JMMB Investments
(Trinidad and Tobago) Limited

Financial Statements

31 March 2020

JMMB Investments (Trinidad and Tobago) Limited
Index
31 March 2020

Statement of Management Responsibilities

JMMB INVESTMENTS (TRINIDAD AND TOBAGO) LIMITED

Management is responsible for the following:

- Preparing and fairly presenting the financial statements of JMMB Investment (Trinidad and Tobago) Limited (the company), which comprise the statement of financial position as at March 31, 2020, profit and loss account, 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;
- Ensuring that the company and group 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 and group'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 audited 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.

Ronald Carter
Chief Country Officer

Date: July 17, 2020

Naomi Arjoonsingh
Chief Financial Officer

Date: July 17, 2020

KPMG
Chartered Accountants
Savannah East
11 Queen's Park East
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

Tel.: (868) 612-KPMG
Email: kpmg@kpmg.co.tt
Web: https://home.kpmg/tt

INDEPENDENT AUDITORS' REPORT
To the Members of JMMB INVESTMENTS (TRINIDAD AND TOBAGO) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JMMB Investments (Trinidad and Tobago) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the Group's and the Company's statement of financial position as at March 31, 2020, the Group's and the Company's 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 the Group and the Company as at March 31, 2020, and of 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 Group and the Company Financial Statements* section of our report. We are independent of the Group and 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 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 Group and the Company 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 the financial statements that are free from material misstatement, whether due to fraud or error.

KPMG

Responsibilities of Management and Those Charged with Governance for the Group and the Company Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Group and the Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group and the Company 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company'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 the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG

Chartered Accountants

Port of Spain
Trinidad, and Tobago
July 17, 2020

JMMB Investments (Trinidad and Tobago) Limited
Consolidated Profit and Loss Account
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Net interest income and other revenue			
Interest income calculated using the effective interest method		43,762	38,356
Interest expense		(27,117)	(23,231)
Net interest income		16,645	15,125
Other revenue			
Gains on securities trading		7,590	3,341
Net change from financial assets at fair value through profit or loss (FVTPL)		(282)	-
Fees and commissions		16,235	5,603
Dividends		35	469
Total other revenue		23,578	9,413
Total revenue less interest expense		40,223	24,538
Other income and (losses)/gains			
Foreign exchange (losses)/gains		(1,502)	22
		38,721	24,560
Non-interest expenses			
Staff costs	4	(10,613)	(9,875)
Impairment losses on financial instruments		(1,178)	(29)
Other expenses	5	(7,891)	(4,404)
		19,682	14,308
Profit before Taxation		19,039	10,252
Taxation	6	(6,229)	1,159
Profit for the Year		12,810	11,411

The notes on pages 15 to 86 are an integral part of these financial statements

JMMB Investments (Trinidad and Tobago) Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	2020	2019
	$'000	$'000
Profit for the Year	12,810	11,411
Other Comprehensive Loss		
Items that may be reclassified to profit or loss		
Net gain on investments in debt instruments measured at FVOCI	(30,767)	(1,469)
Net gain on investments in equity instruments designated FVOCI	(2,101)	5,789
	(32,868)	4,320
Total Comprehensive Income for Year	(20,058)	15,731

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Consolidated Statement of Financial Position
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

		2020	2019
ASSETS	**Note**	**$'000**	**$'000**
Cash and cash equivalents	7	115,525	48,769
Interest receivable		13,756	11,007
Investment securities	8	717,343	791,688
Securities purchased under agreements to resell		9,832	-
Amount due from related party		-	16,195
Accounts receivable		9,118	19,694
Taxation recoverable		70	70
Property, plant and equipment	9	2,308	1,933
Intangible assets	10	736	1,183
Deferred tax asset	12	19,559	8,337
Total assets		888,247	898,876
EQUITY AND LIABILITIES			
Equity			
Share capital	13	100,764	70,764
Investment revaluation reserve	14	(33,491)	(623)
Retained earnings		26,667	17,341
		93,940	87,482
Liabilities			
Securities sold under agreements to repurchase	15	473,843	471,168
Dividend payable		6,958	3,474
Redeemable preference shares	17	33,651	33,785
Secured notes payable	18	189,069	223,701
Other notes payable		40,381	40,542
Interest payable		9,123	8,952
Taxation payable		2,849	-
Accounts payable		36,660	27,346
Deferred tax liability	12	1,773	2,426
		794,307	811,394
Total equity and liabilities		888,247	898,876

Approved for issue by the Board of Directors on 24th June, 2020 and signed on its behalf by:

Catherine Kumar	**Director**	**Dr. Marlene Attzs**	**Director**

The notes on pages 15 to 86 are an integral part of these financial statements

JMMB Investments (Trinidad and Tobago) Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	Share Capital $'000	Investment Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 31 March 2018		**70,764**	**(4,943)**	**11,005**	**76,826**
Changes on initial recognition of IFRS 9		-	1,601	(1,601)	-
Restated balance as at 1 April 2018		**70,764**	**(3,342)**	**9,404**	**76,826**
Profit for the year		-	-	11,411	11,411
Net movement in fair value of debt and equity instruments at FVOCI		-	2,719		2,719
Total comprehensive income for year		-	2,719	11,411	14,130
Transactions with owners of the company					
Dividend declared		-	-	(3,474)	(3,474)
Balance as at 31 March 2019		**70,764**	**(623)**	**17,341**	**87,482**
Profit for the year		-	-	12,810	12,810
Net movement in fair value of debt and equity instruments at FVOCI		-	(32,868)	-	(32,868)
Total comprehensive income for year		-	(32,868)	12,810	(20,058)
Transactions with owners of the company					
Dividend declared		-	-	(3,484)	(3,484)
Capital Injection		30,000	-	-	30,000
Balance as at 31 March 2020		**100,764**	**(33,491)**	**26,667**	**93,940**

The notes on pages 15 to 86 are an integral part of these financial statements

JMMB Investments (Trinidad and Tobago) Limited
Consolidated Statement of Cash Flows
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flow from Operating Activities			
Profit for the year		12,810	11,411
Adjustments for:			
Interest income		(43,762)	(38,356)
Interest expense		27,117	23,231
Depreciation	9	816	661
Amortisation	10	60	61
Taxation	6	6,229	(1,159)
		3,270	(4,151)
Changes in operating assets and liabilities:			
Accounts receivable		10,576	(30,242)
Accounts payable		(4,988)	5,963
Related parties		16,195	(5,546)
Securities sold under agreements to repurchase		2,675	24,652
		27,728	(9,324)
Interest received		41,013	33,725
Interest paid		(26,946)	(20,305)
Taxation paid		(953)	(160)
Net cash provided by operating activities		**40,842**	**3,936**
Cash Flow from Investing Activities			
Investment securities (net)		31,645	(132,799)
Purchase of property, plant and equipment	9	(1,191)	(161)
Net change intangible assets	10	387	(84)
Net cash used in investing activities		**30,841**	**(133,044)**
Cash Flow from Financing Activity			
Redeemable preference shares		(134)	112
Proceeds from issue of shares	13	30,000	-
Notes payable		(34,793)	103,327
Net provided by financing activities		**(4,927)**	**103,439**
Increase in cash and cash equivalents		66,756	(25,669)
Cash and cash equivalents at beginning of year		48,769	74,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**115,525**	**48,769**

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Separate Statement of Profit and Loss Account
Year ended 31 March 2020
Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Net interest income and other revenue			
Interest income calculated using the effective interest method		43,762	38,356
Interest expense		(27,117)	(23,231)
Net interest income		16,645	15,125
Other revenue			
Gain on securities trading		6,817	3,195
Fees and commissions		12,177	713
Dividend income		10	-
Total other revenue		19,004	3,908
Total revenue less interest expense		35,649	19,033
Other income and gains			
Foreign exchange (losses)/gains		(1,266)	2
		34,383	19,035
Non-interest expenses			
Staff costs	4	(9,882)	(9,272)
Impairment losses on financial instruments		(1,204)	167
Other expenses	5	(5,840)	(3,148)
		(16,926)	(12,253)
Profit before taxation		17,457	6,782
Taxation	6	(6,174)	1,211
Profit for year		11,283	7,993

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Separate Statement of Profit and Loss and Other Comprehensive Income
Year ended 31 March 2020
Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	2020	2019
	$'000	**$'000**
Profit for Year	11,283	7,993
Other Comprehensive Loss		
Item that may be reclassified to profit or loss:		
Net gains on investments in debt and equity instruments measured at FVOCI	(30,767)	(1,468)
Total Comprehensive (Loss)/Income for Year	(19,484)	6,525

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Separate Statement of Financial Position
31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	7	86,160	35,447
Interest receivable		13,756	11,007
Investment securities	8	708,548	781,144
Securities purchased under agreements to resell		9,832	-
Accounts receivable		7,766	10,416
Amounts due from related party		-	16,633
Property, plant and equipment	9	2,308	1,933
Intangible assets	10	-	387
Interest in subsidiary	11	5,364	5,364
Taxation recoverable		70	70
Deferred tax asset	12	16,240	5,017
Total assets		850,044	867,418
EQUITY AND LIABILITIES			
Equity			
Share capital	13	100,764	70,764
Investment revaluation reserve	14	(34,815)	(4,048)
Retained earnings		14,473	6,674
		80,422	73,390
Liabilities			
Securities sold under agreements to repurchase	15	473,843	471,168
Dividend payable		6,958	3,474
Redeemable preference shares	17	33,651	33,785
Secured notes payable	18	189,069	223,701
Other notes payable		40,381	40,542
Interest payable		9,123	8,952
Taxation payable		2,849	
Accounts payable		13,748	12,406
		769,622	794,028
Total equity and liabilities		850,044	867,418

Approved for issue by the Board of Directors on 24th June, 2020 and signed on its behalf by:

Catherine Kumar Director

Dr. Marlene Attzs Director

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Separate Statement of Changes in Equity
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	Share Capital $'000	Investment Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 31 March 2018		**70,764**	**(2,580)**	**3,756**	**71,940**
Changes on initial application of IFRS 9		-	1,601	(1,601)	-
Restated balance as at 1 April 2018		**70,764**	**(979)**	**2,155**	**71,940**
Profit for the year		-	-	7,993	7,993
Net movement in fair value of debt and equity instruments at FVOCI		-	(3,069)	-	(3,069)
Total comprehensive income for year		-	(3,069)	7,993	4,924
Transactions with owners of the company:					
Dividend declared		-	-	(3,474)	(3,474)
Balance as at 31 March 2019		**70,764**	**(4,048)**	**6,674**	**73,390**
Profit for the year		-	-	11,283	11,283
Net movement in fair value of debt and equity instruments at FVOCI		-	(30,767)		(30,767)
Total comprehensive income for year		-	(30,767)	11,283	(19,484)
Transactions with owners of the company:					
Dividend declared				(3,484)	(3,484)
Capital Injection		30,000	-	-	30,000
Balance as at 31 March 2020		**100,764**	**(34,815)**	**14,473**	**80,422**

The notes on pages 15 to 86 are an integral part of these financial statements.

JMMB Investments (Trinidad and Tobago) Limited
Separate Statement of Cash Flows
Year ended 31 March 2020
(Expressed in Trinidad and Tobago dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Profit for the year		11,283	7,993
Adjustments for:			
Interest income		(43,762)	(38,356)
Interest expense		27,117	23,231
Taxation expenses		6,174	(1,211)
Depreciation	9	816	661
		1,628	(7,682)
Changes in operating assets and liabilities:			
Accounts receivable		2,650	(10,657)
Accounts payable		(12,317)	(1,159)
Related party		16,633	1,544
Securities sold under agreements to repurchase		2,675	24,652
		11,269	6,698
Interest received		41,013	33,725
Interest paid		(26,946)	(20,305)
Taxation paid		(889)	(163)
Net cash provided by operating activities		**24,447**	**19,955**
Cash Flow from Investing Activities			
Investment securities		31,997	(146,251)
Purchase of property, plant and equipment	9	(1,191)	(548)
Purchase of intangible assets	10	387	(84)
Net cash used in investing activities		**31,193**	**(146,883)**
Cash Flow from Financing Activities			
Issue of shares	13	30,000	
Notes payable		(34,793)	103,327
Redeemable preference shares		(134)	112
Net cash provided by financing activities		(4,927)	103,439
Increase in cash and cash equivalents		50,713	(23,589)
Cash and cash equivalents at beginning of year		35,447	59,036
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**86,160**	**35,447**

The notes on pages 15 to 86 are an integral part of these financial statements.

1. Identification and Principal Activity

JMMB Investments (Trinidad and Tobago) Limited ("the Company") is a limited liability company, incorporated and domiciled in Trinidad and Tobago, with registered office at #169 Tragarete Road, Port of Spain, Trinidad and Tobago. The company was incorporated on October 19, 2011. The company is a fully owned subsidiary of Jamaica Money Market Brokers (Trinidad and Tobago) Limited, a company licenced to carry on the business of a financial holding company pursuant to Section 70 of the Financial Institutions Act, 2008. The ultimate parent, JMMB Group Limited, is incorporated and domiciled in Jamaica. The registered office of the ultimate parent is located at 6 Haughton Terrace, Kingston 10, Jamaica.

The company is a licensed securities dealer and its principal activities are dealing in securities and stock brokering. It has one subsidiary, as follows:

Name of Subsidiary	% Shareholding	Country of Incorporation	Principal Activities
JMMB Securities (Trinidad and Tobago) Limited	100	Trinidad and Tobago	Stock brokering

For the purpose of these financial statements the company and its subsidiary are collectively referred to as "Group". References to the Group also include the Parent unless stated otherwise.

2. Statement of Compliance and Basis of Preparation

(a) Statement of compliance:

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

Details of the Group's accounting policies, including changes during the year, are included in notes 23 and 24.

(b) Basis of preparation:

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

- financial instruments at fair value through profit or loss (FVTPL).
- financial assets at fair value through other comprehensive income (FVOCI).

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

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

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

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

(e) **Comparative information:**

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

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

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 Group's accounting policies.

The estimates, and the assumptions and judgements underlying them, are reviewed on an ongoing basis to confirm their continuing appropriateness. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

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

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

Measurement of the expected credit loss allowance (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (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/issuers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 19.a.ii, 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;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

(a) Key sources of estimation uncertainty (continued)

(i) Allowance for impairment losses (continued)

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 19.a.ii

(ii) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and financial liabilities. Accordingly, fair values of the financial assets are estimated using prices obtained from other sources. There is significant uncertainty inherent in this approach, particularly due to COVID-19, consequently, the estimates arrived at may be different from the actual price of the instrument in an actual arm's length transaction (see notes 8 and 21).

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

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

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Management is sometimes also required to make critical judgements in applying accounting policies. In classifying financial assets, management makes judgements about whether the criteria are met. For example, the determination of whether a financial asset may be classified fair value through profit or loss (FVTPL), FVOCI, or amortised costs or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy requires judgement as to whether a market is active.

4. Staff Costs

	Consolidated		Separate	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Salaries and wages	7,811	7,800	7,126	7,242
Other staff benefits	2,802	2,075	2,756	2,030
	10,613	9,875	9,882	9,272

5. Non-interest expenses

		Consolidated		Separate	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Bank charges		53	31	53	31
Depreciation	9	816	661	816	661
Amortisation	10	60	61	-	-
Legal and other professional fees		1,084	481	896	360
Auditors' remuneration		405	305	268	215
Stationery and printing		116	71	60	50
Utilities		181	228	90	209
Travel and entertainment		357	175	322	170
Equipment and motor vehicle rental		64	66	64	66
Information technology expenses		669	436	576	326
Repairs and maintenance		199	32	109	92
Directors' fees		413	270	413	270
Office rental		1,344	1,028	669	490
Security		223	109	123	11
Donations and subscriptions		136	108	79	46
Insurance		42	38	2	
Advertising and promotion		577	119	319	119
Other		1,152	185	981	32
		7,891	4,404	5,840	3,148

6. Taxation

The (credit)/charge for taxation comprise the following:

	Consolidated		Separate	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Green Fund levy	347	37	329	19
Business levy	598	253	561	236
Corporation tax expense	2,849	-	2,849	-
Deferred tax (note 12)	2,435	(1,449)	2,435	(1,466)
	6,229	(1,159)	6,174	(1,211)

	Consolidated				Separate			
	2020		2019		2020		2019	
	%	$'000	%	$'000	%	$'000	%	$'000
Profit/(loss) before taxation		19,039		10,252		17,457		6,782
Tax calculated at relevant rates Adjusted	30%	5,712	30%	3,076	30%	5,237	30%	2,035
Effect of change in tax rate								
Income not subject to tax	(3%)	(608)	(5%)	(466)	(3%)	(576)	(5%)	(311)
Tax losses recognized	(3%)	(632)	(40%)	(4,101)	0%		(47%)	(3,191)
Prior year income tax	5%	919	(1%)	(70)	5%	919	(1%)	(70)
Green fund levy	1%	249	0%	37	1%	231	0%	19
Business levy	0%	37	3%	328	0%		5%	306
Taxation at other tax rate	0%	-	0%		0%		0%	
Expenses not allowable	3%	534	0%	37	2%	363	0%	1
Other tax difference on consolidation	0%	18	0%		0%		0%	
	33%	6,229	(11%)	(1,159)	5%	6,174	-18%	(1,211)

(a) Subject to agreement with the Tax Authorities, tax losses of approximately $16,381,916 (2019: $22,937,316) for the Group and NIL (2019: $5,970,683) for the Company, are available for set off against future taxable profits and can be carried forward indefinitely.

7. Cash and Cash Equivalents

	Consolidated		Separate	
	2020	2019	2020	2019
	$000	$'000	$'000	$'000
Balances held with related party	97,075	40,719	70,085	31,687
Balances held with other banks	18,450	8,050	16,075	3,760
Cash at bank	115,525	48,769	86,160	35,447

8. Investment Securities

	Consolidated		Separate	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities at FVOCI				
Government of Trinidad and Tobago securities	210,888	252,690	210,888	252,669
Other sovereign bonds	52,070	71,642	52,070	71,642
Corporate bonds	442,210	451,332	442,210	451,332
Quoted and unquoted equities	11,131	16,024	3,380	5,501
Investment securities at FVTPL - equity instruments	1,044	-	-	-
	717,343	791,688	708,548	781,144

Investments mature, from the reporting date, as follows:

	Consolidated		Separate	
	2020	**2019**	**2020**	**2019**
	$000	**$'000**	**$'000**	**$'000**
Government of Trinidad and Tobago securities:				
Within 3 months	232	6,264	232	6,243
From 3 months to 1 year	668	9,911	668	9,911
From 1 year to 5 years	70,642	41,960	70,642	41,960
Over 5 years	139,346	194,555	139,346	194,555
	210,888	252,690	210,888	252,669
Other sovereign bonds:				
Within 3 months	-	-	-	-
From 3 months to 1 year	-	-	-	-
From 1 year to 5 years	6,869	15,731	6,869	15,731
Over 5 years	45,201	55,911	45,201	55,911
	52,070	71,642	52,070	71,642
Corporate bonds:				
Within 3 months				
From 3 months to 1 year	25,963	113,896	25,963	113,896
From 1 year to 5 years	181,767	62,954	181,767	62,954
Over 5 years	234,480	274,482	234,480	274,482
	442,210	451,332	442,210	451,332
Equities				
No fixed maturities	12,175	16,024	3,380	5,501
	717,343	791,688	708,548	781,144

9. Property, Plant and Equipment

	Consolidated			
	Leasehold Improvements	Furniture & Fixtures	Computer Equipment	Total
	$'000	$'000	$'000	$'000
Cost				
31 March 2018	1,993	1,385	502	3,880
Additions	-	64	97	161
Disposals	-	-	-	-
31 March 2019	1,993	1,449	599	4,041
Additions	367	546	278	1,191
Disposals				
31 March 2020	2,360	1,995	877	5,232
Accumulated Depreciation	-	-		
31 March 2018	803	356	288	1,447
Charge for the year	393	140	128	661
Disposals	-	-		
31 March 2019	1,196	496	416	2,108
Charge for the year	424	250	142	816
Disposals	-	-	-	-
31 March 2020	1,620	746	558	2,924
Net book Value				
31 March 2020	740	1,249	319	2,308
31 March 2019	797	953	183	1,933
31 March 2018	1,190	1,029	214	2,433

9. Property, Plant and Equipment (continued)

	Separate			
	Leasehold Improvements	Furniture & Fixtures	Computer Equipment	Total
	$'000	$'000	$'000	$'000
Cost				
31 March 2018	1,993	1,378	504	3,875
Additions	-	64	97	161
Adjustment	-	-	2	2
31 March 2019	1,993	1,442	603	4,038
Additions	367	546	278	1,191
Adjustment	-	-	-	
31 March 2020	2,360	1,988	881	5,229
Accumulated Depreciation				
31 March 2018	796	365	283	1,444
Charge for the year	393	140	128	661
Disposals	-	-	-	-
31 March 2019	1,189	505	411	2,105
Charge for the year	424	250	142	816
Disposals	-	-	-	-
31 March 2020	1,613	755	553	2,921
Net Book Value				
31 March 2020	747	1,233	328	2,308
31 March 2019	804	937	192	1,933
31 March 2018	1,197	1,013	221	2,431

10. Intangible Assets

	Consolidated				
	Computer Software	Trade Mark	License	Customer List	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
31 March 2018	307	12	620	483	1,422
Additions	84				84
31 March 2019	391	12	620	483	1,506
Adjustment	(387)				(387)
31 March 2020	4	12	620	483	1,119
Accumulated Amortisation					
31 March 2018	4	11	-	247	262
Charge for the year		1	-	60	61
31 March 2019	4	12	-	307	323
Charge for the year	-	-	-	60	60
31 March 2020	4	12		367	383
Net Book Value					
31 March 2020	-	-	620	116	736
31 March 2019	387	-	620	176	1,183
31 March 2018	303	1	620	236	1,160

Separate	Intangible Asset	Total
	$'000	$'000
Cost		
Additions	387	387
31-Mar-19	387	387
Adjustments	(387)	(387)
31-Mar-20	-	-
Amortisation		
Charge for the year		
31-Mar-19	-	-
Charge for the year		
31-Mar-20	-	-
Net Book value		
31-Mar-20	-	-
31-Mar-19	387	387

11. Interest in subsidiary

Interest in subsidiary comprises equity shares at cost.

12. 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 a tax rate of 30%.

Deferred income tax assets are due to the following items:

	Consolidated	
	2020 $'000	2019 $'000
Deferred income tax asset:		
Property, plant and equipment	194	104
Tax losses	3,319	5,845
Investments	16,046	2,388
Net deferred tax assets	19,559	8,337
Deferred income tax liability:		
Investments	1,773	2,426

The movement in the deferred income tax account is as follows:

	Consolidated			
	Balances At 1 April 2019	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balances at 31 March 2020
	$'000	$'000	$'000	$'000
Deferred income tax assets				
Property, plant and equipment	104	90	-	194
Tax losses	5,845	(2,526)	-	3,319
Investments	2,388		13,658	16,046
	8,337	(2,436)	13,658	19,559
Deferred income tax liabilities				
Investments	2,426	-	(653)	1,773

12. Deferred Income Taxes (continued)

	Separate	
	2020 $'000	2019 $'000
Deferred income tax assets		
Property, plant and equipment	194	104
Tax losses	-	2,525
Investments	16,046	2,388
	16,240	5,017

	Separate			
	Balances At 1 April 2019 $'000	Recognised in Profit or Loss $'000	Recognised in Other Comprehensive Income $'000	Balances at 31 March 2020 $'000
Deferred income tax assets				
Property, plant and equipment	104	90	-	194
Investments	2,388	-	13,658	16,046
Tax losses	2,525	(2,525)	-	-
	5,017	(2,435)	13,658	16,240

13. Share Capital

	2020 Number of shares	2019 Number of shares	2020 $'000	2019 $'000
Authorised:				
Ordinary shares	100,763,490	70,763,490	100,764	70,764
Issued and fully paid:				
Ordinary shares	100,763,490	70,763,490	100,764	70,764
Stated capital				
At beginning of year	70,763,490	70,763,490	70,764	70,764
Issued during the year	30,000,000	-	30,000	-
At end of year	100,763,490	70,763,490	100,764	70,764

On 28 June 2019 the company increased its authorised share capital from 70,763,490 to 100,763,490 by the creation of an additional 30,000,000 ordinary shares to rank pari passu, in all respects, with the existing ordinary shares. The newly created shares were then issued.

The company has elected, under the Companies Act 1995, to maintain par value status for its ordinary shares.

13. Share Capital (continued)

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 Company's residual assets.

14. Investment Revaluation Reserve

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from changes in fair value of investment securities at fair value through other comprehensive income. If these investments are debt securities, fair value gains and losses are recognised in the profit and loss on de-recognition or impairment. The fair value gains or loss on equity instruments classified as FVOCI do not recycle to the profit and loss on de-recognition.

15. Securities Sold Under Agreements to Repurchase

	Consolidated		Separate	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Trinidad and Tobago dollars	274,611	233,129	274,611	233,129
Denominated in United States dollars	199,232	238,039	199,232	238,039
	473,843	471,168	473,843	471,168

Repurchase agreements are collateralized by certain securities and other instruments held by the Group and the company with a carrying value of $488,463,215 (2019: $475,993,047) (Note 8).

16. Related Party Transactions and Balances

(a) Definition of related party

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, 'the Group".

(i) A person or a close member of that person's family is related to a reporting entity if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the company or of a parent of the Group.

16. Related Party Transactions and Balances (continued)

(a) Definition of related party: (Continued)

(ii) An entity is related to the Group 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

(5) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the Group.

(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 the group or to the parent of the Group.

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

(b) Identity of related parties

Related parties include the company's subsidiary, the Group's fellow subsidiaries and ultimate parent company, as well as their directors and executive management.

16. Related Party Transactions and Balances (continued)

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

	Consolidated		Separate	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Due from related parties:				
Jamaica Money Market Brokers Limited				
(Reverse Repo)	9,832	-	9,832	-
(Receivables)	820	2,282	-	2,282
JMMB Securities (T&T) Limited	-	-	1,297	438
JMMB Bank (T&T) Limited				
(Investment)		13,913	-	13,913
(Cash and cash equivalents)	97,075	40,719	70,085	31,687
	107,727	56,914	81,214	48,320
Due to related parties:				
Jamaica Money Market Brokers Limited				
(Accounts payable)	13,138	10,215	9,261	9,261
(Repurchase Agreements)	40,086	-	40,086	-
JMMB Group Limited				
(Redeemable Preference Shares)	33,651	33,785	33,651	33,785
(Note payable)	65,381	40,542	65,381	40,542
(Dividend payable)	6,958	3,474	6,958	3,474
JMMB Securities Jamaica				
(Accounts payable)	2,957	-	-	1,544
JMMB Bank (T&T) Limited				
(Accounts payable)	34	-	-	-
(Secured Notes)	3,365	-	-	-
(Cash and cash equivalents)	-	173	-	-
	165,570	88,189	155,337	88,606

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

16. Related Party Transactions and Balances (continued)

	Consolidated		Separate	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Directors emoluments:				
Fees	413	270	413	270
Management remuneration	-	-	-	-
Key management compensation:	-	-	-	-
Short-term employee benefits	1,306	1,652	1,306	1,652
	1,719	1,922	1,719	1,922

17. Redeemable Preference Shares

	Consolidated		Separate	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
JMMB Group Limited	33,651	33,785	33,651	33,785

On the 14 March 2015, the company issued 5,000,000 6% fixed rate cumulative redeemable preference shares at a price of US$1.00. Dividends are paid quarterly and shares are redeemable in full at maturity on 14 January 2024.

18. Notes Payable

	Consolidated		Separate	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(i) Senior secured Fixed Rate TT$ note	111,000	112,210	111,000	112,210
(ii) Senior secured US$ note	78,069	111,491	78,069	111,491
	189,069	223,701	189,069	223,701

Both the TT$ and US$ notes were refinanced during the financial year which created additional tranches as follows:

(i) This represents fixed rate TT$ debt issued in three tranches bearing interest from 3.25% to 3.70% per annum, payable on a semi-annually basis. The notes mature in November 2020, November 2021 and November 2022 and are secured by investment securities (Note 8).

(ii) This represents fixed rate US$ debt issued in two tranches bearing interest from 3.15% to 3.55% per annum, payable on a semi-annually basis. The notes mature in November 2020 and November 2021 and are secured by investment securities (Note 8).

19. Financial Risk Management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's Asset and Liability Committee (ALCO) is responsible for the development and monitoring of the Group's risk management policies, which are approved by the Board of Directors. The Group's Risk Management policies, as approved by the Board, establish a framework for identification, analysis and measurement of the risks faced by the Group, setting of appropriate risk limits and controls, as well as the monitoring of risks and adherence to limits through Risk Reports. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Group's Board of Directors is responsible for monitoring compliance with the Group's Risk Management policies and procedures and for reviewing the adequacy of the Risk Management Framework in relation to the risks faced by the Group in keeping with the risk appetite. The Board Risk Committee of the ultimate parent regularly reviews and monitors compliance with the Group's risk management policies.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee and Board Risk Committee of the ultimate parent is assisted in its oversight role by the Internal Audit Department and the Risk Management and Compliance Units. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee. The Risk Management Unit ensures adherence to internal policies and procedures, and regulatory rules and guidelines.

The Group does not use derivative instruments as part of its overall risk management activities at this time.

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 area 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, the Group 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 investment portfolio and the resulting impact on capital and liquidity to support timely decision making.

19. Financial Risk Management (continued)

Impact of Covid-19 (continued)

(ii) The Risk Unit 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 the Group.

(iii) Updating of the Group'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.

(a) Credit risk

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

Credit risk, together with market risk (further described below) are the primary risks for the Group's business; management therefore carefully manages its exposure to credit risk. The management and control of credit risk is centralized in a Group Risk management team which reports regularly to the Board of Directors.
The Covid-19 pandemic has caused significant market volatility which has increased the Group's credit risk. The downgrading of credit ratings and/or outlooks for counterparties has resulted in an increase in the credit risk of debt securities and loans.

19. Financial Risk Management (continued)

(a) Credit risk (continued)

(a.i) Credit risk measurement

Investment Securities and Accounts/ Other Receivables

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 19(a)ii for more details.

For debt securities external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. Where debt securities are not rated by an external rating agency, the Group Risk function determines internal credit ratings for investment counterparties in accordance with its Investment Risk Rating methodology

(a.ii) Expected credit loss measurement:

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 19(a)ii for a description of how the Group 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 19(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 19(a) ii 4 includes an explanation of how the Group 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).

19. Financial Risk Management (continued)

(a) Credit risk (continued)

(aii) 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

(a.ii)(1) Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk based on the following criteria:

- **Quantitative criteria:**

The Group 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.

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

- **Qualitative criteria**

For the investment portfolio, if the counterparty is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates. Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

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

(a.ii)(1) Significant increase in credit risk (SICR) (continued)

- **Qualitative criteria**

  - Significant change in collateral value (secured facilities only) which is expected to increase risk of default
  - Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information (refer to note 19(a) ii 4 for further information) in relation to investment instruments. Where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Risk team.

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

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

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

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

The Group defines a financial instrument as in default based on the following criteria:

- Quantitative criteria including overdue status and non-payment of contractual payments and specifically that the counterparty is more than 90 days past due on its contractual payments. Qualitative criteria including if the borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these are instances where:

  - The borrower is in long-term forbearance
  - The borrower is deceased

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

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

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

- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

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

An instrument is considered to no longer be in default when it no longer meets any of the default criteria for a consecutive period of six months.

(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 the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents the Group'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 instrument.

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

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

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

- Loss Given Default (LGD) (continued)

  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 been 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.

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

- For amortising products and bullet repayment instruments, this is based on the contractual repayments 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.

  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 19(a.ii)(4) for an explanation of forward-looking information and its inclusion in ECL calculations.

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

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

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

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.

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

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

Given the size of JMMB Group's 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 Group has selected the following indicators:

- Annual inflation rate
- Consumer price index
- Current account to GDP
- Debt to GDP
- GDP annual growth rate
- Interest rates (i.e. Policy rates as issued by central banks)
- Net International Reserves
- Unemployment rate

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.

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

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

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

(a.ii)(5) Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

(i) Cash and cash equivalents

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any single financial institution.

(ii) Investments and resale agreements

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

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

(a.ii) (6) 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):

	Maximum exposure to credit risk	
	Separate	**Consolidated**
	$'000	**$'000**
Financial assets designated at fair value through profit and loss (FVTPL):		
Equities	-	1,044
Financial assets at fair value through other comprehensive income (FVOCI)		
Equities	3,380	11,131
	3,380	12,175

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iii) (1) 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 Group's maximum exposure to credit risk on these assets.

Consolidated

	2020				2019
	ECL Staging				
Investments	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	101,113	-	-	101,113	438,869
Watch	602,533	1,522	-	604,055	332,920
Speculative	-	-	-	-	3,875
Default	-	-	-	-	-
Carrying amount	703,646	1,522	-	705,168	775,664

Separate

	2020				2019
	ECL Staging				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Investment grade	101,113	-	-	101,113	438,849
Watch	602,533	1,522	-	604,055	332,920
Speculative	-	-	-	-	3,875
Default	-	-	-	-	-
Carrying amount	703,646	1,522	-	705,168	775,644

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iii) (1) Maximum exposure to credit risk (continued)

Client Receivables

	2020 ECL Staging				2019
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	$'000	$'000	$'000	$'000	$'000
Credit grade					
Standard monitoring	5,112	-	-	5,112	4,664
Watch listed	-	177	-	177	-
Gross carrying amount	5,112	177	-	5,289	4,664

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 19.a.ii (3) 'Expected credit loss measurement'.

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

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral to secure investments. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

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

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

(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;

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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

Consolidated

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Investment Securities				
Loss allowance as at 1 April 2019	1,352	82	-	1,434
Movements with P&L impact				
Transfers:				
- Transfer from Stage 1 to Stage 2				
New financial assets originated or purchased	1,300	-	-	1,300
Changes in PDs/LGDs/EADs				
Modification of contractual cash flows of financial assets				
FX and other movements	573	(1)	-	572
Transfers:				
Financial assets derecognised during the period	(618)	(52)		(670)
Write-offs	-	-	-	-
Loss allowance as at 31, March 2020	2,607	29	-	2,636

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

Separate

	Stage 1 12 month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Investment Securities				
Loss allowance as at 1 April 2019	1,352	82	-	1,434
Movements with P&L impact				
Transfers:				
- Transfer from Stage 1 to Stage 2				
New financial assets originated or purchased	1,300	-	-	1,300
Changes in PDs/LGDs/EADs				
Modification of contractual cash flows of financial assets				
FX and other movements	573	(1)	-	572
Transfers:				
Financial assets derecognised during the period	(618)	(52)		(670)
Write-offs	- -	-	-	-
Loss allowance as at 31, March 2020	2,607	29	-	2,636

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

Client Receivables

	ECL Staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Loss allowance as at 1 April 2019	8	196	-	204
Movements with P&L impact			-	-
Transfers:				
- Transfer from Stage 1 to Stage 2	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-
Financial assets derecognised during the period	-	(27)	-	(27)
Total net P&L charge during the period	-	-	-	-
Loss allowance as at March 31 2020	8	169	-	177

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

The following table further explains changes in the gross carrying amount of the investment securities portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Consolidated

Investment Securities	Stage 1 12 month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Carrying Amount as at 1 April 2019	756,742	18,922	-	775,664
Transfers:				
- Transfer from Stage 1 to Stage 2	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	-	-	-
- Transfer from Stage 3 to Stage 2	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-
Financial Assets Derecognized	(243,346)	(17,311)	-	(260,657)
New financial assets originated or purchased	257,118	-	-	257,118
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs			-	-
FX and other Movements	(66,868)	(89)	-	(66,957)
Carrying amount as at 31 March 2020	703,646	1,522	-	705,168

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

Separate

Investment Securities	Stage 1 12 month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Carrying Amount as at 1 April 2019	756,722	18,922	-	775,644
Transfers:				
- Transfer from Stage 1 to Stage 2	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	-	-	-
- Transfer from Stage 3 to Stage 2	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-
Financial Assets Derecognized	(243,326)	(17,311)	-	(260,637)
New financial assets originated or purchased	257,118	-	-	257,118
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs			-	-
FX and other Movements	(66,868)	(89)	-	(66,957)
Carrying amount as at 31 March 2020	703,646	1,522	-	705,168

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was NIL.

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.iv) Loss allowance: (continued)

Consolidation	Hold to collect			
	2020			
	ECL staging			
	Stage 1 12-month EAD	**Stage 2** Lifetime EAD	**Stage 3** Lifetime EAD	**Total**
	TT$'000	**TT$'000**	**TT$'000**	**TT$'000**
Carrying amount as at 1 April 2019	20	-	-	**20**
Financial Assets Derecognized	(20)	-	-	**(20)**
New financial assets originated or purchased	9,832	-	-	**9,832**
Carrying Amount as at 31 March 2020	**9,832**	-	-	**9,832**

Separate	Hold to collect			
	2020			
	ECL staging			
	Stage 1 12-month EAD	**Stage 2** Lifetime EAD	**Stage 3** Lifetime EAD	
	TT$'000	**TT$'000**	**TT$'000**	**TT$'000**
Carrying amount as at 1 April 2019	-	-	-	-
Financial Assets Derecognized	-	-	-	-
New financial assets originated or purchased	9,832	-	-	**9,832**
Carrying Amount as at 31 March 2020	**9,832**	-	-	**9,832**

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.v) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2019 was NIL The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(a.vi) Modification of financial assets

The financial assets in the Group's investment portfolio may from time to time be subject to modifications.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets.

The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held as at 31 March 2019 was nil.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Group's restructuring activities and their respective effect on the Group's financial performance:

19. Financial Risk Management (continued)

(a) Credit risk: (continued)

(a.vi) Modification of financial assets (continued)

	Investment Securities
	$'000
Amortised cost before modification	NIL
Net modification (loss)	

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financials instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The daily liquidity position is monitored by the Trading/ Treasury Team and Risk Unit. Weekly reports cover the liquidity position of the Group based on upcoming obligations and projected cash flow gaps is prepared by the Risk Management Unit. A summary report is submitted regularly to the Asset and Liability Committee (ALCO) with any exceptions and remedial action taken, and also being submitted to the Board Risk Committee of the ultimate parent 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, the Group 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.

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

(b) **Liquidity risk** (continued)

There was no change in the Group's approach to managing its liquidity risk during the year.

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	2020				
	Consolidated				
	Less than 3 Months $'000	3 to 12 Months $'000	Over 12 Months $'000	Total Cash Flows $'000	Carrying Value $'000
Securities sold under agreements to repurchase	296,305	181,810	-	478,115	473,843
Due to related party (including parent)	6,958	-	-	6,958	6,958
Redeemable preference shares	33,651	-	-	33,651	33,651
Notes payable	189,069	-	-	189,069	189,069
Notes payable due to related party	40,381	-	-	40,381	40,381
Accounts payable	36,660	-	-	36,660	36,660
	603,024	181,810	-	784,834	780,562

	2019				
	Consolidated				
	Less than 3 Months $'000	3 to 12 Months $'000	Over 12 Months $'000	Total Cash Flows $'000	Carrying Value $'000
Securities sold under agreements to repurchase	242,598	86,526	145,852	474,976	471,168
Due to related party (including parent)	-	3,474	-	3,474	3,474
Redeemable preference shares	33,785	-	-	33,785	33,785
Notes payable	223,701	-	-	223,701	223,701
Notes payable due to related party	40,542	-	-	40,542	40,542
Accounts payable	17,131	10,215	-	27,346	27,346
	557,757	100,215	145,852	803,824	800,016

19. Financial Risk Management (continued)

(b) Liquidity risk (continued)

	2020				
	Separate				
	Less than 3 Months $'000	3 to 12 Months $'000	Over 12 Months $'000	Total Cash Flows $'000	Carrying Value $'000
Securities sold under agreements to repurchase	296,305	181,810	-	478,115	473,843
Due to related party (including parent)	6,958	-	-	6,958	6,958
Redeemable preference shares	33,651	-	-	33,651	33,651
Notes payable	189,069	-	-	189,069	189,069
Notes payable due to related party	40,381	-	-	40,381	40,381
Accounts payable	13,748	-	-	13,748	13,748
	580,112	181,810	-	761,922	757,650

	2019				
	Separate				
	Less than 3 Months $'000	3 to 12 Months $'000	Over 12 Months $'000	Total Cash Flows $'000	Carrying Value $'000
Securities sold under agreements to repurchase	242,598	86,526	145,852	474,976	471,168
Due to related party (including parent)	3,474	-	-	3,474	3,474
Redeemable preference shares	33,785	-	-	33,785	33,785
Notes payable	223,701	-	-	223,701	223,701
Notes payable due to related party	40,542	-	-	40,542	40,542
Accounts payable	12,406	-	-	12,406	12,406
	556,506	86,526	145,852	788,884	785,076

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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

19. Financial Risk Management (continued)

(c) Market risk (continued)

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

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

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

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

A summary of the VaR position of the Group's overall portfolio as at 31 March 2020 and during the year then ended is as follows:

	31 March	Average for Year	Maximum during Year	Minimum during Year
	$'000	$'000	$'000	$'000
2020 Overall VaR	40,714	11,253	40,714	6,976
2019 Overall VaR	9,930	9,725	14,132	7,316

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to such risk arising from its United States dollar transactions and its United States denominated assets.

19. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

At the reporting date the Trinidad and Tobago dollar equivalents of net foreign currency assets/ (liabilities) were as follows:

	2020	**2019**
Net Position	170,816	170,091

Sensitivity to exchange rate movements

The following table indicates the currency to with the Group had significant exposure on their monetary assets and liabilities and the estimated effect of the changes in rate 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:

	2020	**2019**
Change US$ Currency Rate %	6.0%	4.0%
Effect on Profit $'000	1,523	1,011

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the operation to cash flow interest risk, whereas fixed interest rate instruments expose the operation to fair value interest risk.

The following table summarises the carrying amounts of assets, liabilities and equity to arrive at the interest rate gap, based on the earlier of contractual repricing and maturity dates.

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

(c) **Market risk** (continued)

(ii) ***Interest rate risk*** (continued)

	2020					
	Consolidated					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets						
Cash and cash equivalents	-	-	-	-	115,535	115,535
Investment securities	232	26,631	259,278	419,027	12,175	717,343
Investment due from related party	9,832	-	-	-	-	9,832
Due from related party	-	-	-	-	-	-
Interest receivable	-	-	-	-	13,756	13,756
Accounts receivable	-	-	-	-	9,108	9,108
Total financial assets	10,064	26,631	259,278	419,027	150,574	865,574
Liabilities						
Securities sold under agreements to repurchase	293,855	179,988	-	-	-	473,843
Due to related party	6,958	-	-	-	-	6,958
Redeemable preference shares	33,651	-	-	-	-	33,651
Notes payable	189,069	-	-	-	-	189,069
Other notes due to related party	40,381	-	-	-	-	40,381
Interest payable	-	-	-	-	9,123	9,123
Accounts payable	-	-	-	-	36,660	36,660
Total financial liabilities	563,914	179,988	-	-	45,783	789,685
Total interest sensitivity gap	(553,850)	(153,357)	259,278	419,027	104,791	75,889
Cumulative sensitivity gap	(553,850)	(707,207)	(447,929)	(28,902)	75,889	

19. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	2019 Consolidated					
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Assets						
Cash and cash equivalents	-	-	-	-	48,769	48,769
Investment securities	6,264	123,807	120,645	524,948	16,024	791,688
Investment due from related party	-	-	-	-	13,913	13,913
Due from related party	-	-	-	-	2,282	2,282
Interest receivable	-	-	-	-	11,007	11,007
Accounts receivable	-	-	-	-	19,694	19,694
Total financial assets	6,264	123,807	120,645	524,948	111,689	887,353
Liabilities						
Securities sold under agreements to repurchase	241,030	230,138	-	-		471,168
Due to related party	-	-	-	-	3,474	3,474
Redeemable preference shares	33,785	-	-	-	-	33,785
Notes payable	223,701	-	-	-	-	223,701
Other notes due to related party	-	40,542	-	-	-	40,542
Interest payable	-	-	-	-	8,952	8,952
Accounts payable	-	-	-	-	27,346	27,346
Total financial liabilities	498,516	270,680	-	-	39,772	808,968
Total interest sensitivity gap	(492,252)	(146,873)	120,645	524,948	71,917	78,385
Cumulative sensitivity gap	(492,252)	(639,125)	(518,480)	6,468	78,385	

19. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	2020					
	Separate					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets						
Cash and cash equivalents	-	-	-	-	86,160	86,160
Interest receivable	-	-	-	-	13,756	13,756
Investment securities	232	26,631	259,278	419,027	3,380	708,548
Investments due from related party	9,832	-	-	-	-	9,832
Due from related party	-	-	-	-	-	-
Accounts receivable	-	-	-	-	7,766	7,766
Total financial assets	10,064	26,631	259,278	419,027	111,062	826,062
Liabilities						
Securities sold under agreements to repurchase	293,855	179,988	-	-	-	473,843
Due to related party	6,958	-	-	-	-	6,958
Interest payable	-	-	-	-	9,123	9,123
Redeemable preference shares	33,651	-	-	-	-	33,651
Notes payable	189,069	-	-	-	-	189,069
Notes due to related party	40,381	-	-	-	-	40,381
Accounts payable	-	-	-	-	13,748	13,748
Total financial liabilities	563,914	179,988	-	-	22,871	769,622
Total interest sensitivity gap	(553,850)	(153,357)	259,278	419,027	88,191	59,289
Cumulative sensitivity gap	(553,850)	(707,207)	(447,929)	(28,902)	59,289	

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

(c) **Market risk** (continued)

(ii) ***Interest rate risk*** (continued)

	2019					
	Separate					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets						
Cash and cash equivalents	-	-	-	-	35,447	35,447
Interest receivable	-	-	-	-	11,007	11,007
Investment securities	6,243	123,807	120,645	524,948	5,501	781,144
Amounts due from related party	-	-	-	-	16,633	16,633
Accounts receivable	-	-	-	-	10,416	10,416
Total financial assets	6,243	123,807	120,645	524,948	79,004	854,647
Liabilities						
Securities sold under agreements to repurchase	241,030	230,138	-	-	-	471,168
Interest payable	-	-	-	-	8,952	8,952
Redeemable preference shares	33,785	-	-	-	-	33,785
Notes payable	223,701	-	-	-	-	223,701
Notes due to related party	-	40,542	-	-	-	40,542
Dividend payable	-	-	-	-	3,474	3,474
Accounts payable	-	-	-	-	12,406	12,406
Total financial liabilities	498,516	270,680	-	-	24,832	794,028
Total interest sensitivity gap	(492,273)	(146,873)	120,645	524,948	54,172	60,619
Cumulative sensitivity gap	(492,273)	(639,146)	(518,501)	6,447	60,619	

19. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity to interest rate movements

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group profit or loss and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net profit based on floating rate financial assets and revaluing fixed rate financial assets at fair value through other comprehensive income (FVTOCI) for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in a variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Consolidated			
	Effect on Profit 2020 $'000	Effect on Equity 2020 $'000	Effect on Profit 2019 $'000	Effect on Equity 2019 $'000
Change in basis points				
TT/USD				
-100/-100	-	21,147	-	12,476
+ 100/+100	-	(19,851)	-	(23,655)

	Separate			
Change in basis points TT/USD	Effect on Profit 2020 $'000	Effect on Equity 2020 $'000	Effect on Profit 2019 $'000	Effect on Equity 2019 $'000
Change in basis points				
-100/-100	-	21,147	-	12,476
+ 100/+100	-	(19,851)	-	(23,655)

19. Financial Risk Management (continued)

(d) Capital management

The Group's lead regulator, the Trinidad and Tobago Securities Exchange Commission (TTSEC), monitors the capital requirements for the Group as a whole.

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

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

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

(iv) To positively impact the capital of its holding company and ultimate parent.

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

The regulated authorities require each regulated entity to:

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

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

The Rules of the Trinidad and Tobago Securities Exchange Commission states that the minimum capital requirement is $15 million for the Company and $5 million for subsidiary JMMB Securities (T&T) Limited. The actual capital at the reporting date was $100.7 million, for the Company and $12.9 million for the subsidiary. The Company and the subsidiary were in compliance with requirements throughout the year.

19. Financial Risk Management (continued)

(e) Operational risk

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

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

A significant component of operational risk that has become increasingly prevalent in the business environment and that affects the operations of the Group, is technology and information security risk.

The Group 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 the Group'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.

The Group has implemented appropriate processes and controls across all its critical electronic interfaces and touch points to continuously monitor, manage and mitigate the impact of this risk on its networks, systems and other technology infrastructure in order to safeguard its information and other assets and by extension those of its customers and other stakeholders. This is monitored via an IT risk dashboard risk and a Cybersecurity Response Plan is in place to manage a cyber-attacks. This is supported by ongoing updates to its technology infrastructure, system vulnerability assessments, training of it team members and sensitisation of customers and other stakeholders to any new and emerging threats.

19. Financial Risk Management (continued)

(e) Operational risk (continued)

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

20. Operating Segment

The Group has the following four strategic business lines, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable Segments	Operations
Portfolio Management	Funding instruments backed by investment securities
Bond Trading	Trading of investment securities
Equity Trading	Commissions earned on equity trading on behalf of customers and on proprietary book.
Other Functions	All other revenue and support functions within the Group.

20. Operating Segment (continued)

Consolidated Year Ended 31, March 2020	**Portfolio Management $'000**	**Bond Trading $'000**	**Equity Trading $'000**	**Other Functions $'000**	**Total $'000**
Income	15,379	8,472	5,536	9,334	38,721
Staff Cost	-	-	(731)	(9,882)	(10,613)
Administrative Cost	(1,204)	-	(1,964)	(5,901)	(9,069)
Profit Before Tax	**14,077**	**8,472**	**2,841**	**(6,449)**	**19,039**
As at 31, March 2020					
Assets	747,755	-	12,115	128,377	888,247
Liabilities	(662,912)	(74,032)	(23,290)	(34,073)	(794,307)

Consolidated Year Ended 31, March 2019	**Portfolio Management $'000**	**Bond Trading $'000**	**Equity Trading $'000**	**Other Functions $'000**	**Total $'000**
Income	15,125	3,341	5,603	491	24,560
Staff Cost	-	-	(642)	(9,233)	(9,875)
Administrative Cost	-	-	(1,350)	(3,083)	(4,433)
Profit Before Tax	**15,125**	**3,341**	**3,611**	**(11,825)**	**10,252**
As at 31, March 2019					
Assets	805,601	-	12,338	80,937	898,876
Liabilities	(694,869)	(74,327)	(13,521)	(28,677)	(811,394)

20. Operating Segment (continued)

Separate Year Ended 31, March 2020	Portfolio Management $'000	Bond Trading $'000	Equity Trading $'000	Other Functions $'000	Total $'000
Income	15,379	8,472	777	9,755	34,383
Staff Cost	-	-	-	(9,882)	(9,882)
Administrative Cost	(1,204)	-	-	(5,840)	(7,044)
Profit Before Tax	**14,077**	**8,472**	**777**	**(5,967)**	**17,457**
Assets	718,380	-	-	131,664	850,044
Liabilities	(662,912)	(74,032)	-	(32,678)	(769,622)

Separate Year Ended 31, March 2019	Portfolio Management $'000	Bond Trading $'000	Equity Trading $'000	Other Functions $'000	Total $'000
Income	15,125	3,195	713	2	19,035
Staff Cost	-	-	-	(9,272)	(9,272)
Administrative Cost	-	-	-	(2,981)	(2,981)
Profit Before Tax	**15,125**	**3,195**	**713**	**(12,251)**	**6,782**
Assets	795,058	-	-	72,360	867,418
Liabilities	(694,869)	(74,327)	-	(24,832)	(794,028)

21. Fair Value of Financial Instruments

(a) Definition of fair value and fair value hierarchy

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

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

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

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

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

(b) Accounting classifications and fair values

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

21. Fair Value of Financial Instruments (continued)

(a) Accounting classifications and fair values (continued)

	Consolidated								
	2020								
	Carrying Amount					Fair Value			
	Amortised Cost $'000	Investments at FVOCI $'000	Investments at FVTPL $'000	Other Financial Liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value									
Government of T & T securities	-	210,888	-	-	210,888	165,543	45,345	-	210,888
Other sovereign securities	-	52,070	-	-	52,070	52,070	-	-	52,070
Corporate bonds	-	442,210	-	-	442,210	222,928	198,403	20,879	442,210
Quoted and unquoted equities	-	11,131	1,044	-	12,175	1,652	-	10,523	12,175
	-	716,299	1,044	-	717,343	442,193	243,748	31,402	717,343
Financial assets not measured at fair value									
Cash and cash equivalents	115,525	-	-	-	115,525				
Resale agreements	9,832	-	-	-	9,832				
Interest receivable	13,756	-	-	-	13,756				
Accounts receivable	9,118	-	-	-	9,118				
	148,231	-	-	-	148,231				
Financial liabilities not measured at fair value									
Securities sold under agreements to repurchase	-	-		473,843	473,843				
Due to related party	-	-	-	6,958	6,958				
Redeemable preference shares	-	-	-	33,651	33,651				
Notes payable	-	-	-	189,069	189,069				
Notes payable to related party	-	-	-	40,381	40,381				
Interest payable	-	-	-	9,123	9,123				
Accounts payable	-	-	-	36,660	36,660				
	-	-	-	789,685	789,685				

21. Fair Value of Financial Instruments (continued)

(a) Accounting classifications and fair values (continued)

	Consolidated							
	2019							
	Carrying Amount				Fair Value			
	Amortised Cost $'000	Investments at FVOCI $'000	Other Financial Liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value								
Government of Trinidad and Tobago securities	-	252,690	-	252,690	190,924	61,766	-	252,690
Other sovereign securities	-	71,642	-	71,642	71,642	-	-	71,642
Corporate bonds	-	451,332	-	451,332	275,226	149,078	27,028	451,332
Quoted and unquoted equities	-	16,024	-	16,024	612		15,412	16,024
	-	**791,688**	-	**791,688**	**538,404**	**210,844**	**42,440**	**791,688**
Financial assets not measured at fair value								
Cash and cash equivalents	48,769	-	-	48,769				
Interest receivable	11,007	-	-	11,007				
Accounts receivable	19,694	-	-	19,694				
Due from related party	16,195	-	-	16,195				
	95,665	-	-	**95,665**				
Financial liabilities not measured at fair value								
Securities sold under agreements to repurchase	-	-	471,168	471,168				
Due to related party	-	-	3,474	3,474				
Redeemable preference shares	-	-	33,785	33,785				
Notes payable	-	-	223,701	223,701				
Notes payable to related party	-	-	40,542	40,542				
Interest payable	-	-	8,952	8,952				
Accounts payable	-	-	27,346	27,346				
	-	-	**808,968**	**808,968**				

21. Fair Value of Financial Instruments (continued)

(b) Accounting classifications and fair values (continued)

The following table presents the changes in Level 3 instruments for the year ended 31 March 2020.

	Consolidated Total $'000	Separate Total $'000
Opening balance	42,440	35,528
Fair value losses	(11,038)	(11,269)
Closing balance	31,402	24,259

The following table presents the changes in Level 3 instruments for the year ended 31 March 2019.

	Consolidated Total $'000	Separate Total $'000
Opening balance	-	-
Assets classified	42,440	35,528
Closing balance	42,440	35,528

21. Fair Value of Financial Instruments (continued)

Accounting classifications and fair values (continued)

	Separate							
	2020							
	Carrying Amount				Fair Value			
	Amortised Cost	Investments at FVOCI	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured as fair value								
Government of Trinidad and Tobago securities	-	210,888	-	210,888	165,543	45,345	-	210,888
Other sovereign bonds	-	52,070	-	52,070	52,070	-	-	52,070
Corporate bonds	-	442,210	-	442,210	222,928	198,403	20,879	442,210
Equities	-	3,380	-	3,380	-	-	3,380	3,380
	-	708,548	-	708,548	440,541	243,748	24,259	708,548
Financial assets not measured at fair value								
Cash and cash equivalents	86,160	-	-	86,160				
Resale agreements	9,832	-	-	9,832				
Interest receivable	13,756	-	-	13,756				
Accounts receivable	7,766	-	-	7,766				
	117,514	-	-	117,514				
Financial liabilities not measured at fair value								
Securities sold under agreements to repurchase	-	-	473,843	473,843				
Due to related party	-	-	6,958	6,958				
Redeemable preference shares	-	-	33,651	33,651				
Notes payable	-	-	189,069	189,069				
Notes due to related party	-	-	40,381	40,381				
Interest payable	-	-	9,123	9,123				
Accounts payable	-	-	13,748	13,748				
	-	-	766,773	766,773				

21. Fair Value of Financial Instruments (continued)

(b) Accounting classifications and fair values (continued)

	Separate							
	2019							
	Carrying Amount				Fair Value			
	Amortised Cost	Investments at FVOCI	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured as fair value								
Government of Trinidad and Tobago securities	-	252,669	-	252,669	190,903	61,766		252,669
Other sovereign bonds	-	71,642	-	71,642	71,642			71,642
Corporate bonds	-	451,332	-	451,332	275,227	149,078	27,027	451,332
Equities	-	5,501	-	5,501			5,501	5,501
	-	**781,144**	-	**781,144**	**537,772**	**210,844**	**35,528**	**781,144**
Financial assets not measured at fair value								
Cash and cash equivalents	35,447	-	-	35,447				
Interest receivable	11,007	-	-	11,007				
Accounts receivable	10,416	-	-	10,416				
Due from related parties	16,633	-	-	16,633				
	73,503	-	-	**73,503**				
Financial liabilities not measured at fair value								
Securities sold under agreements to repurchase	-	-	471,168	471,168				
Due to related party	-	-	3,474	3,474				
Redeemable preference shares	-	-	33,785	33,785				
Notes payable	-	-	223,701	223,701				
Notes due to related party	-	-	40,542	40,542				
Interest payable	-	-	8,952	8,952				
Accounts payable	-	-	12,406	12,406				
	-	-	**794,028**	**794,028**				

21. Fair Value of Financial Instruments (continued)

(c) Valuation techniques for investment securities classified as Level 2

The following table shows the valuation techniques used in measuring the fair value of financial assets

The following methods and assumptions have been used to estimate fair values:

	Financial Instrument	Fair value estimation technique
(i)	Non-Trinidad and Tobago sovereign bonds and corporate bonds	Estimated using bid-prices published by major overseas brokers
(ii)	Government of Trinidad and Tobago securities	Estimated using bid-prices published by major overseas brokers.

22. Leases

Due to termination options the Group's leases for office space are classified as short term leases and no right-of-use assets or lease liabilities has been recognised

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

(i) Amounts recognised in profit or loss

	Group	Company
	$'000	**$'000**
2020 – Leases under IFRS 16		
Interest on lease liabilities	-	-
Expenses relating to short-term and low value leases	1,648	908
2019 – Operating leases under IAS 17		
Lease expense	1,028	490
Contingent rent expense	1,102	551

23. Change in Accounting Policies

The Group 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 the Group's financial statements.

The Group 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, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 24(j).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group 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 to contracts entered into or changed on or after April 1, 2019 and those that were previously identified as leases.

(b) As a lessee

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

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

However, for leases of property the Group has elected to not separate non-lease components.

(i) Leases classified as operating leases under IAS 17

Previously, the Group 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 Group'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: the Group applied this approach to all other leases.

23. Change in Accounting Policies (continued)

The Group 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.

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

- 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 Group

24. Significant Accounting Policies

Except for the changes explained in note 22, the Group has consistently applied the following accounting policies to all period presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements combine the assets, liabilities, results of operations and cash flows of the company and its subsidiary as a single economic entity, after intra-group eliminations.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Intra-group amounts eliminated on consolidation

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

(iii) Business combinations

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

24. Significant Accounting Policies (continued)

(b) Foreign currency translation

(i) 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 the company's functional and presentation currency.

(ii) Transactions and balances

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

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

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

(c) Financial instruments

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 - the Group 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.

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Measurement methods (continued)

Amortised cost and effective interest rate (continued)

When the Group 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

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

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

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

Initial recognition and measurement

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

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

(a) 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), the difference is recognised as a gain or loss.

(i) Financial assets

Classification and subsequent measurement

The Group applies 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.

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(I) Financial assets (continued)

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 22.i(ii). 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 other comprehensive income, 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 other comprehensive income is reclassified from equity to profit or loss and recognised in 'Gains on securities trading'. 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 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Gains on securities trading'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

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

Debt instruments (continued)

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

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

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

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

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Equity instruments

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

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

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI and accounts receivables. The Group 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 19.a.ii(3) provides more detail of how the expected credit loss allowance is measured.

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

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

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

The Group 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 the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the asset
(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 the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

(iv) Financial liabilities

(i) Classification and subsequent measurement

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

(ii) Derecognition

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

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

24. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(iv) Financial liabilities (continued)

(ii) Derecognition (continued)

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.

Specific instruments

(i) Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with broker/dealers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(ii) Receivables

Receivables are measured at cost less impairment.

(iii) Accounts payable

Accounts payable are measured at amortised cost.

(iv) Interest-bearing borrowings

Interest-bearing borrowings [other than repos, which are described in Note 23(c) (v) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(v) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements (resale agreements or reverse repos) or sales of securities under repurchase agreements (repurchase agreements or repos) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles.

The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the Group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

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

24. Significant Accounting Policies (continued)

(d) Property, plant and equipment

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

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

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

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rate is as follows:

- Computer equipment	25%
- Leasehold improvements	33 1/3%
- Furniture and fixtures	10%

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

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs meeting the criteria of IAS 38, are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at a minimum at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

(i) Computer software

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

24. Significant Accounting Policies (continued)

(e) Intangible assets (continued)

(ii) Customer list

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

(iii) Licences

This represents the value of the stock brokering licence acquired by the Group during the year. It has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired, the recoverable amount is computed to determine the allowance for the impairment, if any.

(iv) Trademark

The trademark acquired by the Group during the year has a finite useful life, estimated at one year, and is measured at cost less accumulated amortisation and any accumulated impairment losses.

(f) Interest expense

Interest expense is recognised in profit or loss as it accrues over the term of the liability, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. The effective interest rate is established on initial recognition of the financial liability and is not revised subsequently. Interest expense includes coupons paid on fixed rate liabilities, plus accretion of discount and amortisation of premium on instruments issued at other than par.

(g) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

(h) Taxation

Taxation expense in the profit and loss account comprises current and deferred income tax.

Current tax charges are based on taxable profits for the period, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The group's liability for current tax is calculated at tax rates that have been enacted at the date of the statement of financial position.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, except where they relate to items recorded in other comprehensive income, in which case they are also recognised in other comprehensive income.

(i) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the Group, and is accounted for as follows:

(i) Interest income

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

(ii) Fees and commissions

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

(iii) Dividends

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

24. Significant Accounting Policies (continued)

(j) Leases

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

24. Significant Accounting Policies (continued)

(j) Leases (continued)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group 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

The Group 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 office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

24. Significant Accounting Policies (continued)

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

(i) 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.

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

(ii) 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.

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

(iii) 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."

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

23. Significant Accounting Policies (continued)

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

(iv) 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.

The Group's assessing the impact that the amendment will have on its 2022 or 2023 financial statements.

24. Events after the Reporting Period

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

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