

Financial Statements of

**JMMB EXPRESS FINANCE (T&T) LIMITED**

March 31, 2020

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# **JMMB EXPRESS FINANCE (T&T) LIMITED**

**March 31, 2020**

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**Statement of Management's Responsibilities**  
**JMMB Express Finance (T&T) 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, 2020, 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: July 17, 2020



Chief Financial Officer

Date: July 17, 2020



**KPMG**  
**Chartered Accountants**  
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**Independent Auditors' Report**  
**To the Shareholders of JMMB Express Finance (T&T) 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, 2020, 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, 2020, 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 the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) 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  
July 17, 2020

**JMMB EXPRESS FINANCE (T&T) LIMITED****Statement of Profit or Loss and Other Comprehensive Income**

Year ended March 31, 2020

	Notes	2020 \$'000	2019 \$'000
Interest income	5	18,868	2,891
Interest expense	6	(1,944)	(82)
<b>Net Interest Income</b>		<u>16,924</u>	<u>2,809</u>
<b>OTHER REVENUE</b>			
Fees and commissions		2,394	649
		<u>2,394</u>	<u>649</u>
<b>Operating revenue net of interest expense</b>		<u>19,318</u>	<u>3,458</u>
<b>Operating Expenses</b>			
Staff costs	7	(7,537)	(3,685)
Other expenses	8	(7,271)	(3,263)
		<u>(14,808)</u>	<u>(6,948)</u>
Operating Profit		4,510	(3,490)
Impairment losses on financial instruments	9	(7,975)	(37)
<b>PROFIT BEFORE TAXATION</b>		(3,465)	(3,527)
Taxation	10	1,408	1,097
<b>Profit/(Loss) for the year attributable to equity holder</b>		<u>(2,057)</u>	<u>(2,430)</u>

*The accompanying notes on pages 10 to 79 are an integral part of these financial statements.*

**JMMB EXPRESS FINANCE (T&T) LIMITED****Statement of Profit or Loss and Other Comprehensive Income (continued)**

Year ended March 31, 2020

	Notes	2020	2019
		\$'000	\$'000
<b>Statement of Other Comprehensive (Loss)/Income</b>			
Profit/(Loss) for the year		(2,057)	(2,430)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net gain on investment in debt instruments measured at FVOCI		1	4
<b>Total comprehensive (loss)/income for year attributable to equity holder</b>		<b><u>(2,056)</u></b>	<b><u>(2,426)</u></b>

*The accompanying notes on pages 10 to 79 are an integral part of these financial statements.*




**JMMB EXPRESS FINANCE (T&T) LIMITED**


## Statement of Financial Position

March 31, 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	11	15,934	9,977
Balances with Central Bank		9,663	863
Interest receivable		2,659	693
Income tax recoverable		467	314
Loans and advances to customers	12	85,138	29,242
Investment securities	13	417	440
Accounts receivable	14	539	406
Property, plant and equipment	15	4,633	3,005
Leases - Right of use asset	20	7,566	-
Deferred income tax assets	16	2,866	1,393
<b>Total assets</b>		<b>129,882</b>	<b>46,333</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	17	15,000	15,000
Retained earnings		2,617	4,674
Statutory reserve fund		2,044	2,044
Investment revaluation reserve		5	4
		<b>19,666</b>	<b>21,722</b>
<b>Liabilities</b>			
Customer deposits	18	30,228	226
Due to parent	14	69,127	23,294
Lease liability	20	7,756	-
Interest payable		1,356	75
Accounts payable	19	1,493	836
Deferred income tax liabilities	16	256	180
		<b>110,216</b>	<b>24,611</b>
<b>Total liabilities and equity</b>		<b>129,882</b>	<b>46,333</b>

*The accompanying notes on pages 10 to 79 are an integral part of these financial statements.*

  
Catherine Kumar Director

  
John Tang Nian Director

# JMMB EXPRESS FINANCE (T&T) LIMITED

## Statement of Changes in Equity

Year ended March 31, 2020

	Stated Capital \$'000	Retained Earnings \$'000	Statutory Reserve Fund \$'000	Investment Revaluation Reserve \$'000	General Loss Reserve \$'000	Total Equity \$'000
<b>Balance as at March 31, 2018</b>	15,000	7,204	2,044	-	534	24,782
Changes on initial application of IFRS 9	-	(634)	-	-	-	(634)
Restated balance as at April 1, 2018	15,000	6,570	2,044	-	534	24,148
Net movement in fair value of debt instruments-at FVOCI	-	-	-	4	-	4
Loss for the year	-	(2,430)	-	-	-	(2,430)
<b>Total comprehensive income for the year</b>	-	(2,430)	-	4	-	(2,426)
<b>Transactions with equity holder</b>						
Transfer from general loss reserve	-	534	-	-	(534)	-
Total transactions with equity holder	-	534	-	-	(534)	-
<b>Balance as at March 31, 2019</b>	15,000	4,674	2,044	4	-	21,722
Net movement in fair value of debt instruments-at FVOCI	-	-	-	1	-	1
Loss for the year	-	(2,057)	-	-	-	(2,057)
<b>Total comprehensive income for the year</b>	-	(2,057)	-	1	-	(2,056)
<b>Balance as at March 31, 2020</b>	15,000	2,617	2,044	5	-	19,666

The accompanying notes on pages 10 to 79 are an integral part of these financial statements.

**JMMB EXPRESS FINANCE (T&T) LIMITED****Statement of Cash Flows****Year ended March 31, 2020**

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		(2,057)	(2,430)
Adjustments for:			
Interest income		(18,868)	(2,891)
Interest expense		1,944	82
Depreciation on PPE	15	891	240
Depreciation on right of use asset	20	1519	-
Taxation		(1,408)	(1,097)
Finance lease charge IFRS 16		450	-
Impairment loss on investments		1	4
Loss on disposal of asset		-	33
		(17,528)	(6,059)
Changes in other assets and liabilities:			
- Reserves with Central Bank		(8,800)	(695)
- Account receivable		(132)	(333)
- Loans and advances		(55,895)	(19,462)
- Customer deposits		30,002	2
- Related party		45,833	22,344
- Accounts payable		652	258
		(5,868)	(3,945)
Interest received		16,903	2,436
Interest paid		(663)	(18)
Taxation paid		(141)	(182)
<b>Net cash (used in)/provided in operating activities</b>		<b>10,231</b>	<b>(1,709)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	15	(2,518)	(3,113)
Investment securities (net)		23	2,918
<b>Net cash provided by/(used in) from investing activities</b>		<b>(2,495)</b>	<b>(195)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(1,779)	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(1,779)</b>	<b>-</b>
<b>Net movement in cash and cash equivalents</b>		<b>5,957</b>	<b>(1,904)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>9,977</b>	<b>11,881</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR - Note 11</b>		<b>15,934</b>	<b>9,977</b>
<b>CASH AND CASH EQUIVALENTS REPRESENTED BY:</b>			
Cash deposited with parent		13,101	9,834
Due from other financial institutions		2,833	143
		15,934	9,977

*The accompanying notes on pages 10 to 79 are an integral part of these financial statements.*

# JMMB EXPRESS FINANCE (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2020

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### 1. Incorporation and Principal Activity

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. Intercommercial Trust and Merchant Bank Limited 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 24, 2020.

### 2. Statement of Compliance and Basis of Preparation

#### (a) *Statement of compliance*

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

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

#### (b) *Basis of preparation*

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).

#### (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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 2. Statement of Compliance and Basis of Preparation (continued)

##### *(d) Use of estimates and judgments*

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 the 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

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.

Detailed information about the judgements and estimates made by JEF is set out in note 3(a).

##### *(e) Basis of consolidation*

###### *(i) Subsidiary*

A 'Subsidiary' is an investee controlled by the Group. The Group 'controls' an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

###### *(ii) Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

**3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

**(a) Key sources of estimation uncertainty**

**(i) Allowance for impairment losses**

Loans accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy note 28(a)(iii).

***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 21(a)(ii)(3), which also sets out key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk with qualitative factors incorporated for the economic impact of COVID-19
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios, with the increased uncertainties due to COVID-19 for each type of product/market and the associated ECL and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

**(b) Critical accounting judgments in applying JEF's accounting policies**

**(i) 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 as set out in accounting policy 28(a)(iii).

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

##### (b) Critical accounting judgments in applying JEF's accounting policies (continued)

###### (ii) 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 25. 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, particularly due to COVID-19 pricing assumptions and other risks affecting the specific instrument.

#### 4. Changes in Accounting Policies

JEF initially applied IFRS 16 Leases from April 1, 2019. A number of other new standards are also effective from April 1, 2019 but they do not have a material effect on JEF's financial statements.

JEF applied IFRS 16 using the modified retrospective approach, however, there was no impact to retained earnings as the right of use asset was measured at an amount equal to the lease liability (adjusted for prepayments or accrued lease payments relating to the lease at the date of initial application). Further under the modified retrospective approach, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

##### (a) Definition of a lease

Previously, JEF determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. JEF now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 27(i).

On transition to IFRS 16, JEF elected to apply the practical expedient to grandfather the assessment of which transactions are leases. JEF applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019 and those previously identified as leases.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 4. Changes in Accounting Policies (continued)

##### *(b) As a lessee*

As a lessee, JEF leases assets including property. JEF previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to JEF. Under IFRS 16, JEF recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

However, for leases of property JEF has elected to separate non-lease components and account for the lease and associated non-lease components separately.

##### *(i) Leases classified as operating leases under IAS 17*

Previously, JEF classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the JEF's incremental borrowing rate as at April 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: JEF applied this approach to all other leases.

JEF has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

JEF used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT and other miscellaneous office equipment);
- lease and non-lease components were treated as a single component;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- hindsight was used as a guide in determining the lease term where there were options to extend or terminate the lease.



**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**4. Changes in Accounting Policies (continued)***(c) Impact on financial statements*

	<u>2020</u> <u>\$'000</u>
Operating lease commitments as at Mar 31, 2019	(6,690)
Additional to lease liabilities	(1,384)
- Discounted using incremental borrowing rate as at Apr 1, 2019	2,758
- Extension options reasonably certain to be exercised	(2,440)
Lease liability recognised at Apr 1, 2019	<u>(7,756)</u>

**5. Interest Income**

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Interest on loans and advances	18,803	2,800
Interest from investments:		
FVOCI	10	12
FVTPL	1	15
Other	54	64
	<u>18,868</u>	<u>2,891</u>

**6. Interest Expense**

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Interest on customer deposits	657	17
Interest on amount due to parent	1,287	65
	<u>1,944</u>	<u>82</u>

**7. Staff Costs**

	<u>2020</u> <u>\$'000</u>	<u>2019</u> <u>\$'000</u>
Salaries and wages	5,525	3,281
Statutory payroll contributions	368	131
Pension scheme contributions	425	177
Training and development	65	15
Other staff benefits	1,154	81
	<u>7,537</u>	<u>3,685</u>

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**8. Other Expenses**

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Advertising and promotion	508	532
Auditors' remuneration	295	266
Bank charges and interest	17	2
Depreciation	891	241
Depreciation - Leases	1,519	-
Repairs and maintenance	187	116
Information technology	418	180
Legal and other professional fees	266	103
Loss on disposal of property, plant and equipment	-	33
Office rental	-	705
Security	425	78
Stationery, printing and postage	87	58
Travel and entertainment	78	41
Utilities	506	199
Other	<u>2,074</u>	<u>709</u>
	<u>7,271</u>	<u>3,263</u>

**Note:** Office rental for financial year to Mar 2020 is nil after the implementation of IFRS 16 on leases.

**9. Impairment loss on financial instruments**

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Impairment loss on loans	7,974	33
Impairment loss on investments at FVOCI	<u>1</u>	<u>4</u>
	<u>7,975</u>	<u>37</u>

The COVID-19 pandemic has resulted in a significant adverse change in both global and national economic outlook. This has been factored into the forward looking information (FLI) used in the calculation of the Expected Credit Loss (ECL) and is one of the main contributors to the increase in impairment losses on JEF's loans and advances and investment portfolios for the financial year March 31, 2020.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**10. Taxation**

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>(i) Taxation charge</b>		
Green Fund Levy	59	8
Current income tax:		
- Provision for charge on current year's profit	-	(1,373)
- Prior years' under/(over) provision	(70)	97
Deferred income tax		
- Current year	(1,397)	171
	<u>(1,408)</u>	<u>(1,097)</u>

**(ii) Reconciliation of the effective tax rate**

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>%</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>
Profit/loss before taxation	100	(3,465)	100	(3,527)
Tax calculated at relevant rates	35	(1,213)	35	(1,234)
Adjusted for the effects of:				
Prior year income tax	6	(222)	(3)	97
Green Fund Levy	(2)	59	0	8
Expenses not allowable	(1)	(32)	(1)	32
	<u>41</u>	<u>(1,408)</u>	<u>31</u>	<u>(1,097)</u>

**11. Cash and Cash Equivalents**

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$,000</u>
Cash	13,101	9,834
Due from financial institutions	2,833	143
	<u>15,934</u>	<u>9,977</u>

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**12. (a) (i) Loans and Advances to Customers**

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Performing loans – Stage 1	81,713	25,319
Past due but not impaired- Stage 2	5,419	4,346
Credit impaired loans – Stage 3	<u>6,647</u>	<u>244</u>
Gross loans and advances	93,779	29,909
Impairment loss allowance	<u>(8,641)</u>	<u>(667)</u>
	<u>85,138</u>	<u>29,242</u>

**(a) (ii) Impairment allowance**

At the beginning of year	(667)	-
Charge for the year	(7,974)	(33)
Restated	<u>-</u>	<u>(634)</u>
	<u>(8,641)</u>	<u>(667)</u>

**(b) Concentration of net loans**

Retail	<u>85,138</u>	<u>29,242</u>
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**13. Investment Securities**

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>At fair value through other comprehensive income (FVOCI)</i>		
Other sovereign bonds	<u>340</u>	<u>364</u>
<i>Securities at fair value through profit and loss (FVTPL)</i>		
Corporate bonds	<u>77</u>	<u>76</u>
	<u>417</u>	<u>440</u>

**Investments mature, from the reporting date, as follows:****Other sovereign bonds:**

Over 5 years	<u>340</u>	<u>364</u>
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**Corporate bonds:**

Within 3 months	<u>77</u>	<u>76</u>
	<u>417</u>	<u>440</u>

## **JMMB EXPRESS FINANCE (T&T) LIMITED**

### **Notes to the Financial Statements**

**March 31, 2020**

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#### **14. Related Party Transactions and Balances**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the “reporting entity”) in this case, ‘JEF”.

- (i) A person or a close member of that person’s family is related to the Company if that person:
  - (1) has control or joint control over the Company;
  - (2) has significant influence over the Company; or
  - (3) is a member of the key management personnel of the Company or of a parent of the company.
- (ii) An entity is related to the Company if any of the following conditions applies:
  - (1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
  - (6) The entity is controlled, or jointly controlled by a person identified in (i).
  - (7) A person identified in (i) (1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a Group of which it is a part, provides key management personnel services to JEF or to the parent of JEF.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 14. Related Party Transactions and Balances (continued)

- (ii) An entity is related to the Company if any of the following conditions applies: (continued)

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

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

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

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest paid to parent	657	17
Interest received from parent	54	64
Accruals - deposits	796	74
Cash balances held with parent	13,110	9,977
Deposits from parent	69,127	23,294
Sale of loan portfolio to parent	-	8,813
	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Key Management Personnel and close family members</b>		
Loans	2,146	1,910
Deposits	102	128
Other short term employee benefits	2,051	1,273
Post-employment benefits	182	65
	<u>2,233</u>	<u>1,338</u>
Interest Income	97	-
Interest Expense	(1)	-

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

March 31, 2020

**15. Property, Plant and Equipment**

	<b>Capital Work-in- Progress</b>	<b>Leasehold Improvements</b>	<b>Furniture Fixtures</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>					
March 31, 2019	49	272	1,988	931	3,240
Additions	1,711	35	394	379	2,519
Transfer from work-in-progress	(1,760)	242	1,302	216	-
Disposals	-	-	-	-	-
March 31, 2020	-	549	3,684	1,526	5,759
<b>Accumulated depreciation</b>					
March 31, 2019	-	25	104	106	235
Charge for the year	-	97	407	387	891
Disposals	-	-	-	-	-
March 31, 2020	-	122	511	493	1,126
<b>Net Book Value</b>					
March 31, 2020	-	427	3,173	1,033	4,633
March 31, 2019	49	247	1,884	825	3,005

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 16. Deferred Income Taxes

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

Deferred income tax is calculated on temporary differences using the rate at which the tax will be paid when the temporary differences reverse. The statutory rate has been used in the calculation of tax.

(i) *Deferred tax asset and liability recognised in the statement of financial position are as follows:*

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<b>Deferred income tax asset:</b>		
Deferred fees	14	20
Tax Losses	2,236	1,373
ECL loans IFRS 9	550	-
Net IFRS 16-Leases	66	-
	<u>2,866</u>	<u>1,393</u>
<b>Deferred income tax liability:</b>		
Property, plant and equipment	<u>(256)</u>	<u>(180)</u>
<b>Net deferred income tax asset/(liability)</b>	<u>2,610</u>	<u>1,213</u>

(ii) *The movement in the net deferred tax account comprised:*

At beginning of the year	(1,213)	(11)
Credited/(charged) to profit or loss for the year	(533)	171
Tax losses	<u>(864)</u>	<u>(1,373)</u>
At end of the year	<u>(2,610)</u>	<u>(1,213)</u>

A deferred tax asset of \$2,236,140 (2019: \$1,372,614) in respect of tax losses of \$6,388,970 (2019: \$3,921,753) has been recognised in the current financial year due to management assessment of expected future profitability.



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 17. Stated Capital

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
<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.

#### 18. Customers' Deposits

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Time deposits	<u>30,228</u>	<u>226</u>
<i>Sector analysis</i>		
Personal	<u>30,228</u>	<u>226</u>

#### 19. Accounts payable

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Accrued expenses	<u>1,493</u>	<u>836</u>

#### 20. Leases - Right of use asset and Lease liability

##### (a) Leases as lessee

JEF leases properties for office space and other uses. The leases run for a period of 1 years to 5 years. Certain leases have an option to renew the lease after the lease term. Lease payments are renegotiated periodically to reflect market rentals. Some leases in accordance with the lease terms and conditions, provide for additional rent payments that are based on changes in local price indices.

JEF leases IT equipment and other office equipment with contract terms of one to three years. These leases are short- term and/or leases of low-value items. JEF has elected not to recognise right-of-use assets and lease liabilities for these leases as allowed under the standard.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

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**20. Leases - Right of Use Asset and Lease Liability (continued)****(a) Leases as lessee (continued)**

Information about leases for which JEF is a lessee is presented below.

**(i) Right-of-use assets**

Right-of-use assets are recognised in relation to leased properties that do not meet the definition of investment property.

	<b>Land and Buildings \$'000</b>
<b>2020</b>	
Balance at April 1	7,701
Depreciation charge for the year	(1,519)
Additions to right-of-use assets	<u>1,384</u>
Balance at March 31	<u>7,566</u>
Amounts recognised in profit or loss	<u>1,968</u>
<b>(ii) Lease Liability</b>	<b>\$'000</b>
Current	1,664
Non-current	<u>6,092</u>
	<u>7,756</u>
<b>(iii) Amounts recognised in profit or loss</b>	
<b>2020 – Leases under IFRS 16</b>	<b>\$'000</b>
Interest on lease liabilities	<u>450</u>
Expenses relating to short-term leases and low value assets	<u>136</u>

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 20. Lease (continued)

##### (a) Leases as lessee (continued)

##### (iv) Amounts recognised in statement of cash flows

	\$'000
Total cash outflow for leases	<u>1,779</u>

##### (v) Extension options

Some property leases contain extension options exercisable by the lessor and these renewal periods were not included in the lease liability calculation. Where the renewal option is exercisable by JEF (lessee) these have been included in the lease liability.

#### 21. 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 Risk Management, Audit and Enterprise 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### *Risk Governance*

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.

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.

##### *Impact of Covid-19*

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Trinidad and Tobago declared the area a national emergency on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, JEF has adopted several measures specifically around financial risk management. These measures include:

- (i) Enhanced monitoring of market movements by the Risk unit and tracking of the impact on the loan and investment portfolios and the resulting impact on capital and liquidity to support timely decision making.
- (ii) The Management Credit Committee, Asset and Liability Committees and the Crisis Management and Communication Committee within the Group meet frequently to discuss strategies and plans around managing business continuity as well as the liquidity and the capital needs of JEF.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### *Impact of Covid-19 (continued)*

(iii) Updating of the entity's Business Recovery and Response Plan which include:

- Measures to secure sufficient funding and adequate availability.
- Contingency arrangements that enable continuation of operations as recovery measures are being implemented.
- Actions that can be taken to strengthen the entity's capital base; and
- A clear description of the escalation and decision-making process to ensure that the plan can be executed in a timely manner.
- Communication plan to ensure that stakeholders (internal and external) are given timely and appropriate information during the firm's recovery process.

(iv) The implementation of measures to assist external clients during this crisis, such as:

- Deferrals on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these instalment deferrals should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR [see note 21(a.ii.1)] are identified.
- Client partnership arrangements with clients, such as restructuring based on their needs and subject to approval by the appropriate board and management committees.

##### *(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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### (a) Credit risk (continued)

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

- *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 Credit Risk managers or individuals, 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.
- *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. 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.
- *Reviewing compliance:* 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.

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

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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. JEF 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 21.(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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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. Where debt securities are not rated by external rating agencies, the Group Risk function determines internal credit ratings for investment counterparties in accordance with its investment risk rating methodology. 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 21.(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 21.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).



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 21. Financial Risk Management (continued)

##### (a) Credit risk (continued)

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

Change in credit quality since initial recognition		
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 aligned 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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 be recognized as a significant deterioration in credit quality.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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 JEF.
- 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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 instruments 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 instruments, 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 JEF'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 21(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.
- JEF has replaced the Vasicek model with a simplified scorecard model in estimating its forward-looking indicator factors. The model differentiates between sovereign, corporate and retail loan exposures. A minimum of three (3) leading macroeconomic variables are used for each exposure class. There were no other significant changes in estimation techniques or significant assumptions made during the period.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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. JEF considers the following indicators to be in the main macro-economic factors influencing the quality of the loans portfolios (retail):

- Annual Inflation Rate
- Consumer Price Index
- Debt to GDP
- GDP Annual Growth Rate
- Interest Rate (i.e. Policy rates as issued by central banks)
- Unemployment Rate

Macroeconomic adjustment has been applied to the PD in the Company'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 is 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:

- Annual Inflation Rate
- Current account to GDP
- Debt to GDP
- GDP Annual Growth Rate
- Net International Reserves

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### (a) Credit risk (continued)

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

Management performs a trend analysis and compares the historical information with the available forecasted data to determine whether the indicator represents a very positive, positive, stable, negative, or very negative trend. Each trend (very positive, positive, stable, negative, very negative) 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 three (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.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. 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>2020</b>			<b>2019</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	81,713	-	-	81,713	29,665
Special monitoring	-	5,419	-	5,419	-
Default	-	-	6,647	6,647	244
<b>Gross carrying amount</b>	<b>81,713</b>	<b>5,419</b>	<b>6,647</b>	<b>93,779</b>	<b>29,909</b>
<b>Loss allowance</b>	<b>(1,854)</b>	<b>(140)</b>	<b>(6,647)</b>	<b>(8,641)</b>	<b>(667)</b>
<b>Carrying amount</b>	<b>79,859</b>	<b>5,279</b>	<b>-</b>	<b>85,138</b>	<b>29,242</b>
<b>Note 12(a)(i)</b>					

**Investments**

	<b>2020</b>			<b>2019</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>TT'000</b>	<b>TT'000</b>	<b>TT'000</b>	<b>TT'000</b>	<b>TT'000</b>
<b>Credit Grade</b>					
Watch	340	-	-	340	364
Speculative	-	-	-	-	-
<b>Carrying Amount</b>	<b>340</b>	<b>-</b>	<b>-</b>	<b>340</b>	<b>364</b>



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. 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 21(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 (e.g. FVTPL):

	<b>Maximum Exposure to Credit Risk</b>
	<b>\$'000</b>
<b>Financial Assets Designed at Fair Value through PL</b>	
Debt securities	<u>77</u>

##### (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;

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)****(a) Credit risk (continued)****(a.iv) Loss allowance (continued)**

- 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:

<b>Retail</b>	<b>Stage 1 12-month ECL \$'000</b>	<b>Stage 2 Lifetime ECL \$'000</b>	<b>Stage 3 Lifetime ECL \$'000</b>	<b>Total \$'000</b>
<b>Loss allowance as at 1 April 2019</b>	390	33	244	667
<b>Movements with P&amp;L impact</b>				
<b>Transfers:</b>				
- Transfer from Stage 1 to Stage 2	(30)	30	-	-
- Transfer from Stage 1 to Stage 3	(2,967)	-	2,967	-
- Transfer from Stage 2 to Stage 1	4	(4)	-	-
- Transfer from Stage 2 to Stage 3	-	(844)	844	-
- Transfer from Stage 3 to Stage 2	-	-	-	-
<b>New financial assets originated or purchased</b>	1,713	107	2,678	4,498
<b>Changes in PDs/LGDs/EADs</b>	2,939	824	(46)	3,717
<b>Financial assets derecognised during the period</b>	(195)	(6)	(40)	(241)
<b>Loss allowance as at March 31, 2020</b>	<u>1,854</u>	<u>140</u>	<u>6,647</u>	<u>8,641</u>

# JMMB EXPRESS FINANCE (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2020

### 21. Financial Risk Management (continued)

#### (a) Credit risk (continued)

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

#### Investment Portfolio

	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
Loss allowance as at April 1, 2019	4	-	-	4
Movements with FX and other changes in inputs used in ECL calculations	1	-	-	1
Loss allowance as at March 31, 2020	5	-	-	5

The following tables further explain changes in the gross carrying amounts of the retail and investment portfolios to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above.

#### Retail

	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
Gross carrying amount as at April 1, 2019	27,846	1,819	244	29,909
Transfers:				
- Transfer from Stage 1 to Stage 2	(1,344)	1,344	-	-
- Transfer from Stage 1 to Stage 3	(2,968)	-	2,968	-
- Transfer from Stage 2 to Stage 3	-	(844)	844	-
- Transfer from Stage 3 to Stage 2	-	15	(15)	-
- Transfer from Stage 2 to Stage 1	204	(204)	-	-
Financial assets derecognised during the period other than write-offs	(14,207)	(321)	(40)	(14,568)
New financial assets originated or purchased	74,898	3,926	2,678	81,502
Paydowns	(2,716)	(316)	(32)	(3,064)
Gross carrying amount as at March 31, 2020	81,713	5,419	6,647	93,779

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)****(a) Credit risk (continued)****(a.iv) Loss allowance (continued)****Investment Portfolio**

	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
Carrying Amount as at April 1, 2019	364	-	-	364
ECL calculations	(24)	-	-	(24)
Carrying amount as at March 31, 2020	340	-	-	340

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 to Customers</b>		<b>Investment Securities</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross amount	<u>93,779</u>	<u>29,909</u>	<u>417</u>	<u>440</u>
<b>Concentration by sector</b>				
Corporate/commercial	-	-	-	-
Sovereign	-	-	340	364
Bank	-	-	77	76
Retail	93,779	29,909	-	-
Equity	-	-	-	-
	<u>93,779</u>	<u>29,909</u>	<u>417</u>	<u>440</u>
<b>Concentration by location</b>				
Trinidad	93,779	29,909	77	76
Regional	-	-	340	364
	<u>93,779</u>	<u>29,909</u>	<u>417</u>	<u>440</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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### *(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 counterparty 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.

##### *(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 or matured. Liquidity risk arises from the fluctuations of cash flows.

##### *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.

The impact of Covid-19 has resulted in unprecedented market conditions with respect to asset and liability management. Against this backdrop, JEF continues to robustly manage our liquidity planning in keeping with our regulatory and internal obligations and have applied enhanced risk controls including stress testing, monitoring liquidity coverage and net stable funding ratios.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)***(c) Liquidity risk (continued)**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>2020</u>	<u>2019</u>
<b>At March 31</b>		
Average for the year	18.73	44.01
Maximum for the year	35.23	83.59
Minimum for the year	9.37	15.04

*Maturity analysis for financial liabilities*

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

2020

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 3 Months	3 to 12 Months	One to Five Years	Over Five Years
	TT\$ 000	TT\$ 000	TT\$ 000	TT\$ 000	TT\$ 000	TT\$ 000
Customer deposits	30,228	(33,829)	-	(229)	(33,600)	-
Due to Parent	69,127	(69,127)	(69,127)	-	-	-
Lease Liability	7,756	(7,756)	(408)	(1,256)	(4,817)	(1,275)
Interest Payable	1,356	(1,356)	(1,356)	-	-	-
Accounts Payable	1,493	(1,493)	(1,493)	-	-	-
<b>Total On-Balance Sheet</b>	<b>109,960</b>	<b>(113,561)</b>	<b>(72,384)</b>	<b>(1,485)</b>	<b>(38,417)</b>	<b>(1,275)</b>

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 21. Financial Risk Management (continued)

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

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

2019

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 3 Months	3 to 12 Months	One to Five Years	Over Five Years
	TTS 000	TTS 000	TTS 000	TTS 000	TTS 000	TTS 000
Customer deposits	226	(228)	-	(228)	-	-
Due to Parent	23,294	(23,294)	(23,294)	-	-	-
Interest Payable	75	(75)	(75)	-	-	-
Accounts payable	836	(836)	(836)	-	-	-
Total On-Balance Sheet	24,431	(24,433)	(24,205)	(228)	-	-

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.

##### (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.

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.

The Covid-19 pandemic has caused significant market volatility which has increased JEF's market risk. The downgrading of credit rating and/or outlook for investment securities has resulted in increased trading and liquidity risk.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)***(d) Market risks (continued)**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*

	2020						
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>March 31, 2020</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	-	-	-	-	-	15,934	15,934
Balances with Central Bank	-	-	-	-	-	9,663	9,663
Interest receivables	-	-	-	-	-	2,659	2,659
Loans and advances	967	755	5,235	78,181	-	-	85,138
Investment securities	77	-	-	-	340	-	417
Other receivables	-	-	-	-	-	539	539
<b>Total Assets</b>	<b>1,044</b>	<b>755</b>	<b>5,235</b>	<b>78,181</b>	<b>340</b>	<b>28,795</b>	<b>114,350</b>
<b>Financial Liabilities</b>							
Customers' deposits	-	-	228	30,000	-	-	30,228
Due to parent	-	-	-	-	-	69,127	69,127
Interest payables	-	-	-	-	-	1,356	1,356
Lease liability	-	-	-	-	-	7,756	7,756
Other payables	-	-	-	-	-	1,493	1,493
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>228</b>	<b>30,000</b>	<b>-</b>	<b>79,732</b>	<b>109,960</b>
<b>Net Interest Sensitivity Gap</b>	<b>1,044</b>	<b>755</b>	<b>5,007</b>	<b>48,181</b>	<b>340</b>	<b>(50,937)</b>	<b>4,390</b>
<b>Cumulative Gap</b>	<b>1,044</b>	<b>1,799</b>	<b>6,806</b>	<b>54,987</b>	<b>55,327</b>	<b>4,390</b>	<b>-</b>



**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)****(d) Market risk (continued)*****Interest rate sensitivity of assets and liabilities (continued)***

	2019					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>March 31, 2019</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	-	-	-	9,977
Balances with Central Bank	-	-	-	-	-	863
Interest receivables	-	-	-	-	-	693
Loans and advances	-	39	2,705	26,498	-	-
Investment securities	76	-	-	-	364	-
Other receivables	-	-	-	-	-	406
<b>Total Assets</b>	<b>76</b>	<b>39</b>	<b>2,705</b>	<b>26,498</b>	<b>364</b>	<b>11,939</b>
<b>Financial Liabilities</b>						
Customers' deposits	-	-	226	-	-	-
Due to parent	-	-	-	-	-	23,294
Interest payables	-	-	-	-	-	75
Other payables	-	-	-	-	-	836
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>226</b>	<b>-</b>	<b>-</b>	<b>24,205</b>
<b>Net Interest Sensitivity Gap</b>	<b>76</b>	<b>39</b>	<b>2,479</b>	<b>26,498</b>	<b>364</b>	<b>(12,266)</b>
<b>Cumulative Gap</b>	<b>76</b>	<b>115</b>	<b>2,594</b>	<b>29,092</b>	<b>29,456</b>	<b>17,190</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.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. 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 Parallel Increase</b>	<b>100 bp Parallel Decrease</b>	<b>50bp Increase After 1 Year</b>	<b>50bp Decrease After 1 Year</b>
<i>In thousands of dollars</i>				
<b>2020</b>				
At March 31				
Average for the year	35	(38)	21	(21)
Maximum for the year	48	(27)	26	(15)
Minimum for the year	(3)	(48)	15	(26)
<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)	-	-

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.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)****(d) Market risk (continued)****Exposure to currency risk (continued)**

	2020		
	TT	US	Total
	TT \$'000	TT \$'000	TT \$'000
<b>Assets</b>			
Cash and cash equivalents	15,764	170	15,934
Balances with Central Bank	9,663	-	9,663
Interest receivable	2,658	1	2,659
Income tax recoverable	467	-	467
Loans and advances	85,138	-	85,138
Investment securities	77	340	417
Accounts receivable	539	-	539
Property, plant and equipment	4,633	-	4,633
Right of use asset	7,566	-	7,566
Deferred income tax assets	2,866	-	2,866
<b>Total assets</b>	<b>129,371</b>	<b>511</b>	<b>129,882</b>
<b>Liabilities and equity</b>			
Customers' deposits	30,228	-	30,228
Amounts due to parent	68,829	298	69,127
Lease liability	7,756	-	7,756
Interest payable	1,359	(3)	1,356
Deferred tax liability	256	-	256
Accounts payable	1,492	1	1,493
Shareholders' equity	19,456	210	19,666
<b>Total liabilities and equity</b>	<b>129,376</b>	<b>506</b>	<b>129,882</b>
<b>Net balance sheet position</b>	<b>(5)</b>	<b>5</b>	<b>-</b>

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**21. Financial Risk Management (continued)****(d) Market risk (continued)****Exposure to currency risk (continued)**

	2019		
	TT	US	Total
	TT \$'000	TT \$'000	TT \$'000
<b>Assets</b>			
Cash and cash equivalents	9,841	136	9,977
Balances with Central Bank	863	-	863
Interest receivable	692	1	693
Income tax recoverable	314	-	314
Loans and advances	29,242	-	29,242
Investment securities	76	365	441
Accounts receivable	405	-	405
Property, plant and equipment	3,005	-	3,005
Deferred income tax assets	1,393	-	1,393
<b>Total assets</b>	<b>45,831</b>	<b>502</b>	<b>46,333</b>
<b>Liabilities and equity</b>			
Customers' deposits	226	-	226
Due to parent	23,000	294	23,294
Interest payable	71	4	75
Accounts payable	836	-	836
Deferred income tax liability	180	-	180
Shareholders' equity	21,722	-	21,722
<b>Total liabilities and equity</b>	<b>46,035</b>	<b>298</b>	<b>46,333</b>
<b>Net balance sheet position</b>	<b>(204)</b>	<b>204</b>	<b>-</b>

As at March 31, 2020 there were no credit commitments (2019: NIL).

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 21. Financial Risk Management (continued)

##### (d) Market risk (continued)

##### *Exposure to currency risk (continued)*

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

Currency	2020		2019	
	Change in	Effect on	Change in	Effect on
	currency rate	Profit	currency rate	Profit
	%	\$'000	%	\$'000
USD	6	4	4	(12)
	<u>6</u>	<u>4</u>	<u>4</u>	<u>(12)</u>

##### (e) (i) 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

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 21. Financial Risk Management (continued)

##### (e) (i) *Operational risk* (continued)

- 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.

##### (e) (ii) *Cyber Risk and IT Governance Security*

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. 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. Specifically, cybersecurity risk is managed and monitored using a separate risk dashboard and a cybersecurity response plan is in place to manage cyber-attacks. These controls are 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.

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

**(e) (iii) 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.
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.

A proactive approach is being taken to manage the risk of COVID-19 in the workspace. JEF triggered, prior to the lockdown, its Pandemic Preparedness and Response Plan which detailed various scenarios and response strategies based on feedback from the BCP Committee / Crisis Management and Communication Team. One of the key measures implemented is the Pandemic Risk Dashboard, which highlights the key risk elements of the plan that are monitored on a weekly basis to ensure that the risks associated with the Pandemic are mitigated. JEF has since documented and communicated to key stakeholders its 'return to work' strategies which includes workplace readiness for re-entry.

## **JMMB EXPRESS FINANCE (T&T) LIMITED**

### **Notes to the Financial Statements**

March 31, 2020

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#### **22. Credit Commitments**

As at March 31, 2020, JEF has no commitments of a credit nature (2019: NIL).

#### **23. Capital Commitments**

As at March 31, 2020 JEF'S capital commitments were \$NIL (2019: \$700,000)

#### **24. 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 fair value through other comprehensive income.



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### 24. Capital Management (continued)

##### Regulatory capital (continued)

The regulatory framework sets out the following capital requirements: 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.

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 2020.

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:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Tier 1 capital	19,111	21,718
Tier 2 capital	<u>1,324</u>	<u>4</u>
Total regulatory capital	<u>20,435</u>	<u>21,722</u>
<b>Risk-weighted assets:</b>		
Loans and advances, investment securities and other assets, being total risk-weighted assets	105,014	35,143
Market risk capital requirement	<u>50</u>	<u>20</u>
	<u>105,064</u>	<u>35,163</u>
Ratio of total regulatory capital to risk weighted assets - Actual	<u>19.34%</u>	<u>61.37%</u>
Ratio of total tier 1 capital to risk-weighted assets - Actual	<u>18.19%</u>	<u>61.76%</u>

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 25. Fair Value of Financial Assets and Liabilities

##### (a) *Valuation models*

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

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

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

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

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

There were no transfers between levels during the year.

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**25. 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:

March 31, 2020								
	Amortised Cost	Fair Value through Other Comprehensive Income (FVOCI)	Fair Value Through Profit & Loss (FVTPL)	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value</b>								
Other Sovereign	-	340	-	340	-	-	340	340
Corporate bonds	-	-	77	77	-	-	77	77
	-	340	77	417	-	-	417	417
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	15,934	-	-	15,934				
Balances with Central Bank	9,663	-	-	9,663				
Interest receivable	2,659	-	-	2,659				
Loans and notes receivables	85,138	-	-	85,138				
Accounts receivable	539	-	-	539				
	113,933	-	-	113,933				
<b>Financial Liabilities not measured at fair value</b>								
Customer deposits	30,228	-	-	30,228				
Due to parent	69,127	-	-	69,127				
Finance lease	7,756	-	-	7,756				
Interest payable	1,356	-	-	1,356				
Accounts payable	1,493	-	-	1,493				
	109,960	-	-	109,960				

# JMMB EXPRESS FINANCE (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2020

### 25. Fair Value of Financial Assets and Liabilities (continued)

#### (b) Financial instruments measured at fair value – fair value hierarchy (continued)

March 31, 2019								
	Amortised Cost	Fair Value through Other Comprehensive Income (FVOCI)	Fair Value Through Profit & Loss (FVTPL)	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value</b>								
Government of Trinidad and Tobago	-	-	-	-	-	-	-	-
Other Sovereign	-	364	-	364	-	-	364	364
Corporate bonds	-	-	76	76	-	-	76	76
Quoted and unquoted equities	-	-	-	-	-	-	-	-
	-	364	76	440	-	-	440	440
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	9,977	-	-	9,977				
Balances with Central Bank	863	-	-	863				
Interest receivable	693	-	-	693				
Loans and notes receivables	29,242	-	-	29,242				
Accounts receivable	406	-	-	406				
	41,181	-	-	41,181				
<b>Financial liabilities not measured at fair value</b>								
Customer deposits	226	-	-	226				
Due to parent	23,294	-	-	23,294				
Interest payable	75	-	-	75				
Accounts payable	836	-	-	836				
	24,431	-	-	24,431				

**JMMB EXPRESS FINANCE (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2020

**25. Fair Value of Financial Assets and Liabilities (continued)****(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>2020</u></b>			
Balance at April 1	364	76	440
Additions	-	1	1
Settlements	(24)	-	(24)
Balance at March 31	<u>340</u>	<u>77</u>	<u>417</u>
	<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>

**(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.

Type of Financial Instrument	Fair Values at March 31, 2020 \$'000	Valuation Technique	Significant Unobservable Input	Range of Estimates (weighted-average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Bond	340	Valued at par	There is no active market for these bonds.	N.A.	N.A.
Other	77	Valued at par	No prices available For these investments	N.A.	N.A.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 26. 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.

Amounts are noted in thousands except per share.

	<u>2020</u>	<u>2019</u>
Profit/(loss) after tax (\$'000)	(2,607)	(2,430)
Number of shares in issue ('000)	15,000	15,000
Earnings per share	0.00¢	0.00¢

#### 27. 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.

#### 28. Significant Accounting Policies

##### (a) Financial instruments

JEF's financial instruments fall under the following categories:

##### (i) 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.

##### (ii) 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.

##### (iii) 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) Financial instruments (continued)

##### (iv) 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.

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).

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) Financial instruments (continued)

##### (iv) Measurement methods (continued)

##### *Amortised cost and effective interest rate (continued)*

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

##### *Presentation*

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

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

##### *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 28(a)(iii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.



## **JMMB EXPRESS FINANCE (T&T) LIMITED**

### Notes to the Financial Statements

March 31, 2020

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#### **28. Significant Accounting Policies (continued)**

##### **(a) Financial instruments (continued)**

##### **(iv) 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.

##### **(v) Financial assets**

##### ***Classification and subsequent measurement***

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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) *Financial instruments* (continued)

##### (v) *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 28(a)(iii). 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) Financial instruments (continued)

##### (v) Financial assets (continued)

##### *Debt instruments (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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) *Financial instruments* (continued)

##### (v) *Financial assets* (continued)

##### *Debt instruments* (continued)

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

- Fair value through profit or loss

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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) *Financial instruments* (continued)

##### (v) *Financial assets* (continued)

##### *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.

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 21(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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) Financial instruments (continued)

##### (v) 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) *Financial instruments* (continued)

##### (v) *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.

##### (vi) *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).

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (a) Financial instruments (continued)

##### (vi) 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.

##### *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.

##### (b) 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.



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (b) 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, JEF 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.

##### (c) 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.

## **JMMB EXPRESS FINANCE (T&T) LIMITED**

### **Notes to the Financial Statements**

March 31, 2020

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#### **28. Significant Accounting Policies (continued)**

##### **(d) Cash and cash equivalents**

Cash and equivalents include notes and coins on hand 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.

##### **(e) Balances with Central Bank**

Balances with Central Bank include deposits held with the Central Bank of Trinidad and Tobago (Central Bank). Under the provisions of Financial Institutions Act (2008)), JEF is required to hold and maintain as a deposit with the Central Bank a cash reserve balance equivalent to 9% of prescribed liabilities.

##### **(f) 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%
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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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### *(g) 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.

##### *(h) 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.

##### *(i) Leases – where JEF is the lessee*

JEF has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

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

This policy is applied to contracts entered into, on or after April 1, 2019.

##### *(i) As a lessee*

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

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (i) Leases (continued)

##### (i) As a lessee (continued)

##### Policy applicable from April 1, 2019 (continued)

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

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

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

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

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### (i) Leases (continued)

##### (i) As a lessee (continued)

##### Policy applicable from April 1, 2019 (continued)

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

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

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

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

JEF presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

##### Short-term leases and leases of low-value assets

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

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### *(j) 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. Under this plan, contributions are issued in the name of each eligible employee but is separate from the 5% plan contributed to by the employee.

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, 2020, JEF's contribution expense in relation to this plan for the year amounts to \$424,783 (2019: \$176,822).

##### *(k) 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### *(k) Taxation (continued)*

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.

##### *(l) 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.

##### *(m) 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.

##### *(n) 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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

##### *(o) 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, 2020. JEF does not plan on early adoption of these standards, these include:

- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

JEF is assessing the impact that the amendments will have on its 2021 financial statements.

- Amendments to IFRS 3, Business Combinations, applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:
  - (i) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.
  - (ii) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.



## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

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#### 28. Significant Accounting Policies (continued)

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

JEF is assessing the impact that the amendments will have on its 2021 financial statements.

- Amendment to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements:  
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

JEF does not expect the amendment to have a significant impact on its 2021 financial statements.

- Amendment to IAS 1, Presentation of Financial Statements is effective for annual periods beginning on or after January 1, 2022 but with a possible deferral to January 1, 2023. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. The amendment clarifies that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. The settlement of a liability includes transferring a company's own equity instruments to the counterparty.

JEF is assessing the impact that the amendment will have on its 2022 or 2023 financial statements.

##### (p) *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.

## JMMB EXPRESS FINANCE (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2020

#### GLOSSARY

IFRS	International Financial Reporting Standards	Standardized accounting standards across international boundaries.
IASB	International Accounting Standards Board	Independent account standard-setting body of the IFRS Foundation.
FVOCI	Fair value through other comprehensive income	Comprising items of income and expense that are not recognised in profit or loss.
FVTPL	Fair value through profit and loss	Comprising items of income and expense that are recognised in profit or loss.
ECL	Expected Credit Losses	Measurement of expected credit losses that result from default of financial assets e.g. loans and investments.
SICR	Significant increase in credit risk	Significant change in estimated default risk.
PD	Probability of default	The likelihood of failure by borrower to repay debt.
EAD	Exposure at default	The total value a bank is exposed to when a counterparty defaults.
IG	Investment grade	A level of credit rating for counterparties and issues regarded as carrying a minimal risk to investors.
LGD	Loss given default	The loss incurred by a financial institution when a borrower defaults on a loan.
VaR	Value at Risk	Tool used to measure and control market risk exposures within a firm, portfolio or position over a specified time.
Bp	Basis point	Used in expressing differences of interest rates.
BCP	Business continuity plan	Process involved in creating a system of prevention and recovery from potential threats to a company.
POCI	Purchased or originated credit-impaired	Assets that are credit impaired at initial recognition/purchase.
SPPI	Solely payments of principal and interest	Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest.
ROU	Right of Use Asset	The lessees right to use an asset over the life of a lease.