

Financial Statements of

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

March 31, 2019

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**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

March 31, 2019

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**Statement of Management's Responsibilities**  
**JMMB Express Finance (T&T) Limited**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Management is responsible for the following:

- Preparing and fairly presenting the financial statements of JMMB Express Finance (T&T) Limited (the Company) , which comprise of statement of financial position as at March 31, 2019, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

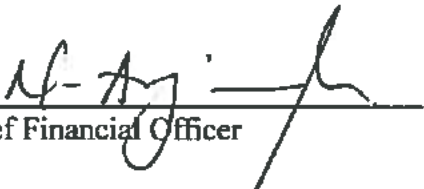
In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or from the date the financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

  
Chief Executive Officer

Date: June 17, 2019

  
Chief Financial Officer

Date: June 17, 2019



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Chartered Accountants  
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**Independent Auditors' Report to the Shareholders of  
JMMB Express Finance (T&T) Limited  
(formerly Intercommercial Trust and Merchant Bank Limited)**

**Opinion**

We have audited the financial statements of JMMB Express Finance (T&T) Limited ('JEF'), which comprise the statement of financial position as at March 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JEF as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**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 JEF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)**

In preparing the financial statements, management is responsible for assessing JEF'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 JEF or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 JEF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

- 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 JEF'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 JEF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink, appearing to read 'KPMG'.

Chartered Accountants  
Port of Spain  
Trinidad and Tobago  
June 17, 2019


**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Statement of Financial Position

March 31, 2019

|  | Notes | 2019<br>S'000 | 2018<br>S'000 |
|--|-------|---------------|---------------|
| <b>ASSETS</b>                                |       |               |               |
| Cash at bank – deposited with parent         |       | 9,834         | 11,881        |
| Due from financial institutions              |       | 143           | -             |
| Balances with Central Bank                   |       | 863           | 168           |
| Loans and advances to customers              | 5     | 29,242        | 10,447        |
| Investment securities                        | 6     | 440           | 3,359         |
| Other assets, prepayments and accrued income | 8     | 1,099         | 116           |
| Deferred tax asset                           | 9     | 1,393         | 28            |
| Corporation tax recoverable                  |       | 314           | 236           |
| Property, plant and equipment                | 10    | 3,005         | 132           |
| <b>Total assets</b>                          |       | <b>46,333</b> | <b>26,367</b> |
| <b>LIABILITIES AND EQUITY</b>                |       |               |               |
| Customers' deposits                          | 11    | 226           | 224           |
| Due to parent                                | 4     | 23,294        | 950           |
| Other liabilities and accruals               | 12    | 911           | 394           |
| Deferred tax liability                       | 9     | 180           | 17            |
| <b>Total liabilities</b>                     |       | <b>24,611</b> | <b>1,585</b>  |
| <b>EQUITY</b>                                |       |               |               |
| Stated capital                               | 13    | 15,000        | 15,000        |
| Retained earnings                            |       | 4,674         | 7,204         |
| Statutory reserve fund                       |       | 2,044         | 2,044         |
| General loss reserve                         |       | -             | 534           |
| Investment revaluation reserve               |       | 4             | -             |
| <b>Total equity</b>                          |       | <b>21,722</b> | <b>24,782</b> |
| <b>Total liabilities and equity</b>          |       | <b>46,333</b> | <b>26,367</b> |

*The accompanying notes are an integral part of these financial statements.*

  
 Director

  
 Director

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

**Statement of Profit or Loss and Other Comprehensive Income**

**Year ended March 31, 2019**

|  | <b>Notes</b> | <b>2019</b>    | <b>2018</b>  |
|--|--------------|----------------|--------------|
|  |              | <b>S'000</b>   | <b>S'000</b> |
| Interest income calculated using effective interest method               | 14           | 2,891          | 1,104        |
| Interest expense   | 15           | (82)           | (15)         |
| <b>NET INTEREST INCOME</b>   |              | <b>2,809</b>   | <b>1,089</b> |
| <b>OTHER INCOME</b>  |              |                |              |
| Gain on sale of investments  |              | -              | 218          |
| Fees and commissions   |              | 649            | 51           |
| Dividends  |              | -              | 7            |
|  |              | <b>649</b>     | <b>276</b>   |
| <b>OPERATING INCOME</b>  |              | <b>3,458</b>   | <b>1,365</b> |
| Operating expenses   | 16           | 6,948          | 918          |
| Impairment losses  | 7            | 37             | -            |
|  |              | <b>6,985</b>   | <b>918</b>   |
| <b>PROFIT BEFORE TAXATION</b>  |              | <b>(3,527)</b> | <b>447</b>   |
| Taxation   | 18           | 1,097          | (133)        |
| <b>Profit for the year attributable to equity holder</b>                 |              | <b>(2,430)</b> | <b>314</b>   |
| <b>Other Comprehensive income</b>  |              |                |              |
| <i>Items that may be reclassified to profit or loss</i>                  |              |                |              |
| Revaluation of available-for-sale investments                            |              | -              | (122)        |
| Net loss on investment in debt instruments measured at FVOCI             |              | 4              | -            |
| <b>Total comprehensive income for year attributable to equity holder</b> |              | <b>(2,426)</b> | <b>192</b>   |

*The accompanying notes are an integral part of these financial statements.*



**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Statement of Changes in Equity

Year ended March 31, 2019

|   | Stated<br>Capital<br>\$'000 | Retained<br>Earnings<br>\$'000 | Statutory<br>Reserve<br>Fund<br>\$'000 | General<br>Loss<br>Reserve<br>\$'000 | Investment<br>Revaluation<br>Reserve<br>\$'000 | Total<br>Equity<br>\$'000 |
|---|-----------------------------|--------------------------------|--|--------------------------------------|--|---------------------------|
| <b>Balance as at March 31, 2017</b>                         | <u>15,000</u>               | <u>6,921</u>                   | <u>2,013</u>                           | <u>534</u>                           | <u>122</u>                                     | <u>24,590</u>             |
| Revaluation adjustment on<br>available for sale investments | -                           | -                              | -                                      | -                                    | (122)  | (122)                     |
| Profit for the year   | -                           | 314                            | -                                      | -                                    | -  | 314                       |
| <b>Total comprehensive income<br/>for the year</b>          | <u>-</u>                    | <u>314</u>                     | <u>-</u>                               | <u>-</u>                             | <u>(122)</u>                                   | <u>192</u>                |
| <b>Transactions with equity holder</b>                      |                             |                                |  |                                      |  |                           |
| Transfer (from) to statutory<br>reserve fund                | -                           | (31)                           | 31                                     | -                                    | -  | -                         |
| Total transactions with equity<br>holder                    | <u>-</u>                    | <u>(31)</u>                    | <u>31</u>                              | <u>-</u>                             | <u>-</u>                                       | <u>-</u>                  |
| <b>Balance as at March 31, 2018</b>                         | <u>15,000</u>               | <u>7,204</u>                   | <u>2,044</u>                           | <u>534</u>                           | <u>-</u>                                       | <u>24,782</u>             |
| Changes on initial application<br>of IFRS 9 (Note 3(a)(ii)) | -                           | (634)                          | -                                      | -                                    | -  | (634)                     |
| Restated balance as at<br>April 1, 2018                     | <u>15,000</u>               | <u>6,570</u>                   | <u>2,044</u>                           | <u>534</u>                           | <u>-</u>                                       | <u>24,148</u>             |
| Net movement in fair value of<br>debt instruments-at FVOCI  | -                           | -                              | -                                      | -                                    | 4  | 4                         |
| Loss for the year   | -                           | (2,430)                        | -                                      | -                                    | -  | (2,430)                   |
| <b>Total comprehensive income<br/>for the year</b>          | <u>-</u>                    | <u>(2,430)</u>                 | <u>-</u>                               | <u>-</u>                             | <u>4</u>                                       | <u>(2,426)</u>            |
| <b>Transactions with equity holder</b>                      |                             |                                |  |                                      |  |                           |
| Transfer (from) to statutory<br>reserve fund                | -                           | -                              | -                                      | -                                    | -  | -                         |
| Transfer from general loss reserve                          | -                           | 534                            | -                                      | (534)                                | -  | -                         |
| Total transactions with equity<br>holder                    | <u>-</u>                    | <u>534</u>                     | <u>-</u>                               | <u>(534)</u>                         | <u>-</u>                                       | <u>-</u>                  |
| <b>Balance as at March 31, 2019</b>                         | <u>15,000</u>               | <u>4,674</u>                   | <u>2,044</u>                           | <u>-</u>                             | <u>4</u>                                       | <u>21,722</u>             |

*The accompanying notes are an integral part of these financial statements.*

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Statement of Cash Flows

Year ended March 31, 2019

|   | 2019           | 2018          |
|---|----------------|---------------|
|   | \$'000         | \$'000        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |                |               |
| Profit before taxation                                | (3,527)        | 447           |
| Adjustments for:                                      |                |               |
| Depreciation  | 241            | 19            |
| Impairment loss on loans                              | 667            | -             |
| Impairment loss on investments                        | 4              | -             |
| Loss on disposal of asset                             | 33             | -             |
| Gain on sale of investments                           | -              | (218)         |
|   | (2,582)        | 248           |
| Changes in:   |                |               |
| - Reserves with Central Bank                          | (695)          | 3,497         |
| - Loans and advances                                  | (20,129)       | 4,004         |
| - Other assets, prepayments and accrued income        | (982)          | 62            |
| - Customer deposits and repurchase agreements         | -              | 2             |
| - Amounts due to parent company                       | 22,344         | 6             |
| - Other liabilities and accruals                      | 517            | 87            |
| Taxes paid  | (184)          | (185)         |
| Tax refund received                                   | 2              | -             |
| <b>Net cash (used in) from operating activities</b>   | <b>(1,709)</b> | <b>7,721</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |                |               |
| Purchase of property, plant and equipment             | (3,113)        | (34)          |
| Proceeds from sale/maturity of investments            | 2,937          | 724           |
| Purchase of investments                               | (19)           | (44)          |
| <b>Net cash (used in) from investing activities</b>   | <b>(195)</b>   | <b>646</b>    |
| <b>Net movement in cash and cash equivalents</b>      | <b>(1,904)</b> | <b>8,367</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> | <b>11,881</b>  | <b>3,514</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       | <b>9,977</b>   | <b>11,881</b> |
| <b>CASH AND CASH EQUIVALENTS REPRESENTED BY:</b>      |                |               |
| Cash deposited with parent                            | 9,834          | 11,881        |
| Due from other financial institutions                 | 143            | -             |
|   | <b>9,977</b>   | <b>11,881</b> |
| <b>Supplemental information:</b>                      |                |               |
| Interest received during the year                     | 2,436          | 1,042         |
| Interest paid during the year                         | 18             | 11            |

*The accompanying notes are an integral part of these financial statements.*

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**1. General Information**

JMMB Express Finance (T&T) Limited (JEF/the Company and formerly Intercommercial Trust and Merchant Bank Limited) was incorporated in the Republic of Trinidad and Tobago in January 2001 and commenced operations in October 2001. The company changed its name effective July 25, 2018 and is now focused primarily on consumer lending. Its registered office was also changed to 86 Ramsaran Street, Chaguanas. JEF is a wholly owned subsidiary of JMMB Bank (T&T) Limited (JMMB Bank).

On September 8, 2017 the ultimate parent of JMMB Bank and JEF was changed from Jamaica Money Market Brokers Limited to JMMB Group Limited which is domiciled in Jamaica and is the ultimate parent of all subsidiaries in the JMMB Group.

As a licensed trust company, merchant bank and finance house/finance company, it operates under a licence from the Financial Institutions Act, 2008. Principal activities under this licence include providing medium and long term finance, mortgages, accepting medium and long term fixed deposits from the public, invoice financing, trade and inventory financing, investment services, leasing, project financing and arranging and underwriting issues of marketable securities.

These financial statements were authorised for issue by the Board of Directors on June 17, 2019.

**2. 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.

This is the first set of JEF's financial statements in which IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers have been applied.

Details of JEF's accounting policies, including changes during the year, are included in note 3 below.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**2. Basis of Preparation (continued)**

**(c) *Functional and presentation currency***

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Trinidad and Tobago dollars, which is JEF's functional and presentation currency, unless otherwise stated. All amounts are rounded to the nearest thousand, unless otherwise indicated.

**(d) *Use of judgements and critical estimates***

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying JEF's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements. Actual results may differ from these 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.

**Key assumptions and other sources of estimation uncertainty**

**(i) *Allowance for impairment losses***

**Policy from April 1, 2018**

Loans accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy note 3(b).

***Measurement of the expected credit loss allowance (ECL)***

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 22(a)(ii)(3), which also sets out key sensitivities of the ECL to changes in these elements.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**2. Basis of Preparation (continued)**

**(d) Use of judgements and critical estimates (continued)**

**Key assumptions and other sources of estimation uncertainty (continued)**

**(i) Allowance for impairment losses (continued)**

**Policy from April 1, 2018 (continued)**

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by JEF in the above areas is set out in note 22(a)(ii).

**Policy prior April 1, 2018**

The Group's determination of impairment is based upon 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 judgments about the 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 finance and credit functions.

The accuracy of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters that are used and the actual results may differ, resulting in future changes to the impairment allowances.

**(ii) Financial asset and financial liability classification**

JEF'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 financial liabilities as "fair value through profit or loss" (FVTPL) "hold to collect and sell" and "hold to collect, JEF has determined that it meets the criteria for this classification set out in accounting policy 3(a)(i).

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**2. Basis of Preparation (continued)**

**(d) Use of judgements and critical estimates (continued)**

**Key assumptions and other sources of estimation uncertainty (continued)**

**(iii) Determining fair values with significant unobservable inputs**

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 24. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**(iv) Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**(v) Plant and equipment**

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to JEF to enable the cost to be treated as a capital expense. Further judgment is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**3. Significant Accounting Policies**

**(a) Changes in accounting policies**

JEF has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of April 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. JEF did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, JEF elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. JEF has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on JEF. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 3(b) below.

JEF also adopted IFRS 15, Revenue From Contracts With Customers, effective for accounting periods beginning on or after January 1, 2018 and which replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for 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. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by JEF.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(i) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at April 1, 2018 are compared as follows:

|   | <b>IAS 39<br/>Measurement<br/>Category</b>    | <b>Carrying<br/>Amount<br/>\$'000</b> | <b>IFRS 9<br/>Measurement<br/>Category</b> | <b>Carrying<br/>Amount<br/>\$'000</b> |
|---|---|---------------------------------------|--|---------------------------------------|
| Cash and cash equivalents,<br>balances with<br>Central Bank and other<br>financial institutions | Amortised Costs                               | 12,048                                | Amortised Costs                            | 12,048                                |
| Loans and<br>advances to<br>customers   | Amortised Costs<br>(Loans and<br>Receivables) | 10,447                                | Amortised Costs                            | 9,813                                 |
| Investment Securities   | Fair Value through PL                         | 2,973                                 | Fair Value through PL                      | 2,973                                 |
|   | Available for sale-debt                       | 386                                   | Fair Value through OCI                     | 386                                   |

There were no changes to the classification and measurement of financial liabilities.

**(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

JEF performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to note 3(b)(iii) policy from April 1, 2018 for more detailed information regarding the new classification requirements of IFRS 9.



**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)**

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on April 1, 2018:

|  | IAS 39<br>Carrying<br>Amount<br>March 31,<br>2018<br>\$'000 | Reclassification<br>\$'000 | Remeasurement<br>\$'000 | IFRS 9<br>Carrying<br>Amount<br>April 1,<br>2018<br>\$'000 |
|--|---|----------------------------|-------------------------|--|
| <b>Amortisation Cost</b>   |   |                            |                         |  |
| Cash and cash equivalents,<br>balances with Central Bank<br>and other Financial Institutions |   |                            |                         |  |
| Opening balance under IAS 39<br>and closing under IFRS 9                                     | 12,048  | -                          | -                       | 12,048   |
| <b>Loans and advances to customers</b>   |   |                            |                         |  |
| Opening balance under IAS 39   | 10,447  | -                          | -                       | 10,447   |
| Expected Credit Loss   | -   | -                          | (634)                   | (634)  |
| Closing under IFRS 9   | 10,447  | -                          | (634)                   | 9,813  |
| <b>Fair value through profit or loss</b>   |   |                            |                         |  |
| Opening balance under IAS 39 and<br>closing under IFRS 9                                     | 2,973   | -                          | -                       | 2,973  |
| <b>Fair value through other comprehensive<br/>Income Investment Securities – Debt</b>        |   |                            |                         |  |
| Opening balance under IAS 39   | 386   | -                          | -                       | 386  |
| Addition – From Available for sale (IAS 39)  | -   | -                          | -                       | -  |
| Addition – From Held to Maturity (IAS 39)  | -   | -                          | -                       | -  |
| Expected Credit Loss   | -   | -                          | -                       | -  |
| Closing under IFRS 9   | 386   | -                          | -                       | 386  |

The following shows that impact of the transition to IFRS 9 on Retained Earnings.

|   | \$'000 |
|---|--------|
| <b>Retained earnings</b>                            |        |
| Closing balance under IAS 39 as at March 31, 2018   | 7,204  |
| Recognition of expected credit losses under IFRS 9: |        |
| - Loans and advances to customers                   | (634)  |
| Closing balance under IFRS 9 as at April 1, 2018    | 6,570  |

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at April 1, 2018:

|   | IAS 39<br>Loan Loss<br>Allowance<br>Under<br>IAS 39<br>\$'000 | Reclassification<br>\$'000 | Remeasurement<br>\$'000 | IFRS 9<br>Loan Loss<br>Allowance<br>Under<br>IFRS 9<br>\$'000 |
|---|---|----------------------------|-------------------------|---|
| <b>Loans and receivables (IAS 39/<br/>Amortised cost (IFRS 9))</b>                                  |   |                            |                         |   |
| Cash and Cash equivalents, balances<br>with Central Bank and other<br>Financial Institutions        | -   | -                          | -                       | -   |
| Loans and advances to customers   | -   | -                          | 634                     | 634   |
| Investment Securities   | -   | -                          | -                       | -   |
|   | -   | -                          | 634                     | 634   |
| <b>Available for Sale Financial<br/>Instruments (IAS) 39 Financial<br/>Assets at FVOCI (IFRS 9)</b> | -   | -                          | -                       | -   |

**(b) Financial instruments**

**Policy from April 1, 2018**

**(i) JEF's financial instruments fall under the following categories:**

**(a) Loans and advances to customers**

JEF's loans and advances to customers are debt instruments with fixed or determinable payments and that are managed mainly for the collection of the contractual cash flows that management has classified within a hold to collect business model and are measured at amortised cost under IFRS 9. The detailed classification and measurement criteria are noted below.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Statement of Changes in Equity

Year ended March 31, 2019

|   | Stated<br>Capital<br>\$'000 | Retained<br>Earnings<br>\$'000 | Statutory<br>Reserve<br>Fund<br>\$'000 | General<br>Loss<br>Reserve<br>\$'000 | Investment<br>Revaluation<br>Reserve<br>\$'000 | Total<br>Equity<br>\$'000 |
|---|-----------------------------|--------------------------------|--|--------------------------------------|--|---------------------------|
| <b>Balance as at March 31, 2017</b>                         | <u>15,000</u>               | <u>6,921</u>                   | <u>2,013</u>                           | <u>534</u>                           | <u>122</u>                                     | <u>24,590</u>             |
| Revaluation adjustment on<br>available for sale investments | -                           | -                              | -                                      | -                                    | (122)  | (122)                     |
| Profit for the year   | -                           | 314                            | -                                      | -                                    | -  | 314                       |
| <b>Total comprehensive income<br/>for the year</b>          | <u>-</u>                    | <u>314</u>                     | <u>-</u>                               | <u>-</u>                             | <u>(122)</u>                                   | <u>192</u>                |
| <b>Transactions with equity holder</b>                      |                             |                                |  |                                      |  |                           |
| Transfer (from) to statutory<br>reserve fund                | -                           | (31)                           | 31                                     | -                                    | -  | -                         |
| Total transactions with equity<br>holder                    | <u>-</u>                    | <u>(31)</u>                    | <u>31</u>                              | <u>-</u>                             | <u>-</u>                                       | <u>-</u>                  |
| <b>Balance as at March 31, 2018</b>                         | <u>15,000</u>               | <u>7,204</u>                   | <u>2,044</u>                           | <u>534</u>                           | <u>-</u>                                       | <u>24,782</u>             |
| Changes on initial application<br>of IFRS 9 (Note 3(a)(ii)) | -                           | (634)                          | -                                      | -                                    | -  | (634)                     |
| Restated balance as at<br>April 1, 2018                     | <u>15,000</u>               | <u>6,570</u>                   | <u>2,044</u>                           | <u>534</u>                           | <u>-</u>                                       | <u>24,148</u>             |
| Net movement in fair value of<br>debt instruments-at FVOCI  | -                           | -                              | -                                      | -                                    | 4  | 4                         |
| Loss for the year   | -                           | (2,430)                        | -                                      | -                                    | -  | (2,430)                   |
| <b>Total comprehensive income<br/>for the year</b>          | <u>-</u>                    | <u>(2,430)</u>                 | <u>-</u>                               | <u>-</u>                             | <u>4</u>                                       | <u>(2,426)</u>            |
| <b>Transactions with equity holder</b>                      |                             |                                |  |                                      |  |                           |
| Transfer (from) to statutory<br>reserve fund                | -                           | -                              | -                                      | -                                    | -  | -                         |
| Transfer from general loss reserve                          | -                           | 534                            | -                                      | (534)                                | -  | -                         |
| Total transactions with equity<br>holder                    | <u>-</u>                    | <u>534</u>                     | <u>-</u>                               | <u>(534)</u>                         | <u>-</u>                                       | <u>-</u>                  |
| <b>Balance as at March 31, 2019</b>                         | <u>15,000</u>               | <u>4,674</u>                   | <u>2,044</u>                           | <u>-</u>                             | <u>4</u>                                       | <u>21,722</u>             |

*The accompanying notes are an integral part of these financial statements.*

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Statement of Cash Flows

Year ended March 31, 2019

|   | 2019           | 2018          |
|---|----------------|---------------|
|   | \$'000         | \$'000        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |                |               |
| Profit before taxation                                | (3,527)        | 447           |
| Adjustments for:                                      |                |               |
| Depreciation  | 241            | 19            |
| Impairment loss on loans                              | 667            | -             |
| Impairment loss on investments                        | 4              | -             |
| Loss on disposal of asset                             | 33             | -             |
| Gain on sale of investments                           | -              | (218)         |
|   | (2,582)        | 248           |
| Changes in:   |                |               |
| - Reserves with Central Bank                          | (695)          | 3,497         |
| - Loans and advances                                  | (20,129)       | 4,004         |
| - Other assets, prepayments and accrued income        | (982)          | 62            |
| - Customer deposits and repurchase agreements         | -              | 2             |
| - Amounts due to parent company                       | 22,344         | 6             |
| - Other liabilities and accruals                      | 517            | 87            |
| Taxes paid  | (184)          | (185)         |
| Tax refund received                                   | 2              | -             |
| <b>Net cash (used in) from operating activities</b>   | <b>(1,709)</b> | <b>7,721</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |                |               |
| Purchase of property, plant and equipment             | (3,113)        | (34)          |
| Proceeds from sale/maturity of investments            | 2,937          | 724           |
| Purchase of investments                               | (19)           | (44)          |
| <b>Net cash (used in) from investing activities</b>   | <b>(195)</b>   | <b>646</b>    |
| <b>Net movement in cash and cash equivalents</b>      | <b>(1,904)</b> | <b>8,367</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> | <b>11,881</b>  | <b>3,514</b>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       | <b>9,977</b>   | <b>11,881</b> |
| <b>CASH AND CASH EQUIVALENTS REPRESENTED BY:</b>      |                |               |
| Cash deposited with parent                            | 9,834          | 11,881        |
| Due from other financial institutions                 | 143            | -             |
|   | <b>9,977</b>   | <b>11,881</b> |
| <b>Supplemental information:</b>                      |                |               |
| Interest received during the year                     | 2,436          | 1,042         |
| Interest paid during the year                         | 18             | 11            |

*The accompanying notes are an integral part of these financial statements.*

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

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**1. General Information**

JMMB Express Finance (T&T) Limited (JEF/the Company and formerly Intercommercial Trust and Merchant Bank Limited) was incorporated in the Republic of Trinidad and Tobago in January 2001 and commenced operations in October 2001. The company changed its name effective July 25, 2018 and is now focused primarily on consumer lending. Its registered office was also changed to 86 Ramsaran Street, Chaguanas. JEF is a wholly owned subsidiary of JMMB Bank (T&T) Limited (JMMB Bank).

On September 8, 2017 the ultimate parent of JMMB Bank and JEF was changed from Jamaica Money Market Brokers Limited to JMMB Group Limited which is domiciled in Jamaica and is the ultimate parent of all subsidiaries in the JMMB Group.

As a licensed trust company, merchant bank and finance house/finance company, it operates under a licence from the Financial Institutions Act, 2008. Principal activities under this licence include providing medium and long term finance, mortgages, accepting medium and long term fixed deposits from the public, invoice financing, trade and inventory financing, investment services, leasing, project financing and arranging and underwriting issues of marketable securities.

These financial statements were authorised for issue by the Board of Directors on June 17, 2019.

**2. 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.

This is the first set of JEF's financial statements in which IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers have been applied.

Details of JEF's accounting policies, including changes during the year, are included in note 3 below.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
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Notes to the Financial Statements

March 31, 2019

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**2. Basis of Preparation (continued)**

**(c) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Trinidad and Tobago dollars, which is JEF's functional and presentation currency, unless otherwise stated. All amounts are rounded to the nearest thousand, unless otherwise indicated.

**(d) Use of judgements and critical estimates**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying JEF's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements. Actual results may differ from these 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.

**Key assumptions and other sources of estimation uncertainty**

**(i) Allowance for impairment losses**

**Policy from April 1, 2018**

Loans accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy note 3(b).

**Measurement of the expected credit loss allowance (ECL)**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 22(a)(ii)(3), which also sets out key sensitivities of the ECL to changes in these elements.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

---

**2. Basis of Preparation (continued)**

**(d) Use of judgements and critical estimates (continued)**

**Key assumptions and other sources of estimation uncertainty (continued)**

**(i) Allowance for impairment losses (continued)**

**Policy from April 1, 2018 (continued)**

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by JEF in the above areas is set out in note 22(a)(ii).

**Policy prior April 1, 2018**

The Group's determination of impairment is based upon 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 judgments about the 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 finance and credit functions.

The accuracy of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters that are used and the actual results may differ, resulting in future changes to the impairment allowances.

**(ii) Financial asset and financial liability classification**

JEF'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 financial liabilities as "fair value through profit or loss" (FVTPL) "hold to collect and sell" and "hold to collect, JEF has determined that it meets the criteria for this classification set out in accounting policy 3(a)(i).

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
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Notes to the Financial Statements

March 31, 2019

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**2. Basis of Preparation (continued)**

**(d) Use of judgements and critical estimates (continued)**

**Key assumptions and other sources of estimation uncertainty (continued)**

**(iii) Determining fair values with significant unobservable inputs**

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 24. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**(iv) Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**(v) Plant and equipment**

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to JEF to enable the cost to be treated as a capital expense. Further judgment is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.



**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

---

**3. Significant Accounting Policies**

**(a) *Changes in accounting policies***

JEF has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of April 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. JEF did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, JEF elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. JEF has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on JEF. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 3(b) below.

JEF also adopted IFRS 15, Revenue From Contracts With Customers, effective for accounting periods beginning on or after January 1, 2018 and which replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for 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. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by JEF.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(i) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at April 1, 2018 are compared as follows:

|   | <b>IAS 39<br/>Measurement<br/>Category</b>    | <b>Carrying<br/>Amount<br/>\$'000</b> | <b>IFRS 9<br/>Measurement<br/>Category</b> | <b>Carrying<br/>Amount<br/>\$'000</b> |
|---|---|---------------------------------------|--|---------------------------------------|
| Cash and cash equivalents,<br>balances with<br>Central Bank and other<br>financial institutions | Amortised Costs                               | 12,048                                | Amortised Costs                            | 12,048                                |
| Loans and<br>advances to<br>customers   | Amortised Costs<br>(Loans and<br>Receivables) | 10,447                                | Amortised Costs                            | 9,813                                 |
| Investment Securities   | Fair Value through PL                         | 2,973                                 | Fair Value through PL                      | 2,973                                 |
|   | Available for sale-debt                       | 386                                   | Fair Value through OCI                     | 386                                   |

There were no changes to the classification and measurement of financial liabilities.

**(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

JEF performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to note 3(b)(iii) policy from April 1, 2018 for more detailed information regarding the new classification requirements of IFRS 9.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)**

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on April 1, 2018:

|  | IAS 39<br>Carrying<br>Amount<br>March 31,<br>2018<br>\$'000 | Reclassification<br>\$'000 | Remeasurement<br>\$'000 | IFRS 9<br>Carrying<br>Amount<br>April 1,<br>2018<br>\$'000 |
|--|---|----------------------------|-------------------------|--|
| <b>Amortisation Cost</b>   |   |                            |                         |  |
| Cash and cash equivalents,<br>balances with Central Bank<br>and other Financial Institutions |   |                            |                         |  |
| Opening balance under IAS 39<br>and closing under IFRS 9                                     | 12,048  | -                          | -                       | 12,048   |
| <b>Loans and advances to customers</b>   |   |                            |                         |  |
| Opening balance under IAS 39   | 10,447  | -                          | -                       | 10,447   |
| Expected Credit Loss   | -   | -                          | (634)                   | (634)  |
| Closing under IFRS 9   | 10,447  | -                          | (634)                   | 9,813  |
| <b>Fair value through profit or loss</b>   |   |                            |                         |  |
| Opening balance under IAS 39 and<br>closing under IFRS 9                                     | 2,973   | -                          | -                       | 2,973  |
| <b>Fair value through other comprehensive<br/>Income Investment Securities – Debt</b>        |   |                            |                         |  |
| Opening balance under IAS 39   | 386   | -                          | -                       | 386  |
| Addition – From Available for sale (IAS 39)  | -   | -                          | -                       | -  |
| Addition – From Held to Maturity (IAS 39)  | -   | -                          | -                       | -  |
| Expected Credit Loss   | -   | -                          | -                       | -  |
| Closing under IFRS 9   | 386   | -                          | -                       | 386  |

The following shows that impact of the transition to IFRS 9 on Retained Earnings.

|   | \$'000 |
|---|--------|
| <b>Retained earnings</b>                            |        |
| Closing balance under IAS 39 as at March 31, 2018   | 7,204  |
| Recognition of expected credit losses under IFRS 9: |        |
| - Loans and advances to customers                   | (634)  |
| Closing balance under IFRS 9 as at April 1, 2018    | 6,570  |

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

**(a) Changes in accounting policies (continued)**

**(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at April 1, 2018:

|   | IAS 39<br>Loan Loss<br>Allowance<br>Under<br>IAS 39<br>S'000 | Reclassification<br>S'000 | Remeasurement<br>S'000 | IFRS 9<br>Loan Loss<br>Allowance<br>Under<br>IFRS 9<br>S'000 |
|---|--|---------------------------|------------------------|--|
| <b>Loans and receivables (IAS 39/<br/>Amortised cost (IFRS 9))</b>                                  |  |                           |                        |  |
| Cash and Cash equivalents, balances<br>with Central Bank and other<br>Financial Institutions        | -  | -                         | -                      | -  |
| Loans and advances to customers   | -  | -                         | 634                    | 634  |
| Investment Securities   | -  | -                         | -                      | -  |
|   | -  | -                         | 634                    | 634  |
| <b>Available for Sale Financial<br/>Instruments (IAS) 39 Financial<br/>Assets at FVOCI (IFRS 9)</b> | -  | -                         | -                      | -  |

**(b) Financial instruments**

**Policy from April 1, 2018**

**(i) JEF's financial instruments fall under the following categories:**

**(a) Loans and advances to customers**

JEF's loans and advances to customers are debt instruments with fixed or determinable payments and that are managed mainly for the collection of the contractual cash flows that management has classified within a hold to collect business model and are measured at amortised cost under IFRS 9. The detailed classification and measurement criteria are noted below.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

---

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(i) JEF's financial instruments fall under the following categories: (continued)**

**(b) Investment Securities**

JEF's investment securities include both debt and equity instruments. These instruments are classified and measured according to the business model for managing each asset as well as based on the cash flow characteristics of each instrument as detailed below.

**(c) Customer Deposits**

Deposits from customers are the JEF's main source of funding and fall under the categories of savings, demand or time deposits, and are measured at amortised cost according to the business model for managing these instruments.

**(ii) Measurement methods**

***Amortised cost and effective interest rate***

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - JEF calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

**JMMB EXPRESS FINANCE (T&T) LIMITED**  
**(formerly Intercommercial Trust and Merchant Bank Limited)**

Notes to the Financial Statements

March 31, 2019

---

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(ii) Measurement methods (continued)**

*Amortised cost and effective interest rate (continued)*

When JEF revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

*Interest income calculated using effective interest method*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision).

*Initial recognition and measurement*

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

At initial recognition, JEF measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3(b)(iii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(ii) Measurement methods (continued)**

***Initial recognition and measurement (continued)***

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets (i.e. Level 2 input) the difference is recognised as a gain or loss.

**(iii) Financial assets**

***Classification and subsequent measurement***

From April 1, 2018, JEF has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

***Debt instruments***

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

Classification and subsequent measurement of debt instruments depend on:

- (i) JEF's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Debt instruments (continued)***

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3(b). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'gains/losses on investments at FVTPL' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.



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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Debt instruments* (continued)**

- Fair value through profit or loss: (continued)

*Business model:* the business model reflects how JEF manages the assets in order to generate cash flows. That is, whether JEF's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by JEF in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. An example is the liquidity portfolio of assets, which is held by JEF as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, JEF assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, JEF considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Debt instruments (continued)***

• **Fair value through profit or loss: (continued)**

JEF reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

***Equity instruments***

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

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

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

***Impairment***

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

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Impairment (continued)***

The measurement of ECL reflects:

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

Note 22(a)(ii)(1) provides more detail of how the expected credit loss allowance is measured.

***Modification of loans***

JEF sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, JEF assesses whether or not the new terms are substantially different to the original terms. JEF does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.
- Material change of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Modification of loans (continued)***

If the terms are substantially different, JEF derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, JEF also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and JEF recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

***Derecognition other than on a modification***

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- (i) JEF transfers substantially all the risks and rewards of ownership, or
- (ii) JEF neither transfers nor retains substantially all the risks and rewards of ownership and JEF has not retained control.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

***Derecognition other than on a modification (continued)***

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

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by JEF under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because JEF retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

**(iv) Financial liabilities**

***Classification and subsequent measurement***

In both the current and prior period, financial liabilities of JEF are classified and subsequently measured at amortised cost.

***Derecognition***

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iv) Financial liabilities (continued)**

***Derecognition* (continued)**

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

**Policy prior to April 1, 2018**

Financial instruments comprise balances with and due to and from related parties, cash and cash equivalents, due from other financial institutions, investment securities, loans and advances to customers, debt securities and customers' deposits.

**(i) Recognition and initial measurement**

JEF initially recognises loans and advances to customers, deposits and debt securities issued on the date at which they are disbursed, booked and issued respectively. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which JEF becomes a party to the contractual provisions of the instrument.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(ii) Classification**

**Financial assets**

JEF classifies its financial assets into one of the following categories:

- loans and advances to customers and receivables;
- held-to-maturity;
- available-for-sale; and
- fair value through profit or loss; and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.
- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when JEF provides money or services directly to a debtor with no intention of trading the receivable.
- ***Held-to-maturity***

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that JEF has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent JEF from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

  - Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(ii) Classification (continued)**

**Financial assets (continued)**

• ***Held-to-maturity (continued)***

- Sales or reclassifications after JEF has collected substantially all of the asset's original principal; and
- Sales or reclassifications that are attributable to non-recurring isolated events beyond JEF's control that could not have been reasonably anticipated.

• ***Available-for-sale***

Available-for-sale investments are non-derivative investments that are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

• ***Fair value through profit or loss***

JEF designates the securities at fair value, with any subsequent fair value changes recognised immediately in profit or loss.

**Financial liabilities**

JEF classifies its financial liabilities as measured at amortised cost.

**(iii) Derecognition**

**Financial assets**

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



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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(iii) Derecognition (continued)**

**Financial assets (continued)**

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed); and
- (ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

**Financial liabilities**

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

**(iv) Offsetting**

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

**(v) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, premium or discount minus any reduction for impairment.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(vi) Fair value measurement**

'Fair value' is the price that would be exchanged to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in markets to which JEF has access at that date.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

JEF uses the fair value hierarchy that prioritizes the inputs used to measure fair value into three levels being level 1, level 2 and level 3. This is discussed in greater detail in Note 24.

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

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

**(vii) Designation at fair value through profit or loss**

JEF may designate financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(viii) Impairment of financial assets**

At each financial reporting period, the JEF assesses whether there is objective evidence that suggests a financial asset or group of assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired include:

- Significant financial difficulty of the borrower;
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level, where appropriate.

If there is objective evidence that an impairment loss on loans and advances to customers has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. Impairment losses are recognised in profit or loss.

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the profit or loss. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

Where possible the JEF seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the arrangement of new loan conditions. Once the terms have been restructured, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all conditions are met and future payments are likely to occur.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

**(viii) Impairment of financial assets (continued)**

*Calculation of recoverable amount*

The recoverable amount of the JEF's loans and advances to customers is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their net selling price 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. Receivables with a short duration are not discounted.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in reserves is recognised in the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the 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 reserves.

*Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in the impairment loss is reversed through profit or loss.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit or loss.

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 the profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

***Loans and advances to customers***

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. These are classified as loans and receivables. Loans and advances to customers are initially recognised at cost and subsequently stated at amortised cost, net of any provisions for credit losses using the effective interest method.

A loan is classified as non-accrual when the principal or interest is 90 days past due. Interest on loans over 90 days past due is no longer accrued and taken to income on an ongoing basis because there is doubt as to the recoverability of the balance.

A loan is classified as impaired when there is objective evidence that JEF will not be able to collect all amounts due according to the original contractual terms of the loan.

***Investment securities***

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention are recognised at trade date.

**(i) At fair value through profit or loss**

Securities at fair value through profit or loss are trading securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at reporting date. Where the instrument is not actively traded or quoted on recognized exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

All related realised and unrealised gains and losses are included in other income. Interest earned whilst holding trading securities is reported as interest income.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

***Investment securities* (continued)**

**(ii) Available-for-sale**

Available-for-sale assets are financial assets that are not financial assets at fair value through profit or loss, loans by JEF or held to maturity. These are initially measured at cost.

After initial recognition, investments which are classified as “available-for-sale” are measured at fair value in the same manner described above, with unrealised gains or losses on revaluation recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss or gain previously reported in the unrealised investment reserve is included in profit or loss.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost less impairment losses.

**(iii) Held-to-maturity**

Held-to-maturity assets are other investments which JEF’s management has the positive intentions and ability to hold to maturity. These investments are carried at amortised cost less impairment losses. Amortised cost is calculated on the effective interest method.

***Customers’ deposits***

Customers’ deposits are JEF’s main source of funding. These are classified in accordance with their contractual terms, typically financial liabilities. Customers’ deposits are initially measured at cost and subsequently measured at amortised cost using the effective interest method.

**(c) Revenue recognition**

**(i) Interest income and expense**

Interest income and expense are recognised on the accruals basis in profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other instruments. Interest income is reversed when loans are 90 days overdue and considered non-performing.

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**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**(c) Revenue recognition (continued)**

**(i) Interest income and expense (continued)**

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**(ii) Fee and commission income**

Unless included in the effective interest calculation in accordance with IFRS 9, the majority of JEF's fees are transactional in nature and are recognised on an accrual basis as the service is provided. Commissions and fees not integral to the effective interest arising from negotiating or participating in negotiation of a transaction for a third party are recognised on the completion of the underlying transaction

**(iii) Dividends**

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted equity securities. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income based on the underlying classification of the equity instrument.

**(d) Foreign currency**

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date. All differences are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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Notes to the Financial Statements

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**3. Significant Accounting Policies (continued)**

**(e) Cash and cash equivalents**

Cash and equivalents include notes and coins on hand, deposits held with Central Bank and other financial institutions, which are highly liquid financial assets with less than 90 days to maturity from the date of acquisition, are subject to insignificant risk of changes in their fair value, and are used by JEF in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**(f) Related parties**

**(a) Definition of related parties**

A party is related to JEF, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (a) is controlled by, or is under common control with, JEF (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) has a direct or indirect interest in JEF that gives it significant influence; or
  - (c) has joint control over JEF;
- (ii) the party is an associate of JEF;
- (iii) the party is a joint venture in which JEF is a venturer;
- (iv) the party is a member of the key management personnel of JEF or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of JEF, or of any entity that is a related party of JEF.

**(b) Identity of, and transactions and balances with, related parties**

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



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**3. Significant Accounting Policies (continued)**

**(f) Related parties (continued)**

**(b) Identity of, and transactions and balances with, related parties (continued)**

JEF has a related party relationship with its directors and key management personnel, representing certain senior officers, its parent company and all their affiliates.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates, except loans to officers (see Note 4).

**(g) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to JEF and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on furniture and equipment, which consist of computer hardware, machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. Depreciation on leasehold improvements is computed using the straight-line method over the life of the lease, or if shorter, the useful life of the asset.

The rates used are as follows:

|                         |             |
|-------------------------|-------------|
| Furniture and equipment | 10% - 33 ⅓% |
|-------------------------|-------------|

The assets residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

**(h) Provisions**

Provisions are recognised when JEF has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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**3. Significant Accounting Policies (continued)**

**(i) Reserve requirements**

In accordance with the provisions of the Financial Institutions Act, 2008, JEF is required to hold and maintain with the Central Bank of Trinidad and Tobago a cash reserve balance equivalent to 9% of total prescribed liabilities.

**(j) Statutory reserve fund**

In accordance with the Financial Institutions Act, 2008, JEF is required to transfer at the end of each financial year no less than 10% of its net income after tax to a statutory reserve fund, until the amount standing to the credit of the statutory reserve fund is not less than its paid-up capital.

**(k) Accounting for leases – where JEF is the lessee**

Leases entered into by JEF are all operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When the operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

**(l) Employee benefits**

**(i) Short-term**

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits are accounted for as described below.

**(ii) Post employment**

The parent company operates a two tiered defined contribution plan with Guardian Life of the Caribbean Limited that is in compliance with the provisions of the Income Tax Act of Trinidad & Tobago section 134(6). Under the terms of employment the Group (parent and subsidiary) is obligated to contribute on behalf of all eligible employees an amount of 10% of the employees' pensionable salary directly to JEF's plan.

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**3. Significant Accounting Policies (continued)**

**(l) Employee benefits (continued)**

**(ii) Post employment (continued)**

In addition, all eligible employees contribute an amount of 5% of their pensionable salary to individual annuities.

JEF's contributions to the respective annuities are charged to profit or loss in the year to which they relate. For the current financial period to March 31, 2019, JEF's contribution expense in relation to this plan for the year amounts to \$176,822 (2018: NIL).

**(m) Taxation**

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income (as for deferred tax).

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(n) Earnings per share**

Earnings per share has been computed by dividing the net profit attributable to ordinary shareholders, by the weighted average number of ordinary shares in issue during the year.

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**3. Significant Accounting Policies (continued)**

**(o) *Impairment of non-financial assets***

The carrying amounts of JEF's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(p) *Other assets and liabilities***

Other assets and liabilities, not classified as financial instruments, are initially recognised and subsequently measured at amortised cost in the statement of financial position with relevant costs recognised in profit or loss.

**(q) *General loss reserve***

The general loss reserve is a non-distributable reserve and has been established by JEF based on the Guidelines on Measurement, Monitoring and Control of Impaired Assets issued by the Central Bank of Trinidad and Tobago.

The reserve is created through an appropriation of retained earnings and is calculated as a percentage of the loan portfolio that is not individually assessed for provisions or impairment as at the end of the financial year.

However, with JEF's implementation of IFRS 9 effective April 1, 2018 management has determined that this reserve is no longer required and the balance was released to retained earnings during the financial year.

**(r) *New, revised and amended standards and interpretations that became effective during the year***

The Company has initially adopted IFRS 9 and IFRS 15 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on JEF's financial information.

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**3. Significant Accounting Policies (continued)**

**(r) *New, revised and amended standards and interpretations that became effective during the year (continued)***

Due to the transition method chosen by the Company in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements. Consequently, the related accounting policies from 2018 are not consistent with those presented for 2019.

- Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

**(s) *New standards, amendments and interpretations not yet effective***

There are a number of accounting standards that have been issued by the International Accounting Standards Board (IASB), but which are not yet effective for the year ended March 31, 2018. The Company does not plan on early adoption of these standards, these include:

- 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. Entities 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.

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**3. Significant Accounting Policies (continued-**

**(s) New standards, amendments and interpretations not yet effective (continued)**

- IFRIC 23 *Uncertainty over Tax Treatments*, which is effective for annual reporting periods beginning on or after January 1, 2019, clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst aiming to enhance transparency. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.
- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*, which is effective for annual reporting periods beginning on or after January 1, 2019, removes the word “additional” so that negative compensation may be regarded as “reasonable compensation” irrespective of the cause of the early termination. Financial assets with these prepayment features can therefore be measured at amortised cost or at FVOCI if they meet the other relevant requirements of IFRS 9. Retrospective application is required, subject to relevant transitional reliefs.

The Board clarified that IFRS 9 (as issued in 2014) requires prepares to:

- recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate (EIR); and
- recognize any adjustment to profit or loss.

The accounting treatment is therefore consistent with that required for modifications of financial assets that do not result in derecognition. If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to transitional reliefs.

- Annual Improvements to IFRS Standards 2015-2017 Cycle, which is effective for annual reporting periods beginning on or after January 1, 2019:
  - Amendments to IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements*, clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. The amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.

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**3. Significant Accounting Policies (continued)**

**(s) New standards, amendments and interpretations not yet effective (continued)**

- Annual Improvements to IFRS Standards 2015-2017 Cycle (continued)
  - Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
  - Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.
- Amendments to Reference to Conceptual Framework in IFRS Standards, which is effective for annual reporting periods beginning on or after January 1, 2020, is a comprehensive revision of the existing framework. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. Most of the concepts are not new, the revised framework codifies the IASB's thinking adopted in recent standards. Some areas such as the distinction between liabilities and equity have been removed from the revised Framework, and are being dealt with in separate projects.

**(t) Comparative information**

Certain changes in presentation have been made in these financial statements. These changes had no effect in the operating results or profit after tax on the Company for the previous year.

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**4. Related Party Balances and Transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Certain banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on normal terms and conditions at market rates. For the year ended March 31, 2019, JEF has not made any provision for doubtful debts relating to amounts owed by related parties (2018: NIL).

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

|                                  | <u>2019</u>   | <u>2018</u>   |
|----------------------------------|---------------|---------------|
|                                  | <u>\$'000</u> | <u>\$'000</u> |
| Interest paid to parent          | 17            | 13            |
| Interest received from parent    | 64            | 66            |
| Other liabilities and accruals   | 74            | 90            |
| Cash balances held with parent   | 9,977         | 11,881        |
| Deposits from parent             | 23,294        | 950           |
| Sale of loan portfolio to Parent | <u>8,813</u>  | <u>-</u>      |

|   | <u>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>5. Loans and Advances to Customers</b> |               |               |
| Performing loans (stage 1)                | 25,319        | 9,511         |
| Past due but not impaired (stage 2)       | 4,346         | 936           |
| Credit impaired loans (stage 3)           | 244           | -             |
| Credit impairment loss                    | <u>(667)</u>  | <u>-</u>      |
|   | <u>29,242</u> | <u>10,447</u> |
| <i>Concentration of gross loans</i>       |               |               |
| Corporate                                 | -             | 8,293         |
| Retail                                    | <u>29,242</u> | <u>2,154</u>  |
|   | <u>29,242</u> | <u>10,447</u> |



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|   | <u>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>6. Investment Securities</b>                         |               |               |
| (a) <i>At fair value through profit or loss (FVTPL)</i> |               |               |
| Corporate securities                                    | <u>76</u>     | <u>2,973</u>  |
| (b) <i>Securities at FVOCI/Available for sale (AFS)</i> |               |               |
| Government bonds - AFS                                  | -             | 386           |
| Government bonds - FVOCI                                | <u>364</u>    | <u>-</u>      |
|   | <u>364</u>    | <u>386</u>    |
| Total investment securities                             | <u>440</u>    | <u>3,359</u>  |
|   |               |               |
|   | <u>2019</u>   | <u>2018</u>   |
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>7. Impairment Loss</b>                               |               |               |
| (a) <i>Movement in credit impairment loss on loans</i>  |               |               |
| Balance at beginning of year                            | -             | -             |
| Restated (see note below)                               | 634           | -             |
| Impairment loss for the year                            | <u>33</u>     | <u>-</u>      |
| Balance at end of year                                  | <u>667</u>    | <u>-</u>      |
| (b) <i>Impairment loss</i>                              |               |               |
| Impairment loss on loans                                | 33            | -             |
| Impairment loss on investments at FVOCI                 | <u>4</u>      | <u>-</u>      |
|   | <u>37</u>     | <u>-</u>      |

Note: Restated refers to the reclassification and re-measurement of loans from IAS 39 to IFRS 9.

|  | <u>2019</u>   | <u>2018</u>   |
|--|---------------|---------------|
|  | <u>\$'000</u> | <u>\$'000</u> |
| <b>8. Other Assets, Prepayments and Accrued Income</b> |               |               |
| Accounts receivable and prepayments                    | 693           | 68            |
| Accrued income   | <u>406</u>    | <u>48</u>     |
|  | <u>1,099</u>  | <u>116</u>    |

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|  | <u>2019</u>           | <u>2018</u>        |
|--|-----------------------|--------------------|
|  | <u>\$'000</u>         | <u>\$'000</u>      |
| <b>9. Deferred Tax (Asset) Liability</b>                                 |                       |                    |
| (i) <i>The deferred tax asset is attributable to the following item:</i> |                       |                    |
| <i>Deferred tax asset</i>  |                       |                    |
| Deferred fees  | (20)                  | (28)               |
| Tax losses   | <u>(1,373)</u>        | <u>-</u>           |
|  | <u>(1,393)</u>        | <u>(28)</u>        |
| <i>Deferred tax liability</i>  |                       |                    |
| Accelerated tax depreciation   | <u>180</u>            | <u>17</u>          |
|  | <u>2019</u>           | <u>2018</u>        |
|  | <u>\$'000</u>         | <u>\$'000</u>      |
| (ii) <i>The movement in the deferred tax account comprised:</i>          |                       |                    |
| Balance at beginning of year   | (11)                  | 39                 |
| <i>Amounts recognised in OCI</i>   |                       |                    |
| Investments at AFS   | -                     | (53)               |
| <i>Amounts recognised in profit or loss</i>                              |                       |                    |
| Current deferred tax credit  | 171                   | 3                  |
| Tax losses   | <u>(1,373)</u>        | <u>-</u>           |
| <b>Balance at end of year</b>  | <u><b>(1,213)</b></u> | <u><b>(11)</b></u> |

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**10. Property, Plant and Equipment**

|                                  | <b>Capital Work-<br/>in-Progress</b> | <b>Improvements</b> | <b>Leasehold<br/>Equipment</b> | <b>2019<br/>Total</b> |
|----------------------------------|--------------------------------------|---------------------|--------------------------------|-----------------------|
|                                  | <b>\$'000</b>                        | <b>\$'000</b>       | <b>\$'000</b>                  | <b>\$'000</b>         |
| <b>Year ended March 31, 2019</b> |                                      |                     |                                |                       |
| Opening net book value           | 34                                   | -                   | 98                             | 132                   |
| Transfer from WIP                | (1,563)                              | 173                 | 1,390                          | -                     |
| Additions                        | 1,578                                | 99                  | 1,529                          | 3,206                 |
| Disposals                        | -                                    | -                   | (92)                           | (92)                  |
| Depreciation charge              | -                                    | (25)                | (216)                          | (241)                 |
| Closing net book value           | 49                                   | 247                 | 2,709                          | 3,005                 |

|                                  |    |      |       |       |
|----------------------------------|----|------|-------|-------|
| <b>Year ended March 31, 2019</b> |    |      |       |       |
| Cost                             | 49 | 272  | 2,918 | 3,239 |
| Accumulated depreciation         | -  | (25) | (209) | (234) |
| Net book value                   | 49 | 247  | 2,709 | 3,005 |

|                                  | <b>Capital Work-<br/>in-Progress</b> | <b>Furniture and<br/>Equipment</b> | <b>2018<br/>Total</b> |
|----------------------------------|--------------------------------------|------------------------------------|-----------------------|
|                                  | <b>\$'000</b>                        | <b>\$'000</b>                      | <b>\$'000</b>         |
| <b>Year ended March 31, 2018</b> |                                      |                                    |                       |
| Opening net book value           | -                                    | 117                                | 117                   |
| Additions                        | 34                                   | -                                  | 34                    |
| Depreciation charge              | -                                    | (19)                               | (19)                  |
| Closing net book value           | 34                                   | 98                                 | 132                   |
| <b>Year ended March 31, 2018</b> |                                      |                                    |                       |
| Cost                             | 34                                   | 1,021                              | 1,055                 |
| Accumulated depreciation         | -                                    | (923)                              | (923)                 |
| Net book value                   | 34                                   | 98                                 | 132                   |

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|   | <u>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>11. Customers' Deposits</b>  |               |               |
| Time deposits   | <u>226</u>    | <u>224</u>    |
| <i>Sector analysis</i>  |               |               |
| Personal  | <u>226</u>    | <u>224</u>    |
|   |               |               |
|   | <u>2019</u>   | <u>2018</u>   |
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>12. Other Liabilities and Accruals</b>   |               |               |
| Interest accrued on deposits  | 75            | 11            |
| Other payables and accruals   | <u>836</u>    | <u>383</u>    |
|   | <u>911</u>    | <u>394</u>    |
|   |               |               |
|   | <u>2019</u>   | <u>2018</u>   |
| <b>13. Stated Capital</b>   |               |               |
| <i>Authorised</i>   |               |               |
| An unlimited number of shares of no par value   |               |               |
| <i>Issued and fully paid</i>  |               |               |
| 15,000,000 ordinary shares of no par value  | <u>15,000</u> | <u>15,000</u> |
| The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings at the Company. All ordinary shares rank equally with regard to the JEF's residual assets. |               |               |
|   |               |               |
|   | <u>2019</u>   | <u>2018</u>   |
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>14. Interest Income calculated using effective interest method</b>   |               |               |
| Interest on loans and advances  | 2,800         | 981           |
| Interest from investments   | 27            | 57            |
| Other   | <u>64</u>     | <u>66</u>     |
|   | <u>2,891</u>  | <u>1,104</u>  |

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|                                  | <u>2019</u>   | <u>2018</u>   |
|----------------------------------|---------------|---------------|
|                                  | <u>\$'000</u> | <u>\$'000</u> |
| <b>15. Interest Expense</b>      |               |               |
| Interest on customer deposits    | 17            | 15            |
| Interest on amount due to parent | 65            | -             |
|                                  | <u>82</u>     | <u>15</u>     |

|                                   | <u>2019</u>   | <u>2018</u>   |
|-----------------------------------|---------------|---------------|
|                                   | <u>\$'000</u> | <u>\$'000</u> |
| <b>16. Operating Expenses</b>     |               |               |
| Staff Costs                       | 3,685         | 125           |
| Depreciation                      | 241           | 19            |
| Operating lease rentals (Note 17) | 705           | 216           |
| Advertising and marketing         | 532           | -             |
| Bank charges                      | 1             | 1             |
| Property expenses                 | 312           | -             |
| IT costs                          | 180           | 65            |
| Professional fees                 | 370           | 177           |
| Regulatory costs                  | 113           | 120           |
| Other operating expenses          | 809           | 195           |
|                                   | <u>6,948</u>  | <u>918</u>    |

|   | <u>2019</u>   | <u>2018</u>   |
|---|---------------|---------------|
|   | <u>\$'000</u> | <u>\$'000</u> |
| <b>17. Operating Leases</b>   |               |               |
| The total of future minimum lease payments under non-cancellable Operating leases | <u>6,690</u>  | <u>-</u>      |
| <i>The maturity profile of leases is as follows:</i>                              |               |               |
| Less than one year  | 1,622         | -             |
| Between one year and five years   | 5,068         | -             |
| Greater than five years   | <u>-</u>      | <u>-</u>      |
|   | <u>6,690</u>  | <u>-</u>      |
| The lease payments recognised in profit or loss for the year                      | <u>705</u>    | <u>216</u>    |

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|  | <u>2019</u>    | <u>2018</u>   |
|--|----------------|---------------|
|  | <u>\$'000</u>  | <u>\$'000</u> |
| <b>18. Taxation</b>  |                |               |
| <i>(i) Provision for taxation</i>  |                |               |
| Current year - Green Fund levy   | 8              | 3             |
| - Corporation tax  | -              | 145           |
| - Adjustment for prior years   | 97             | (18)          |
| Deferred tax expense relating to the origination and reversal of temporary difference  | (1,202)        | 3             |
|  | <u>(1,097)</u> | <u>133</u>    |
| <i>(ii) Tax reconciliation</i>   |                |               |
| The following is a reconciliation between the tax expense and the product of income before taxation multiplied by the applicable tax rate: |                |               |
|  | <u>2019</u>    | <u>2018</u>   |
|  | <u>\$'000</u>  | <u>\$'000</u> |
| Profit before taxation   | (3,527)        | 447           |
| Expected tax calculated at statutory tax rate – 35% (2018: 35%)  | (1,235)        | 156           |
| Net income not assessable for tax  | -              | (7)           |
| Green Fund levy  | 8              | 3             |
| Prior year over provision  | 97             | (18)          |
| Effect of change in deferred tax rate  | -              | (1)           |
| Other permanent differences  | 33             | -             |
|  | <u>(1,097)</u> | <u>133</u>    |
| Effective tax rate   | <u>31%</u>     | <u>30%</u>    |

**19. Contingent Liabilities**

As at March 31, 2019, there were no legal proceedings outstanding against JEF, as such no provisions were required (2018: NIL).

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**20. Credit Commitments**

As at March 31, 2019, the Company has no commitments of a credit nature (2018: NIL).

**21. Capital Commitments**

As at March 31, 2019 JEF'S capital commitments were \$700,000 (2018: NIL).

**22. Financial Risk Management**

**Introduction and overview**

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

- Credit Risk
- Settlement Risk
- Liquidity Risk
- Market Risk
- Operational Risk

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

***Risk Governance***

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of JEF's Risk Management Framework. The Board has delegated responsibilities to various sub committees for the areas of Credit, Internal Audit and Risk Management. These Board sub committees currently employ an integrated Enterprise Risk Management Framework supported by three Management Committees in order to ensure the maximization of shareholders' value within JEF's risk appetite. The Management Credit Committee, Asset and Liability Committee (ALCO), and Operational Risk Management Committee (ORMC), are responsible for the development and monitoring of JEF's Risk Management policies in their specified areas. All Board committees have non-executive members and report regularly to the Board on their activities.

JEF's Risk Management policies, as approved by the Board, establish a framework for identification, assessment, analysis and measurement of the risks faced by JEF, setting of appropriate risk limits and controls, as well as the monitoring of risks and adherence to limits through the Enterprise Risk Dashboard. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. JEF, through its training and management standards and procedures, aims to continuously develop a disciplined and constructive control environment, in which all Team Members understand their roles and obligations.

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**22. Financial Risk Management (continued)**

The JEF Board, Audit and Risk Committees are responsible for monitoring compliance with the Risk Management policies and procedures and for reviewing the adequacy of the Enterprise Risk Management Framework in relation to the risks faced by JEF and in keeping with the risk appetite. The Group Audit and Risk Committees are assisted in these functions by Internal Audit and Risk Departments. Internal Audit undertakes both planned and special reviews of risk management controls and procedures, the results of which are reported quarterly to the Board Audit committee.

**(a) Credit risk**

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

***Management of credit risk***

The Board has delegated responsibility for the management of credit risk to its Board Credit Committee, the Management Credit Committee and individual Team Members as deemed necessary. A separate Credit Risk department, reporting to the Chief Risk Officer, is responsible for oversight of JEF's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering credit assessment, risk grading and reporting, collateral requirements, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits, as approved by the Board, are allocated on an individual basis and/or committee basis which includes the Board Credit Committee, and the Management Credit Committee. Approval under each committee is based on delegated authority level as approved by the Board.
- *Reviewing and assessing credit risk.* The Credit Risk department assesses credit exposures prior to facilities being approved and committed to customers by the business unit concerned. Renewals and requests for new facilities are subject to the same assessment.



**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

***Management of credit risk (continued)***

The Board has delegated responsibility for the management of credit risk to its Board Credit Committee, the Management Credit Committee and individual Team Members as deemed necessary. A separate Credit Risk department, reporting to the Chief Risk Officer, is responsible for oversight of JEF's credit risk, including:

- *Limiting concentrations of exposure* by obligor/issuer, credit rating band and exposure by country (for investment securities).
- *Developing and maintaining JEF's risk rating system and guidelines* is an integral part of the credit appraisal process. Each borrower under the business banking credit categories has to be risk rated in accordance with the model recommended by the Risk Unit and approved by the Board. The risk rating assigned is reviewed annually or earlier as appropriate. The risk rating model takes into account risk relating to management, the business, collateral security, financial performance and transactional data. In the case of credit facilities to consumers, a scoring model is used in the appraisal process. The risk rating or the credit score of the obligor reflects the level of risk associated with the exposure and is the main driver in pricing.
- *Reviewing compliance* with agreed exposure limits, including those for selected industries, country and cross border risk and product types. Regular reports are provided by the Credit Risk department to the Management Credit Committee, the Board Credit Committee and the Board Risk Committee on the credit quality of JEF's portfolios and where necessary, the appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout JEF in the management of credit risk.

JEF is required to implement credit policies and procedures, with credit approval authorities delegated to the Board Credit Committee, Management Credit Committee and Credit Risk Officers. JEF is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Regular audits of JEF's credit processes are undertaken by Internal Audit.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.i) Credit risk measurement**

**1. Financial Assets**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 22.(a).ii for more details.

*Credit risk grading*

JEF uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. JEF uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. In addition, exposure to credit risk of the investment portfolio is managed in part by investing in liquid securities with counterparties that have high credit quality.

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

**Retail**

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness - Such as unemployment and previous delinquency history - is also incorporated into the behavioural score. This score is mapped to a PD.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.i) Credit risk measurement (continued)**

**1. Financial Assets (continued)**

**Investment Portfolio (continued)**

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

**(a.ii.1) Expected credit loss measurement**

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the table below for a description of how the Company determines when a significant increase in credit risk has occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 22.(a).ii.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 22.a.ii.4 includes an explanation of how the Company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.1) Expected credit loss measurement (continued)**

| <div style="text-align: center;"> <b>Change in credit quality since initial recognition</b><br/>  </div> |   |                                 |
|--|---|---------------------------------|
| Stage 1  | Stage 2   | Stage 3                         |
| (Initial recognition)  | (Significant increase in credit risk since initial recognition) | (Credit-impaired assets)        |
| 12-month expected credit losses  | Lifetime expected credit losses                                 | Lifetime expected credit losses |

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below.

**Significant increase in credit risk (SICR)**

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

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

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.ii.1) Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

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

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

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

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

Movements (credit rating deteriorations) within the investment grade (IG) classification will not be deemed as a SICR. Based on the internal model we have developed, the fitted Sovereign PDs for IG ranges from 0.01% to 0.35% will not recognize as a significant deterioration in credit quality.

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.ii.2) Definition of default and credit-impaired assets

The Company considers both quantitative and qualitative factors in determining whether a financial asset is in default, examples of these include:

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

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

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

(a.ii.3) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts JBF expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, JBF includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.ii.3) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)*

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

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

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

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.ii.3) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques* (continued)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayment owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/finance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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

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

- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 22(a)(ii).4 for an explanation of forward-looking information and its inclusion in ECL calculations.

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

- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.



22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.ii.4) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Based on the analysis performed on different macro-economic variables, knowledge of the business and risk profile of the industry, for its loans portfolio the Company considers Real GDP growth as the main macro-economic factor that has significant influence over the portfolio quality. Macroeconomic adjustment has been applied to the PD in the Group's model however no impact on the LGD is considered due to limitation of data.

With regard to the investment portfolio and the instruments contained within, the approach that management has adopted a scorecard approach. This approach considers several macroeconomic indicators that are available and uses a duplicable process to apply forward-looking information. The Caribbean faces unique challenges with regard to the availability of data. There are only a few macroeconomic indicators which are updated with timely information and for which forecasts are available and the Company has selected the following indicators:

- Debt to GDP
- Current account to GDP
- GDP growth
- Net International Reserves
- Annual inflation rate

Management performs a trend analysis and compares the historical information with the available forecasted data to determine whether the indicator represents a positive, negative, or stable trend. Each trend (positive, negative, stable) has a multiplier attached based on economic evidence of the losses incurred by financial institutions during each trend period. The weightings of the various macroeconomic indicators are determined using management's expert judgement and are multiplied by the applicable multiplier based on the trend of the individual indicator.

Management then determines 3 scenarios as being base, upside, and downside using expert judgment of the overall economic conditions and business environment within the jurisdiction. The base scenario is always given the highest weighting as it is based upon third party forecasted information and is the most likely scenario to occur. The upside and downside scenarios are then weighted accordingly per management's expert judgment.

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.iii) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the JEF's maximum exposure to credit risk on these assets.

Loans

| Credit Grade |  | Standard monitoring |          | Special monitoring |        | Default |   | Gross carrying amount |        | Loss allowance |     | Carrying amount |        | Investments |    |        |
|--------------|--|---------------------|----------|--------------------|--------|---------|---|-----------------------|--------|----------------|-----|-----------------|--------|-------------|----|--------|
|              |  | Stage 1             | Stage 2  | Stage 3            |        |         |   |                       |        |                |     |                 |        |             |    |        |
|              |  | 12-month            | Lifetime | Lifetime           |        |         |   |                       |        |                |     |                 |        |             |    |        |
|              |  | ECL                 | ECL      | ECL                |        |         |   |                       |        |                |     |                 |        |             |    |        |
|              |  | \$'000              | \$'000   | \$'000             |        |         |   |                       |        |                |     |                 |        |             |    |        |
| 2019         |  | 27,846              | 1,819    | -                  | 29,665 | 10,447  | - | -                     | 27,846 | 1,819          | 244 | 29,909          | 10,447 | 390         | 33 | 27,456 |
| ECL staging  |  | 27,846              | 1,819    | -                  | 29,665 | 10,447  | - | -                     | 27,846 | 1,819          | 244 | 29,909          | 10,447 | 390         | 33 | 27,456 |
| 2018         |  | -                   | -        | -                  | -      | -       | - | -                     | -      | -              | -   | -               | -      | -           | -  | -      |

| 2019            |          | 2018     |        |
|-----------------|----------|----------|--------|
| ECL Staging     |          |          |        |
| Stage 1         | Stage 2  | Stage 3  | Total  |
| 12-month        | Lifetime | Lifetime | Total  |
| ECL             | ECL      | ECL      |        |
| TT'000          | TT'000   | TT'000   | TT'000 |
| Watch           | 364      | -        | 364    |
| Speculative     | -        | -        | -      |
| Carrying Amount | 364      | -        | 364    |

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.iii) Maximum exposure to credit risk (continued)

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 22(a)(ii)(1) 'Expected credit loss measurement'.

(a.iii.1) Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment under IFRS 9 (eg FVTPL):

| Maximum Exposure to<br>Credit Risk |
|------------------------------------|
| \$'000                             |

Financial Assets Designed at Fair Value through PL

Debt Securities

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(a.iii.2) Collateral and other credit enhancements

Prior to its commencement of its consumer finance business which is generally unsecured lending, JEF employed a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. JEF had internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

JEF prepared a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

22. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.iii.2) Collateral and other credit enhancements (continued)

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

With the change in business focus to consumer lending which is generally unsecured, JEF's policies regarding collateral have significantly changed during the reporting period.

Prior to this change, JEF closely monitored collateral held for financial assets considered to be credit-impaired, as it became more likely that JEF will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

| Gross Exposure<br>\$'000           | Impairment Allowance<br>\$'000 | Carrying Amount<br>\$'000 | Fair Value of Collateral<br>\$'000 |
|------------------------------------|--------------------------------|---------------------------|------------------------------------|
| <b>Credit Impaired Assets</b>      |                                |                           |                                    |
| Retail                             | 244                            | 244                       | -                                  |
| Corporate/Commercial               | -                              | -                         | -                                  |
| <b>Total Credit Impaired Loans</b> | <b>244</b>                     | <b>244</b>                | <b>-</b>                           |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance**

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

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

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

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

| <b>Retail</b>   | <b>Stage 1<br/>12-month<br/>ECL<br/>\$'000</b> | <b>Stage 2<br/>Lifetime<br/>ECL<br/>\$'000</b> | <b>Stage 3<br/>Lifetime<br/>ECL<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--|--|--|-------------------------|
| Loss allowance as at 1 April 2018                             | 107  | 527  | -  | 634                     |
| Movements with P&L impact                                     |  |  |  |                         |
| Transfers:  |  |  |  |                         |
| - Transfer from Stage 1 to Stage 2                            | -  | -  | -  | -                       |
| - Transfer from Stage 1 to Stage 3                            | -  | -  | -  | -                       |
| - Transfer from Stage 2 to Stage 1                            | -  | -  | -  | -                       |
| - Transfer from Stage 2 to Stage 3                            | -  | -  | -  | -                       |
| - Transfer from Stage 3 to Stage 2                            | -  | -  | -  | -                       |
| New financial assets originated<br>or purchased               | 390  | 33   | -  | 423                     |
| Changes in PDs/LGDs/EADs                                      | -  | -  | 244  | 244                     |
| Changes to model assumptions and<br>methodologies             | -  | -  | -  | -                       |
| Modification of contractual cash flows<br>of financial assets | -  | -  | -  | -                       |
| Financial assets derecognised during<br>the period            | (107)  | (527)  | -  | (634)                   |
| Write-offs  | -  | -  | -  | -                       |
| <b>Loss allowance as at<br/>March 31, 2019</b>                | <b>390</b>                                     | <b>33</b>                                      | <b>244</b>                                     | <b>667</b>              |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.1) Expected credit loss measurement (continued)**

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

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

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

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

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

Movements (credit rating deteriorations) within the investment grade (IG) classification will not be deemed as a SICR. Based on the internal model we have developed, the fitted Sovereign PDs for IG ranges from 0.01% to 0.35% will not recognize as a significant deterioration in credit quality.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.2) Definition of default and credit-impaired assets**

The Company considers both quantitative and qualitative factors in determining whether a financial asset is in default, examples of these include:

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

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

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

**(a.ii.3) Measuring ECL - Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts JEF expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, JEF includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.



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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.3) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques* (continued)**

- Loss Given Default (LGD) represents JEF's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.3) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques* (continued)**

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

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

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

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 22(a)(ii).4 for an explanation of forward-looking information and its inclusion in ECL calculations.
- The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.
- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.ii.4) Forward-looking information incorporated in the ECL models**

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Based on the analysis performed on different macro-economic variables, knowledge of the business and risk profile of the industry, for its loans portfolio the Company considers Real GDP growth as the main macro-economic factor that has significant influence over the portfolio quality. Macroeconomic adjustment has been applied to the PD in the Group's model however no impact on the LGD is considered due to limitation of data.

With regard to the investment portfolio and the instruments contained within, the approach that management has adopted a scorecard approach. This approach considers several macroeconomic indicators that are available and uses a duplicable process to apply forward-looking information. The Caribbean faces unique challenges with regard to the availability of data. There are only a few macroeconomic indicators which are updated with timely information and for which forecasts are available and the Company has selected the following indicators:

- Debt to GDP
- Current account to GDP
- GDP growth
- Net International Reserves
- Annual inflation rate

Management performs a trend analysis and compares the historical information with the available forecasted data to determine whether the indicator represents a positive, negative, or stable trend. Each trend (positive, negative, stable) has a multiplier attached based on economic evidence of the losses incurred by financial institutions during each trend period. The weightings of the various macroeconomic indicators are determined using management's expert judgement and are multiplied by the applicable multiplier based on the trend of the individual indicator.

Management then determines 3 scenarios as being base, upside, and downside using expert judgment of the overall economic conditions and business environment within the jurisdiction. The base scenario is always given the highest weighting as it is based upon third party forecasted information and is the most likely scenario to occur. The upside and downside scenarios are then weighted accordingly per management's expert judgment.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iii) Maximum exposure to credit risk**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the JEF's maximum exposure to credit risk on these assets.

**Loans**

|                              | <b>2019</b>        |                 |                 | <b>2018</b>   |               |
|------------------------------|--------------------|-----------------|-----------------|---------------|---------------|
|                              | <b>ECL staging</b> |                 |                 |               |               |
|                              | <b>Stage 1</b>     | <b>Stage 2</b>  | <b>Stage 3</b>  |               |               |
|                              | <b>12-month</b>    | <b>Lifetime</b> | <b>Lifetime</b> | <b>Total</b>  | <b>Total</b>  |
|                              | <b>ECL</b>         | <b>ECL</b>      | <b>ECL</b>      | <b>ECL</b>    | <b>ECL</b>    |
|                              | <b>\$'000</b>      | <b>\$'000</b>   | <b>\$'000</b>   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Credit Grade</b>          |                    |                 |                 |               |               |
| Standard monitoring          | 27,846             | 1,819           | -               | 29,665        | 10,447        |
| Special monitoring           | -                  | -               | -               | -             | -             |
| Default                      | -                  | -               | 244             | 244           | -             |
| <b>Gross carrying amount</b> | <b>27,846</b>      | <b>1,819</b>    | <b>244</b>      | <b>29,909</b> | <b>10,447</b> |
| <b>Loss allowance</b>        | <b>390</b>         | <b>33</b>       | <b>244</b>      | <b>667</b>    | <b>-</b>      |
| <b>Carrying amount</b>       | <b>27,456</b>      | <b>1,786</b>    | <b>-</b>        | <b>29,242</b> | <b>10,447</b> |

**Investments**

|                        | <b>2019</b>        |                 |                 | <b>2018</b>   |               |
|------------------------|--------------------|-----------------|-----------------|---------------|---------------|
|                        | <b>ECL Staging</b> |                 |                 |               |               |
|                        | <b>Stage 1</b>     | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>  | <b>Total</b>  |
|                        | <b>12-month</b>    | <b>Lifetime</b> | <b>Lifetime</b> |               |               |
|                        | <b>ECL</b>         | <b>ECL</b>      | <b>ECL</b>      | <b>ECL</b>    | <b>ECL</b>    |
|                        | <b>TT'000</b>      | <b>TT'000</b>   | <b>TT'000</b>   | <b>TT'000</b> | <b>TT'000</b> |
| <b>Credit Grade</b>    |                    |                 |                 |               |               |
| Watch                  | 364                | -               | -               | 364           | -             |
| Speculative            | -                  | -               | -               | -             | -             |
| <b>Carrying Amount</b> | <b>364</b>         | <b>-</b>        | <b>-</b>        | <b>364</b>    | <b>-</b>      |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iii) Maximum exposure to credit risk (continued)**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 22(a)(ii)(1) 'Expected credit loss measurement'.

**(a.iii.1) Maximum exposure to credit risk - Financial instruments not subject to impairment**

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment under IFRS 9 (eg FVTPL):

|   | <b>Maximum Exposure to<br/>Credit Risk</b> |
|---|--|
|   | <b>\$'000</b>                              |
| <b>Financial Assets Designed at Fair Value through PL</b> |  |
| Debt Securities   | 76   |

**(a.iii.2) Collateral and other credit enhancements**

Prior to its commencement of its consumer finance business which is generally unsecured lending, JEF employed a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. JEF had internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

JEF prepared a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iii.2) Collateral and other credit enhancements (continued)**

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

With the change in business focus to consumer lending which is generally unsecured, JEF's policies regarding collateral have significantly changed during the reporting period.

Prior to this change, JEF closely monitored collateral held for financial assets considered to be credit-impaired, as it became more likely that JEF will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

|  | <b>Gross<br/>Exposure<br/>\$'000</b> | <b>Impairment<br/>Allowance<br/>\$'000</b> | <b>Carrying<br/>Amount<br/>\$'000</b> | <b>Fair Value of<br/>Collateral<br/>\$'000</b> |
|--|--------------------------------------|--|---------------------------------------|--|
| <b>Credit Impaired Assets</b>          |                                      |  |                                       |  |
| Retail                                 | 244                                  | 244  | -                                     | -  |
| Corporate/Commercial                   | -                                    | -  | -                                     | -  |
| <b>Total Credit<br/>Impaired Loans</b> | <u>244</u>                           | <u>244</u>                                 | <u>-</u>                              | <u>-</u>                                       |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance**

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

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

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

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

| <b>Retail</b>   | <b>Stage 1<br/>12-month<br/>ECL<br/>\$'000</b> | <b>Stage 2<br/>Lifetime<br/>ECL<br/>\$'000</b> | <b>Stage 3<br/>Lifetime<br/>ECL<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--|--|--|-------------------------|
| Loss allowance as at 1 April 2018                             | 107  | 527  | -  | 634                     |
| Movements with P&L impact                                     |  |  |  |                         |
| Transfers:  |  |  |  |                         |
| - Transfer from Stage 1 to Stage 2                            | -  | -  | -  | -                       |
| - Transfer from Stage 1 to Stage 3                            | -  | -  | -  | -                       |
| - Transfer from Stage 2 to Stage 1                            | -  | -  | -  | -                       |
| - Transfer from Stage 2 to Stage 3                            | -  | -  | -  | -                       |
| - Transfer from Stage 3 to Stage 2                            | -  | -  | -  | -                       |
| New financial assets originated<br>or purchased               | 390  | 33   | -  | 423                     |
| Changes in PDs/LGDs/EADs                                      | -  | -  | 244  | 244                     |
| Changes to model assumptions and<br>methodologies             | -  | -  | -  | -                       |
| Modification of contractual cash flows<br>of financial assets | -  | -  | -  | -                       |
| Financial assets derecognised during<br>the period            | (107)  | (527)  | -  | (634)                   |
| Write-offs  | -  | -  | -  | -                       |
| <b>Loss allowance as at<br/>March 31, 2019</b>                | <b>390</b>                                     | <b>33</b>                                      | <b>244</b>                                     | <b>667</b>              |



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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

**Investment Portfolio**

|   | Stage 1<br>12 month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| Carrying Amount as at April 1, 2018                           | -                                    | -                                    | -                                    | -               |
| Transfers:  |                                      |                                      |                                      |                 |
| - Transfer from Stage 1 to Stage 2                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 1 to Stage 3                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 3                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 3 to Stage 2                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 1                            | -                                    | -                                    | -                                    | -               |
| Financial Assets Derecognized                                 | -                                    | -                                    | -                                    | -               |
| New financial assets originated<br>or purchased               | -                                    | -                                    | -                                    | -               |
| Modification of contractual cash flows<br>of financial assets | -                                    | -                                    | -                                    | -               |
| Changes to model assumptions and<br>methodologies             | 364                                  | -                                    | -                                    | 364             |
| Changes in PDs/LGDs/EADs                                      | -                                    | -                                    | -                                    | -               |
| Carrying amount as at March 31, 2019                          | 364                                  | -                                    | -                                    | 364             |

**Credit Policy prior to April 1, 2018**

**Impaired loans and Investments**

These are loans and securities for which JEF determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

**Past due but not impaired loans**

Loans and securities where contractual interest or principal payments are past due but JEF believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to JEF.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

Note:

- (a) The unwind of discount on Stage 3 financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

**Investment Portfolio**

|   | Stage 1<br>12 month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| Loss allowance as at<br>April 1, 2018                         |                                      |                                      |                                      |                 |
| Movements with<br>P&L impact                                  |                                      |                                      |                                      |                 |
| Transfers:  |                                      |                                      |                                      |                 |
| - Transfer from<br>Stage 1 to Stage 2                         | -                                    | -                                    | -                                    | -               |
| - Transfer from<br>Stage 1 to Stage 3                         | -                                    | -                                    | -                                    | -               |
| - Transfer from<br>Stage 2 to Stage 1                         | -                                    | -                                    | -                                    | -               |
| New financial assets originated<br>or purchased               | -                                    | -                                    | -                                    | -               |
| Changes in PDs/LGDs/EADs                                      | -                                    | -                                    | -                                    | -               |
| Changes to model assumptions<br>and methodologies             | 4                                    | -                                    | -                                    | 4               |
| Modification of contractual<br>cash flows of financial assets | -                                    | -                                    | -                                    | -               |
| Loss allowance as at<br>March 31, 2019                        | 4                                    | -                                    | -                                    | 4               |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

**Retail**

|   | Stage 1<br>12 month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| Gross carrying amount as at April 1, 2018                             | 4,811                                | 5,636                                | -                                    | 10,447          |
| Transfers:  |                                      |                                      |                                      | -               |
| - Transfer from Stage 1 to Stage 2                                    | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 1 to Stage 3                                    | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 3                                    | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 3 to Stage 2                                    | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 1                                    | -                                    | -                                    | -                                    | -               |
| Financial assets derecognised during the period other than write-offs | (4,811)                              | (5,636)                              | -                                    | (10,447)        |
| New financial assets originated or purchased                          | 27,846                               | 1,819                                | 244                                  | 29,909          |
| Paydowns  |                                      |                                      |                                      |                 |
| Modification of contractual cash flows of financial assets            | -                                    | -                                    | -                                    | -               |
| Changes in interest accrual   | -                                    | -                                    | -                                    | -               |
| Write-offs  | -                                    | -                                    | -                                    | -               |
| FX and other movements  | -                                    | -                                    | -                                    | -               |
| Gross carrying amount as at March 31, 2019                            | <u>27,846</u>                        | <u>1,819</u>                         | <u>244</u>                           | <u>29,909</u>   |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

**Investment Portfolio**

|   | Stage 1<br>12 month<br>ECL<br>\$'000 | Stage 2<br>Lifetime<br>ECL<br>\$'000 | Stage 3<br>Lifetime<br>ECL<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-----------------|
| Carrying Amount as at April 1, 2018                           | -                                    | -                                    | -                                    | -               |
| Transfers:  |                                      |                                      |                                      |                 |
| - Transfer from Stage 1 to Stage 2                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 1 to Stage 3                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 3                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 3 to Stage 2                            | -                                    | -                                    | -                                    | -               |
| - Transfer from Stage 2 to Stage 1                            | -                                    | -                                    | -                                    | -               |
| Financial Assets Derecognized                                 | -                                    | -                                    | -                                    | -               |
| New financial assets originated<br>or purchased               | -                                    | -                                    | -                                    | -               |
| Modification of contractual cash flows<br>of financial assets | -                                    | -                                    | -                                    | -               |
| Changes to model assumptions and<br>methodologies             | 364                                  | -                                    | -                                    | 364             |
| Changes in PDs/LGDs/EADs                                      | -                                    | -                                    | -                                    | -               |
| Carrying amount as at March 31, 2019                          | 364                                  | -                                    | -                                    | 364             |

**Credit Policy prior to April 1, 2018**

**Impaired loans and Investments**

These are loans and securities for which JEF determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

**Past due but not impaired loans**

Loans and securities where contractual interest or principal payments are past due but JEF believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to JEF.

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

**Credit Policy prior to April 1, 2018 (continued)**

**Renegotiated and Restructured Loans**

Renegotiated loans are extensions of credit which have been modified at favourable terms and conditions for the borrower such as variation in interest rates or increased lending. That is, there is no inherent weakness in the credit being rescheduled/refinanced.

Restructured loans are facilities which have been refinanced, or otherwise modified as a result of an assessment of the borrower's inability to service the facility in line with the original repayment terms and conditions. As conditions precedent to a restructuring, the obligor must demonstrate the capacity to service the debt under the new conditions imposed by the restructured facility and the facility must be fully secured with standard loan to value margins restored which may require additional or up-stamped collateral.

**Allowances for impairment**

JEF establishes allowances for impairment or provisions in respect of individual financial assets which are not performing satisfactorily. These provisions are based on an assessment of the recoverability of collateral held as security on the facilities which is discounted using the original interest rate over the expected recovery period. Any shortfall of these expected recoverable amounts when compared to principal outstanding is recognised in profit or loss.

**Write-off policy**

JEF writes off a loan/investment balance (and any related allowances for impairment losses) when the Chief Risk Officer, the Management Credit Committee or the Board Credit Committee (as per the delegated limits approved by the Board) determines that the loans/investment are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from the liquidation of the collateral will not be sufficient to fully liquidate the exposure. For the year ended March 31, 2019 the amount written off was NIL (2018: NIL).

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March 31, 2019

**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**(a.iv) Loss allowance (continued)**

**Credit Policy prior to April 1, 2018 (continued)**

**Collateral held**

JEF holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered charges over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Annual property inspections are performed by management on the corporate and commercial portfolio. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at March 31, 2018 or 2017.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to other customers is shown below:

*Loans and advances to customers*

|                                       | <u>2019</u>   | <u>2018</u>   |
|---------------------------------------|---------------|---------------|
|                                       | \$'000        | \$'000        |
| Against individually impaired         |               |               |
| Other                                 | 37            | -             |
| Against past due but not impaired     |               |               |
| Property                              | -             | 936           |
| Other                                 | 3,723         | -             |
| Against neither past due nor impaired |               |               |
| Property                              | -             | 14,800        |
| Other                                 | <u>21,600</u> | <u>11,083</u> |
| Total                                 | <u>25,360</u> | <u>26,819</u> |

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**22. Financial Risk Management (continued)**

**(a) Credit risk (continued)**

**Concentration of credit risk**

JEF monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk of loans and advances and investment securities at the reporting date is shown below:

|                                  | <b>Loans and Advances<br/>to Customers</b> |               | <b>Investment<br/>Securities</b> |               |
|----------------------------------|--|---------------|----------------------------------|---------------|
|                                  | <b>2019</b>                                | <b>2018</b>   | <b>2019</b>                      | <b>2018</b>   |
|                                  | <b>\$'000</b>                              | <b>\$'000</b> | <b>\$'000</b>                    | <b>\$'000</b> |
| Gross amount                     | <u>29,909</u>                              | <u>10,447</u> | <u>440</u>                       | <u>3,359</u>  |
| <b>Concentration by sector</b>   |  |               |                                  |               |
| Corporate/commercial             | -  | 8,293         |                                  | 2,857         |
| Sovereign                        | -  | -             | 364                              | 386           |
| Bank                             | -  | -             | 76                               | 116           |
| Retail                           | 29,909                                     | 2,154         | -                                | -             |
| Equity                           | -  | -             | -                                | -             |
|                                  | <u>29,909</u>                              | <u>10,447</u> | <u>440</u>                       | <u>3,359</u>  |
| <b>Concentration by location</b> |  |               |                                  |               |
| Trinidad                         | 29,909                                     | 10,447        | 76                               | 2,973         |
| Regional                         | -  | -             | 364                              | 386           |
|                                  | <u>29,909</u>                              | <u>10,447</u> | <u>440</u>                       | <u>3,359</u>  |

Concentration by location for loans and advances is measured based on the location of the obligor. Concentration by location for investment securities is measured based on the location of the issuer of the security.

**(b) Settlement risk**

JEF's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on trades requires transaction specific or counterparty specific approvals from the Risk Unit.

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**22. Financial Risk Management (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that JEF is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

***Management of liquidity risk***

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

The Treasury Unit receives information regarding the liquidity profile of JEF's financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and other inter-bank facilities, which can be used for liquidity support, if needed. The liquidity requirements of JEF are met through funding sourced by Treasury to cover any short-term fluctuations and longer term funding sourced by the business units.

The daily liquidity position is monitored by the Treasury Unit. Daily reports cover the liquidity position of JEF and is submitted to the Risk Management Unit. A summary report, is submitted regularly to the Asset and Liability (ALCO) with any exceptions and remedial action taken, also submitted Board Risk Committee for review and monitoring.

***Exposure to liquidity risk***

Apart from monitoring of daily cash forecasts and concentration risks, a key measure used by the Treasury Unit for managing liquidity risk is the ratio of liquid assets to total assets. For this purpose, liquid assets are defined as comprising primary cash reserves held at CBTT, cash balances in excess of cash reserves at CBTT, mandatory special deposits with CBTT, cash held at other financial institutions net of unrepresented cheques, cash held in house and Treasury Bills/ Open Market Operations (OMOs) maturing within one year. Reported hereunder is the ratio of liquid assets to total assets on all currencies at the reporting date and during the year:

|                      | <u>2019</u> | <u>2018</u> |
|----------------------|-------------|-------------|
| <b>At March 31</b>   |             |             |
| Average for the year | 44.01       | 38.48       |
| Maximum for the year | 83.59       | 45.73       |
| Minimum for the year | 15.04       | 28.40       |



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**22. Financial Risk Management (continued)**

**(c) Liquidity risk (continued)**

*Maturity analysis for financial liabilities*

The table below shows the residual contractual maturities of financial liabilities:

|   | Carrying<br>Amount<br>\$'000 | Gross<br>Nominal<br>Inflow/<br>(Outflow)<br>\$'000 | Up to<br>One Year<br>\$'000 | One<br>to Five<br>Years<br>\$'000 | Over<br>Five<br>Years<br>\$'000 |
|---|------------------------------|--|-----------------------------|-----------------------------------|---------------------------------|
| <b>2019</b>   |                              |  |                             |                                   |                                 |
| Customer deposits<br>and other funding<br>instruments | 226                          | (228)  | (228)                       | -                                 | -                               |
| Amount due to<br>parent                               | 23,294                       | (23,294)   | (23,294)                    | -                                 | -                               |
| Other liabilities                                     | 1,091                        | (1,091)  | (1,091)                     | -                                 | -                               |
|   | <u>24,611</u>                | <u>(24,613)</u>                                    | <u>(24,613)</u>             | <u>-</u>                          | <u>-</u>                        |
| <b>2018</b>   |                              |  |                             |                                   |                                 |
| Customer deposits<br>and other funding<br>instruments | 224                          | (226)  | (226)                       | -                                 | -                               |
| Amount due to<br>parent                               | 950                          | (950)  | (950)                       | -                                 | -                               |
| Other liabilities                                     | 411                          | (411)  | (411)                       | -                                 | -                               |
|   | <u>1,585</u>                 | <u>(1,587)</u>                                     | <u>(1,587)</u>              | <u>-</u>                          | <u>-</u>                        |

The table above shows the undiscounted cash flows on JEF's financial liabilities on the basis of their earliest possible contractual maturity. JEF's expected cash flows on these instruments could vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

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**22. Financial Risk Management (continued)**

**(c) Liquidity risk (continued)**

*Maturity analysis for financial liabilities (continued)*

|                            | 2019                               |                             |                             |                 |
|----------------------------|------------------------------------|-----------------------------|-----------------------------|-----------------|
|                            | Less<br>than 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | Over 12<br>Months<br>\$'000 | Total<br>\$'000 |
| <b>Assets</b>              |                                    |                             |                             |                 |
| Cash and cash equivalents  | 9,977                              | -                           | -                           | 9,977           |
| Balances with Central Bank | 712                                | -                           | 151                         | 863             |
| Loans and advances         | 3,096                              | 8,592                       | 17,554                      | 29,242          |
| Investment securities      | 76                                 | -                           | 364                         | 440             |
| <b>Total assets</b>        | <b>13,861</b>                      | <b>8,592</b>                | <b>18,069</b>               | <b>40,522</b>   |
| <b>Liabilities</b>         |                                    |                             |                             |                 |
| Customers' deposits        | -                                  | 226                         | -                           | 226             |
| Amount due to parent       | -                                  | 23,294                      | -                           | 23,294          |
| <b>Total liabilities</b>   | <b>-</b>                           | <b>23,520</b>               | <b>-</b>                    | <b>23,520</b>   |
| <b>Net gap</b>             | <b>13,861</b>                      | <b>(14,928)</b>             | <b>18,069</b>               | <b>17,002</b>   |
| <b>Cumulative gap</b>      | <b>13,861</b>                      | <b>(1,067)</b>              | <b>17,002</b>               | <b>-</b>        |

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**22. Financial Risk Management (continued)**

**(c) Liquidity risk (continued)**

***Maturity analysis for financial liabilities (continued)***

|                            | <b>2018</b>                                  |                                      |                                      |
|----------------------------|--|--------------------------------------|--------------------------------------|
|                            | <b>Less<br/>than 3<br/>Months<br/>\$'000</b> | <b>3 to 12<br/>Months<br/>\$'000</b> | <b>Over 12<br/>Months<br/>\$'000</b> |
|                            | <b>Total<br/>\$'000</b>                      |                                      |                                      |
| <b>Assets</b>              |  |                                      |                                      |
| Cash and cash equivalents  | 11,881                                       | -                                    | -                                    |
| Balances with Central Bank | 148  | -                                    | 20                                   |
| Loans and advances         | 592  | 1,286                                | 8,569                                |
| Investment securities      | 2,973  | -                                    | 386                                  |
| <b>Total assets</b>        | <b>15,594</b>                                | <b>1,286</b>                         | <b>8,975</b>                         |
| <b>Liabilities</b>         |  |                                      |                                      |
| Customers' deposits        | -  | 224                                  | -                                    |
| Amount due to parent       | -  | 950                                  | -                                    |
| <b>Total liabilities</b>   | <b>-</b>                                     | <b>1,174</b>                         | <b>-</b>                             |
| <b>Net gap</b>             | <b>15,594</b>                                | <b>112</b>                           | <b>8,975</b>                         |
| <b>Cumulative gap</b>      | <b>15,594</b>                                | <b>15,706</b>                        | <b>24,681</b>                        |

**(d) Market risks**

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

***Management of market risks***

JEF holds no exposure to actively traded portfolios. With the exception of translation risk arising on JEF's net balance sheet position, all foreign exchange risk within JEF is managed by the Treasury Unit.

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March 31, 2019

**22. Financial Risk Management (continued)**

**(d) Market risks (continued)**

*Management of market risks (continued)*

The Board Risk Committee reviews and approves the risk policies recommended by management and makes recommendation to the Board of Directors as appropriate. Overall management of market risk is vested in the Asset Liability Committee (ALCO). The Risk Unit is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

*Exposure to interest rate risk – non trading portfolios*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing gaps. The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Unit in its day-to-day monitoring activities. The table below summarises JEF's exposure to interest rate risks. Included in the table are JEF's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

*Interest rate sensitivity of assets and liabilities*

|                                     | 2019               |                   |                 |                 |                             |
|-------------------------------------|--------------------|-------------------|-----------------|-----------------|-----------------------------|
|                                     | Within 3<br>Months | 3 to 12<br>Months | 1 to 5<br>Years | Over 5<br>Years | Non-<br>Interest<br>Bearing |
|                                     | \$'000             | \$'000            | \$'000          | \$'000          | \$'000                      |
| <b>Assets</b>                       |                    |                   |                 |                 |                             |
| Cash and cash equivalents           | -                  | -                 | -               | -               | 9,977                       |
| Balances with Central Bank          | -                  | -                 | -               | -               | 863                         |
| Loans and advances                  | -                  | 2,744             | 26,498          | -               | -                           |
| Investment securities               | 76                 | -                 | -               | 364             | -                           |
| Other assets                        | -                  | -                 | -               | -               | 5,811                       |
| <b>Total assets</b>                 | <b>76</b>          | <b>2,744</b>      | <b>26,498</b>   | <b>364</b>      | <b>16,651</b>               |
| <b>Liabilities and equity</b>       |                    |                   |                 |                 |                             |
| Customers' deposits                 | -                  | 226               | -               | -               | -                           |
| Amount due to parent                | -                  | -                 | -               | -               | 23,294                      |
| Other liabilities and equity        | -                  | -                 | -               | -               | 22,813                      |
| <b>Total liabilities and equity</b> | <b>-</b>           | <b>226</b>        | <b>-</b>        | <b>-</b>        | <b>46,107</b>               |
| <b>Net gap</b>                      | <b>76</b>          | <b>2,518</b>      | <b>26,498</b>   | <b>364</b>      | <b>(29,456)</b>             |
| <b>Cumulative gap</b>               | <b>76</b>          | <b>2,594</b>      | <b>29,092</b>   | <b>29,456</b>   | <b>-</b>                    |

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**22. Financial Risk Management (continued)**

**(d) Market risk (continued)**

*Interest rate sensitivity of assets and liabilities (continued)*

|                                     | 2018                         |                             |                           |                           |                                       |                 |
|-------------------------------------|------------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|-----------------|
|                                     | Within 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over 5<br>Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
| <b>Assets</b>                       |                              |                             |                           |                           |                                       |                 |
| Cash and cash equivalents           | -                            | -                           | -                         | -                         | 11,881                                | 11,881          |
| Balances with Central Bank          | -                            | -                           | -                         | -                         | 168                                   | 168             |
| Loans and advances                  | -                            | 221                         | 2,252                     | 7,974                     | -                                     | 10,447          |
| Investment securities               | 2,973                        | -                           | -                         | 386                       | -                                     | 3,359           |
| Other assets                        | -                            | -                           | 11                        | -                         | 501                                   | 512             |
| <b>Total assets</b>                 | <b>2,973</b>                 | <b>221</b>                  | <b>2,263</b>              | <b>8,360</b>              | <b>12,550</b>                         | <b>26,367</b>   |
| <b>Liabilities and equity</b>       |                              |                             |                           |                           |                                       |                 |
| Customers' deposits                 | -                            | 224                         | -                         | -                         | -                                     | 224             |
| Amount due to parent                | 950                          | -                           | -                         | -                         | -                                     | 950             |
| Other liabilities and equity        | -                            | -                           | -                         | -                         | 25,193                                | 25,193          |
| <b>Total liabilities and equity</b> | <b>950</b>                   | <b>224</b>                  | <b>-</b>                  | <b>-</b>                  | <b>25,193</b>                         | <b>26,367</b>   |
| <b>Net gap</b>                      | <b>2,023</b>                 | <b>(3)</b>                  | <b>2,263</b>              | <b>8,360</b>              | <b>(12,643)</b>                       | <b>-</b>        |
| <b>Cumulative gap</b>               | <b>2,023</b>                 | <b>2,020</b>                | <b>4,283</b>              | <b>12,643</b>             | <b>-</b>                              | <b>-</b>        |

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of JEF's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in interest rates.

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**22. Financial Risk Management (continued)**

**(d) Market risk (continued)**

*Interest sensitivity of assets and liabilities (continued)*

An analysis of JEF's sensitivity to an increase or decrease in market interest rates is as follows:

|                                | <b>100 bp<br/>Parallel<br/>Increase</b> | <b>100 bp<br/>Parallel<br/>Decrease</b> | <b>50bp<br/>Increase<br/>After 1<br/>Year</b> | <b>50bp<br/>Decrease<br/>After 1<br/>Year</b> |
|--------------------------------|---|---|---|---|
| <i>In thousands of dollars</i> |   |   |   |   |
| <b>2019</b>                    |   |   |   |   |
| At March 31                    |   |   |   |   |
| Average for the year           | 9                                       | (9)                                     | 5   | (5)   |
| Maximum for the year           | 25                                      | (25)                                    | 13  | (13)  |
| Minimum for the year           | 1                                       | (1)                                     | -   | -   |
| <b>2018</b>                    |   |   |   |   |
| At March 31                    |   |   |   |   |
| Average for the year           | (12)                                    | 12                                      | (10)  | 10  |
| Maximum for the year           | (11)                                    | 14                                      | (6)   | 14  |
| Minimum for the year           | (14)                                    | 11                                      | (14)  | 6   |

Overall non-trading interest rate risk positions are managed by the Treasury Unit, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the JEF's non-trading activities.

*Exposure to currency risk*

The techniques used by JEF to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. JEF does not trade in foreign exchange and therefore has no trading position subject to currency risk.

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**22. Financial Risk Management (continued)**

**(d) Market risk (continued)**

*Exposure to currency risk (continued)*

|                                     | <b>2019</b>   |               |               |
|-------------------------------------|---------------|---------------|---------------|
|                                     | <b>TT</b>     | <b>US</b>     | <b>Total</b>  |
|                                     | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| <b>Assets</b>                       |               |               |               |
| Cash resources                      | 10,704        | 136           | 10,840        |
| Investment securities               | 76            | 364           | 440           |
| Loans and advances                  | 29,242        | -             | 29,242        |
| Deferred tax                        | 1,393         | -             | 1,393         |
| Other assets                        | 4,417         | 1             | 4,418         |
| <b>Total assets</b>                 | <b>45,832</b> | <b>501</b>    | <b>46,333</b> |
| <b>Liabilities and equity</b>       |               |               |               |
| Customers' deposits                 | 226           | -             | 226           |
| Amounts due to parent               | 23,000        | 294           | 23,294        |
| Other liabilities                   | 1,088         | 3             | 1,091         |
| Shareholders' equity                | 21,720        | 2             | 21,722        |
| <b>Total liabilities and equity</b> | <b>46,034</b> | <b>299</b>    | <b>46,333</b> |
| <b>Net balance sheet position</b>   | <b>(202)</b>  | <b>202</b>    | <b>-</b>      |

|                                     | <b>2018</b>   |               |               |
|-------------------------------------|---------------|---------------|---------------|
|                                     | <b>TT</b>     | <b>US</b>     | <b>Total</b>  |
|                                     | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| <b>Assets</b>                       |               |               |               |
| Cash resources                      | 11,273        | 776           | 12,049        |
| Investment securities               | 2,973         | 386           | 3,359         |
| Loans and advances                  | 10,447        | -             | 10,447        |
| Deferred tax                        | 28            | -             | 28            |
| Other assets                        | 483           | 1             | 484           |
| <b>Total assets</b>                 | <b>25,204</b> | <b>1,163</b>  | <b>26,367</b> |
| <b>Liabilities and equity</b>       |               |               |               |
| Customers' deposits                 | 224           | -             | 224           |
| Amounts due to parent               | -             | 950           | 950           |
| Other liabilities                   | 401           | 10            | 411           |
| Shareholders' equity                | 24,782        | -             | 24,782        |
| <b>Total liabilities and equity</b> | <b>25,407</b> | <b>960</b>    | <b>26,367</b> |
| <b>Net balance sheet position</b>   | <b>(203)</b>  | <b>203</b>    | <b>-</b>      |

As at March 31, 2019 there were no credit commitments (2018: NIL).

**22. 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 JEF'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 JEF's operations and are faced by all business entities.

JEF's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to JEF'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 the Operational Risk Management Committee. This responsibility is supported by the development of overall JEF standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

A significant component of operational risk that has become increasingly prevalent in the business environment and that affects the operations of JEF, is technology and information security risk. JEF acknowledges that the constantly evolving nature of technology and its importance in the conduct of financial transactions globally, have increased the risk of attacks on the networks and systems that support electronic and digital information and transactions flow.



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**22. Financial Risk Management (continued)**

**(e) Operational risk (continued)**

The impact of any such attack on JEF's technology and information systems includes, among others, unauthorised access to these systems, loss, misappropriation and destruction of data including that of customers and other stakeholders, critical system unavailability, increased costs of operations, potential fines and penalties for breaches of privacy laws, reputational damage and financial loss.

JEF has adopted a proactive, enterprise-wide approach and has implemented appropriate processes and controls across all its critical electronic interfaces and touch points to continuously monitor, manage and mitigate the impact of this risk on its networks, systems and other technology infrastructure in order to safeguard its information and other assets and by extension those of its customers and other stakeholders. This is supported by ongoing updates to its technology infrastructure, system vulnerability assessments, training of it team members and sensitisation of customers and other stakeholders to any new and emerging threats.

Compliance with JEF standards is supported by a programme of periodic reviews undertaken by Internal Audit.

**(f) Business continuity**

JEF's Business Continuity Plan (BCP) encompasses a defined set of planning, preparatory and related activities which are intended to ensure critical business functions will either continue to operate despite serious incidents or disasters that might otherwise have interrupted its operations, or will be recovered to an operational state within a reasonably short period. The oversight of Business Continuity falls largely within the sphere of Risk Management.

The Objectives of the BCP are to:

1. Protect human life.
2. Identify processes critical to the operations of JEF and safe guard the Company's assets.
3. Provide tested plans which, when executed, will permit timely and efficient recovery and resumption of the Company's critical business functions.
4. Minimize the inconvenience and potential disruption of service to internal and external customers.
5. Describe the organizational structure necessary for executing the plan.
6. Identify the equipment, procedures and activities for recovery.

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**22. Financial Risk Management (continued)**

**(f) Business continuity (continued)**

The Objectives of the BCP are to: (continued)

7. Ensure that the reputation and financial viability of the Company is maintained at all times.
8. Ensure compliance with regulatory requirements.

The BCP is focused on minimizing the down time and data loss within the thresholds identified by the bank. The plan is meant to minimize the loss to the Company and or negative impact to customer service as a result of serious incidents or disasters that may occur for some time.

JEF standards are supported by periodic reviews undertaken by the Internal Audit department.

**23. Capital Management**

**Regulatory capital**

JEF's lead regulator, The Central Bank of Trinidad and Tobago (the Central Bank), sets and monitors capital requirements for JEF. In implementing current capital requirements, the Central Bank requires that JEF maintains a prescribed ratio of total capital to total risk-weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings, statutory reserve after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. These capital elements are considered core because they are either: (i) permanent in nature, or (ii) available to absorb losses while the institution remains a going concern.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on instruments classified as available-for-sale.

The existing capital framework identifies various elements of the capital base: Qualifying Tier 2 capital cannot exceed Tier 1 capital, the minimum ratio of Tier 1 capital to risk weighted assets is 4% and the minimum total capital to risk weighted assets is 8%. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

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**23. Capital Management (continued)**

**Regulatory capital (continued)**

JEF's policy is to maintain a strong capital base in line with its defined risk appetite.

JEF has complied with all externally imposed capital requirements throughout the year. JEF's approach to capital management has been consistent with prior years.

The Central Bank has communicated its intention to replace the existing capital management framework by implementing Basel II and some aspects of Basel III in 2019.

Management is of the view that JEF will comply with the new capital adequacy requirements, based on the results of a series of quantitative impact studies (QIS) conducted by the Central Bank.

JEF's regulatory capital position at March 31 was as follows:

|   | <u>2019</u>   | <u>2018</u>    |
|---|---------------|----------------|
|   | <u>S'000</u>  | <u>S'000</u>   |
| <b>Tier 1 capital</b>   |               |                |
| Ordinary share capital  | 15,000        | 15,000         |
| Statutory reserve   | 2,044         | 2,044          |
| Retained earnings   | 4,674         | 7,204          |
|   | <u>21,718</u> | <u>24,248</u>  |
| <b>Tier 2 capital</b>   |               |                |
| General loss reserve  | -             | 534            |
| Disallowed general loss reserve   | -             | (365)          |
| Fair value reserve for available-for-sale equity securities                         | 4             | -              |
| <b>Total regulatory capital</b>   | <u>21,722</u> | <u>24,417</u>  |
| <b>Risk-weighted assets</b>   |               |                |
| Loans and advances, investment securities<br>and other assets                       | <u>34,962</u> | <u>13,177</u>  |
| <b>Capital ratios</b>   |               |                |
| Total regulatory capital expressed as a percentage of<br>total risk-weighted assets | <u>62.12%</u> | <u>185.30%</u> |
| Total tier 1 capital expressed as a percentage of<br>risk-weighted assets           | <u>62.13%</u> | <u>184.02%</u> |

**24. Fair Value of Financial Assets and Liabilities**

**(a) Valuation models**

The fair value of financial instruments that are recognised on the statement of financial position and the fair value of financial instruments that are not recognised on the statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies note 3(b).

JEF measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations.

Judgement is used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts which is based upon market conditions at a specific point in time and may not be reflective of future fair values.

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**24. Fair Value of Financial Assets and Liabilities (continued)**

**(b) Financial instruments measured at fair value – fair value hierarchy**

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

|                      | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|----------------------|----------------|----------------|----------------|---------------|
|                      | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| <b><u>2019</u></b>   |                |                |                |               |
| Government bonds     | -              | -              | 364            | 364           |
| Corporate securities | -              | -              | 76             | 76            |
|                      | <u>-</u>       | <u>-</u>       | <u>440</u>     | <u>440</u>    |
| <b><u>2018</u></b>   |                |                |                |               |
| Government bonds     | -              | -              | 386            | 386           |
| Corporate securities | 76             | -              | 2,897          | 2,973         |
|                      | <u>76</u>      | <u>-</u>       | <u>3,283</u>   | <u>3,359</u>  |

**(c) Level 3 fair value measurements**

**(i) Reconciliation**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

|                     | <b>Government</b> |               |               |
|---------------------|-------------------|---------------|---------------|
|                     | <b>Bonds</b>      | <b>Other</b>  | <b>Total</b>  |
|                     | <b>\$'000</b>     | <b>\$'000</b> | <b>\$'000</b> |
| <b><u>2019</u></b>  |                   |               |               |
| Balance at April 1  | 386               | 2,897         | 3,283         |
| Additions           |                   |               |               |
| Settlements         | (22)              | (2,821)       | (2,843)       |
| Balance at March 31 | <u>364</u>        | <u>76</u>     | <u>440</u>    |

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**24. Fair Value of Financial Assets and Liabilities (continued)**

**(c) Level 3 fair value measurements (continued)**

**(i) Reconciliation (continued)**

|                     | <b>Government<br/>Bonds</b> | <b>Other</b>  | <b>Total</b>  |
|---------------------|-----------------------------|---------------|---------------|
|                     | <b>\$'000</b>               | <b>\$'000</b> | <b>\$'000</b> |
| <b><u>2018</u></b>  |                             |               |               |
| Balance at April 1  | 408                         | 2,854         | 3,262         |
| Additions           | -                           | 43            | 43            |
| Settlements         | (22)                        | -             | (22)          |
| Balance at March 31 | <u>386</u>                  | <u>2,897</u>  | <u>3,283</u>  |

**(ii) Unobservable inputs used in measuring fair value**

The following table sets out information about unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

| <b>Type of<br/>Financial<br/>Instrument</b> | <b>Fair Values<br/>at March<br/>31, 2019</b> | <b>Valuation<br/>Technique</b> | <b>Significant<br/>Unobservable<br/>Input</b> | <b>Range of<br/>Estimates<br/>(weighted-<br/>average) for<br/>Unobservable<br/>Inputs</b> | <b>Fair Value<br/>Measurement<br/>Sensitivity to<br/>Unobservable<br/>Inputs</b> |
|---|--|--------------------------------|---|---|--|
| Bond  | 364  | Valued at par                  | There is no active market for these bonds.    | N.A.  | N.A.   |
| Other                                       | 76   | Valued at par                  | No prices available For these investments     | N.A.  | N.A.   |

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**24. Fair Value of Financial Assets and Liabilities (continued)**

**(d) Financial instruments not measured at fair value**

The following table set out the estimated fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total Fair Value</b> | <b>Total Carrying Amount</b> |
|--|----------------|----------------|----------------|-------------------------|------------------------------|
|  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>           | <b>\$'000</b>                |
| <b><u>2019</u></b>                           |                |                |                |                         |                              |
| <b>Assets</b>                                |                |                |                |                         |                              |
| Loans and advances                           | -              | -              | 29,242         | 29,242                  | 29,242                       |
| Other assets, prepayments and accrued income | -              | -              | 1,099          | 1,099                   | 1,099                        |
|  | -              | -              | 30,341         | 30,341                  | 30,341                       |
| <b>Liabilities</b>                           |                |                |                |                         |                              |
| Customer deposits                            | -              | -              | 226            | 226                     | 226                          |
| Amounts due to parent                        | -              | -              | 23,294         | 23,294                  | 23,294                       |
| Other liabilities and accruals               | -              | -              | 911            | 911                     | 911                          |
|  | -              | -              | 24,431         | 24,431                  | 24,431                       |
| <b><u>2018</u></b>                           |                |                |                |                         |                              |
| <b>Assets</b>                                |                |                |                |                         |                              |
| Loans and advances                           | -              | -              | 10,447         | 10,447                  | 10,447                       |
| Other assets, prepayments and accrued income | -              | -              | 116            | 116                     | 116                          |
|  | -              | -              | 10,563         | 10,563                  | 10,563                       |
| <b>Liabilities</b>                           |                |                |                |                         |                              |
| Customer deposits                            | -              | -              | 224            | 224                     | 224                          |
| Amounts due to parent                        | -              | -              | 950            | 950                     | 950                          |
| Other liabilities and accruals               | -              | -              | 394            | 394                     | 394                          |
|  | -              | -              | 1,568          | 1,568                   | 1,568                        |

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**25. Earnings per Share**

Earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the year.

|                                  | <u>2019</u>    | <u>2018</u>   |
|----------------------------------|----------------|---------------|
| Profit/(Loss) after tax (\$'000) | <u>(2,430)</u> | <u>314</u>    |
| Number of shares in issue ('000) | <u>15,000</u>  | <u>15,000</u> |
| Earnings per share               | <u>0.00¢</u>   | <u>0.02¢</u>  |

**26. Events after the Reporting Date**

There are no events occurring after the statement of financial position date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.