JMMB GROUP LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

JMMB GROUP LIMITED

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31 March 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of JMMB Group Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 8 to 89, which comprise the group's and company's statements of financial position as at 31 March 2017, the group's and company's profit and loss accounts, statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1. *Fair value of investments*

Key Audit Matter [see notes 15 and 29(a)]	*How the matter was addressed in our audit*
The group's investments measured at fair value represent 61% (2016: 54%) of the group's total assets. 99% of these investments were categorised as Level 2 in the fair value hierarchy, as no quoted prices are available for these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. These assumption are subject to significant judgement, and could therefore result in a material misstatement.	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the group's controls over the determination and computation of fair values. • Challenging the reasonableness of yields/prices by comparison to independent third party pricing sources. • Assessing the reasonableness of significant assumptions used by such third-party pricing sources. • Involving our own valuation specialists to determine/obtain yields/prices of specific securities and comparing these to those used by management. • Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. *Impairment of investments, loans and notes receivable*

Key Audit Matter *[see notes 34(b)(iv), 12 and 15 to the financial statements]*	*How the matter was addressed in our audit*
The estimation of the impairment allowance on investments, loans and notes receivable on an individual and aggregate basis requires management to make judgements to determine whether there is objective evidence that these instruments should be classified as impaired arising from repayment default or adverse economic conditions. Management also makes assumptions in determining the estimated future cash flows from the instruments to determine the impairment allowance. Estimates of expected cash flows require management to use judgement in estimating the values of collateral held, cost to sell the collateral and the time to liquidate such collateral, as relevant. The combination of estimates and judgements increases the risk that management's estimate would be materially misstated.	Our procedures in this area included the following: • Testing controls over the group's impairment process, such as: (a) controls over the completeness and accuracy of the data used to determine impaired loans. (b) management review of the recoverable value calculations. • Challenging management's identification of impaired instruments by reviewing a sample of instruments and assessing whether or not they were appropriately classified, based on the criteria for determining objective evidence of impairment. • Testing a sample of impairment calculations by assessing the forecasts of expected cash flows and challenging assumptions using externally available information as well as historical trends. • Assessing whether disclosures in the financial statements are adequate in respect of the group's exposure to credit risk and measurement of impairment allowances.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

To the Members of
JMMB GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

May 30, 2017

To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report

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

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

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

To the Members of
JMMB GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

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

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

JMMB GROUP LIMITED

Consolidated Profit and loss Account

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Net Interest Income and Other Revenue			
Interest income	5	14,712,377	13,337,436
Interest expense	5	(7,944,690)	(7,834,033)
Net interest income		**6,767,687**	**5,503,403**
Fee and commission income		918,301	749,135
Gains on securities trading, net		5,376,536	4,018,454
Fees earned from managing funds on behalf of clients		369,014	218,254
Foreign exchange margins from cambio trading		1,218,518	934,829
Operating revenue net of interest expense		**14,650,056**	**11,424,075**
Other income			
Dividends		31,258	24,023
Other		12,167	9,581
		14,693,481	**11,457,679**
Operating Expenses			
Staff costs	6	(5,390,462)	(4,367,807)
Other expenses	7	(5,055,760)	(4,413,458)
		(10,446,222)	(8,781,265)
Operating Profit		**4,247,259**	**2,676,414**
Impairment loss on intangible asset	18	-	(13,392)
Impairment loss on financial assets	15	(8,745)	(61,810)
Loss on acquisition of net assets of overseas entity	26(a)	(87,646)	-
Gain/(loss) on disposal of property, plant and equipment		5,178	(5,655)
Profit before Taxation		**4,156,046**	**2,595,557**
Taxation	8	(805,515)	(296,326)
Profit for the Year		**3,350,531**	**2,299,231**
Attributable to:			
Equity holders of the parent		3,312,838	2,264,589
Non-controlling interest	27	37,693	34,642
		3,350,531	**2,299,231**
Earnings per stock unit	9	**$2.03**	**$1.39**

JMMB GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Profit for the Year		**3,350,531**	**2,299,231**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Unrealised gains/(losses) on available-for-sale securities		1,333,917	(1,126,650)
Related tax	20	(257,695)	223,667
Foreign exchange differences on translation of foreign subsidiaries		303,586	167,462
Total other comprehensive income/(loss), net of tax		1,379,808	(735,521)
Total comprehensive income for year		**4,730,339**	**1,563,710**
Total comprehensive income attributable to:			
Equity holders of the parent		4,633,975	1,529,795
Non-controlling interest	27	96,364	33,915
		4,730,339	**1,563,710**

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	11	20,895,153	25,509,721
Interest receivable		2,941,556	2,677,626
Income tax recoverable		1,252,062	1,446,489
Loans and notes receivable	12	47,133,134	37,450,257
Other receivables	13	1,545,162	1,791,238
Securities purchased under agreements to resell	14	915,006	221,506
Investment securities	15	171,571,803	156,976,090
Investment properties	17	473,132	457,591
Intangible assets	18	1,516,500	1,349,158
Property, plant and equipment	19	3,070,590	2,438,096
Deferred income tax assets	20	43,902	165,892
Customers' liability under acceptances, guarantees and letters of credit as per contra		198,110	123,622
		251,556,110	230,607,286

JMMB GROUP LIMITED

Consolidated Statement of Financial Position (Continued)

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
STOCKHOLDERS' EQUITY			
Share capital	21	1,864,554	1,864,554
Retained earnings reserve	22(a)	9,605,055	9,605,055
Investment revaluation reserve	22(b)	2,202,115	1,152,069
Cumulative translation reserve	22(c)	312,246	41,155
Retained earnings		11,922,100	9,261,483
		25,906,070	21,924,316
Non-controlling interest	27	888,629	792,265
		26,794,699	22,716,581
LIABILITIES			
Customer deposits		49,087,517	41,296,373
Due to other banks		418,313	499,166
Securities sold under agreements to repurchase	23	156,647,595	149,262,369
Notes payable	24	4,525,306	4,414,355
Redeemable preference shares	21	8,837,821	8,556,784
Deferred income tax liabilities	20	1,232,702	677,531
Interest payable		1,158,780	1,170,402
Income tax payable		208,477	117,795
Other payables		2,446,790	1,772,308
Liabilities under acceptances, guarantees and letters of credit as per contra		198,110	123,622
		224,761,411	207,890,705
		251,556,110	230,607,286

Approved for issue by the Board of Directors on 30 May, 2017 and signed on its behalf by:

Archibald Campbell	Chairman	Keith P. Duncan	Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings Reserve $'000	Investment Revaluation Reserve $'000	Cumulative Translation Reserve $'000	Retained Earnings $'000	Total Attributable to Equity holders of the Parent $'000	Non-Controlling Interest $'000	Total $'000
Balances at 31 March 2015		**1,864,054**	**9,605,055**	**2,037,032**	**(109,014)**	**7,567,587**	**20,964,714**	**758,350**	**21,723,064**
Profit for the year		-	-	-	-	2,264,589	2,264,589	34,642	2,299,231
Other comprehensive income for 2016:									
Unrealised losses on available-for-sale securities, net of tax		-	-	(884,963)	-	-	(884,963)	(18,020)	(902,983)
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	150,169	-	150,169	17,293	167,462
Total other comprehensive income		-	-	(884,963)	150,169	-	(734,794)	(727)	(735,521)
Total comprehensive income		-	-	(884,963)	150,169	2,264,589	1,529,795	33,915	1,563,710
Transactions with owners of the company									
Issue of shares	21	500	-	-	-	-	500	-	500
Dividends	10	-	-	-	-	(570,693)	(570,693)	-	(570,693)
Balances at 31 March 2016		**1,864,554**	**9,605,055**	**1,152,069**	**41,155**	**9,261,483**	**21,924,316**	**792,265**	**22,716,581**
Profit for the year		-	-	-	-	3,312,838	3,312,838	37,693	3,350,531
Other comprehensive income for 2017:									
Unrealised gains on available-for-sale securities, net of tax		-	-	1,050,046	-	-	1,050,046	26,176	1,076,222
Foreign exchange differences on translation of foreign subsidiaries' balances		-	-	-	271,091	-	271,091	32,495	303,586
Total other comprehensive income		-	-	1,050,046	271,091	-	1,321,137	58,671	1,379,808
Total comprehensive income		-	-	1,050,046	271,091	3,312,838	4,633,975	96,364	4,730,339
Transactions with owners of the company									
Dividends	10	-	-	-	-	(652,221)	(652,221)	-	(652,221)
Balances at 31 March 2017		**1,864,554**	**9,605,055**	**2,202,115**	**312,246**	**11,922,100**	**25,906,070**	**888,629**	**26,794,699**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Profit for the year		3,350,531	2,299,231
Adjustments for:			
Interest income	5	(14,712,377)	(13,337,436)
Interest expense	5	7,944,690	7,834,033
Dividend income		-	(24,023)
Income tax charge	8	805,515	296,326
Loss on acquisition of net assets of overseas entity	26	87,646	-
Impairment loss on intangible assets	18	-	13,392
Impairment loss on financial assets	15	8,745	61,810
Amortisation of intangible assets	18	195,015	162,873
Depreciation of property, plant and equipment	19	349,001	316,278
(Gain)/loss on sale of property, plant and equipment		(5,178)	5,655
Unrealised gains on trading securities		(147,543)	(191,375)
Foreign currency translation gains		104,915	(164,539)
		(2,019,040)	(2,727,775)
Changes in operating assets and liabilities -			
Income tax recoverable, net		194,427	684,437
Notes receivable		(9,347,213)	(4,768,066)
Other receivables		256,667	(508,152)
Securities purchased under agreements to resell		(693,500)	51,090
Customer deposits		6,762,421	1,798,837
Due to other banks		(80,853)	63,353
Other payables		656,791	(612,163)
Securities sold under agreements to repurchase		7,385,226	4,760,711
		3,114,926	(1,257,728)
Interest received		14,448,447	13,221,444
Interest paid		(7,956,312)	(7,849,226)
Taxation paid		(295,367)	(484,357)
Net cash provided by operating activities (Page 14)		**9,311,694**	**3,630,133**

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities (Page 13)		**9,311,694**	**3,630,133**
Cash Flows from Investing Activities			
Dividends received		-	24,023
Investment securities, net		(12,000,038)	(727,088)
Investment properties, net		(15,541)	-
Purchase of intangible assets	18	(304,276)	(355,600)
Purchase of property, plant and equipment	19	(986,987)	(711,530)
Proceeds from disposal of property, plant and equipment		14,650	1,142
Acquisition of subsidiaries, net of cash acquired	26	-	138,994
Net cash used in investing activities		**(13,292,192)**	**(1,630,059)**
Cash Flows from Financing Activities			
Proceeds from issue of redeemable preference shares		-	7,087,425
Repayment of redeemable preference shares		-	(2,759,346)
Issue of ordinary shares	21	-	500
Notes payable		-	769,971
Dividends paid	10	(652,221)	(570,693)
Net cash (used in)/provided by financing activities		**(652,221)**	**4,527,857**
Effect of exchange rate changes on cash and cash equivalents		18,151	309,402
Net (decrease)/increase in cash and cash equivalents		(4,614,568)	6,837,333
Cash and cash equivalents at beginning of year		25,509,721	18,672,388
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**20,895,153**	**25,509,721**

JMMB GROUP LIMITED

Statement of Profit and loss Account and Other Comprehensive Income

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Net Interest Income and Other Revenue			
Interest income from securities	5	460,008	96,785
Interest expense	5	(467,767)	(96,750)
Net interest (expense)/income		**(7,759)**	**35**
Other income			
Dividends		652,221	570,693
Foreign exchange losses		(3,353)	-
		648,868	570,693
		641,109	**570,728**
Operating Expenses	7	(63,125)	(17,448)
Profit before Taxation		577,984	553,280
Taxation	8	(120)	-
Net Profit for the year, being total other comprehensive income		**577,864**	**553,280**

JMMB GROUP LIMITED

Statement of Financial Position

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	11	642	7,623
Interest receivable		73,957	23,906
Income tax recoverable		31,293	13,148
Loans and notes receivable	12	5,934,345	5,680,469
Other receivables	13	13,960	9,537
Securities purchased under agreements to resell	14	343,412	506,956
Investment securities	15	919,556	919,556
Due from subsidiary	25	227,377	-
Interest in subsidiaries	16	6,800,019	6,792,019
Property, plant and equipment	19	313	313
		14,344,874	13,953,527
STOCKHOLDERS' EQUITY			
Share capital	21	1,864,554	1,864,554
Retained earnings		140,400	214,757
		2,004,954	2,079,311
LIABILITIES			
Redeemable preference shares	21	7,368,462	7,087,425
Interest payable		77,709	74,049
Other payables		3,154	3,154
Due to subsidiary	25	4,890,595	4,709,588
		12,339,920	11,874,216
		14,344,874	13,953,527

Approved for issue by the Board of Directors on 30 May, 2017 and signed on its behalf by:

Archibald Campbell — Chairman

Keith P. Duncan — Group Chief Executive Officer

JMMB GROUP LIMITED

Statement of Changes in Stockholders' Equity

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Profit, being total comprehensive income for period		-	553,280	553,280
Transaction with owners of the company:				
Issue of share capital	21	1,864,554	-	1,864,554
Dividend income	10	-	(570,693)	(570,693)
		1,864,554	(570,693)	1,293,861
Change in ownership interest:				
Reserve arising on group restructuring	26(c)	-	232,170	232,170
Balances at 31 March 2016		**1,864,554**	**214,757**	**2,079,311**
Profit, being total comprehensive income for year		-	577,864	577,864
Transaction with owners of the company:				
Dividends	10	-	(652,221)	(652,221)
Balances at 31 March 2017		**1,864,554**	**140,400**	**2,004,954**

JMMB GROUP LIMITED

Statement of Cash Flows

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Profit for the year		577,864	553,280
Adjustments for:			
Interest income	5	(460,008)	(96,785)
Interest expense	5	467,767	96,750
Dividend income		(652,221)	(570,693)
		(66,598)	(17,448)
Changes in operating assets and liabilities -			
Income tax recoverable, net		(18,145)	-
Loans and notes receivable		(253,876)	(5,680,469)
Other receivables		(4,423)	(9,537)
Other payables		-	3,154
Securities purchased under agreements to resell		163,544	(506,956)
Due from subsidiary		(227,377)	-
Due to subsidiaries		181,007	-
		(225,868)	(6,211,256)
Interest received		409,957	72,879
Interest paid		(464,109)	(22,701)
Net cash used in operating activities		**(280,020)**	**(6,161,078)**
Cash Flows from Investing Activities			
Dividend received		652,221	570,693
Investment securities, net		-	(919,561)
Cash acquired in group reorganisation		-	337
Investment in subsidiaries		(8,000)	-
Net cash provided by/(used in) investing activities		**644,221**	**(348,531)**
Cash Flows from Financing Activities			
Issue of share capital	21	-	500
Proceeds from the issue of redeemable preference shares	21	281,039	7,087,425
Dividends paid	10	(652,221)	(570,693)
Net cash (used in)/provided by financing activities		**(371,182)**	**6,517,232**
Net (decrease)/increase in cash and cash equivalents		(6,981)	7,623
Cash and cash equivalents at beginning of year		7,623	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**642**	**7,623**

The notes on pages 19 to 89 are an integral part of these financial statements

1. Identification

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

(b) Group reorganisation

On 13 April 2015, Jamaica Money Market Brokers Limited (JMMB) under an approved Scheme of Arrangement was delisted from the Jamaica Stock Exchange (JSE), Barbados Stock Exchange (BSE) and Trinidad and Tobago Stock Exchange (TTSE). Simultaneously, the ordinary shares of the new ultimate parent company, JMMB Group Limited were listed on those exchanges. The mechanics of the scheme involved the following:

(i) The 1,630,552,530 existing JMMB ordinary shares held by members of the public being cancelled and simultaneously 1,630,552,530 new ordinary shares issued to JMMB Group Limited, making JMMB a wholly owned subsidiary of JMMB Group Limited (JMMB Group).

(ii) In consideration of the cancellation of the existing JMMB ordinary shares, JMMB Group Limited issued ordinary shares for the benefit of each eligible person (credited and fully paid up) distributed at a rate of one new JMMB Group ordinary share for each cancelled JMMB ordinary share.

(iii) JMMB Group subsequently applied and listed its ordinary shares on the JSE, TTSE and BSE.

(iv) JMMB transferred direct ownership of Capital & Credit Financial Group Limited (CCFG) to JMMB Group Limited. All of CCFG's assets and liabilities were merged with the parent company as at 31 March 2016.

(v) Consequently, JMMB Merchant Bank Limited and JMMB Money Transfer Limited became wholly owned subsidiaries of JMMB Group Limited. Capital & Credit Holdings Inc was wound up during the financial year and Capital & Credit Financial Group is being wound up.

As the reorganisation is a transaction among entities under common control, the Group has applied predecessor value method of accounting. Under the predecessor method:

- The Group does not restate assets and liabilities to their fair values. Instead, the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted to achieve harmonisation of accounting policies.
- No goodwill arises.
- The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined.
- The corresponding amounts in the consolidated financial statements for the previous year reflect the results of the combined companies, as though the restructuring occurred at the beginning of the prior year.

JMMB GROUP LIMITED

Notes to the Financial Statements

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1. Identification (Continued)

(c) Acquisition of Banco Rio De Ahorro Y Credito

On 1 July 2015, JMMB Holding Company Limited, SRL, a 100% owned subsidiary of Jamaica Money Market Brokers Limited, acquired 90% equity and obtained management control of Banco Rio De Ahorro Y Credito JMMB Bank S.A., a savings and loan bank in the Dominican Republic, for US$2,150,000 (J$252.7 million) (see note 26).

(d) JMMB Group Limited has interest in several subsidiaries which are listed below. The company and its subsidiaries are collectively referred to as "Group".

Name of Subsidiary	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
JMMB Merchant Bank Limited	100		Jamaica	Merchant Banking
JMMB Money Transfer Limited	100		Jamaica	Funds transfer
Jamaica Money Market Brokers Limited and its subsidiaries	100		Jamaica	Securities brokering
JMMB Securities Limited		100	Jamaica	Stock brokering
JMMB Insurance Brokers Limited		100	Jamaica	Insurance brokering
JMMB Real Estate Holdings Limited		100	Jamaica	Real estate holding
Capital & Credit Securities Limited		100	Jamaica	Investment holding
JMMB Fund Managers Limited		100	Jamaica	Fund management
JMMB International Limited		100	St. Lucia	Investment holding and management
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	100		Trinidad and Tobago	Investment holding company
JMMB Investments (Trinidad and Tobago) Limited and its subsidiary		100	Trinidad and Tobago	Securities brokering
JMMB Securities (T&T) Limited		100	Trinidad and Tobago	Stock brokering
JMMB Bank (T&T) Limited, formerly Intercommercial Bank Limited and its subsidiary,		100	Trinidad and Tobago	Commercial banking
Intercommercial Trust and Merchant Bank Limited		100	Trinidad and Tobago	Merchant banking
JMMB Holding Company, SRL and its subsidiaries	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa,S.A.		80	Dominican Republic	Securities brokering
JMMB Sociedad Administradora de Fondos de Inversion, S.A.		70	Dominican Republic	Mutual fund administration
Banco Rio De Ahorro Y Credito JMMB Bank S.A		90	Dominican Republic	Savings and loans bank
AFP JMMB BDI S.A.		50	Dominican Republic	Pension funds administration services

2. Statement of Compliance and Basis of Preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Details of the Group's accounting policies, including changes during the year, are included in notes 33 and 34.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for the following:

- Certain financial instruments measured at fair value through profit or loss.
- available-for-sale financial assets measured at fair value.
- Investment properties measured at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

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

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

(e) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to the current year's presentation.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

(a) Key sources of estimation uncertainty

(i) 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 there may be a measurable decrease in the estimated future cash flows from investments, loans, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific component 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 workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

(ii) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach. The fair values determined in this way are classified as Level 2 fair values. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction (see notes 15 and 29).

(iii) Impairment of intangible assets

Impairment of intangible assets with indefinite useful lives is dependent upon management's internal assessment of future cash flows from the intangibles. That internal assessment determines the amount recoverable from future use of these assets. The estimate of the amount recoverable from future use of these assets is sensitive to the discount rates and other assumptions used (note 18).

(b) *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 34(b).
- 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 34(b).

JMMB GROUP LIMITED

Notes to the Financial Statements

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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				
	2017				
	Financial & Related Services $'000	Banking & Related Services $'000	Other $'000	Eliminations $'000	Group $'000
External revenues	16,503,446	6,002,351	132,374	-	22,638,171
Inter-segment revenue	956,775	249,246	2,226	(1,208,247)	-
Total segment revenue	17,460,221	6,251,597	134,600	(1,208,247)	22,638,171
Segment results	3,049,937	1,201,805	(4,483)	-	4,247,259
Impairment loss on financial asset					(8,745)
Loss on acquisition of net assets of overseas entity					(87,646)
Gain on disposal of property plant and equipment					5,178
Profit before tax					4,156,046
Taxation					(805,515)
Profit for the year					3,350,531
Total segment assets	226,090,958	74,362,468	1,472,884	(50,370,200)	251,556,110
Total segment liabilities	202,098,714	61,841,430	1,419,668	(40,598,401)	224,761,411
Interest income	10,493,688	4,213,051	5,638	-	14,712,377
Interest expense	6,399,342	1,545,348	-	-	7,944,690
Operating expenses	6,787,822	3,519,317	139,083	-	10,446,222
Depreciation and amortisation	366,717	164,666	12,633	-	544,016
Capital expenditure	614,279	348,676	328,308	-	1,291,263

JMMB GROUP LIMITED

Notes to the Financial Statements

31 March 2017

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4. Segment Reporting (Continued)

	The Group				
	2016				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000
External revenues	14,541,815	4,623,257	126,640	-	19,291,712
Inter-segment revenue	469,995	151,762	12,568	(634,325)	-
Total segment revenue	15,011,810	4,775,019	139,208	(634,325)	19,291,712
Segment results	2,007,149	670,711	(1,446)	-	2,676,414
Impairment loss on intangible asset					(13,392)
Impairment loss on financial asset					(61,810)
Loss on disposal of property plant and equipment					(5,655)
Profit before tax					2,595,557
Taxation					(296,326)
Profit for the year					2,299,231
Total segment assets	210,023,583	64,113,568	1,115,714	(44,645,579)	230,607,286
Total segment liabilities	187,555,289	54,426,927	1,056,633	(35,148,144)	207,890,705
Interest income	9,801,325	3,532,676	3,435	-	13,337,436
Interest expense	6,483,038	1,350,995	-	-	7,834,033
Operating expenses	5,668,329	2,971,395	141,541	-	8,781,265
Depreciation and amortisation	295,046	172,824	11,281	-	479,151
Capital expenditure	635,249	272,407	159,474	-	1,067,130

5. Net Interest Income/(Expense)

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Interest income				
Cash and cash equivalents	82,494	34,815	-	34
Loans and notes receivable	3,790,416	2,925,282	367,687	86,943
Resale agreements	30,236	48,500	24,596	6,479
Investment securities	10,809,231	10,328,839	67,725	3,329
Total interest income	14,712,377	13,337,436	460,008	96,785
Interest expense				
Repurchase agreements	5,880,575	5,037,753	-	-
Notes payable	498,246	1,685,163	-	-
Customer deposits	987,797	795,908	-	-
Redeemable preference shares	578,072	315,209	467,767	96,750
Total interest expense	7,944,690	7,834,033	467,767	96,750
Net interest income/(expense)	**6,767,687**	**5,503,403**	**(7,759)**	**35**

JMMB GROUP LIMITED

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(expressed in Jamaican dollars unless otherwise indicated)

6. Staff Costs

	The Group	
	2017	**2016**
	$'000	**$'000**
Salaries and benefits, including profit-related pay	4,175,618	3,493,156
Statutory payroll contributions	374,062	278,496
Pension costs (Note 30)	172,107	144,145
Training and development	104,349	175,423
Other staff benefits	564,326	276,587
	5,390,462	**4,367,807**

7. Operating Expenses

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Marketing, corporate affairs and donations	531,947	424,636	30,394	-
Depreciation and amortisation	544,016	479,151	-	-
Directors' fees	152,007	102,473	16,259	-
Irrecoverable – GCT	291,940	216,872	3,517	-
Insurance	138,900	157,900	-	-
Auditors' remuneration	93,446	78,870	5,356	2,500
Asset tax	404,543	393,334	-	-
Information technology	515,697	407,814	12	-
Legal and professional fees	634,586	587,403	4,538	14,948
Repairs and maintenance	162,508	142,623	-	-
Travel and entertainment	101,842	101,577	131	-
Office rental	375,830	244,979	-	-
Loan loss	256,280	195,820	-	-
Security	159,925	236,916	544	-
Stationery, printing and postage	111,176	130,397	179	-
Utilities	207,103	195,528	-	-
Bank charges and interest	171,751	175,674	85	-
Other	202,263	141,491	2,110	-
	5,055,760	**4,413,458**	**63,125**	**17,448**

JMMB GROUP LIMITED

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8. Taxation

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

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
1% tax on assets	-	405	-	-
Green fund levy	11,465	3,438	-	-
Current income tax	374,922	203,381	120	-
Prior year over provision	(338)	(2,830)	-	-
	386,049	204,394	120	-
Deferred income tax (Note 20)				
Origination and reversal of temporary differences	169,784	(253,754)	-	-
Tax benefit of losses carried forward	249,682	345,686	-	-
	419,466	91,932	-	-
	805,515	**296,326**	**120**	**-**

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

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Profit before taxation	4,156,046	2,595,557	577,984	553,280
Tax calculated at 25% (2016: 25%)	1,039,011	648,889	144,496	138,320
Adjusted for the effects of:				
Income not subject to tax	(341,057)	(577,233)	(144,376)	(144,124)
Disallowed expenses	186,663	194,955	-	-
Tax losses not recognised	64,219	42,333	-	5,804
Tax losses recovered	(145,754)	(6,773)	-	-
Effect of taxation under different tax regime	(27,792)	(13,766)	-	-
Green fund levy	11,465	3,438	-	-
Other	19,098	7,313	-	-
Over provision prior year	(338)	(2,830)	-	-
	805,515	**296,326**	**120**	**-**

8. Taxation (Continued)

(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 $2,646,885,000 (2016: $3,866,484,000) for the Group and $78,432,000 (2016: $17,413,000) for the Company.

9. Earnings per Stock Unit

Earning per stock unit ("EPS'') is computed by dividing the profit attributable to stockholders of the parent of $3,312,838,000 (2016: $2,264,589,000) by the weighted average number of ordinary stock units in issue during the year, numbering 1,630,552,532 (2016: 1,630,552,532).

10. Dividends

	The Group	
	2017	**2016**
	$'000	**$'000**
Final dividend in respect of 2015 @ 16.0 cents per stock unit	-	260,888
Interim dividend in respect of 2016 @ 19.0 cents per stock unit	-	309,805
Final dividend in respect of 2016 @ 18.0 cents per stock unit	293,499	-
Interim dividend in respect of 2017 @ 22.0 cents per stock unit	358,722	-
	652,221	**570,693**

11. Cash and Cash Equivalents

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash	10,493,830	9,668,485	-	-
Balances with Central Bank	8,854,033	7,627,913	-	-
Cash equivalents	1,547,290	8,213,323	642	7,623
	20,895,153	**25,509,721**	**642**	**7,623**

Cash equivalents of the Group include $1,126,575,000 (2016: $814,505,000) held by an investment broker as security for funding provided on certain investment securities which is not available for immediate use. In addition, the Group also has a restricted amount of $7,744,734 (2016: $7,744,734) deposited at an interest rate of 1.5% (2016: 2.0%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the Group's Jamaican employees.

JMMB GROUP LIMITED

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

12. Loans and Notes Receivable

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	21,103,648	21,807,112	-	-
Financial institutions	1,803,139	368,180	5,934,345	5,680,469
Individuals	25,547,307	16,402,755	-	-
	48,454,094	38,578,047	5,934,345	5,680,469
Less: allowance for impairment	(1,320,960)	(1,127,790)	-	-
	47,133,134	**37,450,257**	**5,934,345**	**5,680,469**

Allowance for impairment:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at 1 April	1,127,790	1,040,290
Provision acquired	-	27,897
Charge for year	271,977	197,906
Write-offs	(83,894)	(84,485)
Translation gains/(loss)	5,087	(53,818)
Balance at 31 March	**1,320,960**	**1,127,790**

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

Notes receivable include the balance on an interest-free revolving advance of $324,036,605 (2016: $324,036,605) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not been fixed. The number of stock units held by the ESOP at 31 March 2017 was 158,170,762 (2016: 152,023,136).

JMMB GROUP LIMITED

Notes to the Financial Statements

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13. Other Receivables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	1,110,373	1,315,152	19,960	9,537
Staff loans	435,688	476,678	-	-
	1,546,061	1,791,830	13,960	9,537
Less: allowance for impairment	(899)	(592)	-	-
	1,545,162	**1,791,238**	**13,960**	**9,537**

Allowance for impairment

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April	592	1,390	-	-
Charge for year	307	125	-	-
Recoveries/write-off	-	(923)	-	-
Balance at 31 March	899	592	-	-

14. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Jamaica dollars	915,006	220,000	-	506,956
Denominated in United States dollars	-	1,506	343,412	-
	915,006	**221,506**	**343,412**	**506,956**

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

The securities that the 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 23).

At the reporting date, the fair value of the securities obtained and held under resale agreements was $934,173,000 (2016: $231,117,000) and $343,412,000 (2016: $513,436,000) for the Group and Company respectively.

JMMB GROUP LIMITED

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15. Investment Securities

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables:				
Certificates of deposit	-	345,297	-	-
Government of Jamaica securities	14,492,680	18,535,833	-	-
Other sovereign bonds	240,597	94,946	-	-
Corporate:				
Government of Jamaica guaranteed	3,101,770	3,308,415	-	-
Other	161,812	13,642	-	-
	17,996,859	22,298,133	-	-
Available-for-sale securities:				
Government of Jamaica securities	97,061,290	76,086,900	-	-
Certificates of deposit	5,009,441	11,405,864	900,648	900,648
Government of Jamaica guaranteed	4,675,555	5,908,979	-	-
Corporate bonds	13,033,897	4,444,311	-	-
Other sovereign bonds	31,072,165	24,046,259	-	-
Quoted securities	422,491	378,383	-	-
Units in unit trusts	162,198	186,038	-	-
Money market funds	1,376,520	584,079	-	-
Other	88,992	170,765	18,908	18,908
	152,902,549	123,211,578	919,556	919,556
Fair value through profit or loss:				
Credit default swap	-	150,971	-	-
Corporate bonds	416,038	1,652,182	-	-
Other sovereign bonds	47,075	45,672	-	-
Quoted securities	445,331	265,426	-	-
	908,444	2,114,251	-	-
Held-to-maturity:				
Credit linked note	-	9,538,595	-	-
Sovereign bonds	57,060	97,897	-	-
	57,060	9,636,492	-	-
	171,864,912	157,260,454	919,556	919,556
Less: allowance for impairment losses	(293,109)	(284,364)	-	-
	171,571,803	**156,976,090**	**919,556**	**919,556**

15. Investment Securities (Continued)

Allowance for impairment:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance as 1 April	284,364	259,262	-	-
Recoveries	-	(36,708)	-	-
Charge for the year	8,745	61,810	-	-
Balance as 31 March	293,109	284,364	-	-

Investments mature, from the reporting date, as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities:				
Within 3 months	8,216,864	70,351	-	-
From 1 year to 5 years	30,298,905	30,903,853	-	-
Over 5 years	73,038,202	63,896,268	-	-
	111,553,971	94,870,472	-	-
Certificates of deposit:				
Within 3 months	4,827,335	11,028,440	900,648	900,648
From 3 months to 1 year	100,000	443,733	-	-
From 1 year to 5 years	82,103	278,989	-	-
	5,009,438	11,751,162	900,648	900,648
Sovereign and corporate bonds:				
Within 3 months	84,025	246,571	-	-
From 3 months to 1 year	243,596	11,244,110	-	-
From 1 year to 5 years	10,756,608	5,753,603	-	-
Over 5 years	41,201,082	31,532,281	-	-
	52,285,311	48,776,565	-	-
Other [see (c) below]	2,723,083	1,577,891	18,908	18,908
	171,571,803	**156,976,090**	**919,556**	**919,556**

(a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (Note 23).

(b) Government of Jamaica securities having an aggregate face value of $199,000,000 (2016: $196,750,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.

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

JMMB GROUP LIMITED

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16. Interest in Subsidiaries

	Company 2017 $'000	Company 2016 $'000
Shares at cost:		
Jamaica Money Market Brokers Limited	1,864,054	1,864,054
JMMB Merchant Bank Limited	4,885,176	4,885,176
JMMB Money Transfer Limited	50,789	42,789
	6,800,019	**6,792,019**

17. Investment Properties

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

Investment properties generated revenue of $1,437,000 (2016: $1,928,000) and incurred expenses of $8,434,000 (2016: $9,753,000) for the year.

The fair value of the Group's investment properties is categorised as Level 3 in the fair value hierarchy as described in Note 29.

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

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

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18. Intangible Assets

	Computer Software $'000	Customer List and Core Deposits $'000	Licence $'000	Goodwill $'000	Other $'000	Total $'000
Cost						
31 March 2015	706,198	567,194	227,995	17,363	316,496	1,835,246
Acquired in business combination [Note 26(b)]	-	-	51,216	10,615	35,112	96,943
Additions	355,600	-	-	-	-	355,600
Exchange rate adjustment	2,835	5,620	3,381	-	4,837	16,673
31 March 2016	1,064,633	572,814	282,592	27,978	356,445	2,304,462
Acquired in business combination (Note 26)	-	15.123	-	-	-	15,123
Additions	304,276	-	-	-	-	304,276
Reclassification	14,616	-	-	-	-	14,616
Exchange adjustment	192	22,702	6,797	323	4,668	34,682
31 March 2017	1,383,717	610,639	289,389	28,301	361,113	2,673,159
Accumulated Amortisation						
31 March 2015	435,969	125,092	-	-	213,908	774,969
Charge for the year	68,702	55,162	-	-	39,009	162,873
Impairment	-	-	-	-	13,392	13,392
Exchange rate adjustment	990	820	-	-	2,260	4,070
31 March 2016	505,661	181,074	-	-	268,569	955,304
Charge for the year	137,278	57,737	-	-	-	195,015
Exchange adjustment	(1)	1,673	-	-	4,668	6,340
31 March 2017	642,938	240,484	-	-	273,237	1,156,659
Net Book Value						
31 March 2017	**740,779**	**370,155**	**289,389**	**28,301**	**87,876**	**1,516,500**
31 March 2016	**558,972**	**391,740**	**282,592**	**27,978**	**87,876**	**1,349,158**
31 March 2015	**270,229**	**442,102**	**227,995**	**17,363**	**102,588**	**1,060,277**

18. Intangible Assets (Continued)

Impairment testing for intangible assets with indefinites useful lives

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

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

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

	2017	**2016**
Discount rate	14%, 15.5%	14%, 15.5%
Long-term growth rate	3%	3%
Time to obtain licence	3-5 years	3-5 years

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

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

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

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19. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvement	Motor Vehicles	Computer Equipment	Equipment, Furniture and Fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
31 March 2015	**1,213,100**	**575,915**	**57,617**	**663,437**	**1,516,794**	**4,026,863**
Acquired on business combination (Note 26)	-	-	-	4,079	1,343	5,422
Additions	315,969	166,009	1,659	76,845	151,048	711,530
Disposals	-	(17,125)	-	-	(5,967)	(23,092)
Exchange adjustment	690	12,017	141	(570)	21,556	33,834
31 March 2016	**1,529,759**	**736,816**	**59,417**	**743,791**	**1,684,774**	**4,754,557**
Additions	569,490	56,710	-	199,871	160,916	986,987
Transfer	(204,267)	117,544	-	-	86,723	-
Reclassification	(5,815)	(40,289)			31,488	(14,616)
Disposals	-	(26,061)	(11,452)	-	(11,533)	(49,046)
Exchange adjustment	3,202	19,270	60	1,648	31,112	55,292
31 March 2017	**1,892,369**	**863,990**	**48,025**	**945,310**	**1,983,480**	**5,733,174**
Accumulated Depreciation						
31 March 2015	**121,902**	**366,753**	**27,148**	**470,992**	**1,006,380**	**1,993,175**
Acquired on business combination (Note 26)	-	-	-	1,548	1,197	2,745
Charge for the year	23,634	51,625	10,377	96,909	133,733	316,278
Disposals	-	(11,353)	-	-	(4,942)	(16,295)
Exchange adjustment	-	5,502	-	(965)	16,021	20,558
31 March 2016	**145,536**	**412,527**	**37,525**	**568,484**	**1,152,389**	**2,316,461**
Charge for the year	29,012	68,346	8,367	175,306	67,970	349,001
Disposals	-	(19,982)	(8,422)	-	(11,170)	(39,574)
Exchange adjustment	-	19,059	-	(73,560)	91,197	36,696
31 March 2017	**174,548**	**479,950**	**37,470**	**670,230**	**1,300,386**	**2,662,584**
Net Book Value						
31 March 2017	**1,717,821**	**384,040**	**10,555**	**275,080**	**683,094**	**3,070,590**
31 March 2016	**1,384,223**	**324,289**	**21,892**	**175,307**	**532,385**	**2,438,096**
31 March 2015	**1,091,198**	**209,162**	**30,469**	**192,445**	**510,414**	**2,033,688**

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19. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvements	**Furniture, Fixtures and Equipment**	**Motor Vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Cost				
Acquired on group reorganisation and balance at 31 March 2016 and 31 March 2017	10,271	3,493	45	13,809
Depreciation				
Acquired on group reorganisation and balance at 31 March 2016 and 31 March 2017	9,958	3,493	45	13,496
Net Book Value				
31 March 2017	313	-	-	313
31 March 2016	313	-	-	313

20. Deferred Income Tax

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

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

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Deferred income tax assets	43,902	165,892
Deferred income tax liabilities	(1,232,702)	(677,531)
Net deferred income tax liabilities	(1,188,800)	(511,639)

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20. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Investments	898,838	884,841	-	-
Other payables	22,028	24,535	-	-
Property, plant and equipment	22,618	4,501	-	-
Interest payable	343,554	342,828	-	-
Tax losses carried forward	222,521	472,203	-	-
	1,509,559	1,728,908	-	-
Deferred income tax liabilities -				
Investments	467,927	135,914	-	-
Unrealised foreign exchange gains	1,669,934	1,606,552	-	-
Property, plant and equipment	9,261	5,723	-	-
Accounts receivable	1,597	1,846	-	-
Interest receivable	549,640	490,512	-	-
	2,698,359	2,240,547	-	-
Net deferred income tax liabilities	**(1,188,800)**	**(511,639)**	**-**	**-**

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

	2017			
	The Group			
	Balance at Beginning of Year	**Recognised in Income**	**Recognised in Other Comprehensive Income**	**Balance at End of Year**
	$'000	**$'000**	**$'000**	**$'000**
		(Note 8)		
Tax losses carried forward	472,203	(249,682)	-	222,521
Investments	748,927	(60,321)	(257,695)	430,911
Accounts payable	24,535	(2,507)	-	22,028
Property plant and equipment	(1,222)	14,579	-	13,357
Interest payable	342,828	726	-	343,554
Unrealised gains	(1,606,552)	(63,382)	-	(1,669,934)
Accounts receivable	(1,846)	249	-	(1,597)
Interest receivable	(490,512)	(59,128)	-	(549,640)
	(511,639)	(419,466)	(257,695)	(1,188,800)

20. Deferred Income Taxes (Continued)

	2016			
	The Group			
	Balance at Beginning of Year	Recognised in Income	Recognised in Other Comprehensive Income	Balance at End of Year
	$'000	$'000	$'000	$'000
		(Note 8)		
Tax losses carried forward	125,517	346,686	-	472,203
Investments	558,554	(33,294)	223,667	748,927
Accounts payable	9,893	14,642	-	24,535
Property plant and equipment	(14,230)	13,008	-	(1,222)
Interest payable	372,369	(29,541)	-	342,828
Unrealised gains	(1,151,681)	(454,871)	-	(1,606,552)
Accounts receivable	-	(1,846)	-	(1,846)
Interest receivable	(543,796)	53,284	-	(490,512)
	(643,374)	(91,932)	223,667	(511,639)

21. Share Capital

	2017	2016
	Number of Shares ('000)	Number of Shares ('000)
Authorised:		
Ordinary stock units of no par value	1,816,400	1,816,400
Fixed rate cumulative redeemable preference shares of no par	6,000,000	6,000,000
	7,816,400	7,816,400

	2017	2016
	Number of Shares ('000)	Number of Shares ('000)
Issued ordinary share capital:		
Ordinary stock units in issue	1,630,552	1,630,552

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21. Share Capital (Continued)

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Stated capital:				
1,630,552,532 (2016: 1,630,552,532) ordinary stock units	1,864,554	1,864,554	1,864,554	1,864,554
715,482,000 7.50% cumulative redeemable preference stock units	1,430,964	1,430,964	-	-
15,358,000 7.25% cumulative redeemable preference stock units	38,395	38,395	-	-
14,151,000 7.25% cumulative redeemable preference stock units	14,151	14,151	14,151	14,151
1,827,548,000 7.50% cumulative redeemable preference stock units	1,827,548	1,827,548	1,827,548	1,827,548
320,250 5.75% cumulative redeemable preference stock units	41,063	38,974	41,063	38,974
42,783,500 US$ 6.00% cumulative redeemable preference stock units	5,485,700	5,206,752	5,485,700	5,206,752
	10,702,375	10,421,338	9,233,016	8,951,979
Less: redeemable preference stock units classified as liability	(8,837,821)	(8,556,784)	(7,368,462)	(7,087,425)
	1,864,554	**1,864,554**	**1,864,554**	**1,864,554**

On 14 January 2016, the company issued 14,151,000 and 1,827,548,000 7.25% and 7.50% fixed rate cumulative redeemable preference shares and 320,250 and 42,783,500 5.75% and 6.00% fixed rate cumulative redeemable preference shares at a price of J$1.00 and US$1.00 per share, respectively, by public offering.

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.

The rights attaching to the ordinary shares include the following:

(i) Entitlement of dividends as declared from time to time (Note 10).

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

22. Reserves

(a) Retained Earnings Reserve

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

23. Securities Sold Under Agreements to Repurchase

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Jamaica dollars	39,998,213	48,162,021	-	-
Denominated in United States dollars	95,245,532	84,101,086	-	-
Denominated in Pound Sterling	3,009,170	3,412,372	-	-
Denominated in Euro	22,470	118,740	-	-
Denominated in Dominican Republic Peso	14,645,279	12,985,415	-	-
Denominated in Canadian dollars	510,345	482,735	-	-
Denominated in Trinidad and Tobago dollars	3,216,586	-	-	-
	156,647,595	**149,262,369**	**-**	**-**

Repurchase agreements are collateralised by certain securities and other instruments held by the Group with a carrying value of $166,522,193,000 (2016: $160,067,969,000) (Notes 11, 14 and 15).

24. Notes Payable

		The Group	
		2017	**2016**
		$'000	**$'000**
(i)	Senior Unsecured US$ Fixed Note	2,444,258	2,434,000
(ii)	Subordinated debt	1,521,600	1,474,400
(iii)	Subordinated debt	559,448	505,955
		4,525,306	4,414,355

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24. Notes Payable (Continued)

(i) This note bore interest at 6.75% per annum, with interest payable on a quarterly basis up to its maturity on 18 July, 2016. The noteholders exercised their option to extend the maturity to 18 July, 2019 at an interest rate of 7.75% per annum.

(ii) This represents subordinated debt of TT$80 million issued by a subsidiary for a term of eight (8) years, maturing on 28 March 2022, at a fixed rate of 4.5% per annum.

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

25. Related Party Transactions and Balances

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

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

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Directors-				
Notes receivable	138,658	539,163	-	-
Interest payable	(202)	(155)	-	-
Customer deposits	(101,189)	(100,981)	-	-
Repurchase agreements	(39,364)	(79,927)	-	-
Major shareholders -				
Notes receivable	324,037	324,037	-	-
Subsidiaries -				
Resale agreements	-	-	343,412	506,956
Notes receivable	-	-	5,934,345	5,680,469
Interest receivable	-	-	73,957	23,906
Due from subsidiary	-	-	227,377	-
Payables	-	-	(4,890,595)	(4,709,588)

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25. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Directors:				
Interest income	12,103	12,004	-	-
Interest expense	(2,078)	(3,051)	-	-
Major shareholders:				
Interest income	184	46,828	-	-
Interest expense	(15,571)	(5,045)	-	-
Subsidiaries:				
Interest income	-	-	467,767	96,785
Managed funds:				
Gain on sale of securities	1,404,631	1,122,590	-	-
Interest expense	(982,325)	(62,489)	-	-

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

	The Group	
	2017 $'000	2016 $'000
Directors emoluments:		
Fees (note 7)	152,007	102,473
Management remuneration	58,921	53,842
Other key management compensation:		
Short-term employee benefits	332,004	303,051
Post-employment benefits	13,762	13,645
	556,694	473,011

26. Business Combinations

(a) *Acquisition of assets and liabilities of Corporacion de Credito America S.A.*

On 20 February 2017, JMMB Holding Company, SRL, a 100% owned subsidiary, acquired control of the assets and liabilities of Corporation de Credito America S.A. a savings and loan bank in the Dominican Republic. The acquisition of the portfolio resulted in net liabilities of RD$32.2 million (J$87.6 million).

The net liabilities acquired were transferred simultaneously to Banco Rio De Ahorro Y Credito JMMB Bank S.A. (Banco Rio) (at the same values at which they were acquired.

JMMB Holding Company, SRL is required to invest RD$32.2 milion (J$87.6 million) in Banco Rio to cover the losses incurred on the acquisition.

Valuations of acquired tangible and intangible assets are not finalised. Management expects that this assessment will be concluded by the next financial year end. Details of the provisional purchase price allocation among net assets acquired are as follows:

	2017
	$'000
Purchase consideration – cash paid	-
Fair value of net liabilities acquired	(87,646)
Loss on acquisition of portfolio	(87,646)

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

	Fair Value
	$'000
Cash and cash equivalents	112,744
Investment securities	484,646
Loans and notes receivable	335,664
Intangible assets	15,123
Accounts receivable	10,591
Customer deposits	(1,028,723)
Accounts payable	(17,691)
Net liabilities acquired	(87,646)
Cash consideration	-
Cash equivalents acquired	112,744
Net cash inflow on acquisition	112,744

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26. Business Combinations (Continued)

(b) *Acquisition of Banco Rio De Ahorro Y Credito*

On 1 July 2015, JMMB Holding Company, SRL, a 100% owned subsidiary, acquired 90% equity and obtained management control of Banco Rio De Ahorro Y Credito JMMB Bank S.A., a savings and loan bank in the Dominican Republic for US$2,150,000 (J$252.7 million).

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:

	2016
	$'000
Purchase consideration – cash paid	252,734
Fair value of net assets acquired	(242,119)
Goodwill	10,615

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

	Fair Value
	$'000
Cash and cash equivalents	391,729
Investment securities	39,919
Loans and notes receivable	757,648
Property, plant and equipment and intangible assets	2,677
Intangible assets	86,328
Accounts receivable	37,926
Customer deposits	(1,034,032)
Due to financial institutions	(781)
Accounts payable	(21,985)
Net assets	259,429
Net assets acquired 90%	242,119
Cash consideration	(252,735)
Cash and cash equivalents acquired	391,729
Net cash inflow on acquisition	138,994

26. Business Combinations (Continued)

(b) *Acquisition of Banco Rio De Ahorro Y Credito (continued)*

Up to 31 March 2016, the acquired business contributed J$143,100,000 in revenues and incurred operating expenses of J$174,663,000 for the Group. If the acquisition had occurred on the 1 April 2015, management estimates that revenue contributed by the subsidiary would have been J$182,356,000, and net loss for the year would have been J$33,540,000. In determining these amounts management has assumed that the fair value adjustments, determined previously, that arose on the acquisition date would have been the same if the acquisition had occurred on the 1 April 2015.

(c) *Merger of Capital & Credit Financial Group with JMMB Group Limited*

On 31 March 2016, Jamaica Money Market Brokers Limited, transferred direct ownership of Capital & Credit Financial Group Limited (CCFG) to JMMB Group Limited. All of CCFG's assets and liabilities were merged with the parent company. Consequently, JMMB Merchant Bank Limited and JMMB Money Transfer Limited became wholly owned subsidiaries of JMMB Group Limited. Capital & Credit Holdings Inc. was wound up during the year and Capital & Credit Financial Group is being wound up.

The assets and liabilities of CCFG Group transferred to JMMB Group Limited are as follows:

	$'000
Cash and cash equivalents	337
Investment and resale agreements	648
Investment in subsidiaries	2,279,222
Property, plant and equipment and intangible assets	313
Income tax recoverable	13,096
Accounts receivable	52
Due to subsidiary	(64,999)
Accounts payable	(655)
Net assets	2,228,014
Purchase consideration	1,995,844
Net assets acquired	(2,228,014)
Reserve arising on acquisition	232,170
Cash consideration	-
Cash and cash equivalents acquired	337
Net cash inflow on merger	337

27. Non-Controlling Interest

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

(a) Statement of financial position

	2017	**2016**
NCI percentage	**20%**	**20%**
	$'000	**$'000**
Total assets	25,257,375	22,390,811
Total liabilities	21,838,391	19,368,910
Net assets	3,418,984	3,021,901
Carrying amount of NCI	888,630	792,265

(b) Profit and loss account and other comprehensive income

	2017	2016
Revenue	2,548,498	2,305,816
Profit	188,464	205,030
Other comprehensive income	290,892	140,318
Profit allocated to NCI	37,693	34,642
Other comprehensive income allocated to NCI	96,364	33,915

(c) Statement of cash flows

	2017	2016
Cash flows from operating activities	2,366,348	(2,430,341)
Cash flows from investment activities	(2,255,689)	3,356,433
Cash flows from financing activities	145,697	(62,569)
Net (decrease)/increase in cash and cash equivalents	(35,038)	863,523

28. 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 policies and strategy for integrated risk management of the various risk exposures of the Group.

(ii) Board Credit Committees

The respective Bank Board Credit Committees are responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in 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 making specific and general allowances against actual or potential bad debts. The committee is supported in its work by the Management Credit Committee.

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(expressed in Jamaican dollars unless otherwise indicated)

28. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

(iii) Audit Committees

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

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

(iv) Investment Committees

The Investment Committees are management committees 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.

(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.

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

28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Credit review process (continued)

(i) Loans and notes receivable (continued)

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) Investments and resale agreements

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

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

(iii) Cash and cash equivalents

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

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:

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

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

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

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk

Impairment

The main considerations for the loans and notes receivable impairment assessments 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 quarterly, 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.

Credit quality

The credit quality of the Group's loan portfolio is stated below:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due nor impaired – standard	38,841,508	30,016,608	5,934,345	5,680,469
Past due but not impaired	5,937,433	5,258,333	-	-
Past due and impaired	3,675,153	3,303,106	-	-
Gross	48,454,094	38,578,047	5,934,345	5,680,469
Less: allowance for impairment	(1,320,960)	(1,127,790)	-	-
Net	**47,133,134**	**37,450,257**	**5,934,345**	**5,680,469**

28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

The aging of the Group's past due loans at the reporting date was as follows:

	The Group	
	2017	2016
	$'000	$'000
Past due 1 – 30 days	3,964,420	3,481,705
Past due 31 – 60 days	1,783,478	1,112,281
Past due 61 – 90 days	1,157,934	652,148
More than 90 days	2,706,754	3,315,305
	9,612,586	8,561,439

Loans become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

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 as shown on the statement of financial position.

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

	The Group	
	2017	2016
	$'000	$'000
Loan commitments	2,194,035	2,072,600
Guarantees and letters of credit	1,395,058	44,948
	3,589,093	2,117,548

(i) Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not occupy repossessed properties for business or other use.

The carrying value of the loans on which the collateral was repossessed during the year was $55,503,000 (2016: $35,710,000).

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Renegotiated loans and leases

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

There are no loan that would otherwise be past due or impaired, whose terms have been renegotiated.

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

	The Group				
	2017				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Government of Jamaica	-	-	-	111,695,795	111,695,795
Other sovereign bonds	-	-	-	37,696,764	37,696,764
Bank of Jamaica	3,063,479	-	-	4,903,388	7,966,867
Corporate	-	20,113,191	-	15,076,939	35,190,130
Financial institutions	17,831,674	1,803,139	915,006	2,198,917	22,748,736
Retail	-	25,216,804	-	-	25,216,804
	20,895,153	47,133,134	915,006	171,571,803	240,515,096
Concentration by location					
Jamaica	8,803,724	24,438,256	915,006	126,275,409	160,432,395
North America	1,894,188	135,390	-	1,849,322	3,878,900
Trinidad and Tobago	7,598,973	20,582,029	-	19,270,138	47,451,140
Dominican Republic	2,403,079	1,785,779	-	22,604,756	26,793,614
Other	195,189	191,680	-	1,572,178	1,959,047
	20,895,153	47,133,134	915,006	171,571,803	240,515,096

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposure to credit risk

	The Group				
	2016				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investment securities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Concentration by sector					
Government of Jamaica	-	-	-	103,840,128	103,840,128
Other sovereign bonds	-	-	-	24,072,687	24,072,687
Bank of Jamaica	3,340,700	-	-	11,194,795	14,535,495
Corporate	-	21,182,300	-	16,541,998	37,724,298
Financial institutions	22,169,021	276,514	221,506	1,326,482	23,993,523
Retail	-	15,991,443	-	-	15,991,443
	25,509,721	37,450,257	221,506	156,976,090	220,157,574
Concentration by location					
Jamaica	14,371,143	17,600,050	221,506	117,013,023	149,205,722
North America	2,837,233	121,283	-	19,773	2,978,289
Trinidad and Tobago	7,891,049	18,651,925	-	9,075,666	35,618,640
Dominican Republic	99,184	1,064,756	-	20,268,376	21,432,316
Other	311,112	12,243	-	10,599,252	10,922,607
	25,509,721	37,450,257	221,506	156,976,090	220,157,574

	The Company				
	2017				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investment securities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Concentration by sector					
Financial institutions	642	5,934,345	343,412	919,556	7,197,955
Concentration by location					
Jamaica	642	5,293,245	343,412	919,556	6,556,855
Trinidad and Tobago	-	641,100	-	-	641,100
	642	5,934,345	343,412	919,556	7,197,955

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

	The Company				
	2016				
	Cash and cash equivalents	Loans and notes receivable	Resale agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector					
Financial institutions	7,623	5,680,469	506,956	919,556	7,114,604
Concentration by location					
Jamaica	7,623	5,071,969	506,956	919,556	6,506,104
Trinidad and Tobago	-	608,500	-	-	608,500
	7,623	5,680,469	506,956	919,556	7,114,604

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.

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28. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

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

	The Group				The Company			
	Loans and notes receivable		Resale agreements		Loans and notes receivable		Resale agreements	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:								
Cash secured	4,785,446	3,397,258	-	-	5,934,345	5,680,469	343,412	513,436
Property	22,248,080	19,788,212	-	-	-	-	-	-
Debt securities	5,299,408	3,935,588	934,173	231,117	-	-	-	-
Liens on motor vehicles	4,777,259	3,120,319	-	-	-	-	-	-
Equities	190,542	203,025	-	-	-	-	-	-
Other	6,357,081	6,944,074	-	-	-	-	-	-
Subtotal	**43,657,816**	**37,388,476**	**934,173**	**231,117**	**5,934,345**	**5,680,469**	**343,412**	**513,436**
Against past due but not impaired financial assets:								
Cash secured	93,705	239,768	-	-	-	-	-	-
Property	4,837,339	4,432,887	-	-	-	-	-	-
Liens on motor vehicles	1,064,882	706,229	-	-	-	-	-	-
Debt securities	817,425	633,636	-	-	-	-	-	-
Other	1,510,816	1,321,726	-	-	-	-	-	-
Subtotal	**8,324,167**	**7,334,246**	**-**	**-**	**-**	**-**	**-**	**-**
Against past due and impaired financial assets:								
Property	1,627,640	1,119,103	-	-	-	-	-	-
Liens on motor vehicles	54,751	201,382	-	-	-	-	-	-
Other	367,332	-	-	-	-	-	-	-
Subtotal	**2,049,723**	**1,320,485**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**54,031,706**	**46,043,207**	**934,173**	**231,117**	**5,934,345**	**5,680,469**	**343,412**	**513,436**

28. Financial Risk Management (Continued)

(c) Liquidity risk

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

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

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

Liquidity risk management process

The Group's liquidity management process includes:

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

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

(iii) Optimising cash returns on investments;

(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.

28. 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.

	2017				
	The Group				
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Contractual Cash Flow**	**Carrying Amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial Liabilities					
Customer deposits	29,776,612	6,272,519	13,613,201	49,662,332	49,087,511
Due to other banks	301	-	524,536	524,837	418,313
Securities sold under agreements to repurchase	108,001,514	46,851,241	4,313,204	159,165,959	156,647,595
Notes payable	21	-	4,597,009	4,597,030	4,525,306
Redeemable preference shares	-	-	9,018,707	9,018,707	8,837,821
Payables	2,446,790	-	-	2,446,790	2,446,790
	140,225,238	53,123,760	32,066,657	225,415,655	221,963,336

	2016				
	The Group				
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Contractual Cash Flow**	**Carrying Amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial Liabilities					
Customer deposits	24,915,138	4,679,161	12,218,962	41,813,261	41,296,373
Due to other banks	-	-	652,622	652,622	499,166
Securities sold under agreements to repurchase	106,023,154	28,329,639	17,525,010	151,877,803	149,262,369
Notes payable	2,388,652	91,907	2,004,976	4,485,535	4,414,355
Redeemable preference shares	-	-	8,676,645	8,676,645	8,556,784
Payables	1,772,308	-	-	1,772,308	1,772,308
	135,099,252	33,100,707	41,078,215	209,278,174	205,801,355

28. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2017				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Redeemable preference shares	-	-	7,461,646	7,461,646	7,368,462
Due to subsidiary	4,890,595	-	-	4,890,595	4,890,595
Payables	3,154	-	-	3,154	3,154
	4,893,749	-	7,461,646	12,355,395	12,262,211

	2016				
	The Company				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Redeemable preference shares	-	-	7,177,600	7,177,600	7,087,425
Due to subsidiary	4,709,588	-	-	4,709,588	4,709,588
Payables	3,154	-	-	3,154	3,154
	4,712,742	-	7,177,600	11,890,342	11,800,167

(d) Market risk

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

The overall responsibility for market risk management is vested in the Board Risk Management Committee. The Risk Department 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.

28. Financial Risk Management (Continued)

(d) Market risk (continued)

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.

A summary of the VaR position of the Group's overall portfolio as at 31 March 2017 and during the year then ended is as follows:

	31 March	Average for Year	Maximum during Year	Minimum during Year
	$'000	**$'000**	**$'000**	**$'000**
2017 Overall VaR	2,239,790	5,981,726	12,410,350	1,636,423
2016 Overall VaR	1,636,510	2,194,863	4,688,218	739,638

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.

(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.

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

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

	The Group	
	2017	**2016**
	$'000	**$'000**
United States dollars	(5,533,400)	10,870,326
Great Britain pounds	(18,861)	(38,827)
Euros	47,740	64,676
Trinidad and Tobago dollars	277,225	425,560
Canadian dollars	41,169	46,390

Foreign currency sensitivity

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

	The Group			
	2017		**2016**	
	Change in Currency Rate %	**Effect on Profit $'000**	**Change in Currency Rate %**	**Effect on Profit $'000**
Currency:		**$'000**		
USD	6	(332,004)	6	646,820
GBP	6	(1,132)	6	(2,330)
EUR	6	2,864	6	3,881
CAD	6	2,470	6	25,534
TT	6	16,634	6	2,783
		311,168		676,688

28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk

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

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

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

	2017					
	The Group					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	20,895,153	-	-	-	-	20,895,153
Loans and notes receivable	23,833,413	57,222	2,966,780	18,783,914	1,491,805	47,133,134
Securities purchased under agreements to resell	915,006	-	-	-	-	915,006
Investment securities	13,289,304	25,287	476,227	155,070,853	2,710,132	171,571,803
Total financial assets	58,932,876	82,509	3,443,007	173,854,767	4,201,937	240,515,096
Financial Liabilities						
Deposits	37,165,481	-	5,349,876	1,422,945	5,149,215	49,087,517
Due to other financial institutions	299	-	-	418,014	-	418,313
Securities sold under agreements to repurchase	107,399,909	13,883,293	31,267,649	4,096,744	-	156,647,595
Notes payable	2,444,259	-	-	2,081,047	-	4,525,306
Redeemable preference shares	5,293,245	-	3,544,576	-	-	8,837,821
Other payables	-	-	-	-	2,446,790	2,446,790
Total financial liabilities	152,303,193	13,883,293	40,162,101	8,018,750	7,596,005	221,963,342
Total interest rate sensitivity gap	(93,370,317)	(13,800,784)	(36,719,094)	165,836,017	(3,394,068)	18,551,754
Cumulative interest rate sensitivity gap	(93,370,317)	(107,171,101)	(143,890,195)	21,945,822	18,551,754	

JMMB GROUP LIMITED

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28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2016					
	The Group					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	25,489,991	2,405	-	-	17,325	25,509,721
Loans and notes receivable	21,692,419	832,176	2,187,686	11,223,824	1,514,152	37,450,257
Securities purchased under agreements to resell	120,494	101,012	-	-	-	221,506
Investment securities	11,214,524	10,216,912	3,295,947	130,670,816	1,577,891	156,976,090
Total financial assets	58,517,428	11,152,505	5,483,633	141,894,640	3,109,368	220,157,574
Financial Liabilities						
Deposits	31,507,962	-	4,499,142	887,913	4,401,356	41,296,373
Due to other financial institutions	-	-	-	499,166	-	499,166
Securities sold under agreements to repurchase	106,210,247	26,867,288	14,285,434	1,899,400	-	149,262,369
Notes payable	-	2,434,000	-	1,980,355	-	4,414,355
Redeemable preference shares	1,469,359	-	-	7,087,425	-	8,556,784
Other payables	-	-	-	-	1,772,308	1,772,308
Total financial liabilities	139,187,568	29,301,288	18,784,576	12,354,259	6,173,664	205,801,355
Total interest rate sensitivity gap	(80,670,140)	(18,148,783)	(13,300,943)	129,540,381	(3,064,296)	14,356,219
Cumulative interest rate sensitivity gap	(80,670,140)	(98,818,923)	(112,119,866)	17,420,515	14,356,219	

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(expressed in Jamaican dollars unless otherwise indicated)

28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	2017					
	The Company					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	642	-	-	-	-	642
Loans and notes receivable	-	5,934,345	-	-	-	5,934,345
Securities purchased under agreements to resell	343,412	-	-	-	-	343,412
Investment securities	-	900,648	-	-	18,908	919,556
Total financial assets	344,054	6,834,993	-	-	18,908	7,197,955
Financial Liabilities						
Redeemable preference shares	-	-	-	7,368,462	-	7,368,462
Other payables	-	-	-	-	3,154	3,154
Due to subsidiary	-	-	-	-	4,890,595	4,890,595
Total financial liabilities	-	-	-	7,368,462	4,893,750	12,262,211
Total interest rate sensitivity gap	344,054	6,834,993	-	(7,368,462)	(4,874,842)	(5,064,252)
Cumulative interest rate sensitivity gap	344,054	7,179,047	7,179,047	(189,415)	(5,064,257)	

	2016					
	The Company					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	7,623	-	-	-	-	7,623
Loans and notes receivable	-	5,680,469	-	-	-	5,680,469
Securities purchased under agreements to resell	506,956	-	-	-	-	506,956
Investment securities	-	900,648	-	-	18,908	919,556
Total financial assets	514,579	6,581,117	-	-	18,908	7,114,604
Financial Liabilities						
Redeemable preference shares	-	-	-	7,087,425	-	7,087,425
Other payables	-	-	-	-	3,154	3,154
Due to subsidiary	-	-	-	-	4,709,588	4,709,588
Total financial liabilities	-	-	-	7,087,425	4,712,742	11,800,167
Total interest rate sensitivity gap	514,579	6,581,117	-	(7,087,425)	(4,693,834)	(4,685,563)
Cumulative interest rate sensitivity gap	514,579	7,095,696	7,095,696	8,271	(4,685,563)	

28. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

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

	The Group			
	2017		2016	
	Effect on Profit 2017 $'000	Effect on Equity 2017 $'000	Effect on Profit 2016 $'000	Effect on Equity 2016 $'000
Change in basis points				
JMD/USD				
-100/-50	(212,947)	5,585,006	(313,393)	4,128,923
+100/+100 (2016:+250/+200)	208,892	(8,041,340)	362,669	(5,972,124)

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 $69,882,000 (2016: $52,980,000) for the Group.

28. 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;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of control and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks indentified;
- requirements 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.

28. Financial Risk Management (Continued)

(f) Capital management

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

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

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

(ii) To safeguard the 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 based on the guidelines developed by the Group's regulators and the Risk Management Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The regulated authorities require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

Certain subsidiaries regulatory capital is divided into two tiers:

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

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

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

The regulated companies within the Group with prescribed capital requirements are Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Fund Managers Limited (JMMBFM), JMMB Insurance Brokers Limited (JMMBIB), JMMB Money Transfer Limited (JMMBMT), JMMB Puesto de Bolsa, Banco Rio De Ahorro Y Credito JMMB Bank S.A (JMMBBR), JMMB Sociedad Administradora De Fondos De Inversion, S.A. (SAFI), JMMB Merchant Bank Limited (JMMBMB), JMMB Bank (T&T) Limited (JMMBBTT), Intercommercial Trust and Merchant Bank Limited (ITMBL), JMMB Investment (Trinidad and Tobago) Limited (JMMBITT) and JMMB Securities (T&T) (JMMBSTT).

The table and notes below summarise the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2017 and 31 March 2016.

There have been no material changes in the Group's management of capital during the year.

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28. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMB		JMMBSL		JMMBIB	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Tier 1 capital	16,091,617	14,764,928	664,309	595,088	90,906	89,716
Tier 2 capital	5,603,408	5,659,712	6,465	-	-	-
Total regulatory capital	21,695,025	20,424,640	670,774	595,088	90,906	89,716
Risk-weighted assets:						
On-balance sheet	124,056,531	112,754,966	715,914	563,165	-	-
Foreign exchange exposure	9,345,749	8,893,446	352,713	144,084	-	-
Total risk-weighted assets	133,402,280	121,648,412	1,068,627	707,249	-	-
Actual regulatory capital to risk weighted assets	16%	17%	63%	84%	-	-
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	-	-

	ITMBL		JMMBBTT		JMMBMB	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	TT$'000	**TT$'000**	**TT$'000**	**TT$'000**	**J$'000**	**J$'000**
Regulatory capital –						
Tier 1 capital	23,934	23,474	129,130	119,706	5,634,880	5,042,706
Tier 2 capital	326	130	77,444	73,401	187,471	116,256
Total regulatory capital	24,260	23,604	206,574	193,107	5,822,351	5,158,962
Total required capital	-	-	-	-	3,527,902	2,727,020
Risk-weighted assets –						
On balance sheet	15,982	26,142	1,065,372	1,036,792	29,929,071	24,542,968
Off balance sheet	-	-	-	-	3,435,211	2,163,428
Foreign exchange exposure	-	-	-	-	1,914,738	563,802
	15,982	26,142	1,065,372	1,036,792	35,279,020	27,270,198
Actual regulatory capital to risk weighted assets	152%	90%	19%	19%	17%	19%
Required regulatory capital to risk weighted assets	10%	10%	10%	10%	10%	10%

28. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMBFM	
	2017	**2016**
	$'000	**$'000**
Tier 1 capital	455,594	320,357
Tier 2 capital	-	-
Actual regulatory capital	455,594	320,357
Required level of regulatory capital	77,905	39,512
Total risk-weighted assets	556,462	282,225
Tier one capital ratio to risk-weighted assets capital	82%	114%

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

(ii) The capital requirement for JMMB Puesto de Bolsa S.A. is RD$5 million plus other reserve which is 5% of liquid profits.

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

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

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

(vi) The capital requirement for Banco Rio De Ahorro Y Credito JMMB Bank S.A is to maintain a minimum capital to risk weighted asset (CAR) in excess of 10%. The company's CAR at 31 March was 13.3%.

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

JMMB GROUP LIMITED

Notes to the Financial Statements

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29. Financial Instruments – Fair Value

(a) Definition and measurement of fair values

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

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

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

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

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

There were no transfers between levels during the year.

29. Financial Instruments - Fair Value (Continued)

(b) Techniques for measuring fair value of investment securities classified as Level 2

Type of Financial Instrument	Method of estimating fair value
Cash and cash equivalents, other receivables, resale agreements, accounts payable, repurchase agreements, Bank of Jamaica certificates of deposit	Considered to approximate their carrying values, due to their short-term nature
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 rates approximate the market rates.
Notes payable	Considered to be carrying value as the coupon rates approximate the market rates.

(c) Accounting classifications and fair values

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

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

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29. Financial Instruments - Fair Value (Continued)

	The Group							
	2017							
	Carrying amount					Fair value		
	Loan and receivables $'000	Available-for-sale $'000	At fair value through profit & loss account $'000	Held to maturity $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured as fair value								
Ordinary shares quoted	-	408,131	445,331	-	853,462	853,462	-	853,462
Certificates of Deposit	-	5,009,441	-	-	5,009,441	-	5,009,441	5,009,441
Government of Jamaica Securities	-	97,061,290	-	-	97,061,290	-	97,061,290	97,061,290
Government of Jamaica guaranteed	-	4,675,555	-	-	4,675,555	-	4,675,555	4,675,555
Corporate bonds	-	12,959,675	416,038	-	13,375,713	-	13,375,713	13,375,713
Foreign Government Securities	-	30,997,682	47,075	-	31,044,757	-	31,044,757	31,044,757
Money market funds	-	1,376,520	-	-	1,376,520	-	1,376,520	1,376,520
Units in unit trusts	-	162,198	-	-	162,198	-	162,198	162,198
Other	-	88,992	-	-	88,992	-	88,992	88,992
	-	**152,739,484**	**908,444**	**-**	**153,647,928**	**853,462**	**152,794,466**	**153,647,928**
Financial assets not measured at fair value								
			-					
Government of Jamaica Securities	14,492,680	-	-	-	14,492,680	-	17,556,076	17,556,076
Sovereign bonds	110,553	-	-	57,060	167,613	-	123,091	123,091
Government of Jamaica guaranteed	3,101,770	-	-	-	3,101,770	-	3,296,304	3,296,304
Other	161,812	-	-	-	161,812	-	161,812	161,812
	17,866,815	**-**	**-**	**57,060**	**17,923,875**		**21,137,283**	**21,137,283**

JMMB GROUP LIMITED

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(expressed in Jamaican dollars unless otherwise indicated)

29. Financial Instruments - Fair Value (Continued)

The Group

	2016							
	Carrying amount					Fair value		
	Loan and receivables $'000	Available-for-sale $'000	At fair value through profit & loss account $'000	Held to maturity $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured as fair value								
Ordinary shares quoted	-	378,383	265,426	-	643,809	643,809	-	643,809
Certificates of Deposit	-	11,405,864	-	-	11,405,864	-	11,405,864	11,405,864
Government of Jamaica Securities	-	76,086,900	150,971	-	76,237,871	-	76,237,871	76,237,871
Government of Jamaica guaranteed	-	5,908,979	-	-	5,908,979	-	5,908,979	5,908,979
Credit default swap	-	-	1,652,182		1,652,182	-	1,652,182	1,652,182
Corporate bonds	-	4,382,501	45,672	-	4,428,173	-	4,428,173	4,428,173
Foreign Government Securities	-	23,823,705	-	-	23,823,705	-	23,823,705	23,823,705
Money market funds	-	584,079	-	-	584,079	-	584,079	584,079
Units in Unit Trust	-	186,038	-	-	186,038	-	186,038	186,038
Other	-	170,765	-	-	170,765	-	170,765	170,765
	-	**122,927,214**	**2,114,251**	**-**	**125,041,465**	**643,809**	**124,397,656**	**125,041,465**
Financial assets not measured at fair value								
Credit link note	-	-	-	9,538,595	9,538,595	-	9,910,127	9,910,127
Certificates of deposi	345,297	-	-	-	345,297	-	345,297	345,297
Government of Jamaica Securities	18,535,833	-	-	-	18,535,833	-	20,215,190	20,215,190
Sovereign bonds	94,946	-	-	97,897	192,843	-	88,841	88,841
Government of Jamaica guaranteed	3,308,415	-	-	-	3,308,415	-	3,336,450	3,336,450
Other corporate bonds	13,642	-	-	-	13,642	-	8,185	8,185
	22,298,133	**-**	**-**	**9,636,492**	**31,934,625**	**-**	**33,904,090**	**33,904,090**

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29. Financial Instruments - Fair Value (Continued)

	The Company	
	2017	
	Carrying amount	Fair value
	Available for-sale $'000	Level 2 $'000
Financial assets measured as fair value		
Certificates of deposit	900,648	900,648
Ordinary share unquoted	18,909	18,909
	919,557	**919,557**

	2016	
	Carrying amount	Fair value
	Available for-sale $'000	Level 2 $'000
Financial assets measured as fair value		
Certificates of deposit	900,648	900,648
Ordinary share unquoted	18,909	18,909
	919,557	**919,557**

30. Post-employment Benefits

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

The fund is administered by trustees and the assets are held separately from those of the Group. Under the rules of the Fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the fund was done as at 31 December 2014 by ACTMAN International Limited, independent actuaries. The valuation report revealed a funding surplus.

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

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

The contributions for the year amounted to $172,107,000 (2016: $144,145,000) for the Group.

31. Managed Funds

The Group acts as agent and earns fees for managing clients' and investment funds on a non-recourse basis under management agreements. This includes some of the assets of the Group's pension fund (Note 30). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the clients' funds are invested have been excluded from these financial statements.

At 31 March 2017, funds managed in this way by the Group amounted to $88,662,224,000 (2016:$ 85,577,544,000) which includes assets of the Group's pension fund (Note 30), amounting to $2,572,052,000 (2016: $1,907,779,000). The financial statements included the following assets held in (liabilities payable to) the managed funds:

	The Group	
	2017	**2016**
	$'000	**$'000**
Investments	802,061	584,079
Interest payable	(2,459)	(2,963)
Securities sold under agreements to repurchase	(42,107,145)	(36,458,195)
Customer deposits	(3,019,652)	(2,163,420)

32. Commitments

(i) Endowment Fund

The JMMB Group and the Joan Duncan Foundation established an endowment Fund ("the Fund") of US$1 million which will be administered by the University of the West Indies and Mona school of Business and Management. The main purpose of the Fund is to provide scholarships, bursaries, student training and development, academic staff development and case writing. Disbursements to the Fund will be made over a period of six years.

(ii) Operating Leases

The Group has entered into several lease agreements for rental of offices. The amount charged to profit or loss during the year is $375,830,000 (2016: $244,979,000).

As at 31 March 2017, the Group is committed to make future lease payments as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Less than one year	375,830	180,529
Between one and five years	1,126,742	597,503
More than five years	467,281	492,649
	1,969,853	1,270,681

33. Change in Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 34 to all periods presented in these financial statements.

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements.

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

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

- IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are amended as follows:
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- Amendments to IAS 27, *Equity Method in Separate Financial Statements* allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a ‘business’ under IFRS 3, Business Combinations.

- Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations* require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured.

33. Change in Accounting Policies (Continued)

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

- IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures* have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

- Improvements to IFRS 2012-2014 Cycle contain amendments to certain standards and interpretations applicable to the Group as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement’.

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures*: *Offsetting Financial Assets and Financial Liabilities* (Amendment to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

  - IAS 34, *Interim Financial Reporting*, has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report”. The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements except for the re-ordering of the significant accounting policies to note 34 of the financial statements.

34. Significant Accounting Policies

Except for the changes explained in note 33, the Group has consistently applied the following accounting policies to all period presented in these financial statements.

(a) Basis of consolidation

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

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

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

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

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

(i) Non-controlling interests

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

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

(ii) Loss of control

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

34. Significant Accounting Policies (continued)

(b) 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.

(i) Classification of financial instruments

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

Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased. The Group classifies non-derivative financial assets into the following categories:

Loans and receivables: This comprises securities acquired, loans granted with fixed or determinable payments and which are not quoted in an active market.

Held-to-maturity: This comprises securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Fair value through profit or loss: This comprises securities that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such at the time of acquisition.

Available-for-sale: The Group's financial instruments included in this classification are securities with prices quoted in an active market or for which the fair values are otherwise determinable, and which are designated as such upon acquisition or not classified in any of the other categories.

(ii) Recognition and derecognition - non-derivative financial assets and financial liabilities –

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

General (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets

Loans and receivables: On initial recognition these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange, dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: On initial recognition these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which the sale or reclassification occurs and the following two financial years.

Financial assets at fair value through profit or loss: On initial recognition these are measured at fair value, with directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in profit or loss.

Available-for-sale: On initial recognition, these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

(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 measured at cost.

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

34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets (continued)

(ii) Investment securities

Investment securities are classified, recognised/derecognised and measured in the manner set out for financial assets under “General” in this note 2(c) above.

(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 measured at amortised cost less allowance for impairment.

An allowance for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms.

When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific allowances for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan.

34. Significant Accounting Policies (Continued)

(b) Financial instruments (continued)

(iii) Measurement and gains and losses - Non-derivative financial assets (continued)

(iv) Loans and notes receivable and other receivables (continued)

Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in arriving at net profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(v) Account payable

Accounts payable are measured at 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 measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(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.

(c) Property, plant and equipment

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

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

(expressed in Jamaican dollars unless otherwise indicated)

34. Significant Accounting Policies (Continued)

(c) Property, plant and equipment

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

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

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

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and 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. Intangible assets with infinite useful lives are measured at cost less impairment losses. They are assessed for impairment at least annually.

(i) Computer software

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

(ii) Goodwill

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

(iii) Customer lists and core deposits

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

34. Significant Accounting Policies (Continued)

(d) Intangible assets (continued)

(iv) Licences

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

(v) Other intangibles

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

(e) 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. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at the reporting date.

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

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

(iii) Group companies

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

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

34. Significant Accounting Policies (Continued)

(f) Share capital

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

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

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

(g) Taxation

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

(ii) Deferred income tax

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

(h) 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 for any asset, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified to 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.

34. Significant Accounting Policies (Continued)

(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.

(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 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.

(i) Revenue recognition

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

(i) Interest income

Interest income is 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-earning instrument and its amount at maturity calculated on the effective interest 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.

(ii) Fees and commissions

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-apportionate basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

34. Significant Accounting Policies (Continued)

(i) Revenue recognition (continued)

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

(iii) Dividends
Dividend income is recognised when the right to receive payment is irrevocably established.

(j) 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 funds which the Group operates to provide retirement pensions for the Group's employees (Note 30). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged off when due.

(k) Operating leases

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

(l) Segment reporting

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

(m) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(n) 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.

34. Significant Accounting Policies (Continued)

(o) Investment properties

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

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

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

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

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

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

34. Significant Accounting Policies (Continued)

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

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

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

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

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

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

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

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

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

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

34. Significant Accounting Policies (Continued)

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

- Improvements to IFRSs 2014-2016 contain amendments to certain standards applicable to the Group as follows:

  - IFRS 12, *Disclosure of Interests in Other Entities*, effective retrospectively for annual reporting periods beginning on or after January 1, 2017, has been amended to clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

- IAS 28, *Investments in Associates and Joint Ventures*, effective retrospectively for annual reporting periods beginning on or after January 1, 2018, has been amended to clarify or state the following:

  (i) A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

  (ii) A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

  The Group is assessing the impact, if any, that these, new and amended standards and interpretations will have on its future financial statements when they are adopted.