeemable preference shares of no par value	889,073	889,073
8.5% cumulative redeemable preference shares of no par value	26,322	26,322
	2,731,795	2,731,795

	2013	2012
	Number of stock units 000	**Number of stock units 000**
Issued ordinary share capital:		
Ordinary stock units in issue at 1 April 2012	1,463,386	1,463,386
Ordinary stock units issued in consideration for 100% equity in CCFG (Note 31)	167,166	-
Ordinary stock units in issue at 31 March 2013	1,630,552	1,463,386

	2013	2012
	$'000	**$'000**
Stated capital:		
1,630,552,530 (2012: 1,463,386,752) ordinary stock units	1,850,279	365,847
889,073,000 8.75% cumulative redeemable preference stock units	2,667,219	2,667,219
26,322,000 8.5% cumulative redeemable preference stock units	92,127	92,127
	4,609,625	3,125,193
Less redeemable preference stock units required by IFRS to be accounted for as liabilities in the financial statements	(2,759,346)	(2,759,346)
	1,850,279	365,847

By ordinary resolution of the Board of Directors dated 19 June 2012, 155,691,624, ordinary shares were issued as part payment of the acquisition of Capital & Credit Financial Group Limited, See Note 31. These shares ranked pari passu with existing ordinary shares.

By ordinary resolution of the Board of Directors dated 19 June 2012, 11,474,154, ordinary shares were issued on 11 August 2012, as part payment for the acquisition of the minority shareholding in Capital & Credit Financial Group Limited. These shares ranked pari passu with existing ordinary shares.

25. Share Capital (Continued)

The holders of ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General meetings of the company.

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

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

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

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

26. Reserves

(a) Retained Earnings Reserve
In accordance with a board resolution, the company transferred 7% of its total assets to non-distributable retained earnings reserve. This reserve constitutes a part of the company's capital base in determining the capital adequacy ratio.

(b) Investment Revaluation Reserve
The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired

(c) Cumulative Translation Reserve
The cumulative translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

27. Loan Participations

	The Group	
	2013 $'000	**2012 $'000**
Personal	56,948	-
Financial institutions	8,934	-
Commercial and business enterprises	275,200	-
	341,082	-

28. Securities Sold Under Agreements to Repurchase

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	47,778,362	42,512,545	47,144,268	42,745,182
Denominated in United States dollars	74,018,096	56,967,419	61,326,137	53,086,638
Denominated in Pound Sterling	2,455,361	2,130,199	2,455,361	2,130,199
Denominated in Euro	218,150	718,690	218,150	597,721
Denominated in Dominican Republic Peso	10,992,513	4,884,147	-	-
Denominated in Canadian dollars	444,829	378,924	444,829	378,924
	135,907,311	107,591,924	111,588,745	98,938,664

Repurchase agreements are collateralised by certain securities and other instruments held by the Group and the company with a carrying value of $142,669,651,000 (2012 $111,578,994,000) and $113,470,677,000 (2012: $105,348,219,000), respectively, (Notes 13, 16 and 17).

Repurchase agreements include balances with related parties as set out in Note 30. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (Note 16).

29. Notes Payable

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(i) Capital and Credit Merchant Bank Limited 7% promissory note	-	-	305,406	-
(ii) Capital and Credit Financial Group Limited 7% promissory note	-	-	75,464	-
(iii) 7% US$4,068,000 promissory note	-	354,323	-	-
(iv) 6.75% US$1,336,000 promissory note	-	116,365	-	-
	-	470,688	380,870	-

(i) This promissory note is secured by real estate (note 23) bears interest at 7% per annum for the first three months and 8.5% thereafter. The note is repayable 31 December 2015.

(ii) This promissory note is unsecured, bears interest at 7% per annum and repayable 30 August 2013.

(iii) This note is unsecured and the entire amount is repayable on 4 March 2013. Interest is paid semi-annually at a fixed rate of 7% per annum. The note was repaid during the financial year.

29. Notes Payable (Continued)

(iv) This note is unsecured and the entire amount is repayable on 31 March 2013. Interest is paid semi-annually at a fixed rate of 6.75% per annum. The note was repaid during the financial year

30. 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 ultimate parent company, parent company, fellow subsidiaries and associated companies. Related parties include directors, key management and companies for which the Group 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Directors-				
Notes receivable	76,995	13,940	7,336	13,940
Interest payable	(1,073)	(679)	(1,073)	(679)
Repurchase agreements	(146,103)	(121,826)	(146,103)	(121,826)
Major shareholders -				
Notes receivable	436,480	481,137	436,480	481,137
Interest payable	(160)	(625)	(160)	(625)
Repurchase agreements	(56,019)	(84,031)	(56,019)	(84,031)
Subsidiaries -				
Resale agreements	-	-	15,976,719	14,775,880
Interest receivable	-	-	15,159	10,993
Notes payable	-	-	(380,870)	-
Interest payable	-	-	(7,337)	-
Key management employees				
Loans receivable	-	22,853	-	22,853

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

30. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Directors-				
Interest income	2,371	2,346	1,412	2,346
Interest expense	(6,021)	(8,615)	(6,021)	(8,615)
Major Shareholders -				
Interest income	6,870	10,869	6,870	10,869
Interest expense	(1,507)	(3,789)	(1,507)	(3,789)
Subsidiaries -				
Interest income	-	-	518,857	611,585
Interest expense	-	-	(15,148)	-
Managed funds				
Gain on sale of securities	426,846	405,565	426,846	405,565

(iii) Key management compensation includes payments to directors, senior management of the company and company secretary. The compensation paid or payable to key management for employee services is as shown below:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Short-term employee benefits including directors fees	186,637	200,051	175,855	190,469
Post-employment benefits	7,754	7,068	7,754	7,068
	194,391	207,119	183,609	197,537

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

31. Business Combinations

Acquisition of Capital & Credit Financial Group Limited

On 29 June 2012, the Company acquired 93.14% of the share capital of Capital & Credit Financial Group Limited (CCFG) and its subsidiaries. Following the acquisition of 93.14% of the share capital of CCFG on 29 June 2012, JMMB, pursuant to Section 209 (1) of the Companies Act 2004 of Jamaica, commenced the compulsory acquisition of the remaining 6.86% shares not tendered by CCFG shareholders. There was no application to the court made by any minority shareholder on or before 26 July 2012, and JMMB concluded the acquisition of the remaining 6.86% minority shareholding on 11 August 2012, thereby becoming the owner of 100% of the shares of CCFG.

Valuations of acquired tangible and intangible assets are now finalised. Details of the purchase price allocation among net assets acquired and goodwill are as follows:

Purchase consideration	**$'000**
Cash paid	2,736,282
Shares issued as consideration for equity in CCFG	1,484,432
Total consideration paid	4,220,714
Fair value of net assets acquired	(6,700,180)
Negative goodwill	(2,479,466)
Professional fees relating to acquisition	423,874
Gain on acquisition of subsidiaries	(2,055,592)

31. Business Combinations (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair Value
	$'000
Cash and cash equivalents	1,230,341
Investment securities and resale agreements	23,507,244
Other investments	31,000
Loans and notes receivable, net of provisions	5,561,874
Property, plant and equipment	59,448
Intangible assets	495,456
Income tax recoverable	92,645
Accounts receivable	912,823
Deferred tax assets	211,218
Deposits	(5,308,796)
Repurchase agreements	(18,429,178)
Loan participation	(535,706)
Due to other financial institutions	(709,482)
Accounts payable	(418,707)
Net assets	6,700,180
Net assets acquired	6,700,180
Cash consideration	2,736,282
Cash and cash equivalents acquired	(1,230,341)
Net cash outflow on acquisition	1,505,941

Loans and notes receivable are stated after IFRS provisions of J$814,770,000.

Since the acquisition, the acquired business has contributed J$1,247,844,000 in revenues and incurred operating expenses of J$1,029,580,000 for the Group.

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

(ii) Board Credit Committee

The Board Credit 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 provisions against actual or potential bad debts. The committee is supported in its work by the Management Credit Committee.

32. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

(iii) Audit Committee

The Audit Committee 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, the Risk Management unit and the 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 the specific aspects of operational risk, such as fraud, is also within the purview of the Audit Committee.

(iv) 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.

(b) Credit risk

The Group assumes credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. 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.

Credit review process

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.

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Loans and notes receivable

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.

Group's internal rating scale:

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

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.

Loan and notes receivable that are cash secured are not included in a credit classification, based on the Group's rating grades.

(ii) Investment securities and resale agreements

The Group limits its exposure to credit risk by investing in liquid securities and 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 constantly reviewed by the Credit and Risk Management Committees.

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

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

Exposure to credit risk

Impairment

The main considerations for the loans and notes receivable impairment assessment include arrears of principal, or interest overdue by more than 90 days, or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and notes receivable with risk ratings of 5 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually, or more regularly, when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position; and
- Deterioration in the value of collateral.

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum credit exposure, that is, the amount of loss that would be suffered if every counter-party to the Group's financial assets were to default at once, is represented as follows:

(1) For financial assets recognised at the reporting date:

The carrying amounts of financial assets are shown on the statement of financial position.

(2) For financial assets not recognised at the reporting date:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Loan commitments	1,255,374	149,386	-	149,386
Guarantees and letters of credit	44,276	10,096	-	10,096
	1,299,650	159,482	-	159,482

Loans and notes receivable, other receivables and investment securities

(i) Financial assets – individually impaired

The amount of financial assets that are individually impaired, before taking into consideration the cash flows from collateral held, is as follows:

	The Group and Company	
	2013	**2012**
	$'000	**$'000**
Loans and notes receivable	482,196	132,698

(ii) Full provision has been made for financial assets that are individually impaired.

The fair value of the collateral that the Group and company held as security for individually impaired loans and notes receivable was $6,700,000,000 (2012: $207,777,000).

There are no financial assets other than loans and notes receivable and other receivables that were individually impaired.

(iii) Financial assets that are past due but not impaired amount to $1,118,503,000 (2012: $717,368,000) for the Group and company.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group does not occupy repossessed properties for business use.

The Group repossessed collaterals aggregating $15,800,000 (2012: Nil) held as security against loans categorised as past due and impaired.

The carrying value of the loans on which the collateral was repossessed during the year is $155,800,000 (2012: $44,700,000).

(v) The Group and company monitor 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

	2013				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investment securities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	5,831,430	10,227,126	3,890,913	138,412,944	158,362,413
Concentration by sector					
Government of Jamaica	-	-	-	91,717,104	91,717,104
Sovereign bonds	-	-	87,560	18,061,880	18,149,440
Bank of Jamaica	-	-	257,181	365	257,546
Corporate bonds	-	5,052,315	-	27,049,915	32,102,230
Financial institutions	5,831,430	58,570	3,546,172	946,428	10,382,600
Retail	-	5,116,241	-	637,252	5,753,493
	5,831,430	10,227,126	3,890,913	138,412,944	158,362,413
Concentration by location					
Jamaica	3,726,271	10,227,126	2,906,813	115,985,492	132,845,702
North America	1,532,475	-	-	1,968,200	3,500,675
Trinidad	156,902	-	-	71,868	228,770
Dominican Republic	415,782	-	-	17,465,210	17,880,992
Other	-	-	984,100	2,922,174	3,906,274
	5,831,430	10,227,126	3,890,913	138,412,944	158,362,413

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

The Group

	2012				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amounts	4,157,234	3,375,627	2,553,739	108,153,801	118,240,401
Concentration by sector					
Government of Jamaica	-	-	-	72,894,859	72,894,859
Sovereign bonds	-	-	-	7,453,524	7,453,524
Bank of Jamaica	-	-	-	6,730,645	6,730,645
Corporate bonds	-	775,445	-	20,908,826	21,684,271
Financial institutions	4,157,234	-	2,553,739	165,947	6,876,920
Retail	-	2,600,182	-	-	2,600,182
	4,157,234	3,375,627	2,553,739	108,153,801	118,240,401
Concentration by location					
Jamaica	1,198,936	3,375,627	2,553,739	96,431,568	103,559,870
North America	2,491,834	-	-	1,559,090	4,050,924
Trinidad	215,291	-	-	54,890	270,181
Other	251,173	-	-	10,108,253	10,359,426
	4,157,234	3,375,627	2,553,739	108,153,801	118,240,401

The Company

	2013				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amounts	3,774,450	2,760,375	17,197,640	94,681,516	118,413,981
Concentration by sector					
Government of Jamaica	-	-	-	78,342,622	78,342,622
Sovereign bonds	-	-	-	344,184	344,184
Bank of Jamaica	-	-	-	400,000	400,000
Corporate	-	108,521	-	15,011,302	15,119,823
Financial institutions	3,774,450	-	17,197,640	583,408	21,555,498
Retail	-	2,651,854	-	-	2,651,854
	3,774,450	2,760,375	17,197,640	94,681,516	118,413,981
Concentration by location					
Jamaica	2,132,151	2,760,375	17,197,640	94,580,096	116,670,262
North America	1,512,334	-	-	-	1,512,334
Trinidad	129,965	-	-	16,701	146,666
Other	-	-	-	84,719	84,719
	3,774,450	2,760,375	17,197,640	94,681,516	118,413,981

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

The Company

	2012				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investment securities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	3,597,056	3,278,270	16,458,216	87,577,686	110,911,228
Concentration by sector					
Government of Jamaica	-	-	-	67,994,725	67,994,725
Sovereign bonds	-	-	-	387,362	387,362
Bank of Jamaica	-	-	-	6,730,645	6,730,645
Corporate	-	702,112	-	12,464,954	13,167,066
Financial institutions	3,597,056	-	16,458,216	-	20,055,272
Retail	-	2,576,158	-	-	2,576,158
	3,597,056	3,278,270	16,458,216	87,577,686	110,911,228
Concentration by location					
Jamaica	975,971	3,278,270	16,458,216	87,135,434	107,847,891
North America	2,488,293	-	-	-	2,488,293
Trinidad	132,792	-	-	54,890	187,682
Other	-	-	-	387,362	387,362
	3,597,056	3,278,270	16,458,216	87,577,686	110,911,228

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 over other assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held 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 (2012: no collateral held).

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	The Group				The Company			
	Loans and notes receivable		Resale agreements		Loans and notes receivable		Resale agreements	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:								
Cash secured	2,337,161	1,690,396	-	-	2,061,955	1,690,396	-	-
Property	3,016,305	2,605,340	-	-	14,871	2,530,340	-	-
Debt securities	1,175,615	431,516	3,833,851	2,885,611	460,054	431,516	17,403,868	16,983,846
Liens on motor vehicles	788,145	717,762	-	-	42,072	717,762	-	-
Subtotal	**7,317,226**	**5,445,014**	**3,833,851**	**2,885,611**	**2,578,952**	**5,370,014**	**17,403,868**	**16,983,846**
Against past due but not impaired financial assets:								
Cash secured	79,907	-	-	-	-	-	-	-
Property	1,103,708	322,700	-	-	46,866	304,700	-	-
Debt securities	-	-	-	-	-	-	-	-
Liens on motor vehicles	279,027	49,040	-	-	25,578	49,040	-	-
Subtotal	**1,462,642**	**371,740**	**-**	**-**	**72,444**	**353,740**	**-**	**-**
Against past due and impaired financial assets:								
Debt securities	2,665	-	-	-	-	-	-	-
Property	4,035,389	189,250	-	-	74,434	93,550	-	-
Liens on motor vehicles	52,856	88,627	-	-	13,940	88,627	-	-
Subtotal	**4,090,910**	**277,877**	**-**	**-**	**88,374**	**182,177**	**-**	**-**
Total	**12,870,778**	**6,094,631**	**3,833,851**	**2,885,611**	**2,739,770**	**5,905,931**	**17,403,868**	**16,983,846**

32. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its 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.

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 will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group, 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;

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

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

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

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

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

	2013				
	The Group				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Customer deposits	6,143,420	1,524,965	13,895	7,682,280	7,567,380
Due to other banks	-	177,869	337,649	515,518	378,560
Loan participations	319,558	22,728	-	342,286	341,082
Securities sold under agreements to repurchase	105,412,599	31,166,074	6,739	136,585,412	135,907,311
Redeemable preference shares	-	-	2,780,493	2,780,493	2,759,346
Other payables	908,488	-	-	908,488	908,488
	112,784,065	32,891,636	3,138,776	148,814,477	147,862,167

	2012				
	The Group				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	-	120,347	366,690	487,037	470,688
Securities sold under agreements to repurchase	83,373,110	24,664,908	1,583,584	109,621,602	107,591,924
Redeemable preference shares	-	-	2,778,511	2,778,511	2,759,346
Other payables	546,788	-	-	546,788	546,788
	83,919,898	24,785,255	4,728,785	113,433,938	111,368,746

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2013				
	The Company				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Securities sold under agreements to repurchase	90,059,395	23,313,104	6,739	113,379,238	111,588,745
Notes payable	-	387,590	-	387,590	380,870
Redeemable preference shares	-	-	2,780,493	2,780,493	2,759,346
Other payables	349,103	-	-	349,103	349,103
	90,408,498	23,700,694	2,787,232	116,896,424	115,078,064

	2012				
	The Company				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Securities sold under agreements to repurchase	75,821,454	23,345,571	1,583,584	100,750,609	98,938,664
Redeemable preference shares	-	-	2,778,511	2,778,511	2,759,346
Other payables	359,059	-	-	359,059	359,059
	76,180,513	23,345,571	4,362,095	103,888,179	102,057,069

32. Financial Risk Management (Continued)

(d) Market risk

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

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

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

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based 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;
- The VaR Measure is dependent on the Group's positions and volatility of market prices. The VaR of an unchanged position reduces if the market prices volatility declines and vice-versa.

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

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(d) Market risk (continued)

A summary of the VaR position of the Group's overall portfolio as at 31 March 2013 and during the year then ended is as follows:

	31 March	Average for Year	Maximum during Year	Minimum during Year
	$'000	$'000	$'000	$'000
2013 Overall VaR	2,752,892	2,065,828	8,220,671	672,063
2012 Overall VaR	880,268	1,168,781	1,897,665	492,924

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 most important risks to which the Group is exposed are currency, interest rate and equity price risks. The nature, measurement and management of these risks are set out below:

(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		The Company		Exchange rates	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000		
United States dollars	3,086,192	2,696,597	812,232	2,696,597	98.41	87.10
Great Britain pounds	180,611	64,236	91,529	64,236	149.97	137.69
Euros	55,053	100,871	39,862	(380,642)	125.55	115.67
Trinidad and Tobago dollars	62,295	187,682	69,295	187,682	15.32	13.58
Canadian dollars	64,624	(18,304)	79,017	(18,304)	97.25	87.11
Peso	-	-	660,931	673,688	2.34	2.23

32. Financial Risk Management (Continued)

(d) Market risk

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rates below represents management's assessment of a reasonable possible change in foreign exchange rates at the reporting date:

	The Group			
	Change in Currency Rate 2013 %	**Effect on Profit 2013 $'000**	**Change in Currency Rate 2012 %**	**Effect on Profit 2012 $'000**
Currency:				
USD	5	154,310	1	26,966
GBP	5	9,031	1	642
EUR	5	2,753	1	1,009
PESO	5	-	1	-
CAD	5	3,231	1	(183)
TT$	5	3,115	1	1,877
		172,440		30,311

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	The Company			
	Change in Currency Rate	Effect on Profit	Change in Currency Rate	Effect on Profit
	2013	2013	2012	2012
	%	$'000	%	$'000
Currency:				
USD	5	40,612	1	26,966
GBP	5	4,576	1	642
EUR	5	1,993	1	(3,806)
PESO	5	33,047	1	6,737
CAD	5	3,951	1	(183)
TT$	5	3,115	1	1,877
		87,294		32,233

(ii) Interest rate risk

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

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

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

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group 2013					
	Within 3 Months	**3 to 6 Months**	**6 to 12 Months**	**1 to 5 Years**	**Non Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 March 2013:						
Assets						
Cash and cash equivalents	5,831,430	-	-	-	-	5,831,430
Loans and notes receivable	2,966,257	717,896	1,456,903	3,077,588	2,008,482	10,227,126
Securities purchased under agreements to resell	3,890,913	-	-	-	-	3,890,913
Investment securities	57,479,340	247,072	6,499,364	73,806,157	381,011	138,412,944
Total interest bearing assets	70,167,940	964,968	7,956,267	76,883,745	2,389,493	158,362,413
Liabilities						
Notes payable	318,931	22,131	-	-	-	341,082
Securities sold under agreements to repurchase	109,924,158	16,318,589	9,658,266	6,298	-	135,907,311
Redeemable preference shares	-	-	-	2,759,346	-	2,759,346
Due to other financial institutions	-	-	-	378,560	-	378,560
Deposits	6,093,430	1,461,343	-	12,607	-	7,567,380
Other	-	-	-	-	908,488	908,488
Total interest bearing liabilities	116,336,519	17,802,083	9,658,266	3,156,811	908,488	147,862,167
Total interest sensitivity gap	(46,168,579)	(16,837,115)	(1,701,999)	73,726,934	1,481,005	10,500,246
Cumulative interest sensitivity gap	(46,168,579)	(63,005,694)	(64,707,693)	9,019,241	10,500,246	

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group 2012				
	Within 3 Months	**3 to 6 Months**	**6 to 12 Months**	**1 to 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 31 March 2012:					
Assets					
Cash and cash equivalents	4,157,234	-	-	-	4,157,234
Loans and notes receivable	2,756,066	579,466	40,095	-	3,375,627
Securities purchased under agreements to resell	2,553,739	-	-	-	2,553,739
Investment securities	27,202,013	2,795,572	7,845,137	70,041,898	107,884,620
Total interest bearing assets	36,669,052	3,375,038	7,885,232	70,041,898	117,971,220
Liabilities					
Notes payable	116,366	354,322	-	-	470,688
Securities sold under agreements to repurchase	82,362,152	14,064,487	9,660,421	1,504,864	107,591,924
Redeemable preference shares	-	-	-	2,759,346	2,759,346
Total interest bearing liabilities	82,478,518	14,418,809	9,660,421	4,264,210	110,821,958
Total interest sensitivity gap	(45,809,466)	(11,043,771)	(1,775,189)	65,777,688	7,149,262
Cumulative interest sensitivity gap	(45,809,466)	(56,853,237)	(58,628,426)	7,149,262	

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company 2013					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 March 2013:						
Assets						
Cash and cash equivalents	3,774,450	-	-	-	-	3,774,450
Loans and notes receivable	2,618,430	100,000	41,945	-	-	2,760,375
Securities purchased under agreements to resell	17,197,640	-	-	-	-	17,197,640
Investment securities	26,830,082	-	3,625,216	64,154,215	72,003	94,681,516
Total interest bearing assets	50,420,602	100,000	3,667,161	64,154,215	72,003	118,413,981
Liabilities						
Securities sold under agreements to repurchase	89,157,359	12,737,299	9,687,789	6,298	-	111,588,745
Notes payable	-	-	380,870	-	-	380,870
Redeemable preference shares	-	-	-	2,759,346	-	2,759,346
Total interest bearing liabilities	89,157,359	12,737,299	10,068,659	2,765,644	-	114,728,961
Total interest sensitivity gap	(38,736,757)	(12,637,299)	(6,401,498)	61,388,571	72,003	3,685,020
Cumulative interest sensitivity gap	(38,736,757)	(51,374,056)	(57,775,554)	3,613,017	3,685,020	

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company 2012				
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2012:					
Assets					
Cash and cash equivalents	3,597,056	-	-	-	3,597,056
Loans and notes receivable	2,720,426	517,749	40,095	-	3,278,270
Securities purchased under agreements to resell	16,458,216	-	-	-	16,458,216
Investment securities	26,398,884	986,849	7,845,137	52,159,811	87,390,681
Total interest bearing assets	49,174,582	1,504,598	7,885,232	52,159,811	110,724,223
Liabilities					
Securities sold under agreements to repurchase	74,962,381	13,271,323	9,200,096	1,504,864	98,938,664
Redeemable preference shares	2,759,346	-	-	-	2,759,346
Total interest bearing liabilities	77,721,727	13,271,323	9,200,096	1,504,864	101,698,010
Total interest sensitivity gap	(28,547,145)	(11,766,725)	(1,314,864)	50,654,947	9,026,213
Cumulative interest sensitivity gap	(28,547,145)	(40,313,870)	(41,628,734)	9,026,213	

32. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change of 200 basis points in interest rates, with all other variables held constant, on the Group's and company's profit and loss account and stockholders' equity.

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as for 2012.

	The Group			
	Effect on Profit 2013 $'000	Effect on Equity 2013 $'000	Effect on Profit 2012 $'000	Effect on Equity 2012 $'000
Change in basis points				
-200	(678,574)	6,299,005	(863,898)	3,953,290
200	678,574	(5,201,942)	863,898	(3,447,227)

	The Company			
	Effect on Profit 2013 $'000	Effect on Equity 2013 $'000	Effect on Profit 2012 $'000	Effect on Equity 2012 $'000
Change in basis points				
-200	(590,675)	1,679,734	(392,778)	3,353,461
200	590,675	(1,679,734)	392,778	(2,916,058)

The impact on stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk.

(ii) 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 minimize potential adverse effects on the Group's financial performance.

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago Stock Exchanges. A 5% increase or decrease in quoted bid prices at the reporting date would result in an increase or decrease, respectively, in equity of $5,625,361 (2012: $203,849,000) for the Group and $3,000,760 (2012: $196,803,000) for the company.

32. Financial Risk Management (Continued)

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

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

32. Financial Risk Management (Continued)

(f) Capital management

The Group's lead regulators, the Financial Services Commission (FSC) and the Bank of Jamaica, monitors the capital requirements for the Group as a whole.

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

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

(ii) To safeguard the Group'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.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), Bank of Jamaica (BOJ), Jamaica Stock Exchange (JSE) and the Risk Management Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The FSC 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.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, share premium, retained earnings, negative 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.

There have been no material changes in the Group's management of capital during the period,

The regulated companies within the Group are: Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Insurance Brokers Limited (JMMBIB), JMMB Fund Managers Limited (JMMBFM), JMMB Puesto de Bolsa, S.A, and Capital & Credit Merchant Bank Limited.

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2013 and 31 March 2012.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMB	JMMB	JMMBSL	JMMBSL	JMMBIB	JMMBIB
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Tier 1 capital	13,467,679	12,064,676	194	174	79,140	40,430
Tier 2 capital	1,103,739	1,655,608	24	24	-	-
Total regulatory capital	14,571,418	13,720,284	218	198	79,140	40,430
Risk-weighted assets:						
On-balance sheet	86,862,638	61,687,992	93	201	-	-
Foreign exchange exposure	1,622,038	1,692,776	122	147	-	-
Total risk-weighted assets	88,484,676	63,380,768	215	348	-	-
Total regulatory capital to risk weighted assets	17%	22%	101%	57%	-	-
Actual capital base to risk weighted assets	17%	22%	101%	57%	-	-
Required capital base to risk weighted assets	10%	10%	10%	10%	-	-

	JMMBFM		CCMB	
	31 March	31 December	31 March	31 December
			2013	2011
			$'000	$'000
Regulatory capital –				
Tier 1 capital	176,955	162,605	3,313,044	2,337,188
Tier 2 capital	-	-	41,562	31,718
Prescribed deductions	-	-	-	(305,405)
Total regulatory capital	176,955	162,605	3,354,606	2,063,501
Total required capital	14,480	11,900	2,009,807	1,698,042
Risk-weighted assets –				
On statement of financial position	124,064	138,025	15,841,303	13,823,761
Off statement of financial position	-	-	968,218	161,309
Foreign exchange exposure	-	-	3,288,544	2,995,347
	124,064	138,025	20,098,065	16,980,417
Actual capital base to risk weighted assets	143%	118%	17%	12%
Required capital ratio to risk weighted assets	14%	14%	10%	10%

32. Financial Risk Management (Continued)

(f) Capital management (continued)

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

(ii) The capital requirement for JMMB Puesto de Bolsa is RD$5 million plus other reserve which is 5% of liquid profits. The company has exceeded all capital requirements.

The individually regulated entities within the Group have complied with all externally imposed capital requirements throughout the year.

33. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. These items are carried at fair value.

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(iv) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

33. Fair Value of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 March 2013, grouped into Levels 1, 2 and 3 based on the degree to which the inputs into the determination of fair value is observable:

(i) Level 1: Fair values are quoted prices (unadjusted) in active markets for identical instruments;

(ii) Level 2: Fair value measurements are those derived from valuation techniques based on inputs other than quoted market prices included within level 1, that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Fair value measurements are those derived from valuation techniques using significant inputs for the instrument that are not based on observable market data (unobservable inputs).

	2013			
	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available for sale securities				
Government of Jamaica securities	-	71,074,327	-	71,074,327
Certificate of deposits	-	800,206	-	800,206
US treasury bills	442,382	-	-	442,382
Corporate bonds	-	16,410,000	-	16,410,000
Sovereign bonds	-	17,432,947	-	17,432,947
Quoted securities	125,191	-	-	125,191
Units in unit trusts	-	32,588	-	32,588
Money market funds	-	511,405	-	511,405
Other	-	17,442	-	17,442
	567,573	106,278,915	-	106,846,488

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

33. Fair Value of Financial Instruments (Continued)

	2012			
	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available for sale securities				
Government of Jamaica securities	-	52,641,331	-	52,641,331
Corporate bonds	-	11,902,243	-	11,902,243
Sovereign bonds	-	7,185,031	-	7,185,031
Quoted securities	221,432	-	-	221,432
Units in unit trusts	-	47,749	-	47,749
Money market funds	-	220,529	-	220,529
Other	-	16,788	-	16,788
	221,432	72,013,671	-	72,235,103

33. Fair Value of Financial Instruments (Continued)

	2013			
	The Company			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale securities				
Government of Jamaica securities	-	61,960,163	-	61,960,163
Certificates of deposits	-	400,000	-	400,000
Sovereign bonds	-	100,588	-	100,588
Corporate bonds	-	8,451,049	-	8,451,049
Quoted securities	54,321	-	-	54,321
Units in unit trusts	-	17,682	-	17,682
Money market funds	-	511,405	-	511,405
	54,321	71,440,887	-	71,495,208

	2012			
	The Company			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale securities				
Government of Jamaica securities	-	52,641,331	-	52,641,331
Sovereign bonds	-	118,862	-	118,862
Corporate bonds	-	7,772,202	-	7,772,202
Quoted securities	139,256	-	-	139,256
Units in unit trusts	-	47,749	-	47,749
Money market funds	-	220,529	-	220,529
	139,256	60,800,673	-	60,939,929

33. Fair Value of Financial Instruments (Continued)

Reclassification of investment securities

The Group reclassified the following investment securities from available-for-sale to loans and receivables, as the market for these securities became inactive. In December 2010, the Institute of Chartered Accountants of Jamaica (ICAJ), and the Jamaica Securities Dealers Association (JSDA) deemed that the market for the GOJ Global bonds had regained its active status. The Group's accounting policy is to hold these assets as loans and receivables to maturity. The fair value at the reclassification date became the amortised cost of the newly reclassified loans and receivables. The table below shows the carrying value and the fair value of these securities at the reporting date.

	The Group			
	Carrying Value 2013 $'000	Fair Value 2013 $'000	Carrying Value 2012 $'000	Fair Value 2012 $'000
Financial Assets				
Government of Jamaica securities	20,642,824	20,449,693	19,940,999	20,137,087
Sovereign bonds	174,144	164,049	268,500	179,740
Corporate and other bonds	10,615,804	11,664,565	8,944,013	9,503,976

	The Company			
	Carrying Value 2013 $'000	Fair Value 2013 $'000	Carrying Value 2012 $'000	Fair Value 2012 $'000
Financial Assets				
Government of Jamaica securities	16,382,458	16,223,226	14,978,302	15,085,923
Sovereign bonds	174,144	164,049	268,500	179,740
Corporate and other bonds	6,485,450	7,758,807	4,692,752	5,419,264

Fair value losses of $459,678,000 (2012: $532,754,000) and $276,662,000 (2012: $293,945,000) exclusive of deferred tax, for the Group and company, respectively, were recognized in equity in relation to the above investments that were reclassified.

34. 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 company operates a defined-contribution pension fund for the Group's Jamaican employees who have satisfied certain minimum service requirements. The Fund is financed by equal contributions of employer and employees of 5% of pensionable salaries, with an option for employees to contribute up to an additional 5% of pensionable salaries.

The Fund is administered by Trustees and the assets are held separately from those of the Group, except for some of the assets which are included in funds being managed by the company (Note 35). 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 2011 by ACTMAN International Limited, independent actuaries. The valuation report dated 25 January 2013 revealed a funding surplus, a portion of which the trustees allocated to the members' accounts.

The contributions for the year amounted to $52,349,000 (2012: $40,974,000) for the Group and $40,523,000 (2012: $36,211,000) for the company.

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.

35. 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 34). 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 client's funds are invested as well as the clients funds have been excluded from these financial statements.

At 31 March 2013, for the Group and the company, funds managed in this way amounted to $25,641,432,000 (2012: $18,921,464,000) which includes pension scheme contributions (Note 34), inclusive of accrued interest, amounting to $86,578,000 (2012: $72,466,000) for the Group and the company. The financial statements include the following assets held in (liabilities payable to) the managed funds:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investments	511,405	220,529	511,405	220,529
Interest payable	(2,138)	(701)	(2,138)	(701)
Securities sold under agreements to repurchase	(11,748,034)	(8,996,778)	(11,748,034)	(8,996,778)
Customer deposits	(900,970)	-	-	-

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

36. Contingencies and Commitments

(a) Litigation

The Group is subject to claims, disputes and legal proceedings in the normal course of business. Provision is made for such matters when in the opinion of management and its legal advisors it is probable that a payment will be made and the amount can be reasonably estimated. No provisions have been made as there are no pending litigation or claims at the reporting date.

(b) Operating leases

The Group has entered into several lease agreements for rental of office. The amount charged in the profit and loss account during the year is $59,199,000 (2012: $33,408,000).

The total annual commitments to be paid are as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
2104	90,109	33,000
2015	66,517	33,500
2016	66,774	-
2017	67,050	-