JAMAICA NATIONAL GROUP

People First

We are One JN

DIRECTORS' REPORT & FINANCIAL STATEMENTS 2020

The crest of The Jamaica National Group Limited symbolises the organisation's commitment to uphold the honour, values and traditions arising from the 14 decades of the Jamaica National Building Society, as well as its vow to help its members achieve their goals.

One JN

The Jamaica National Group Limited represents one of Jamaica's pre-eminent and most recognizable brands with over 14 decades of history in Jamaica and overseas. The Group is comprised of several world-leading entities which provide a wide array of financial, technology, creative and fleet management services, among others.

On February 1, 2017, the 142-year old Jamaica National Building Society (JNBS) was restructured and The Jamaica National Group Limited established and the deposit-taking arm of the building society was converted to JN Bank.

With membership as the ethos of its operations, the Group is committed to being a leading performer among mixed conglomerates in the region and that its performance directly benefits the people and communities that its subsidiaries serve.

The Jamaica National Group is also committed to the success and growth of its members while using business as a force for good so that, together, we can improve the outcome of Jamaicans globally.

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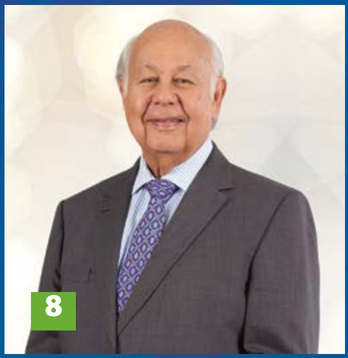


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Mutuality Statement

> Founded on the principle of "mutuality", The Jamaica National Group's main goal is to create long-term value for our members and assist them to achieve their best outcomes.

We strive to manage our members' affairs prudently and to satisfy their needs by offering products and services at the best rates delivered by a highly competent team and supported by cutting edge technology.

Our business conduct is guided by our principle of mutuality: one member, one vote, regardless of the level of savings of each member. Therefore, the interest of all members are protected, whether large or small.

Notice of Annual General Meeting

NOTICE is hereby given that, pursuant to Supreme Court Order granted on December 10, 2020 in the matter SU2020CD00495, the 4th Annual General Meeting of Members of The Jamaica National Group Limited will be held at 2-4 Constant Spring Road, Kingston 10 in the parish of Saint Andrew at 3 p.m. on Friday, February 19, 2021 in a hybrid format – i.e. both at a physical location and by live-streaming for the following purposes:

- To receive, consider and adopt the following:
  - The Directors' Report for the year ended March 31, 2020
  - The Auditors' Report for the year ended March 31, 2020
  - The Financial Statements for the year ended March 31, 2020;
- To appoint Auditors and authorize the Directors to fix their remuneration;
- To elect Directors;
- To consider and adopt amendments to the Articles of Incorporation; and
- To transact any other business permissible by the Articles of Incorporation at an Annual General Meeting.

By Order of the Board
Dated January 25, 2021

Shakira Pickersgill
Corporate Secretary
2-4 Constant Spring Road
Kingston 10, Jamaica, W.I.

Special instructions to participate in the 4th Annual General Meeting (AGM)

In light of the Government's established COVID-19 measures and having regard for the safety of our Members, staff, officers and other stakeholders, the AGM will be held using technology or electronic means which will allow Members to participate in a similar manner as an in-person meeting, while also accommodating a few Members in a room (hybrid meeting). Members will be able to participate remotely via live-stream and will be able to vote on matters arising at the meeting. All registered Members, regardless of geographic location, will therefore have an equal opportunity to participate in the AGM.

We encourage Members to monitor our website for all updates and information regarding the 2020 AGM. Information on how to access the AGM via live-stream and all other relevant matters will be provided on our website at **www.jngroup.com**.

Members are encouraged to submit their questions in advance of the AGM by sending an email to **agm@jngroup.com**. These questions will be addressed during the AGM as deemed reasonably practicable in the Chairman's discretion.

As a Member you may appoint a proxy to attend and vote at this meeting in your stead. A proxy need not be a member of the Company. The Proxy Form shall be provided by the Company Secretary on request and is also available at **www.jngroup.com**. The completed Proxy Form shall be signed by the Member and delivered to the Company Secretary at the Chief Office of the Company (2-4 Constant Spring Road, Kingston 10, Jamaica, W.I.) or via email at **agm@jngroup.com not less than 48 hours** before the time appointed for the holding of the AGM.

Voting Procedures

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:-

(a) by the Chairman; or

(b) by at least five Members present in person or by proxy.

The demand for a poll may be withdrawn.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

Votes of Members

One Vote per Member

Every Member shall have one vote.

Representation in Person or by Proxy

On a poll, votes may be given either personally or by proxy.

Extracted from the Articles of Incorporation of The Jamaica National Group.

The Chairman

The Hon. Oliver F. Clarke, OJ

1944-2020

The Boards of Directors of Jamaica National celebrate the life and work of the **Hon. Oliver F. Clarke**, former Chairman of The Jamaica National Group.

Oliver Clarke's tremendous impact on the business and media landscape in Jamaica spans more than five decades. He was instrumental in the transformation of the local building society movement, by encouraging the expansion of building societies from parish-based entities into urban organisations, while maintaining the strong mandate to serve its members.

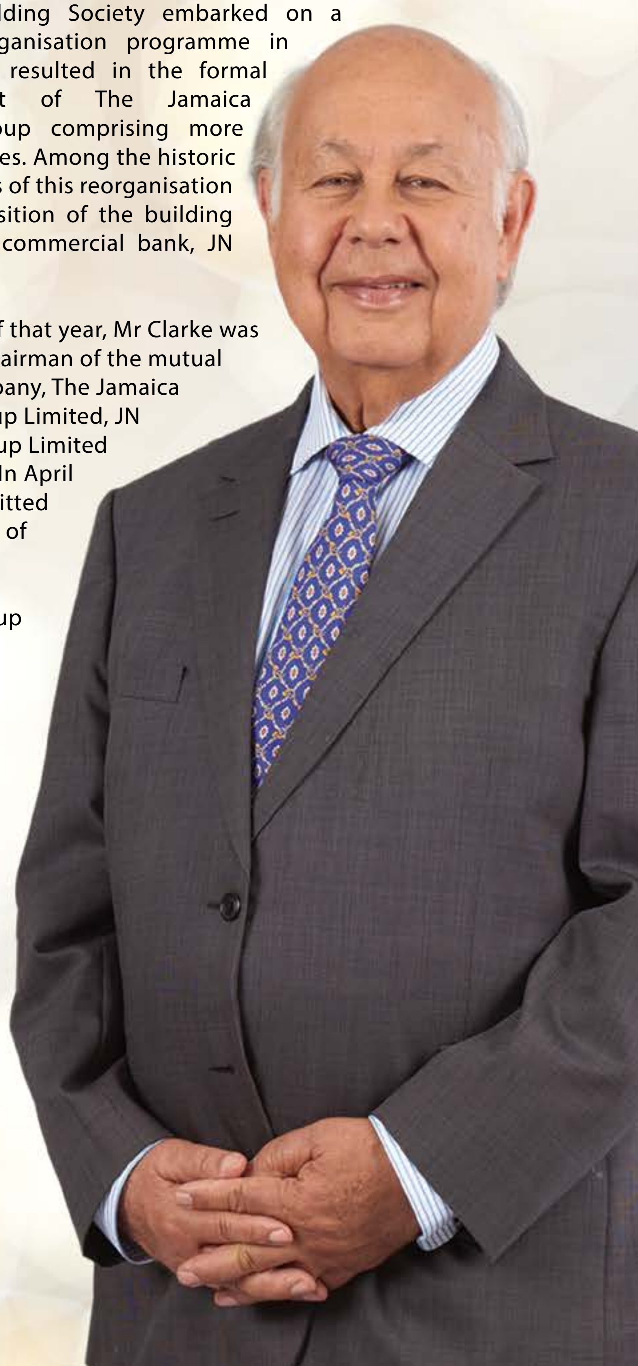
A shrewd businessman, with a wry sense of humour, Oliver Clarke worked with the Jamaica National Building Society (JNBS), established in 1874 as the Westmoreland Building Society, as Assistant General Manager and General Manager from 1971 to 1976. He also served as Chairman of JNBS for two decades, 1977 to 1997 and as Deputy Chairman from 1997 until 2002, when he was re-appointed Chairman.

Hon. Oliver Clarke speaks with his predecessor, Mr Keith Francis, former Chairman of the Jamaica National Building Society. ***(JNBS AGM, 2007).***

Former Prime Minister of Jamaica, Most Hon. P. J. Patterson (left), shares a joke with Hon. Oliver Clarke and Hon. Kenneth McClintock, Secretary of State of the Commonwealth of Puerto Rico. ***(Northern Caribbean Conference on Economic Cooperation, 2010).***

Under his astute leadership, the Jamaica National Building Society embarked on a historic reorganisation programme in 2017, which resulted in the formal establishment of The Jamaica National Group comprising more than 25 entities. Among the historic achievements of this reorganisation was the transition of the building society to a commercial bank, JN Bank.

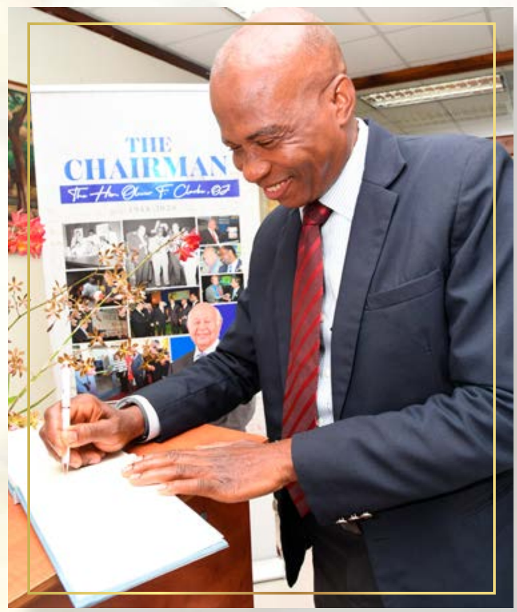
In February of that year, Mr Clarke was appointed Chairman of the mutual holding company, The Jamaica National Group Limited, JN Financial Group Limited and JN Bank. In April 2019, he demitted chairmanship of both JN Bank and the JN Financial Group but retained the role of Chairman of The Jamaica National Group Limited.



Mrs Marie Stewart Lewin, Executive and Hon. Earl Jarrett, Chief Executive Officer, The Jamaica National Group, participate in the online memorial for former Chairman, Hon. Oliver Clarke, held by the JN Group Board of Directors, in May 2020.

JN Group Board of Directors, JN Employees and friends attend the online memorial held for Hon. Oliver Clarke.

Under his chairmanship, Jamaica National has become firmly established as a multi-national business conglomerate which includes banking and other financial services, technology, insurance, property management and automotive services. Today it is recognized as one of the top ten companies from the Caribbean to the world. While pursuing the expansion of the JN Group, Mr Clarke maintained its ownership structure as a mutual organisation, owned by its members and customers.



Everton Morgan signs the Oliver Clarke condolence book at the JN Bank Half-Way-Tree branch.

Hon. Oliver Clarke (3rd from left) chats with (from left) Dr Peter Phillips, Project Consultant for the Mutual Building Societies Foundation; Richard Powell, Group President and CEO of the Victoria Mutual Building Society; Hon. Andrew Holness, Minister of Education; Roy N. Hutchinson, Chairman of the Victoria Mutual Building Society and Earl Jarrett, General Manager, Jamaica National Building Society. ***(Launch of the Mutual Building Societies Foundation, 2008).***

Mr Audley Shaw, Opposition Spokesman on Finance and Planning adjust Hon. Oliver Clarke's bowtie as Earl Jarrett, General Manager, Jamaica National Building Society, approves. ***(PSOJ Hall of Fame 2015).***

The team members at The Jamaica National Group who have worked and interacted with Oliver Clarke over the decades, recognise the significant impact he made on Jamaica and the Caribbean; and his passionate pursuit of initiatives that would achieve his objective of: "People First."

The Hon. Oliver F. Clarke: Chairman, business icon, advocate, revolutionary and change-maker.

In Memoriam

The JN Group remembers those of our family who Passed away.

James Anthony 'Jimmy' Burrowes

May 17, 2019

James Anthony 'Jimmy' Burrowes, was well respected for his wealth of knowledge, particularly in the area of investment management. He joined the Board of Trustees of the JN Individual Retirement Scheme in 2012 and the JN Small Business Loans board in 2013, contributing insightful analysis and commentary. His record of attendance at meetings was impeccable and his astute demeanor enabled him to collaborate productively with his fellow Trustees.

Hope Hamilton

January 31, 2020

Quiet, pleasant, positive and the consummate professional, Hope began her tenure at JN Bank as Business Relationship and Credit Solutions Managers in April 2017. With an impressive wealth of banking knowledge and her willingness to help in areas outside of her responsibilities, she gained the respect of her colleagues.

Vasle Atkinson

March 3, 2020

Vasle Atkinson joined JN in Jamaica more that two decades ago and continued to serve the organisation after moving to the UK. He was a Mobile Mortgage Specialist up to the time of his passing and will be remembered for his warm and jovial spirit.

Andrew Green

March 14, 2020

Andrew joined the JN Group in November 2008 as a Communication Specialist in the Corporate Communications department. He previously worked in media for several years, including The Gleaner Company, JIS, JamPress and the Caribbean News Agency (CANA). He was a founding member and Past President of the JN Toastmasters Club.

Tania Nugent

April 24, 2020

Even beset by illness, Tania would go the extra mile to ensure that her work was done satisfactorily and would also be helpful to her colleagues. This was her nature: compassionate, cooperative and caring from her first day at the TCS Contact Centre in 2014 to the Internal Proccessing Unit at JNBS, (now JN Bank) in November 2015, where she worked as a Member Service Officer up to the time of her passing.

Garfield 'Rufus' Hemmings

May 3, 2020

Affectionately called 'Rufus', Garfield Hemmings, joined JN Properties on August 3, 2006 as Caretaker. At the time of his passing, he served as Building Custodian. His colleagues remember him as always being cheerful and willing to lend a helping hand. He was hardworking, a good team player and respected for his dedication.

Captain Robert Hamaty

June 13, 2020

Captain Hamaty's contribution to the growth and development of the Jamaica National companies in Cayman is invaluable. He served as a director of NBSC, now rebranded as JN Cayman, for approximately 15 years and as a director JN Money Services (Cayman) Limited. His role as a founding Director of the National Building Society of Cayman, was integral in its establishment in 1996. He continued to serve as a Director of the NBSC following its acquisition by JNBS in 2002.

Pilot, Honorary Consul to the Cayman Islands for the Government of Jamaica, founder of Tortuga Rum Company, he, along with his family, made significant contributions in strengthening the economies of both Jamaica and The Cayman Islands.

Gillian Recas

August 29, 2020

Over 40 years in the high-pressure advertising industry is a feat to be admired, and Gillian accomplished that! In 2000, Gillian joined the Jamaica National Building Society where she played an integral role in the start-up of The Creative Unit Limited (TCU). As the Deputy General Manager, she was instrumental in implementing TCU's operating system, ensuring seamless workflow. She was the creative mastermind behind most of the branding across the JN Group; the most memorable being the dramatic transformation of the exterior of JN Bank Half-Way Tree.

Errol Ziadie

November 30, 2020

For almost two decades, Errol served as a director on the boards of several JN companies including JN General Insurance Company, JN Life Insurance Company, JN Fund Managers, MCS Group and The Jamaica Automobile Association (Services). He brought a keen sense of business awareness to the JN Group as a Managing Director, Consultant and Director and made significant management and board contributions. As a member of Jamaica National, he was a protector of the business and would spare no effort to ensure that the JN Group remained strong and vibrant.

Dependable

Board of Directors

ELIZABETH ANN JONES, CD, FCA, FCCA
Chairman

Ms Elizabeth Ann Jones joined the board of the Jamaica National Building Society in 2014 and was appointed chairman of JN Fund Managers Limited in 2015. With the restructuring of the JN Group in February 2017, she was named a director of JN Bank Limited (Jamaica), JN Financial Group Limited and The Jamaica National Group Limited. In April 2019, she was appointed chairman of the JN Financial Group Limited and co-deputy chair of The Jamaica National Group Limited. She was also appointed a director of JN Bank Limited in the UK in 2019. In May 2020, she assumed the role of chairman of The Jamaica National Group Limited, the parent company of all the companies in the JN Group. Ms Jones is a Fellow of the Association of Chartered Certified Accountants and of the Institute of Chartered Accountants of Jamaica. She is a retired Senior Partner of KPMG in Jamaica and previous Chairman of KPMG CARICOM. In 2015, she was conferred with the Order of Distinction, Commander Class, by the Government of Jamaica.

DR DHIRU TANNA, PhD, MA
Deputy Chairman

Dr Dhiru Tanna has been a member of the Board of the Jamaica National Building Society since 1981. He is deputy chairman of The Jamaica National Group Limited and serves as a director of JN Fund Managers Limited, JN Bank Limited (Jamaica), and the MCS Group. Dr Tanna is also a long-standing member of the Finance and Investment Board Committee, now renamed the Risk Committee. Dr. Tanna is also the Executive Chairman of Blue Power Group Limited.

Hon. **EARL JARRETT,** OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman & Chief Executive Officer
The Jamaica National Group

Hon. Earl Jarrett was appointed Chief Executive Officer of The Jamaica National Group Limited in 2017. He was previously General Manager of the Jamaica National Building Society from 1999 to 2016. Mr Jarrett is a director on the boards of all member companies in the JN Group. In May 2020, he was appointed deputy chairman of the parent company, The Jamaica National Group Limited. Mr Jarrett serves on the boards of several international and local organisations, including the Federation Internationale de l'Automobile (FIA) Foundation, Jamaica Cancer Society and the Mona Geoinformatics Institute. Mr Jarrett has been a member of the Electoral Commission of Jamaica since 2013 and was appointed Chairman in 2020. He has been awarded four honorary doctorates, and was conferred with the Order of Distinction, in the rank of Commander (CD) in 2008 and the Order of Jamaica (OJ) in 2018 by the Government of Jamaica for exceptional contribution to the banking and financial sectors, public service and volunteerism.

Board of Directors

Hon. **DOROTHY PINE-MCLARTY,** OJ, Hon. LL.D

JOHN SMALL, BA (Hons), CQSW, FCMI

JENNIFER MARTIN, JP

Hon. Dorothy Pine-McLarty has been director of the Jamaica National Building Society (JNBS) and JN Money Services since 1998. She was appointed to the boards of The Jamaica National Group Limited and the JN Financial Group Limited in 2017. A practicing Attorney-at-law for some 50 years, she retired from the partnership of Myers, Fletcher & Gordon, but remains a Consultant. Mrs McLarty is also a former Chairman of the Electoral Commission of Jamaica. She was awarded the Order of Jamaica by the Government of Jamaica in 2007 for outstanding public service and received the Gleaner Company Honour Award for Public Service in 2016. She was also conferred with an honorary Doctorate in Business Administration by the University of the Commonwealth Caribbean (UCC) in 2019.

John Small has been a Director of the Jamaica National Building Society since 1998, and is now a Director of The Jamaica National Group Limited and the JN Financial Group Limited. He is a former Deputy Director of Social Services for the London Borough of Hackney, England, former non-executive Director of North London University and former Lecturer, Department of Sociology, Psychology and Social Work, The University of the West Indies. He was Chairman of The Planning Institute of Jamaica's "Working Group on International Migration" and founder and first President of the National Association of Returning Residents. Mr. Small is a retired international consultant in the Management of Human Services.

Jennifer Martin, an Attorney-at-Law, has been a Director of the Jamaica National Building Society since its merger with the Jamaica Savings & Loan Building Society in 2001. She previously served as a Director of the Jamaica Savings & Loan Building Society. She was appointed a director of The Jamaica National Group Limited and JN Bank Limited (Jamaica) in 2017; and is a Director of the JN Foundation and a Trustee of the JN Group Pension Plan. Mrs Martin has extensive experience in conveyancing and is a partner with the law firm Robinson, Phillips & Whitehorne

PETER MORRIS, MBA, BSc (Hons)

PARRIS A. LYEW-AYEE, CD, BSc, M.Eng.

WILLIAM MAHFOOD, BSc., Hon. DPS

Peter Morris joined the Board of the Jamaica National Building Society in 1993. In 2017, he was appointed to the Boards of The Jamaica National Group Limited, JN Financial Group Limited and JN Bank Limited (Jamaica). He is Chairman of JN General Insurance Company, JN Life Insurance Company and JN Mutual Funds. He is also a director of JN Fund Managers Limited. Mr. Morris has more than 25 years of business experience at the management and Board level in Jamaica, the United Kingdom and the United States of America.

Parris A. Lyew-Ayee was appointed to the Board of the Jamaica National Building Society in 2007. He has been a director of the JN Foundation since 2007 and was appointed Chairman in 2018. He has been Chairman of JN Small Business Loans from 2009 and is a member of The Jamaica National Group Limited board of directors since 2017. He also serves as a director of the Mona GeoInformatics Institute and as Chairman of the Caribbean Cement Company. A geologist and mineral engineer, Mr. Lyew-Ayee worked at the Jamaica Bauxite Institute since its inception in 1976 and was Executive Director for 23 years, retiring in 2018. For his service to the bauxite/alumina industry he was conferred with the Order of Distinction (Rank of Officer) in 1988, and the Order of Distinction (Rank of Commander) in 2007 by the Government of Jamaica.

William Mahfood has been a director of the Jamaica National Building Society since 2006. He has served as a director of JN Small Business Loans Limited, and was appointed to the boards of The Jamaica National Group Limited and the JN Financial Group Limited in 2017. He assumed the role of chairman of JN Money Service Limited in 2019. Mr Mahfood joined the family business, Wisynco Group, in 1988 where he served as Managing Director from 1994-2013 and has been Chairman since 2014. He served as President of The Private Sector Organisation of Jamaica from 2014 – 2016; and was conferred with the Honorary Doctor of Public Service degree in 2011 from the Northern Caribbean University.

Board of Directors

RAPHAEL GORDON, FCA (Ja), FCCA (UK), FCMA (UK), CGMA (UK & USA)

Raphael Gordon, retired Managing Partner of KPMG Jamaica and Chairman of KPMG CARICOM, joined the Board of the Jamaica National Building Society in 2009. He was appointed a director of The Jamaica National Group Limited, JN Financial Group Limited and JN Bank Limited (Jamaica) in 2017. He is Chairman of the MCS Group and Chairman of the Audit Committee for The Jamaica National Group as well as the JN Pension Scheme. He is also Chairman of the JNBS Pension Fund Trustees Nominee Limited and the JN Group Pension Fund. A Chartered, Certified and Global Cost and Management Accountant, Mr. Gordon is a current member of the Public Accountancy Board; past President of the Institute of Chartered Accountants of Jamaica (ICAJ); and a former Director of the Institute of Chartered Accountants of the Caribbean. In recognition of his outstanding contribution to the accounting profession, Mr. Gordon received the Institute of Chartered Accountants of Jamaica Distinguished Member Award in 2008.

KATHLEEN AJ MOSS, MBA, BSc

Kathleen Moss is a Management Consultant and Chartered Business Valuator with Sierra Associates, an independent advisory and business valuation firm, which she established in 1993. She became a director of the Jamaica National Building Society in 2012 and served as Chairman of JN General Insurance Company Limited between 2015 and 2019. Mrs Moss was appointed a director of The Jamaica National Group Limited, JN Financial Group Limited and JN Bank Limited (Jamaica) in 2017. In April 2019, she became chairman of JN Bank (Jamaica). Mrs Moss has been a member of the JN Audit and Finance Committees since the mid-1990s and has chaired the JN Bank Board Finance Committee since 2018. Prior to establishing Sierra, Mrs Moss worked with the consultancy practice of Price Waterhouse. She is a trustee of the Violence Prevention Alliance.

SHAKIRA PICKERSGILL, LLB, BSc
Corporate Secretary

Shakira Pickersgill, who was appointed Corporate Secretary for The Jamaica National Group Limited in 2019, brings extensive knowledge and vast experience in corporate secretarial services and corporate governance procedures, practices and compliance to the JN Group. She was previously employed to the Development Bank of Jamaica Limited for more than 15 years as Company Secretary and Legal Officer.
An Attorney-at-law, she is a graduate of the Norman Manley Law School and the College of Law of England & Wales where she undertook post-graduate studies in Legal Practice.

MARISSA BARRETT, BSc
Staff Director

Marissa Barrett, IT Business Assistant Manager for JN Bank Limited (Jamaica), was elected as Staff Director of the JN Group in December 2019. She joined the Jamaica National Building Society in 2009 as HR Information Systems Analyst, and was promoted to Project Specialist in 2014. She has completed the Bachelor of Science in Economics & Statistics (Honours) from The University of the West Indies. A certified Scrum Master, Ms. Barrett has pursued numerous professional courses including credit assessment techniques, loan securities documentation, supervisory management, project management, ISO audit, budgeting and Microsoft Sharepoint.


Authentic

Corporate Governance Report

The Jamaica National Group Limited's systems of compliance, transparency and accountability are governed by the observance of corporate governance international best practices, procedures, standards and guidelines, as well as adherence to local statutory and regulatory obligations. This has ensured the establishment and maintenance of a solid corporate governance framework with a clear separation of powers and responsibilities within the organisation.

THE BOARD OF DIRECTORS

Overview

During the 2019/20 financial year, the Group was overseen by a Board of Directors comprised of 13 members, including a Staff Director. The fundamental remit of the Board is to approve the Group's strategic direction and provide general oversight of the Group's businesses and affairs; and to exercise reasonable business judgment on behalf of the Group.

The activities of the Group are closely monitored by the Board through a well-established governance structure, which includes the selection and appointment of qualified and competent management to administer the affairs of the Group.

Membership

The majority of the Board of Directors is made up of independent Directors whose qualifications, skills, expertise and experience help to ensure that the Group operates within stipulated legal and ethical guidelines and that proper records and accountability standards are established, maintained, documented and audited, thereby ensuring the highest standards of corporate governance principles and practices.

Attendance at Meetings

During the financial year, five Board meetings were convened, with attendance as follows:
three meetings were attended by 11 Directors (including the Staff Director); and two meetings were attended by 10 Directors (including the Staff Director).

Board Committees

The Board has established various Committees to assist it in accomplishing and adhering to its governance, supervisory and oversight responsibilities. These Committees include a majority of independent Board members as recommended by best practice standards. There are five Committees of the Board:

(i) Audit Committee

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures; providing oversight of internal audit and the relationship with the external auditors; and ensuring integrity of financial reporting through review and oversight of the financial statements. The Committee receives periodic reports from the Executive, Group Internal Audit; the Assistant General Manager Chief Accounting, Taxation and Reporting Officer; Head, Risk & Compliance, JN Bank Limited and the external auditors.

The Committee is comprised of three independent members selected by the Board:

Raphael Gordon - Chairman
Sethuraman Kumaraswamy
Kathleen Moss

Five meetings of the Committee were held during the financial year. Four meetings were attended by all three members and one meeting was attended by two members.

(ii) Finance Committee

The Finance Committee assists the Board in its oversight role by, inter alia, establishing the Group's risk policies, including risk tolerances; supervising the risk management framework and monitoring the organisation's adherence to limits and tolerance levels established by the Board; ensuring that appropriate credit and risk policies are in place in all companies across the Group; reviewing monthly financial statements and monitoring the performance of each company in the Group against established targets; and reviewing financial forecasts, operating budgets, capital expenditures, expense management and performance relative to competitors.

The Finance Committee is comprised of seven Directors, six of whom are independent. It is assisted in its deliberations by the Chief Executive Officer.

The members of the Finance Committee are:

Elizabeth Ann Jones, CD – Chairman
Hon. Earl Jarrett, OJ, CD
Parris Lyew-Ayee, CD
William Mahfood
Peter Morris
Kathleen Moss
Dr. Dhiru Tanna, PhD

During the reporting period the Committee met twice: one meeting was attended by six members, and the other by all seven members.

(iii) Compensation, Governance and Nomination Committee

The Compensation, Governance and Nomination Committee is responsible for evaluating the Group's Executive team. It has oversight of Board and Executive compensation systems to ensure alignment with long-term objectives; succession planning; recommends Board and Executive remuneration; commissions industry compensation surveys; reviews compensation and incentives and meets with the Chief Risk Officer and Finance Committee to ensure risks are being managed in this area; and makes recommendations on liability insurance. The Committee receives reports on compensation, evaluation and succession planning from the Executive, Group Human Resources Development (GHRD) and delegates areas of its authority to the GHRD Department. The Committee provides leadership of the Group's governance processes and ensures application of corporate governance best practices and approves corporate structure.

The Committee is comprised of the Chief Executive Officer and three independent Directors selected by the Board, and is assisted in its deliberations by the Executive, GHRD.

The Committee is comprised of:

Dr. Dhiru Tanna, PhD - Chairman
Hon. Oliver Clarke, OJ (deceased)
Hon. Earl Jarrett, OJ, CD
Peter Morris

(iv) Conduct Review Committee

The role of the Conduct Review Committee is to assist the company and its Board of Directors in avoiding conduct risk. The principal purpose of the Conduct Review Committee is to review and regulate matters dealing with key stakeholders' conduct including related party transactions, conflict of interest, fraud, sexual harassment, and whistleblowing. The Committee is comprised of seven independent Directors and the Chief Executive Officer.

The members are:

Caryl Fenton – Chairman
Hon. Earl Jarrett, OJ, CD
Hon. Shirley Tyndall, OJ, CD
Christopher Barnes
Peter Morris
Kathleen Moss
Kay Osborne
Errol Ziadie (deceased)

The Committee is assisted in its deliberations by the General Legal Counsel.

During the financial year the Committee met three times: two meetings were attended by all members and one meeting was attended by eight members.

(v) Proxy Committee

The Proxy Committee is a special Committee of the Board comprised of the Board Chairman, Board Deputy Chairman and three incumbent Directors. The CEO is also a member of the Committee. The members of the Committee are:

Hon. Oliver Clarke, OJ – Chairman (deceased)
Dr. Dhiru Tanna, PhD
Hon. Earl Jarrett, OJ, CD
Hon. Dorothy Pine-McLarty, OJ
Jennifer Martin
Peter Morris

The Committee's mandate is to consider and approve the appointment of general proxies with respect to meetings of the members of the Company.

The Committee met once during the 2019/20 financial year and five members were in attendance.

Board Committees of The Jamaica National Group Limited

AUDIT COMMITTEE

Raphael Gordon, Chairman
Sethuraman Kumaraswamy
Kathleen Moss

GROUP CONDUCT REVIEW COMMITTEE

Caryl Fenton, Chairman
Hon. Shirley Tyndall, OJ, CD
Hon. Earl Jarrett, OJ, CD
Kathleen Moss
Errol Ziadie (deceased)
Peter Morris
Christopher Barnes
Kay Osborne

COMPENSATION, GOVERNANCE & NOMINATION COMMITTEE

Dr. Dhiru Tanna, Chairman
Hon. Oliver F Clarke, OJ (deceased)
April 2019 - May 2020
Hon. Earl Jarrett, OJ, CD
Peter Morris

JN BANK BOARD FINANCE COMMITTEE

Kathleen Moss, Chairman
Hon. Earl Jarrett, OJ, CD
Elizabeth Ann Jones, CD
Dhiru Tanna
Peter Morris

JAMAICA NATIONAL GROUP BOARD FINANCE COMMITTEE

Elizabeth Ann Jones, CD, Chairman
Hon. Earl Jarrett, OJ, CD
Parris Lyew-Ayee, CD
Dhiru Tanna
William Mahfood
Kathleen Moss
Peter Morris

JN FINANCIAL GROUP BOARD FINANCE COMMITTEE

Elizabeth Ann Jones, CD, Chairman
Hon. Earl Jarrett, OJ, CD
Dhiru Tanna
Kathleen Moss
Peter Morris

JAMAICA NATIONAL GROUP PROXY COMMITTEE

Hon. Oliver F Clarke, OJ (deceased), Chairman
April 2019 – May 2020
Dhiru Tanna
Hon. Dorothy Pine-McLarty, OJ
Hon. Earl Jarrett, OJ, CD
Jennifer Martin, JP
Peter Morris

Audit Committee Report

We are pleased to present our Audit Committee (AC) Report for the financial year ended March 31, 2020.

Composition and Meetings of the Audit Committee

The Audit Committee (AC) consists of the three (3) members listed below. During the year, five (5) meetings were held. KPMG was invited to two (2) of these meetings and key members of the audit engagement team attended and discussed significant matters relating to March 31, 2019 year-end audit and plans for the year ended March 31, 2020.

During the year, the members and meetings attendance of the AC were as follows:

Members of the Committee

RAPHAEL GORDON
Chairman
Appointment date: March 2017
Number of meetings attended : 5/5

KATHLEEN MOSS

Appointment date: March 2017
Number of meetings attended: 5/5

SETHURAMAN KUMARASWAMY

Appointment date: March 2017
Number of meetings attended: 4/5

The AC covers a variety of topics in its meetings. These include both standing items that the AC considers as a matter of course, typically in relation to the financial reporting, control matters, accounting policies and judgements and reporting matters, and a range of topics relevant to JN Group's control framework.

The Group Chief Executive Officer, Group Chief Financial Reporting Officer, Chief Internal Auditor and the external Auditors normally attend and report at Audit Committee meetings. Other attendees are Managing Director, Deputy Managing Director and Chief-Risk and Compliance for JN Bank and Group Chief, Compliance and Risk. Other senior managers are invited from time to time to respond to questions in respect of reports presented. The Committee met privately with the external Auditors and the Chairman met separately with the Chief Internal Auditor, as was necessary.

The Committee has unrestricted access to the Group's documents and information, as well as to management and the external Auditors. Minutes of Audit Committee meetings are included in the papers for meetings of the Board and the Chairman of the Audit Committee reports on significant issues arising in Committee meetings to the Board

Audit Committee responsibilities

The Audit Committee has the following key functions and responsibilities:

- Review and discuss with management and the external auditors accounting and financial reporting issues.
- At least annually prior to the filing of the audit report with the Bank of Jamaica or other regulatory bodies, review and discuss reports from the external auditors.
- Consider the effectiveness of internal control systems, including information technology security and controls.
- Review with management, the external auditors and the chief internal auditor plans, activities, staffing and organizational structure of the internal audit function, and any recommended changes thereto, as well as staff qualifications.

Audit Committee Report

CONT'D

- Meet with the external auditors to discuss the external auditors' independence, proposed audit planning, scope, staffing and approach, including coordination of its effort with internal audit.
- Review the effectiveness of the system for monitoring compliance with laws and regulations.
- Meet with management to review the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
- Regularly report to the Board of Directors about Committee activities, issues and related recommendations.
- Annually review the Committee's own performance. Evaluate the Internal Audit Unit on an annual basis.

The effectiveness of Internal Controls

The main objectives of the internal controls system are:

a. to ensure adherence to management policies and directives in order to achieve efficiently and economically the Group's objectives;
b. to safeguard assets;
c. to secure the relevance, reliability and integrity of information, so ensure as far as possible the completeness and accuracy of records; and
d. to ensure compliance with the Group's regulatory and statutory requirements.

Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide reasonable assurance that the Group has adequate and effective governance and internal control processes. Some compliance issues and non-adherence to policies were noted, communicated and are being followed up by management, Internal Audit and the Risk & Compliance Department to avoid recurrence.

Training and Development

In today's rapidly changing financial landscape, the aim is to ensure that the employees of the Group's Internal Audit Department keep abreast of the latest technical knowledge and best practice standards to effectively carry out their functions. To achieve this, members of the department participated in

"In today's rapidly changing financial landscape, the aim is to ensure that the employees of the Group's Internal Audit Department keep abreast of the latest technical knowledge and best practice standards to effectively carry out their functions."

It's a People First approach.

various internal and external training sessions. The training sessions covered: Auditing and Fraud Detection, IT Audit, International Financial Reporting Standards(IFRS), Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) & Cyber Security.

Additionally, members of the Unit are pursuing internationally recognized Professional Designation programmes including Certified Internal Auditors (CIA), Association of Chartered Certified Accountants (ACCA) and the Association of Certified Anti-Money Laundering Specialists (ACAMS). Three (3) persons attained professional certification during the year, CIA and CAMS.

Content and Quality of reports prepared by the Internal Audit Department

In keeping with its mandate, the Committee received regular updates from the Chief Internal Auditor. Significant areas requiring improvements in internal controls are noted by the internal auditors. The final reports which include management's risk corrective action plans are presented to the Committee at the scheduled meetings.

Audit Committee Activities during 2019/20

- **External Auditors & Audited Financial Statements** - We had meetings and discussions with the external auditors to identify any significant audit issues arising from their examination and issues communicated in their management letters. There were no major issues arising from their examination. Internal Audit followed up on the matters included in the external auditors' management letters to have management deal with them.

A 2020 audit planning meeting was also held at which we discussed:

The Auditors' responsibilities in relation to the audit.

- Whether the Audit engagement team has complied with relevant ethical requirements regarding independence.
- Planned scope and timing of the audit, including materiality, areas of significant risks of misstatement, auditors' approach to internal controls, significant accounting policies (based on significance and/or complexity), significant accounting policies requiring use of judgment, initiatives to increase audit efficiency and the audit timetable.
- Standards applicable for the year ended March 31, 2020 and probable effect on the audited financial statements and
- Significant difficulties which were encountered during the 2019 audit and plans to avoid them in 2020.

TThe external auditors' independence was also evaluated and we are satisfied that they have maintained their independence as required by The International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code).

We reviewed and approved audited financial statements as at and/or for years ended December 31, 2018, March 31, 2019 and December 31, 2019 for The Jamaica National Group Limited and all its subsidiaries, Jamaica National Individual Retirement Scheme, JNBS & Subsidiaries Pension Schemes, Jamaica National Building Society Foundation and JNBS Pension Fund Trustees Nominee Limited.

- **Review of Directors' Reports** - The 2019 Directors' Reports for JN Life Insurance, JN General Insurance and The Jamaica National Group 2019 Annual Report were also reviewed and approved.

- **Internal Audit** - The Committee reviewed and approved the Group's Audit Plan for the year ending March 31, 2020. We received and reviewed quarterly reports from the Group's Chief Internal Auditor. The reports outlined the status of audit activities, the summary results of key audit findings, the adequacy of management's responses and the timeliness in resolving audit recommendations. The Chief Internal Auditor periodically assesses whether the purpose, authority, and responsibilities of the internal audit function continue to enable it to accomplish its objectives. The results of assessment done during the year were communicated to the AC and included a reconfirmation of the continued validity of the charter of the internal audit function. The committee also conducted an evaluation of the quality, efficiency and effectiveness of the internal audit function including the competence, qualifications and expertise of team members.

- **Significant changes to IFRS** - First time application of *IFRS* 15 Revenue from Contracts with Customers and *IFRS* 9 Financial Instruments were reviewed to ensure that there was adequate treatment and disclosures in respect of the changes for December 31, 2018 and March 31, 2019 financial statements. There were adequate disclosures covering the changes in accounting policies. This was also done for the first time application of *IFRS* 16 Leases for the December 31, 2019 financial statements for JN Life Insurance Company Limited, JN General Insurance Company Limited and Jamaica National Building Society Foundation.

- **Risk Management & Controls** - The AC reviewed reports on risks, controls and assurance, in order to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters. The AC discussed compliance with applicable external legal and regulatory requirements.

Comments on subsidiaries

Internal audit reviews were conducted at entities within The Group during the year, per the Internal Audit Plan. The scope of the reviews included follow up on points raised in internal audit and external audit reports and regulatory reports (where applicable). Matters discussed in respect of JN Fund Managers Limited and other group subsidiaries which do not have their own Audit Committees were submitted to their General Managers for submission to their respective Boards. Meetings were held quarterly for JNGI and JN Life Insurance. Summaries of the issues discussed were included in the reports to The Jamaica National Group Limited Board and the JN Financial Group Limited Board. Reports for the other entities were discussed at The Jamaica National Group Limited, JN Bank Limited or JN Financial Group Limited Audit Committee meetings. The Committees are satisfied that issues raised in audit reports were addressed or are being addressed by management.

Annual evaluation

The Audit Committee undertakes an annual review of its own performance and effectiveness. Each committee member assessed the performance of the AC in areas such as the annual cycle of work, agenda for meetings, and time and input in meetings; rating the quality of the information provided to the AC; the effectiveness of the AC's oversight in areas such as the work of internal and external audit, the Group's financial reporting, the system of internal controls and the risk management policies and practices; rating the AC's performance in reviewing and assessing significant accounting and reporting issues; and generally how to improve the AC's performance.

Raphael Gordon

Raphael Gordon
Chairman

Group Finance Committee Report

The Finance Committee plays a pivotal role in assisting the Board of Directors with its oversight responsibilities. In fulfilling this purpose, the Committee has responsibility to:

- establish the Group's risk policies, including risk tolerances, and ensure that senior management establishes an enterprise wide risk management framework for all business units;
- monitor exposures against established limits;
- ensure that senior management implements processes to identify, measure, monitor and control risks;
- review the Group's capital structure, dividend policy, annual capital plan, capital adequacy process, capital raising and capital allocation across The Jamaica National Group, JN Financial Group, MCS Group and their subsidiaries;
- ensure that appropriate credit and risk policies are in place in all companies across the Group;
- review monthly financial statements and monitor the performance of each company in the Group against established targets and make recommendations for performance improvement;
- review any initiatives, including appraisal of investments, mergers, acquisitions and disposals that exceed management thresholds and make recommendations to the Board as necessary;
- review financial forecasts, operating budgets, capital expenditures, expense management and performance relative to competitors.

The Committee is comprised of seven (7) Directors appointed by the Board, six (6) of whom are independent.

Details of the membership of the Committee and attendance at Committee meetings are listed in the table below:

MEMBER	16-DEC-2019	5-MAR-2020
Elizabeth Ann Jones, CD - Chairman	✔	✔
Parris Lyew-Ayee, CD	x	✔
Dr. Dhiru Tanna	✔	✔
William Mahfood	✔	✔
Hon. Earl Jarrett, OJ, CD, JP	✔	✔
Peter Morris	✔	✔
Kathleen Moss	✔	✔

KEY ✔ Present x Apology Received

Elizabeth Ann Jones

ELIZABETH ANN JONES
Chairman

JN Group Financial Highlights

Total Asset
(J$M)

232,013
2020

2015	166,034
2016	180,665
2017	201,928
2018	208,262
2019	213,722

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
8.8%	11.8%	3.1%	2.6%	8.6 %

Total Customer Deposits
(J$M)

139,866
2020

2015	90,498
2016	101,057
2017	114,163
2018	118,071
2019	129,493

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
11.7%	13.0%	3.4%	9.7%	8.0 %

Total Operating Revenue
(J$M)

22,381
2020

2015	17,735
2016	17,553
2017	19,000
2018	19,178
2019	21,016

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
-1.0%	8.2%	0.9%	9.6%	6.5 %

Total Loan Balance
(J$M)

110,831
2020

2015	60,135
2016	66,229
2017	78,267
2018	87,519
2019	97,507

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
10.1%	18.2%	11.8%	11.4%	13.7 %

Total Equity
(J$M)

32,919
2020

2015	29,475
2016	31,524
2017	33,053
2018	33,745
2019	34,195

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
7.0%	4.9%	2.1%	1.3%	-3.7 %

Total Surplus before Taxes
(J$M)

1,376
2020

2015	3,620
2016	2,047
2017	2,157
2018	1,625
2019	1,272

2015 v 2016	2016 v 2017	2017 v 2018	2018 v 2019	2019 v 2020
-43.5%	5.4%	-24.7%	-21.7%	8.2 %

Chairman's Report

ELIZABETH ANN JONES, CD, FCA, FCCA

This year's review of The Jamaica National Group Limited's performance is being done with mixed emotions, given that this reflection usually would have been done by our late chairman, the Hon. Oliver Clarke, who passed away in May 2020.

His leadership of the Board of Directors for more than 40 years was marked by tremendous successes and expansion of the JN Group, and we will never forget his role and legacy.

However, as it has done for nearly a century and a half, Jamaica National continues to thrive on the legacies of strong leadership, past and present.

In 2019, a wind of change swept across our 147-year old organisation internally, as Group Chairman Clarke announced his retirement from the boards of several companies in April of that year. This resulted in the appointment of new chairpersons from among the directors of the parent company, The Jamaica National Group Limited.

Externally, the country's economic landscape provided a contrasting environment for businesses to operate and thrive. From the macro-economic perspective, the debt-to-GDP ratio continued on a downward trajectory; inflation remained low; and the Jamaican government granted several tax concessions. On the other hand, persistently low interest rates, constant volatility in the foreign exchange market, and economic growth of less than one per cent impacted business decisions and projections, and made the attainment of business goals even more challenging. While there was increased investment in stocks, particularly Initial Public Offerings (IPOs), there was little corresponding growth in many local companies, which recorded flat-line sales with revenue not growing as expected.

However, despite these internal and external factors, The Jamaica National Group has remained firmly committed to its mantra of "helping people find a way" to achieve their life goals. That commitment is borne out by our theme ***People First*** and provides a strong focal point around which we coalesce our energies to satisfy our members' needs and objectives.

I will highlight some areas of focus and their impact on our operations.

Our Performance

Several factors placed significant pressure on the sectors of the economies in which we operate. In our bid to deliver more value to members and invest in the long-term future of the Group, we returned a modest performance for the 2019/20 financial year.

Financially, the JN Group remained robust with the continued growth in its assets portfolio by approximately $19 billion, moving from $213 billion in the previous financial year to $232 billion for the reporting period. Our mortgage loan portfolio reflected steady improvement, moving on average by $11 billion annually over the past three years, to now $110.8 billion. We attribute this upward movement to a strengthening economy backed by strong demand for housing (whether for ownership or rental) and low mortgage rates.

In contrast, our capital reserves dipped by some three per cent, moving from $34 billion down to

$33 billion; while net surplus declined by 24 per cent, from $813 million to $619 million. This was due to an increase in our operating expenses, which moved by approximately nine per cent to $23.6 billion.

These contrasting outcomes reflect the deliberate choice we made in 2018 to apply for a commercial banking licence in the United Kingdom (UK). We invested approximately £25 million into putting the requisite elements in place to ensure a positive response to the application. This was a significant pull on our capital reserves, as the funds were primarily from our internal resources. Enormous resources were placed in the UK Bank to capitalise the enterprise, staff the entity, and to ensure the buildout of a modern digital operation, with one brick and mortar structure. This, along with the continued operations of companies within the Group, accounted for the increase in our operating expenses.

Our application was approved in December 2019 as the first Caribbean bank to be awarded a full banking licence in the UK by the Prudential Regulation Authority. We decided to establish the bank in response to issues associated with the de-risking strategy employed by some correspondent banks overseas, which continued to harm financial institutions and groups such as Jamaica National, which operate in the Caribbean, as well as other developing nation-states. Although the bank's launch was delayed to late 2020 due to the onset of COVID-19, JN Bank UK is building steadily as more and more persons become aware of its existence.

We continue to be impacted by the challenges associated with correspondent banking services, which have had a deleterious effect on the range of banking services offered to our members residing outside of Jamaica and the provision of remittance services to customers. It is anticipated that JN Bank's establishment in the UK will eventually become part of a broader solution to the correspondent banking services challenges being experienced by financial institutions in the region.

As we continue our strategy to strengthen our overseas presence, we are continually reviewing the markets in which we operate, to determine where to identify opportunities to increase our market presence and offer even greater service levels to our members.

Through our team's creative ingenuity, we have managed to grow the remittance portfolio during the year. This was due in large measure to two factors: an expansion in our key overseas markets and our remittance customers' commitment to continue providing significant financial support for their families in Jamaica. Many persons had an increasing need for funds to deal with pressing issues such as higher prices for food, communication and utilities.

As a Group, we sought to solidify existing channels while exploring avenues to enable the continued development and delivery of products and services for our more than 1.6 million members and customers in 65 countries worldwide. We also increased our focus on digitizing some aspects of our banking operations; and through improved planning and strategizing, we are becoming better at cross-selling and up-selling our products and services across the Group of companies. We are extremely excited to have had the opportunity to add new products and services that will benefit our members, and we anticipate that as the Group develops, we will continue to earn increased revenues.

Despite these positives, two major challenges affected the Group in a significant way. The first major setback was the cyber-attack on our information technology systems in March 2020, which tested our Group's mettle and our ability to rise above adversity. Thanks to our team's resolve not to be defeated by unscrupulous persons, we were able to restore our systems without severely impacting the quality of service to our members. Our Chief Executive Officer has shared in greater detail in his report the impact this had on our operations and how we emerged better after the experience.

At the same time, we began experiencing the initial wave of the COVID-19 pandemic, which crippled global economic activity. In response to the containment measures announced globally, we had to fast-track some of the Group's strategic plans to embrace more technology in our day-to-day operations. By doing so, we were able to continue to offer first-class customer service while ensuring the protection of our employees, members, and customers from unnecessary exposure to the virus. Like many organisations, we transitioned through the early phase of the pandemic, and quickly developed programmes to assist those who needed help.

Leading the charge was our member engagement initiative, JN Circle, which allowed members and customers to build and maintain relationships through online discussion programmes. We also provided support through the JN Circle Life Class to assist persons in navigating the new space created by the virus, and distributing care packages to those in need. In response to the financial fallout caused by the pandemic, we implemented a $100 million grant to assist some members who were unable to honour their financial obligations to companies in the Group. While the programmes were targeted, we are pleased that we could actualise our mantra that we will keep our members and customers at the forefront of our programmes as we put ***People First.***

Governance

The Boards of Directors of The Jamaica National Group Limited and its member companies remain committed to the practice of good governance, in keeping with the organisation's Corporate Governance Statement. The directors understand their legal and governance responsibilities, which are undertaken with honesty, integrity, and compliance with the regulatory requirements in the respective territories in which we operate. Our organisation is guided by a robust code of ethics reflected in our Values, by the acronym DART – we promise to be Dependable, Authentic, Respectful and Transparent.

The directors have exercised care, skill, professionalism, and due diligence in executing their duties. Where necessary, they continue to pursue avenues to improve areas of governance for the benefit of the Group, such as the establishment of a Conduct Review Committee, to strengthen governance, efficiency and accountability within the Group.

We are also cognisant of the changes to our governance structure with the retirement and subsequent passing of our former chairman, the Hon. Oliver Clarke and other directors; therefore, the Compensation, Governance and Nominations Committee is engaged in identifying suitable talent for directorship within the Group.

Arising from the deliberations at the Board of Directors' 2019 strategic session, a Nominations sub-Committee was established to develop transparent and clear procedures for nominating new directors for the Group. This committee will also assist members in making informed decisions about electing directors and ensuring that there is a diversity of skills, experience and knowledge among directors.

Directors

I am pleased to report that the Boards of Directors have brought great foresight, insight and expertise to bear on the operations of companies within the Group. They have demonstrated a strong commitment to the Group's growth and success, and ensure the protection of the interests of members and customers. They take their responsibility for approving the strategic direction seriously, holding Management teams to account and reinforcing the culture and values which make the JN Group unique. I thank them all for their invaluable service.

In that vein, we welcome Sonja Salmon's appointment as a director of JN Fund Managers Limited and Ian Marshall as chairman of our newest member company, JN Bank in the UK. We also pause to thank Alfred Simms, who retired from JN Money Services Limited's board of directors in August 2019. I hereby place on record our profound gratitude for his more than two decades of loyal and faithful service to Jamaica National.

We were pained by the passing of active, retired, and former directors during and after the period under review. As eulogized on pages 8 and 9 of this report, the Hon. Oliver Clarke served as Chairman or Deputy Chairman of Jamaica National for more than 40 years. Other directors who passed away were James "Jimmy" Burrowes of the JN Small Business Loans Board of Directors; Dr Noel Johnson, who served on the board of the Jamaica National Building Society until his retirement; Captain Robert Hamaty, former director of the National Building Society of Cayman/JN Cayman and JNMS Cayman; and Errol Ziaidie, director of JN Fund Managers Limited, JN Life Insurance Company Limited, the Jamaica Automobile (Services) Association, and the MCS Group. We extend our heartfelt condolences to their families and loved ones and note with great gratitude their commitment and service to Jamaica National.

In accordance with Sections 97 and 98 of the Articles of Incorporation of The Jamaica National Group Limited, two serving directors are retired by rotation annually. The retiring directors are:

1. Hon. Dorothy Pine-McLarty
2. Mrs Kathleen Moss

These directors, being eligible, offer themselves up for re-election.

Auditors

In accordance with the Articles of Incorporation of The Jamaica National Group Limited, the firm KPMG, Chartered Accountants and Auditors of the JN Group, retires; and, being eligible, offers itself for re-appointment.

Commitment to Service

I am pleased to report that the Group has a great team of employees who have navigated the challenges of business during the past year. They continue to work tirelessly every day to serve our members well and deliver worthwhile returns for you. They have remained steadfast at the forefront of service delivery and execution of our mission. On behalf of the Boards of Directors, I extend thanks to this incredible team.

I also extend congratulations on behalf of the JN Family to our Deputy Chairman and Chief Executive Officer, the Hon. Earl Jarrett, who was awarded an honorary degree, Doctor of the University, by the University of Nottingham-Trent in December 2019 for his indefatigable spirit in promoting Jamaica National and by extension Jamaica "to the world." He has found a formula for successfully fusing business with voluntary service and is highly invested in seeking to help others "to be the best that they can be."

As The Jamaica National Group looks to the start of the third decade of the 21st century, we are seized with the importance of the challenges that lay ahead of us. We must continue to be a beacon of hope for many and provide meaningful solutions that will help our members and customers enjoy even greater opportunities to attain their life goals.

While the pressuring global economic environment presents new challenges every day, we maintain our commitment to serving in the best way possible, which has allowed us, more than 147 years after we were established, to be still relevant today. We have a strong determination to succeed and to put ***People First*** by helping our members and customers "find a way."

Elizabeth Ann Jones

Elizabeth Ann Jones, CD
Chairman

Chief Executive Officer's Report

HON. EARL JARRETT, OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman and Chief Executive Officer

During the year, the three pillars of our strategic objectives were evident in the operations of The Jamaica National Group, that is: connecting people, enriching lives, and building strong communities through an emphasis on ***People First***; innovatively serving our members and customers through the Digitalisation of our operations and services; and ensuring the Sustainability of Jamaica National and its membership by strengthening the financial foundations of the Group.

People First is both a strategic intent and priority as we recognise that our members and customers are the driving force behind the purpose and success of our Group. Therefore, we aim to understand their needs and to develop solutions to help them achieve their aspirations.

The fundamental principles which govern our operations is service delivery underpinned by technology; social community engagement; and building strong and resilient companies. Consequently, we have developed products and services that are best-in-class, and we work continuously to improve on them. Our ethos also drives our commitment to exploring new avenues to serve our members, wherever they reside. This is also consistent with our deep confidence that we are a bold Caribbean conglomerate, with a global footprint of more than 1.6 million members and customers spanning more than 65 countries.

Bold Purpose

This boldness was evident in the highpoint of our financial year, which was our successful application to the Prudential Regulatory Authority in the United Kingdom (UK) for a commercial banking licence. This quest was driven by the challenges experienced by Caribbean banks when their overseas bank accounts were closed by international financial institutions, which rendered them incapable of providing much-needed banking services to members of the Caribbean Region and Diaspora. We did not escape the effects of this action. We faced increased banking costs, which rose 42 per cent over four years, as well as the loss of our international bank accounts. This rippled down to our members, particularly pensioners, resulting in the closure of many of their bank accounts.

The UK's approval of the banking licence, and subsequent investment of £25 million in the start-up of our digital bank, is indicative of the strong business acumen that the JN Group possesses and its ability to operate at the highest levels internationally. It also reflects our deep commitment to finding viable solutions to address the needs of our members. We are quite proud of being the first Caribbean-owned bank to be established in the UK.

Over the past months, JN Bank in the UK has been steadily building its profile through the provision of competitive banking products, backed by strong customer service, to members of the Caribbean Diaspora and the wider UK market. The Board of Directors and employees constitute a blend of professionals reflective of the multi-cultural society and members whom we serve.

We have also signalled our intention to change our business model in The Cayman Islands from a building society to a commercial bank. This will allow for the provision of more dynamic financial products and services, driven by innovative technology, to better meet the evolving needs of our customers.

For several years, JN Cayman's growth has been stymied by Section 19 of the Building Societies Law, which stipulates that the ratio of deposits to loans must be less than 75 per cent. A commercial banking licence would enable us to increase the deposit and loan portfolios, grow the JN brand, and support the expansion of our remittance business, JNMS Cayman Limited, through the provision of correspondent banking services.

We have also appointed a new Managing Director of the building society to guide the transition process to establish a banking entity similar to the bank in the UK, supported by strong use of technology including online banking and ease of access of service.

As part of ensuring the future security of our banks, the JN Group acquired the Phoenix banking application for US$4.5 million from its owner, FINASTRA. Through the acquisition of the banking platform, our technology company, MC Systems Limited, has become an international service provider. It provides maintenance support for the Phoenix banking platform for JN Bank, JN Cayman, and JN Bank in the UK, as well as other banks in the Caribbean, South America, United States of America and Africa.

Advancing Technology

The infusion of technology in our operations is a pivotal factor in our digitalisation strategy. We have embarked on two significant projects estimated to cost J$2.1 billion over three years, which will bring about greater synergies across the JN Group; and revolutionise the way we do business and interact with members and customers.

The first project is aimed at taking us across the rubicon in our quest to become the best-in-class at credit risk management. We began to develop a framework that will help us to improve credit underwriting standards and integrate credit processes to logically assess the risks involved in lending, and determine how to position ourselves to take advantage of these risks. This will also result in faster credit decisions; less manual inputs in our credit decisions; and greater customer insight about our borrowers. We are confident that this new approach to determining which risks we should undertake will help us make dynamic and quantifiable risk decisions through the use of an automated process.

The other project, One JN, is an innovative programme that will create a consistent engagement experience for our members and employees. This programme will help our members and customers to understand that the JN Group provides the best product value. Through our engagements, we promote values that people want to identify with. The project should improve customer service delivery by implementing common service standards and centralised after-sales servicing. Members will recognise the value of membership; have opportunities to build and strengthen community networks; and benefit from increased rewards for their loyalty.

A critical component of this project is developing a single process for on-boarding members and making access to products and services in the companies seamless. Through a personalised JN identification card, members who provide the requisite customer information to one JN company can do business with another without resubmitting the same information.

We look forward to the full implementation of these projects and the added benefits they will bring to our business.

As a Group, we have begun the rollout of Salesforce.com, an integrated Customer Relationship Management platform, as the core technology vehicle to manage sales, marketing, and customer service. It is already in use at the Jamaica Automobile Association (Services) Limited and JN Bank in Jamaica and the UK for active customer service management. We can offer a seamless and personalised experience for members and customers who engage with us across our various business lines and customer channels through this platform. The project commenced in July 2019, and over the next several months, we will be working to create a unified experience for those who do business with us.

Several other initiatives were introduced during the year as part of the process of infusing technology in our day-to-day operations. At JN Bank in Jamaica, we installed an electronic queuing system to manage customer inflows and service delivery in the branches, and this has brought about a more structured and time-efficient experience for many customers.

We also spent approximately J$40 million to upgrade the bank's online banking system, JN LIVE, on which some 8,000 new accounts are opened monthly. We also installed several self-serve Smart ATMs and Teller Cash Recycler machines across the branch network to enable many of the 250,000 customers who come into our branches to conduct aspects of their business on their own.

Our technology arm, MC Systems Limited, has expanded its digital payroll processing service that provides small enterprises with a full-suite payroll service which includes a mobile loan app. This app, BizPay Cash, allows persons to submit loans and salary advance requests online via the mobile app or web portal, at any time, with almost real-time processing and approval. This has been quietly revolutionising how companies have handled compensation matters and supported greater efficiency in the Payroll and Human Resource Departments. BizPay Cash joins the award-winning, secure, internet-based BizPay Central app that allows employers to enter all relevant data about their employees, process their payrolls, generate reports and email payslips directly to employees from a web browser.

The rapid increase in the volume of remittances sent via digital platforms has underscored the importance of remittance companies changing their business models to retain customers. Our remittance company, JN Money Services Limited, which is smaller in size and reach than its international competitors, made this strategic shift approximately two years ago. As a consequence, it now accounts for 20 per cent of all remittance inflows into Jamaica. Through its online app service, JN Money Online, the company has been providing more convenient and accessible services to its customers which resulted in a six per cent growth in the value of transactions sent, amounting to US$398.48 million.

These digitalization strategies support initiatives already underway in other companies in the Group such as the online motor vehicle insurance renewal programme offered by JN General Insurance Company Limited; and JN Fund Managers Limited's online platform that allows investors to see the entire suite of products in their investment portfolios such as bonds, stocks, mutual funds and treasury bills. Our UK media entity, the Voice newspaper, also refocused its news content strategy and moved to a more online publication, in keeping with global trends. This has resulted in increased online readership and support, driven by the global movement, Black Lives Matter, as readers sought to understand the complexities of racial injustice. The newspaper is committed to celebrating black excellence, campaigning for positive change, and informing the black community on important issues in the UK.

We expect our digitalisation strategy's outcomes will increase the speed at which we provide service; and place more power in the hands of customers and members while providing our employees with greater space and opportunities to focus on addressing their deeper needs.

Overcoming Challenges

The onset of COVID-19 and a cyber-attack during the last quarter of the 2019/2020 financial year upended a relatively stable period for the JN Group.

The global spread of the infectious disease, particularly in the countries where JN offices are located, validated the digitalisation strategy that we pursued during the year and fast-tracked the transition of aspects of our operations to online platforms.

With the declaration of the spread of the virus as a global pandemic, and in keeping with the directives of various governments, we activated our Business Continuity and Contingency Plan to implement programmes to minimise the potential exposure to staff and clients, while ensuring that we were able to operate with minimum disruption. Social distancing and work-from-home protocols and policies were introduced to reduce face-to-face engagements and physical presence at our offices and business locations. Employees received personal protective equipment and strict sanitisation programmes were implemented at all JN locations.

Some 40 per cent of our approximately 1,800 employees across all our markets have transitioned from full-time, in-office employment, to a remote working or rotation arrangement. This initiative was in practice as part of our digitalisation strategy before the COVID-19 pandemic. It was expanded at the pandemic's onset to leverage employee safety and reduce operational expenses.

Subsequent to the year end, the amount of $19.5 million was invested in providing employees with resources such as electronic tools and software licences; furniture and equipment; and stipends to support increased flexible working arrangements, including the Work from Home programme. We also implemented a comprehensive programme to support the transition of employees to this alternate mode of working.

We also made a strategic decision to change our operating model in the UK to better align our overseas operations to those in Jamaica. Consequently, the majority of our customer service operations was transferred to our 24-hour Member Care Centre, which manages a virtual customer service appointment system that receives and directs the calls of overseas members and customers to digital queues based on the nature of their business. This virtual system has been working well, and we intend to introduce it to all our overseas markets. This has enabled us to conform to the COVID-19 safety protocols while maintaining consistent, direct contact and service to our members and customers; and, at the same time, safeguard the health of our employees, and by extension, their families.

We responded to the crisis by focusing on measures to support our members and customers during difficult times. The JN Circle member network proved most useful in maintaining the strong bond that JN has developed with the communities in which we operate. We are pleased that we provided much-needed support to our members and communities at large through the JN Circle. The JN Circle network hosted a series of online Life classes that provided a discussion forum for many persons to treat with the severe dislocation and disengagement brought on by the COVID-19 pandemic.

We also rolled out a series of COVID response programmes which included moratoria on loan payments through JN Bank; reduced fees to send remittances to Jamaica by JN Money Services Limited; and JN Small Business Loans Limited introduced a loan recovery programme to assist its existing clients in the small and micro business sector to resuscitate their businesses.

In March 2020, we faced the most significant test of our resilience as a company in our 147-year history. Our core IT systems were attacked by the Sodinokibi ransomware, which encrypted our system and back-up files, rendering most of our IT systems, including the disaster risk recovery site, inoperable. This meant employees had no access to the banking system, which resulted in an inability to process transactions or use the email service. The malware is one of the most advanced and sophisticated attacks perpetrated by a cybercrime gang, which caused significant disruption of service across the Group as customers could not access service from our investment, insurance, small business and banking operations.

Our Group was one of several entities, some large international firms, which was the target of ransomware attacks during this period. However, unlike other entities, we were determined not to pay the US$5 Million ransom demanded by the attackers, who threatened to release customer information if the funds were not paid.

The Group's Crisis Management Committee, "Cobra", was activated and tasked with managing all aspects of the crisis. This responsibility included overseeing the restoration of the IT systems; and managing the communication flow with all stakeholders, including members and customers, employees, insurance agencies, security forces and the regulatory authorities, to continuously apprise them of the actions being taken to return the Group to normalcy.

The breach was reported to the regulatory authorities in the jurisdictions in which we operate and to our local and international insurance brokers; the agencies with responsibility for data protection in the various countries; and to local and international law enforcement agencies for criminal investigation.

Due to our strong crisis management skills, we developed a roadmap for recovery, which involved daily meetings to assess our progress, and constant dialogue with our insurers and their support team to provide direction. Through the IT team's fierce determination, resilience and technical competence, we restored sections of the IT system within two days. The team also began work to rebuild corrupted systems and to strengthen our cybersecurity infrastructure.

During the period, we maintained constant communication with our members and customers and offered resource support to ensure that they did not suffer any financial loss directly related to this cyber incident. A call centre was established to handle queries and other communications from customers and members, and credit monitoring services offered to members to ensure their personal information was not compromised.

Our public and transparent handling of the cyber-attack resulted in the regulatory authorities determining that regulatory action was not required due to the swift action taken to address the breach; the number of persons affected; and the speed at which the attack was resolved and data restored.

While we are thankful that our members were not severely impacted, we sincerely regret the distress and inconvenience caused by the data breach and have implemented measures to strengthen our internal governance and data protection processes. We have also acquired IT security tools to provide advanced monitoring and detection of threats on our network, and developed related training programmes for employees. An international cybersecurity firm was also engaged to assess our operations and make recommendations for further improvement.

The experience taught us invaluable lessons, which we have adopted to strengthen our operations. It also reaffirmed the loyalty and support of our members and other stakeholders, for which we are thankful.

As a Group, we are cognizant, more than ever, that there are ever-increasing threats to those who operate in the digital space as the world goes digital. However, we also have an increasing responsibility to ensure that our members and customers feel safe with us and that cybersecurity and privacy protection are among our top priorities.

Financial Returns

The JN Group's financial performance is reflective of the focus on strengthening our operations while responding to the impact of the economic environment.

In support of its book of business, the Group's liabilities grew by some $19.5 billion or approximately 11 per cent, due primarily to increased customer deposits, long-term loans and securities sold under repurchase agreements.

Chief Executive Officer's Report

CONT'D

During the period, customer deposits increased by approximately $10.4 billion, representing $139.8 billion held in more than 929,000 personal, public and commercial accounts. There was significant movement in the Group's external debt portfolio with long-term loans increasing from $1.64 billion in the prior year to $5.2 billion. Of this amount, $2.6 billion was raised as a five-year unsecured bond on the capital market. A portion of this was used to supplement the pre-incorporation costs associated with establishing the UK bank. Also, $894 million of the funds raised was allocated to JN Fund Managers Limited as part of its business operations.

While net interest revenue moved marginally by just under $300 million for the period, investment income declined by approximately $675 million due to low interest returns on investments. Contrastingly, interest income on loans increased by nine per cent or $892 million.

The consolidated total assets increased from $213.7 billion to $232 billion, reflecting an overall growth of 8.5 per cent. For the company, The Jamaica National Group Limited, there was a marginal increase in its total assets, moving from $6.6 billion to $7.1 billion.

The increase in deposits and loan liabilities supported the increase in the JN Group's loan portfolio, resulting in a 13.6 per cent growth, moving from $97.5 billion to $110.8 billion. The local mortgage and non-mortgage portfolios were the primary drivers of this growth. The number of loan accounts also grew by 16.8 per cent moving from 67,739 loans to 79,132 loans. This growth represents increased retail lending to individual consumers in auto loans, mortgages and personal loans.

The Group suffered a more than 100 per cent increase in an impairment loss on financial instruments of J$820.4 million up from J$357.4 million. The significant increase is because of the rise in the loan portfolio and the method used to calculate expected credit loss by IFRS 9 accounting standards. This calculation method took into account past performance and future projections such as the negative impact of the COVID-19 pandemic, possible job losses, loan restructuring, and adverse changes in the payment status of borrowers. Our operating expenses also increased by J$1.6 billion to J$18.8 billion, with the main factors being increased employee costs, which moved by 17 per cent to J$10.8 billion, up from J$9.2 billion the previous year.

As a result of the preceding, the Group's overall profit declined by approximately 24 per cent, from J$813.1 million to J$619.3 million.

Staff Resilience

Although this has been a particularly harrowing year, we pause to recognise our employees who have remained steadfast and have pushed through the challenges to continue to offer valuable service to our members and customers. I express my deep gratitude and appreciation to each person for the hard work and dedication exhibited during the past year.

The cyber-attacks, death of team members, impact of COVID-19 on our operations, and damage to some of our locations due to nearby fires, have all shaken our Group to its core; however, we remain resolute in our belief that we can rise above our challenges, and be even stronger than before.

In the same vein, we welcome the appointment of Ms Elizabeth Ann Jones as Chairman of the JN Group, as she succeeds our previous Chairman, the Hon. Oliver F Clarke.

Looking Ahead

As we look to the future, we will continue to manage the business carefully and prudently to ensure that we are responsive to our clients' needs in a world where technology is fast becoming the vehicle of choice to navigate a course through the current economic obstacles. The road ahead to recovery from the COVID-19 pandemic will be a lengthy and arduous one. If we are to remain relevant and viable, we must continuously review our operations to drive down costs, create efficiencies and transform our businesses.

As a Group, we are cautiously optimistic that we possess the requisite strategy, resources, people and leadership to establish Jamaica National as the provider of choice for financial and other services in all the markets in which we operate.

Hon. Earl Jarrett, OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman and Chief Executive Officer


Respectful

Membership of Boards

THE JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LIMITED
Hon. Earl Jarrett, OJ, CD, *Chairman*
Philip Bernard
Chris Hind
Phillip Powe
Wendell Smith
Errol Ziadie (*deceased*)

JN BANK LIMITED
Kathleen Moss, *Chairman*
Hon. Oliver F Clarke, OJ (*deceased*)
Hon. Earl Jarrett, OJ, CD
Elizabeth Ann Jones, CD
Dr Dhiru Tanna
Raphael Gordon
Jennifer Martin
Peter Morris
Curtis Martin

JN BANK UK LIMITED
Ian Marshall, OBE, *Chairman*
Hon. Earl Jarrett, OJ, CD,
Elizabeth Ann Jones, CD
Colin Mander
Karen Jordan
Maggie Semple
Dean Fensome
Paulette Simpson, CBE

JN CAYMAN
Gladstone Lewars, *Chairman*
Hon. Earl Jarrett, OJ, CD
Sharon Braithwaite
Derek Jones
Marcus Simmonds
Jermaine Deans

JN FINANCIAL GROUP LIMITED
Elizabeth Ann Jones, CD, *Chairman*
(*May 2020 - present)*
Hon. Oliver F Clarke, OJ (*deceased*)
Hon. Dorothy Pine-McLarty, OJ
Hon. Earl Jarrett, OJ, CD
Raphael Gordon
Parris Lyew-Ayee, CD
Dr Dhiru Tanna
William Mahfood
Jennifer Martin
Peter Morris
Kathleen Moss
John Small

JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION
Parris Lyew-Ayee, CD, *Chairman*
Hon. Earl Jarrett, OJ, CD
Jennifer Martin
Mary Smith

JN FUND MANAGERS LIMITED
Elizabeth Ann Jones, CD, *Chairman*
Hon. Earl Jarrett, OJ, CD
Dr Dhiru Tanna
Caryl Fenton
Monica Ladd
Peter Morris
Keith Senior
Errol Ziadie (*deceased*)
Sonja Salmon
Allan Lewis

JN GENERAL INSURANCE COMPANY LIMITED
Peter Morris, *Chairman*
Hon. Oliver F Clarke, OJ (*deceased*)
Hon. Earl Jarrett, OJ, CD
Hon. Shirley Tyndall, OJ, CD
Kathleen Moss
Chris Hind
Sethuraman Kumaraswamy
Sherry Ann McGregor
Wendell Smith
Errol Ziadie (*deceased*)

JN LIFE INSURANCE COMPANY LIMITED
Peter Morris, *Chairman*
Hon. Earl Jarrett, OJ, CD
Christopher Barnes
Kay Osborne
Errol Ziadie (*deceased*)

JN MONEY SERVICES LIMITED
William Mahfood, *Chairman*
Hon. Dorothy Pine-McLarty, OJ
Hon. Earl Jarrett, OJ, CD
Michelle Clarke
David Jessop
Angella Rainford
Gladstone Lewars

THE JAMAICA NATIONAL GROUP LIMITED
Hon. Oliver F Clarke, OJ, *Chairman* (*deceased*)
Elizabeth Ann Jones, CD, *Chairman*
(August 2020 – present)
Hon. Earl Jarrett, OJ, CD, *Deputy Chairman*
(August 2020 – present)
Dr Dhiru Tanna, *Deputy Chairman*
Hon. Dorothy Pine-McLarty, OJ
Parris Lyew-Ayee, CD
Raphael Gordon
Jennifer Martin
Peter Morris
John Small
Kathleen Moss
William Mahfood
Marissa Barrett (Staff Director)

J.N. PROPERTIES LIMITED
Hon. Earl Jarrett, OJ, CD
Joy Brady

JN SMALL BUSINESS LOANS LIMITED
Parris Lyew-Ayee, CD, *Chairman*
Hon. Oliver F Clarke, OJ (*deceased*)
Hon. Earl Jarrett, OJ, CD
Randolph Cheeks
Cosma Earle
Pansy Johnson
Mary Smith

MANAGEMENT CONTROL SYSTEMS LIMITED
Onika Miller, *Chairman*
(*April 2019 to February 2020)*
Hon. Earl Jarrett, OJ, CD
Hon. Molly Rhone, OJ
Shereen Jones
Dianne Smith-Sears
Wendell Smith
Rakesh Goswami

MCS GROUP LIMITED
Raphael Gordon, *Chairman*
Hon. Molly Rhone, OJ
Hon. Earl Jarrett, OJ, CD
Dr Dhiru Tanna
Wendell Smith
Rachel McLarty
Dan Theoc
Errol Ziadie (*deceased*)
Philip Bernard
Onika Miller *(April 2019 to February 2020)*

THE CREATIVE UNIT LIMITED
Onika Miller, *Chairman*
(April 2019 to February 2020)
Hon. Earl Jarrett, OJ, CD
Joy Brady
Rakesh Goswami

TOTAL CREDIT SERVICES LIMITED
Onika Miller, *Chairman*
(April 2019 to February 2020)
Hon. Earl Jarrett, OJ, CD
Carlton Earl Samuels, CD
Leon Mitchell
Joy Brady

Executives

Assistant General Managers

JOY BRADY, ACCA, AAT
Chief Accounting
Taxation and Reporting Officer
Group Finance

DANA MORRIS DIXON, PhD, MSc, BSc
(1st class Hons)
Business Advisory Services and Marketing

BRANDO HAYDEN, MBA, BBA
Private Capital

SHEREEN JONES, MSc (Hons)
BSc (1st class Hons)
Chief Information Officer

LEON MITCHELL, FCIM, MBA (Beta Gamma Sigma), BBA
Office of the Chief Executive Officer

CARLTON EARL SAMUELS, CD, JP, FCA, FCCA, MBA
Chief Development Financing Officer

KEITH SENIOR
Office of the Chief Executive Officer

Executives

ONYKA BARRETT SCOTT, MSc, BA
Multilateral Relations

ADITI DHIMAN, CA, BA
Group Loyalty Programmes

TONYA GRANT, FCCA, FCA, CPA, CIA
Chief Internal Auditor

TAWANA GRAY, MBA, BSc, CA, FCCA
Group Accounting & Financial Reporting
JN Financial Group Limited

PAULA FERGUSON, JP, MSc (Distinction), BSc (Hons), FCA
Group Chief, Compliance and Risk

HILRET HANSON
Industrial Relations Specialist

SIMONE HYLTON-CHAMBERS, MBA, BSc (Hons)
Strategy Management

G. ANDRE LATTY, MSc, BSc (Hons)
People and Culture
Group Human Resources Development

TASHA MANLEY, MBA, CAMS, LLB, BSc (1st class Hons)
General Legal Counsel

TANYA PRINGLE, MSc
Corporate Communications

DIANE SMITH-SEARS
Payment Systems

MARIE STEWART LEWIN, JP, MBA (Laureate), MA, BA
Special Assistant to the CEO

Executives

CONT'D

POLMAE "PAM" THOMPSON, MSc, BA
Enterprise Project Management Office (EPMO)

OLIVER TOMLINSON, JP, MBA, BSc, Hon. DHum
Office of the Chief Executive Officer

GLADSTONE WHITELOCKE, MBA
Development Financing

Senior Managers

The Jamaica National Group

NATOYA BROWN
Group Risk & Compliance

CASITA BURTE
Compensation & Benefits
Office of the CEO

JOSCELYN CAMPBELL
Corporate Integrity

EVERALD DEWAR
Taxation

PAULA DYKE
Corporate Affairs &
Communication, UK

SOAN MADDEN
Internal Audit

ANTHONY ROBINSON
Strategic Data Management

NIGEL THOMAS
Technical Services

ANNISSA THOMPSON
Enterprise Project Management
Office (EPMO)

ELAINE WILLIAMS
Legal

JN Financial Group

DWAYNE BROWN
Cyber Security

MITZIE SAMUELS
HR Services
Group Human Resource
Development

PAULETTE STERLING
Learning and Development
Group Human Resource
Development

Vision Statement

A globally respected brand – boldly finding ways to enrich lives and build communities.

Mission Statement

Using innovative solutions to unleash the potential of our people.

Value Statement

We value all our stakeholders and promise to be:

Dependable
Authentic
Respectful
Transparent

The Power of Putting People First

During 2019, the JN Foundation, the philanthropic arm of The Jamaica National Group, delivered truly impactful initiatives, designed to ***help Jamaicans to find a way.*** This was achieved through continued commitment to programme delivery under five key areas of work: skills and personal development, education, health and safety, social empowerment, and the environment.

Winning photo by Tevin Ashman who captured 'Acts of Kindness' between two children.

Second place photo taken by Marina Burnell, 'Changing Tradition: The New Norm', where she captured the Coronation Market scene.

JN Resolution Project

The Resolution Project COVID-19 Jamaica Photography Competition provided an opportunity for Jamaicans at home and in the Diaspora to tell their own Coronavirus-related stories through the lens of their camera. Members of the public were invited to submit photos under the themes: "masked", "health and fashion", changing traditions, "tan a yuh yaad"; "essential workers", "the hustle", and "acts of kindness".

The JN Resolution Project, formerly called "Youth Zoom", offers a creative avenue through which young people can express and give voice to their concerns.

Third place winning photo taken by Joshua Gordon, under the theme 'The Hustle', captured his tailor sewing masks.

JN members participate in a JN Circle Meeting in February 2020.

JN Circle

The year 2019 heralded the inauguration of the JN Circle initiative – a network of JN members and customers who, together, are being exposed to opportunities to realize their full potential, and at the same time are jointly finding ways to help their communities.

The JN Circle enables members and customers with shared JN's values to meet and take action which will improve outcomes for themselves and for all Jamaicans, wherever they reside. JN Circle is led by the community for the community. Its mandate include: networking, advocacy and building community.

To date, 16 JN Circles have been established across Jamaica. The benefits of being a member include network building, access to JN's subject matter expertise and resources, as well as, special product offers from entities within The Jamaica National Group.

(From left) Dr Ransford Davidson, Business Relationship and Sales Manager, JN Bank Brown's Town and St. Ann's Bay, shares lens time with Claudine Allen, JN Group Member Ombudsman; and JN Circle Brown's Town members: Heather Johnson, Principal of the St Hilda's Diocesan High; and Delroy Palmer, Bursar of the Brown's Town Community College. They were at the inaugural meeting of the JN Circle, Brown's Town Chapter in December 2019.

Rainwater Harvesting & Grey Water Recycling Training Launch

(From left) Onika Miller, then Managing Director of the MCS Group; Therese Turner-Jones, General Manager, Country Representative Jamaica, Inter- American Development Bank; Parris Lyew-Ayee, Chairman, JN Foundation; and Onyka Barrett Scott, General Manager, JN Foundation; Earl Samuels, Assistant General Manager of the JN Group and Leesa Kow, Deputy Managing Director, JN Bank, at the launch of the Rainwater Harvesting & Grey Water Recycling Training to Developers at the Jamaica Pegasus Hotel on September 11, 2019.

Water Project Tech Fest

In keeping with the United Nations theme for World Water Day, "Leaving No One Behind," the JN Foundation hosted the JN Water Tech Fest Project at the JN Bank Chief Office on March 22.

The JN Water Tech Fest Project seeks to assist Jamaicans to adapt to climate change by implementing measures to achieve more efficient and cost saving use of water.

Water Project Jamaica

Under the ***Water Project Jamaica***, the JN Foundation pursued a dynamic programme to sensitize and educate Jamaicans to practise diverse water-saving measures at home and to improve conservation of water with the installation of water-saving devices. This year, we piloted training in rainwater harvesting and greywater recycling for several developers, architects, students, and other interested persons.

Improving People To Drive Development

International Women's Day Brunch Conference

Chief Executive Officer of The Jamaica National Group, Hon. Earl Jarrett (right), along with Doreen Frankson, Chief Executive Officer, Edge Chem, participate in a panel discussion during the International Women's Day Brunch Conference held at The University of the West Indies Regional Headquarters on March 8, 2020. The event, organised by Women in Law Foundation, was held under the theme "Inspired by Hope".

St Mary Chamber of Commerce Luncheon

Frederick Young (left), President of the St Mary Chamber of Commerce and Client Relations Manager at JN Small Business Loans, in discussion with Dr Ransford Davidson (centre), Business Relationship and Sales Manager, JN Bank; and Lloyd Distant Jr., President of the Jamaica Chamber of Commerce, following a luncheon hosted by the St Mary Chamber at the Casa Maria Hotel on February 29, 2020.

Disaster Forum

Curtis Martin (centre), Managing Director of JN Bank and Lenworth Kelly (right), President of the Incorporated Masterbuilders Association of Jamaica, listen keenly to Dr Barbara Carby, Director of the Disaster Risk Reduction Centre at The University of the West Indies, during a public forum entitled: "Hurricane Resistant Construction for Householders," held at the Mona Visitors' Lodge on October 23, 2019.

UK Jamaica Fair Song Competition

Alex Anderson (left) winner of the UK Jamaica Fair Song Competition 2020, is congratulated by Nakeeta Nembhard (centre), Marketing Manager, The Jamaica National Group and Asif Ahmad, British High Commissioner to Jamaica and the Bahamas. Mr. Anderson was awarded two tickets to London. The third staging of the competition, which took place at King's House on February 29, 2020, served to strengthen the cultural links between the UK and Jamaica.

JN Group Legacy Award

His Excellency Sir Patrick Allen (second left, front row), Governor-General of Jamaica, presents Amanda Watson (centre), Export Manager, Seprod, with The Jamaica National Group Legacy Award, during an awards gala held at the Jamaica Pegasus Hotel on October 5, 2019. Sharing in the occasion (from left) are: Curtis Martin, Managing Director, JN Bank; Audley Shaw, Minister of Industry, Commerce, Agriculture and Fisheries and Richard Pandohie, Chief Executive Officer, Seprod and President of the Jamaica Manufacturers & Exporters Association, as well as other members of the Seprod team. The JN Legacy award recognises the resilience of Jamaican companies operating for 25 years or more.

Nation Building Awards

Prime Minister's 2019 Youth Award recipients, Ricardo Burke (second right) and Shanique Rogers (third right), celebrate with Delceta Roberts (second left) who represented Rodain Richardson, an award recipient. The awardees were recognized for their contribution to nation-building through community development at the Prime Minister's Youth Awards held November 2019. In recognition of their achievement, they were presented with gifts by Shanna Kaye Wright Vaughn (left), Youth Marketing Officer, JN Bank; Horace Hines (third left), General Manager, JN Money Services; and Sanya Wallace (right), Senior Manager, Strategic Planning and Marketing, at JN Money Services. The presentation took place at JN Money Services on December 18, 2019.

Putting The Community At The Centre Of Development

At the heart of the endeavor to become the place of choice to live, work, raise families and do business, is our country's need to solve and resolve the complex needs of a myriad of communities spread across the island. At the JN Foundation, we have elevated two areas that we see as critical to this endeavor – helping to shape a positive identity and addressing the unnecessary loss of life on the nation's roadways.

Parish Histories of Jamaica

In collaboration with the UWI Mona, we have been able to research, document and publish the parish histories of St. Thomas, Portland, Trelawny, St. Mary and St. Catherine. There is so much to learn from our past that can help in our decision-making for a better tomorrow. We continue to encourage community members to avail themselves of this information.

Cost of Care Report

Research commissioned by the JN Foundation in 2017 – the Cost of Care report - revealed the extremely high cost and heavy burden being borne by the country, individual families and communities every time a road traffic crash occurs. This illuminating report has helped to us to further solidify our commitment to addressing road safety issues.

Road Safety

True to our mission to inspire change across the nation, the JN Foundation partnered with UNICEF and the Ministry of Culture, Gender, Entertainment and Sport under the national theme, "Road Safety – It's You, It's Me, It's All Ah We", to support the rehabilitation of crosswalks all over the country. It was good to see communities and individuals across the country get involved.

Road Safety - X Marks the Spot

An ongoing concern for us at the JN Foundation is the number of persons who lose their lives on the nation's roadways each year. For several years, we have dedicated ourselves to raising awareness on good road use habits, to reduce the carnage on the roads. Through our X Marks the Spot initiative, a partnership with UNICEF and ABERTIS Foundation,

Onyka Barrett Scott (left), General Manager, JN Foundation; in conversation with Jean Todt (centre) President of the Federation Internationale de L'Autombile (FIA) Foundation and UN Special Envoy for Road Safety; and Mike Henry (right), Member of Parliament for Central Clarendon. They were on a tour of the Hazard Primary School in August 2019. Also present were Onika Miller (second right), then Managing Director of the MCS Group, and representatives of the school and the FIA Foundation.

Prime Minister Andrew Holness commending students of the Hazard Primary school after their drama performance at the Labour Day Launch at Jamaica House on May 7, 2019

more than 5,000 students benefitted from the upgrades completed under the initiative. Further, 15,026 primary school children were better able to keep safe on our roads because of their participation in the Police in Schools Programme.

Labour Day 2019

For Labour Day, the JN Foundation partnered with UNICEF, Ministry of Culture, Gender, Entertainment & Sport and Ministry of Labour and Social Securiy to deliver the nationwide Labour Day campaign – "Child Safety – It's You, It's Me, It's All Ah We". What an inspirational moment to see so many communities coalesce around the need to keep our children safe, by electing to re-paint crosswalks in their locales.

Education: A Driver of Social Advancement

Scores of students at the secondary and tertiary levels received financial support totaling millions of dollars for their educational pursuits from member companies of The Jamaica National Group.

JN supports Youth for Arts & Recreational Development (YARD)
Rushard Blake (left), Learning Support Officer at The Jamaica National Group, in discussion with (from left) Byron Stewart, Mario Johnson and Iris "Terri" Salmon, Founder/Director, Youth for Arts & Recreational Development (YARD) Empire, during a gender-based violence sensitisation session held at Calabar High on February 21, 2020. The event was organised by YARD Empire under the theme "Jamaican Boys Becoming Men."

"The back-to-school period is often a stressful time for parents, with many having challenges in covering expenses," said Sanya Wallace, Senior Manager, Strategic Planning and Marketing at JN Money Services.

"We recognise education as a driver of social advancement, and we used this opportunity to assist families by awarding students with grants towards their educational expenses," she added.

The support to education by The Jamaica National Group was not only financial. Close to 500 upper-school boys at Calabar High were challenged to be change-makers during a gender-based violence sensitisation session held at the school in March 2020. The event was organised by the Youth for Arts & Recreational Development (YARD) Empire, with support from The Jamaica National Group, and was held under the theme 'Jamaican Boys Becoming Men'.

"You are the men of the future, you are the future of Jamaica. If you want to change society, you have to change yourself and create the Jamaica you want to live in," Learning Support Officer at The Jamaica National Group, Rushard Blake, charged the young men.

JN Foundation supports Education

At the JN Foundation, we strongly believe in the role that education can play in uplifting families, communities and the nation at large. Each year, we are inspired by the young students we assist to complete their high school education, through the JN Foundation's Annual Scholarship Programme. Over the course of 2019, we disbursed 264 scholarships, with at least 100 of those who benefitted being identified as residing in volatile and underserved communities.

JN FOUNDATION SCHOLARSHIP AWARDS – SEPTEMBER 8, 2019
Javier D'Aguilar delivers the Vote of Thanks

A total of 34 students were awarded PEP Scholarships: 14 were parish high performers, 18 were the children of JN members of staff, and two were specially awarded scholars. Eighty-seven recipients were repeating JN Scholars who achieved averages of 70% and over on their high school reports, and 16 university students received a one-year tuition grant.

Increasingly, our young people have been demonstrating a desire to understand ways of generating and managing money. This interest is to be commended. We were able to impart such knowledge to 817 young persons between the ages of 6 and 17. We truly look forward to them not only applying the information shared but also telling a friend or loved one. This is a key and necessary ingredient in generating the economic stability associated with Jamaica's Vision 2030.

Jeffrey "Agent Sasco" Campbell describes his experiences as a 10-year-old boy with big dreams through the use of his Hope River album cover, as he addressed scholarship recipients.

MC Systems Scholarship Award
Dwayne Russell (left), General Manager, MC Systems, congratulates scholarship recipients (from second left): Ashray Soares, Tevin Taylor and Shane Okukenu, students at The University of the West Indies. The students, who are pursuing Bachelor of Science degrees in software engineering, were awarded scholarships by MC Systems in September 2019, to complete their programme at The University of West Indies and Global Institute of Software Technology (GIST), China.

Financial Literacy

Our *Financial Literacy Project*, a flagship initiative of the Foundation, was relentless about engaging and sharing the tools and knowledge on managing finances with countless Jamaicans. A total of 3,179 persons benefitted from 71 financial literacy sessions held across the country. The JN Foundation team is to be commended for their commitment, which has allowed them to engage 23,608 persons since 2014, helping each to understand their finances better.

Winning Skoolaz' Promotion
Seeri Parker (centre), first-form student at Marymount High School, was one of 42 students who were awarded scholarships from JN Money Services totaling more than one million dollars as part of the JN Money back-to-school 'Winning Skoolaz' Promotion, which ran from July 1 to August 31, 2019. Sharing the proud moment are her mother, Sashauna Smith (left) and Horace Hines, General Manager, JN Money Services. The presentation took place at JN Money Services on September 11, 2019.

Actuarial Science Scholarship Awards
Oliver Tomlinson (left), General Manager, JN Life Insurance Company, discusses the business of life insurance with Howard Hines (right), Director, Actuarial Science at The University of the West Indies, Mona and Marsha Gay Lawrence, Student Office Administrator. The occasion was the presentation of scholarships to actuarial science students at the JN Life Insurance offices in New Kingston on January 30, 2020.

JN Bank celebrates Teachers' Day 2019
Sashana Black (left), a teacher at Immanuel Success Preparatory School in Falmouth, Trelawny, was delighted by the surprise visit of Nina Peters, Business Relationship and Sales Manager, JN Bank, on Teachers' Day - May 8, 2019. The school is one of several participants in the JN Bank Schools' Savers Programme.

Health: Major Boost For Cancer Programme

As a staunch supporter of initiatives of the Jamaica Cancer Society (JCS), The Jamaica National Group continued its outreach engagements for the non-profit, non-governmental organisation.

On October 4, 2019, the JCS received a major boost for its prostate cancer prevention programme with an injection of funds totaling two million dollars. The presentation was made by the Association of Surgeons in Jamaica during a hand-over ceremony at the Tony Thwaites Wing of the University Hospital of the West Indies. The proceeds were from the Association of Surgeons' annual Scrubs All Inclusive Party which was sponsored by JN Bank and was held at the Mona Visitors' Lodge in March 2019.

Furthermore, in observance of October being Breast Cancer Awareness Month, JN Bank mounted the Power of Pink campaign for the second consecutive year, to highlight work of the JCS in the early detection and treatment of breast cancer in Jamaica.

As a prelude to the October observance, JN Bank hosted a Think Tank session on September 26, 2019, under the theme, "Beyond Breast Cancer", at the JN Financial Centre, 2 Belmont Road, New Kingston. This session served to highlight the socio-economic challenges persons battling the disease face, and their stories of hope and survival.

Jamaica Cancer Society Prostate Cancer Programme

Dr William Aiken (centre), Consultant Urologist and President of the Association of Surgeons in Jamaica, presents a cheque for $2 million to Yulit Gordon (left), then Executive Director of the Jamaica Cancer Society (JCS) for its Prostate Cancer Programme during a hand-over ceremony at the Tony Thwaites Wing of The University Hospital of West Indies on October 4, 2019. Also participating in the handover is Shereen Jones, Assistant General Manager, The Jamaica National Group.

JAA celebrates with Heroes of Speed race meet winner

Jamie James (left), driver of a Mitsubishi Evolution 3, sponsored by the Jamaica Automobile Association (JAA), celebrates with Coswayne Samms, Marketing Officer at JAA, after winning his second race for the day at the Heroes of Speed race meet held at Dover Raceway on October 21, 2019.

Caribbean Area Squash Association's Senior Championships

Chris Hind (second left), General Manager, JN General Insurance Company, and Douglas Beckford (second right), Team Manager, display a competition shirt to the approval of players Tahjia Lumley (left) and Stuart Maxwell (right). The occasion was a presentation ceremony at the Liguanea Club on August 15, 2019, ahead of the departure of Jamaica's squad for the 2019 Caribbean Area Squash Association's Senior Championships in Guyana.

Sports Creates a Positive impact on Society

Sports is an important catalyst in shaping the lives of young people and sharpening their skills. In light of this, The Jamaica National Group is committed to the development of sports in Jamaica, and continues to create extraordinary life experiences for sportsmen and sportswomen through sponsorship of sports events.

JN General Insurance (JNGI) underscored its commitment to local squash by assisting the senior national team to attend the Caribbean Area Squash Association's Senior Championships that took place in Guyana from August 17 to 24, 2019. "JNGI has become a major supporter of Jamaican squash and we are pleased with how well the teams and individual players continue to perform locally and overseas," said Chris Hind, General Manager, JNGI.

Highlighting the impact of sport on the human psyche, Nelson Mandela, former President of South Africa, said: "Sport[s] … has the power to unite in a way that little else does. It speaks to youth in a language they understand."

JN Bank Open Tennis Championship

Ricardo Dystant (second left), then Chief of Channels at JN Bank, presents Lockett McGregor (second right), Tournament Director, with a sponsorship cheque for the JN Bank Open Tennis Championship at the press launch held at Liguanea Club on December 10, 2019. Witnessing the presentation are Nancy Pinchas (left), of Tennis Jamaica and Kerry-Ann South, Sales Manager, Liguanea Club. The championship was held from December 14 to December 21, 2019.

Fortis 5K Run/Walk, Canada

Emile Spence (second left, back row), Chief Representative Officer, JN Bank Canada Representative Office and Claude Thompson (right, front row), Regional Manager, JN Money, share the spotlight with Olympian Ben Johnson at the Fortis 5K Run/Walk held at the Chinguacousy Park in Brampton on September 14, 2020. Also sharing in the moment are (from left) Alexander Francis and Clive Barriffe of the Kingston College Old Boys' Association.

Creating Access To Services

JN Cayman Welcome Reception

Earl Jarrett (standing, right), Chief Executive Officer, The Jamaica National Group; Gladstone Lewars (standing left), Chairman, JN Cayman, share pleasantries with Elaine Harris (seated, right), Honorary Vice-Consul – Jamaican Consulate and Jermaine Deans, Managing Director of JN Cayman, during a welcome reception held in honour of the newly appointed Managing Director. The reception was held at the Marriot Hotel in Grand Cayman on March 12, 2020.

Financial Services Provider for JDF

Seated from left to right: Curtis Martin, Managing Director, JN Bank; Carlton Earl Samuels, Chief Development Financing Officer, The Jamaica National Group; Colonel Winston Walcott, Brigade Commander, Jamaica National Reserve of the Jamaica Defence Force (JDF); and Lieutenant Colonel Everton Morgan, JDF, sign a three-year contract aimed at providing members of the JDF with increased access to financial services. Witnessing the signing (from left) are the JN Bank team: Saniah Spencer, Chief - Marketing & Product Development; Warren Wilson, Head, Credit Card Sales; Sharon Smith, Head, JN Individual Retirement Scheme and Insurance Premium Financing; and Steve Distant, Chief of Sales. The signing ceremony was held at the Chief Office of JN Bank on October 23, 2019.

Jamaica Teachers' Association

President of the Jamaica Teachers' Association (JTA), Dr Garth Anderson (seated left), and Managing Director of JN Bank, Curtis Martin (seated right), sign an agreement to offer JTA members specially packaged financial services. The signing took place at the offices of the JTA on April 4, 2019. Witnessing the signing are from left: Byron Farquharson, Secretary-General, JTA; Saniah Spencer, Chief Marketing and Product Development, JN Bank and Ryan Parkes, Chief, Business Banking and Public Sector Engagement, JN Bank.

JNSBL Start Up - Kick Start Competition

Marcus Sewell (centre), Ava Gay Lewis (second left), and Kimone Knight (second right), first, second and third place winners respectively in the JN Small Business Loans (JNSBL) Start Up - Kick Start Competition, celebrate with Gillian Hyde (left), General Manager, JNSBL and Thelma Yong, Deputy General Manager, JNSBL. The occasion was the JNSBL Start-up Kick Start Competition awards held at the Courtleigh Hotel, on October 4, 2019. The competition was a social media-promoted initiative for start-up business owners to receive funding for their operations.

Fourth MSBM Business and Management Conference

Gillian Hyde (centre), General Manager, JN Small Business Loans, has the captive attention of Patrick Prendergast (right), Campus Director, The University of the West Indies Mona Western Jamaica campus and Donovan Wignall, President of the Micro Small and Medium Enterprises Alliances. They were attending the 4th International Business and Management Conference hosted by the Mona School of Business and Management at the Jamaica Pegasus Hotel on July 10, 2019.

Young Investment Enthusiast visits JN Fund Managers

Julian Morrison (left), Research Analyst, JN Fund Managers and Delories Jones (centre), Senior Vice President- Sales Strategist, JN Fund Managers, reason with five-year-old Antwan Barnes. Antwan was taught basic investment concepts during his visit to the institution, which was arranged after his mother, Julian Barnes, contacted the institution about investment advice for her son.

Delighting Members... Actualising Dreams

Member Appreciation

Chef Andre Sewell gets a nod of approval from JN Bank guests for his Ham and Broccoli Tortiglioni in Pumpkin Béchamel at a JN Member Appreciation Dinner during which guests were treated to a live culinary demonstration of the preparation of the meal. The event was held at the JN Financial Centre in New Kingston on December 5, 2019.

JN Bank Activate, Spend and Go II Promotion

Saniah Spencer (right), Chief of Marketing and Product Development, JN Bank, presents Richard Burt with his prize of a trip for four to any North American destination and US$1500 spending money, in the JN Bank Activate, Spend and Go II Promotion, during a ceremony at the Knutsford MoneyShop in New Kingston in April 2019. The promotion was open to JN Bank Visa credit cardholders.

JN Employees - A Team Empowered for Service

Employees were involved in a number of initiatives during the year that fostered good mental health, benevolence, team spirit and camaraderie.

In recognition of World Mental Health Day, observed on October 10, 2019, members of The Jamaica National Group Occupational Health and Safety team, as well as other JN employees, participated in a forum that discussed the importance of Mental Health in the Workplace.

"When we speak about good mental health, we are talking about positive self-worth, coping with stress, realisation of your full potential, being able to do work productively," explained Dr Wendell Abel, one of Jamaica's leading psychiatrists and therapists.

Aside from this and other development engagements, employees also demonstrated their philanthropic commitment by helping to raise funds for the Jamaica Cancer Society, as part the annual Relay for Life event.

Mental Health Talk

Janice Green (centre), then President of the Jamaica Occupational Health and Safety Professionals Association (JOHSPA), and Occupational Health and Safety Officer at The Jamaica National Group, discusses mental health issues in the workplace with Dr Wendel Abel (left), Psychiatrist and Therapist, and Andre Latty, Executive, Group Human Resources Development, The Jamaica National Group, on October 10, 2019.

JN Bank team wins Inter-bank Football Competition

The JN Boyz defeated National Commercial Bank to win the Norman Goodison Inter-bank JamClear Cup Competition held at the Alpha Institute on November 10, 2019. The match initially ended one all, sending the teams into a penalty shoot out to determine the winner. The JN Boyz defeated their opponents with a perfect four goal lead.

Business House Netball Senior B League

JN Girlz emerged the 2019 champions in the Business House Netball Senior B League after they defeated NHT B Team in the finals of the League held at National Indoors Sport Centre on October 26, 2019. At the end of the fourth quarter, the teams were tied at 37-37. However, into extra time, the JN Girlz dominated the match, with the game ending 47-44.

Independence Celebration 2019

Employees of the JN Bank Portmore Pines Branch don their Jamaican colours in recognition of Jamaica's Independence Day, which was observed on August 6, 2019. The branch was one of several participants in the "Deck Yuh Branch" Competition.

International Women's Day 2020

Members of the Group Human Resource Development department show their solidarity for International Women's Day, which was observed on March 8, 2020.

Independence Celebration - UK

The JN Bank UK Representative Office team was not to be left out of the Independence celebrations. On August 6, 2020, they celebrated with members who were treated to Jamaican goodies, reggae music and Jamaica's festival songs.

Children's Home Treat

Following a fire that destroyed the Jamaica National Children's Home, the JN Bank Half-Way-Tree team warmed the hearts of the children of the home by hosting a treat for them in September 2019. The Jamaica National Children's Home is not affiliated with The Jamaica National Group.

Community Connection

The JN Bank Florida Representative Office team celebrated their successful hosting of Community Connection held in Lauderhill, Florida, USA on June 30, 2019 under the theme "Destination Jamaica". From left are: Lorna Murray, Mortgage Specialist; Karyne Kerr, Customer Service Representative (CSR); Janice McIntosh, Chief Representative Officer; Errol Gallimore, Intern; and Winnifred Henry-Smith, Customer Service Representative. Visitors to the event were provided with information on real estate, investments and savings, and tourism destinations, as well as products and services offered by JN Bank.

The JN Foundation team pauses for a photo opportunity following the successful staging of their Annual Donors Breakfast event at the Jamaica Pegasus Hotel on May 17, 2019.

JN Bank

CURTIS MARTIN, MBA, BSc
Managing Director, JN Bank

Curtis Martin was appointed Managing Director of JN Bank in 2019. He previously served as Chief Financial Officer, The Jamaica National Group and Assistant General Manager, Treasury and Investments, Jamaica National Building Society. He has operated as a Senior Executive in areas such as finance, treasury and investments management and merchant and commercial bank management for over 30 years at several major financial institutions. As Chairman of the Jamaica Stock Exchange & Jamaica Central Securities Depository (2006-2011), he led the diversification of the organisation's revenue stream through the development and launch of the Junior Stock Market, JSE Trustee Services, JSE E-Learning Institute and the Caribbean Exchange Network. He is Chairman of the Island Traffic Authority, a director of the Jamaica Central Security Depository (JCSD), a JCSD Trustee Services Member and a Member of the Kingston College Old Boys' Association.

LEESA KOW
Deputy Managing Director

HELEN BLOOMFIELD
Chief – People & Culture

BELINDA CLARKE ROBINSON
Chief – Finance

STEVE DISTANT
Chief – Non-Branch Division

RICARDO DYSTANT
Chief – Digital Transformation & Special Projects

PETA-GAYE FAIRCLOUGH
Chief – Risk & Compliance

PETAL JAMES
Chief – Branches

KEISHA MELHADO-FORREST
Chief – Credit Risk Management

RYAN PARKES
Chief – Business Banking

JANICE ROBINSON LONGMORE
Chief – Operations

SANIAH SPENCER
Chief - Marketing & Product Development

AUDREY WILLIAMS
Chief – Treasury & Investment

United Kingdom

DEAN FENSOME
Chief Executive Officer

Dean Fensome was appointed chief executive officer of JN Bank UK in June 2020. He was previously the Bank's chief finance officer from January 2019 and was part of the team responsible for setting up the bank. Dean has over 35 years' experience in the financial services industry, gained in a variety of senior roles in the UK and internationally. He is a qualified accountant, a member of the Chartered Institute of Bankers and an alumnus of the Harvard Business School. He was previously CEO of the Holmesdale Building Society and responsible for leading its successful merger with Skipton in 2018. Prior to that, Dean spent more than 30 years in a number of financial institutions, including Teachers Building Society, Royal Bank of Scotland, Direct Line, ABN AMRO and NatWest.

PAULETTE SIMPSON, CBE
Deputy Chief Executive Officer

IAN JONES
Chief Risk & Compliance Officer

DIANNE AUGUSTIN
Chief Operating Officer

MARK STEVENTON
Head of Consumer Lending

TARUN CHHABRA
Head of Technology

JN Fund Managers Ltd.

ALLAN LEWIS, MBA, ED.M, BSc (Hons)
Managing Director

Allan Lewis has led the team at JN Fund Managers since 2016. Under his leadership, the Company has continued its transition to provide a full suite of wealth management services, including investment banking and mutual funds. Allan previously worked with several local financial institutions, where he gained vast experience in asset management; enterprise financial risk management; mergers and acquisitions; as well as wealth management, money transfer, pension funds management and administration services.He currently serves as Chairman of the Jamaica Racing Commission/Betting Gaming & Lotteries Commission Pension Fund and the Operations Committee of the Premier Football Association of Jamaica/ Jamaica Football Federation that adjudicates the local Premier League. Allan's experience is underpinned by extensive professional and academic achievements, including being an Associate of the Society of Actuaries.

DYLAN COKE
Deputy General Manager

SHARON WHITELOCKE
Deputy General Manager

PATRICK BLAKE
Senior Manager, Accounting

DELORIES JONES
Senior Vice President
Sales and Business Development

HUGH MILLER
Head of Asset Management

JN GENERAL INSURANCE

CHRIS HIND, MBA, BA
General Manager

Chris Hind brings a wealth of experience in risk management within the Jamaican financial sector and sound knowledge of fiscal regulatory procedures, having served as Head of Operational Risk for the JN Group. He was previously in charge of Special Investigations at the Revenue Protection Division of the Ministry of Finance and Planning. He was appointed General Manager of NEM Insurance Company (JA) Limited in 2007 and was instrumental in guiding the re-branding of the company to become JN General Insurance Company Limited in 2012. He is a member of the Executive Committee of the Area Four Police Civic Committee and President of the Jamaica Squash Association.

ANDREA GORDON MARTIN
Assistant General Manager
Operations

JOSEPH HOLNESS
Assistant General Manager
Reinsurance & Underwriting

KARLENE LEVERIDGE
Senior Manager, Human Resource Development

GLENROY PRENDERGAST
Senior Manager, Finance

LYNFORD REECE
Senior Manager
Distribution

SHELLY-ANN WALKER
Senior Manager, Compliance & Risk

JN Life Insurance Company Limited

HUGH REID, FCA, FCCA, MSc, BSc
Acting General Manager

Mr Hugh Reid was appointed Acting General Manager of JN Life Insurance Company in December 2020. Mr. Reid is an experienced financial services executive and entrepreneur, with a track record of success in general management, customer service, sales management, investments, life insurance, mortgage finance, financial accounting and financial management in the financial services, construction and real estate industries. He joined The Jamaica National Group as a Consultant in November 2018 and successfully completed and participated in several projects in the areas of financial analysis, project financing, project appraisal, as well as policy and strategy development. He was appointed Executive in the JN Group Accounting and Financial Reporting Unit in October 2019.

In 2016, Mr Reid established Customer Needs LLC, in Georgia, Atlanta, a startup company with a focus on real estate investing and financial education. Prior to that, he served in a number of senior management roles as President of Scotia Jamaica Life Insurance Company; Chief Operating Officer at the Victoria Mutual Building Society; Senior General Manager at the National Housing Trust; and has also worked in the life insurance and internal audit sectors. He completed the MSc, Accounting and the BSc, Economics, both at The University of the West Indies. He is a Fellow of the Chartered Association of Certified Accountants (UK), the Institute of Chartered Accountants of Jamaica and the Life Management Institute (US) and completed the International Housing Finance Certificate at Wharton, University of Pennsylvania.

Mr Reid is Chairman of the Board of Perishables Limited; Director of the Kingston College Development Trust Fund and the Kiwanis Foundation of Jamaica; and Vice Chair, Association of Chartered Certified Accountants (ACCA) Jamaica Chapter. He is Past President, Insurance Association of Jamaica (2012-2014); Fellow of the Jamaican Institute of Management (2006); and has had a long association with the Kiwanis Club of North St. Andrew – Distinguished Club Secretary, Kiwanian of the Year, Past Distinguished President 2000-2001 and Kiwanis Hixson Fellow * Lt. Governor's Award, Division 23 EC&C District, Kiwanis International, for outstanding service as Divisional Treasurer.

DAVIA BROWN
Assistant General Manager
and Chief Financial Officer

SANDRINA WATKINS
Operations and Product
Development Manager

SUSAN HOLNESS
Underwriter and Manager
New Business

JN Money

HORACE HINES, MBA, BSc
General Manager

Horace Hines has supported the growth and development of JN Money Services since 2003, significantly contributing to the remittance company becoming a global brand for money transfer and payment solutions. He was appointed General Manager in 2016. A strong team player, Hines has had a long-standing relationship with the JN Group, with a track record of excellence in service. He has served in several capacities at the Jamaica National Building Society for over 20 years.

MARTIN GOODEN
Assistant General Manager, Finance & Strategic Planning, Performance, Measurement and Reporting

HARRY BHOORASINGH
Senior Country Manager
JN Money Services (USA) Inc.
New York

GLENROY HENRY
Country Manager
JN Money Services
(Cayman) Limited

MAXINE HINDS
Regional Manager South East
JN Money Services (USA) Inc.
Florida

CLAUDE THOMPSON
Regional Manager
JN Money Services
(Canada) Limited

HEATHER CAMPBELL
Senior Manager
Accounts

FABIAN SANCHEZ
Senior Manager, Compliance

SANYA WALLACE
Senior Manager
Strategic Planning
and Marketing

SMALL BUSINESS LOANS

GILLIAN HYDE, MSc, BSc
General Manager

Mrs. Gillian Hyde joined the JN family in 2003 and has served in several areas - Finance & Accounting, as well as Corporate and Strategic Planning. She had a short stint as Member Ombudsman and Executive in charge of Customer Service. She was appointed General Manager of JN Small Business Loans in 2015. She has participated in key development programmes, including a certificate course in Strategic Leadership in Inclusive Finance from the Harvard Business School.

THELMA YONG
Deputy General Manager

KEISHA BENT
Senior Manager, Finance
IT and Administration

MARCIA PATTERSON-BAUGH
Senior HR Business Partner

CAYMAN

JERMAINE DEANS, MBA, BSc
Managing Director

Experienced team leader, deal maker and strategist, **Jermaine Deans**, was appointed Managing Director of JN Cayman in December 2019. He joined The Jamaica National Group in 2016 as Deputy General Manager, JN Fund Managers, with responsibility for Corporate Finance, Capital Markets and Institutional Sales, Credit, Treasury & Trading. Mr Deans has over 17 years of experience in Global Financial and Capital Markets, Credit, Commercial Banking, Treasury Management, FX Trading, Bond Trading, Company Financial Analysis and Corporate Strategy Re-engineering, Balance Sheet Restructuring, Monetary and Fiscal Policies, Economics and Central Government Management, Supervision of Financial Institutions and Market Risk Assessment.

RAKESH GOSWAMI, ACA, FCA, BA (Hons)
Managing Director

Rakesh Goswami was appointed Managing Director of the MCS Group in March 2020, with responsibility to lead the non-financial, non-regulated companies of The Jamaica National Group. With more than 30 years of strategic management, leadership and operational management experience, he has a track record of developing strong managers and teams. He previously worked with Telecommunications Services of Trinidad and Tobago (TSTT) as Executive Vice President, Strategic Alliances, Enterprise & Tobago Operations. He has worked with Pannell Kerr Foster, London and PricewaterhouseCoopers (Jamaica); J. Wray and Nephew and Cable and Wireless Jamaica. A Chartered Accountant with the Institute of Chartered Accountants in England and Wales, Rakesh Goswami has lectured in Financial Statements Analysis for MSc International Finance Students at the Arthur Lok Jack Graduate School of Business, Trinidad. He was also a Vice President of the Trinidad & Tobago Chamber of Commerce & Industry for several years and has recently been appointed a Director of the Spectrum Management Authority in Jamaica.

KERINE GOLDING WRIGHT
Chief, Strategy and Business Development

LATOYA JOHNSON BROWN
Finance Manager

DONNA MESQUITA
Senior Manager, Marketing

DWAYNE RUSSELL, ACCA
General Manager

Dwayne Russell was appointed General Manager of Management Control Systems Limited (MC Systems) in 2016. In his more than two decades at MC Systems, Dwayne has held several leadership roles in the areas of finance, sales & marketing, business development, product development and support. He holds the ACCA certification and a Diploma in Business Administration, Accounting major, from the University of Technology, Jamaica. He also holds certificates in Project Management, Business Analysis, Data Analytics and Unix Database Administration. Dwayne is a member of the Jamaica Computer Society, Electronic Transaction Association Payment Sales and Strategy Committee, Institute of Internal Auditors and the Institute of Jamaica Finance Committee.

WILLIAM DEWAR
Assistant General Manager
Operations and Services

COLIN McGANN
Assistant General Manager
Innovation and Research

SALOMIE LYLE-SCOTT
Senior Manager, Technology Consulting

DODGRY NEWELL
Senior Manager, Customer Experience

WAYNE PALMER
Manager, Finance

TAMIQUE HINES
Senior Manager, Software Engineering

WENDELL SMITH
Managing Director

With more than three decades of experience in research and development in technology and finance, **Wendell Smith** was appointed Managing Director at the Jamaica Automobile Association (JAA) in 2020.

He joined MC Systems as Operations Manager in 1978 and was appointed General Manager in 1982. Mr Smith was appointed an Executive at JNBS in 2003. He was subsequently appointed Assistant General Manager, leading the JN Group Information Technology and Operations Departments for more than seven years.

He is a director of both MC Systems and MCS Group, the holding company for the non-financial JN Group companies.

ANDREA MARTIN, MBA, BA (Hons)
Deputy General Manager
Operations

ROLAND WATSON-GRANT
Chief Creative Specialist

Roland Watson-Grant joined The Creative Unit (TCU) in 2018 as Chief Creative Specialist, bringing over two decades' experience in concept development, copywriting, creative direction and production to the organisation. His experience in markets in the US, Australia and the wider Caribbean was instrumental in him being appointed Head of TCU in 2019. He studied Literatures in English at The University of the West Indies (UWI), and has served as Creative Director for four agencies responsible for several campaigns for Jamaica's leading brands. Mr Watson-Grant is the recipient of a Bronze Musgrave Award for Eminence in Literature from the Institute of Jamaica, and his work has been archived by the Smithsonian Libraries.

Lieutenant Colonel (Retired)
GARFIELD SEAN PRENDERGAST, JP, MSc, MA, rcds, psc
General Manager

Lieutenant Colonel (Retired) G S Prendergast joined the Jamaica National Building Society in 2014 as Executive, Administration and was appointed General Manager of JN Properties in 2017. He served as a Commissioned Officer in the Jamaica Defence Force for over 30 years and was seconded from the JDF to the post of Commissioner of Corrections, Department of Correctional Services for three years. Lieutenant Colonel Prendergast has held a number of major military appointments, including Infantry Company Commander, Battalion Intelligence Officer, HQ JDF Assistant Staff Officer (Personnel), acted as the Training Major for the Third Battalion the Jamaica Regiment (National Reserve) and Commanding Officer of an Infantry Battalion. He was appointed Standards Officer for the Caribbean Junior Command and Staff Course in 2002 and 2003. He has completed military training courses in the UK, USA, India and Jamaica, and received the Medal of Honour for Meritorious Service to the Jamaica Defence Force.

TANISHA JONES, MSC, BSC, PMP, FCA
Managing Director

Tanisha Jones was appointed Managing Director of Total Credit Services effective July 2020, with oversight for the contact centre and debt collection service portfolio. An accomplished professional, Tanisha. Jones brings a wealth of experience in the areas of accounting, project and operations management, contact centre management, business performance analysis, as well as process design and optimization.

Prior to her appointment, she served as Site Director and Organisational Excellence Director at Sutherland Global Services, Lecturer at the Montego Bay Community College, and Senior Quality Assurance and Process Improvement Manager and Strategic Business Unit Manager at Xerox Business Services.

She is a Fellow Chartered Accountant, Institute of Chartered Accountants of Jamaica; a Certified Project Management professional, Project Management Institute; and has completed Lean Six Sigma Black belt certification.

KEVIN NIGHTINGALE
General Manager

Kevin Nightingale was appointed General Manager of Total Credit Services in 2017. He joined the Jamaica National Building Society in 2004 as a Mortgage Collector and subsequently joined Total Credit Services in 2006 as Loan Recovery Manager. He began his career in the financial sector in 1985, working at National Commercial Bank (NCB), Bank of Nova Scotia and Dennis Joslin Ja (Inc). Over the years, he has acquired invaluable experience in loan recovery and has logged more than two decades of knowledge and experience in handling bad debt portfolios. A past student of York Castle High School, he is actively involved in community life. He has served as President of his community's Citizens' Association for eight years and is still an executive member.

FOUNDAT!ON

CLAUDINE ALLEN, MSc, BA (Hons)
Member Ombudsman
General Manager

Claudine Allen was appointed General Manager of the JN Foundation on December 1, 2020. In this role, she will lead the Foundation's efforts to contribute to the developmental needs of Jamaica. She will also drive programmes that nurture oneness with JN Group members so that together we may leverage our relationships and resources to enrich lives and build communities. As Member Ombudsman, she will continue to champion the interests of members and lead efforts to resolve customer issues, facilitate measurement and analysis of customer experience and leverage member feedback to inform the direction of the Group. She was appointed Executive for the JNBS Enterprise Contact Centre and Member Ombudsman in January 2015. With the restructuring of the Society in February 2017, she was appointed Executive – Member Relations and Quality Assurance and Member Ombudsman for The Jamaica National Group.

Miss Allen joined the Jamaica National Building Society as Communications Specialist in the Corporate Communications department in 2006 and has also served as Special Assistant to the General Manager - a position she held for six years. She brings to the Group expertise in corporate affairs and public relations, customer service, business administration, and advertising. She gained the Master of Science, Public Relations at Syracuse University and the BA (Hons), Media and Communication, from The University of the West Indies (UWI). She is a director of the Jamaica Customer Service Association and United Way of Jamaica.

ROSE MILLER
Grants Manager

Transparent


Serving
Members
through the
Strength
of a Group
Guided by the core belief of People First, we are committed to the financial success and well-being of our members.

Auditors' Report & Financial Statements

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Chartered Accountants
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Jamaica, W.I.
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INDEPENDENT AUDITORS' REPORT

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of The Jamaica National Group Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 87 to 217, which comprise the statements of financial position as at March 31, 2020, the statements of profit or loss, 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 give a true and fair view of the financial position of the Group and the Company as at March 31, 2020, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements (continued)

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

- 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

January 7, 2021

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Statements of Financial Position
March 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Cash and cash equivalents	6, 37(c)	29,538,691	24,130,156	154,782	25,192
Securities purchased under resale agreements	7, 37(c)	4,647,096	5,262,356	-	-
Investments	8	67,977,501	71,764,725	-	-
Due from related entities	9(a)	-	-	311,371	215,074
Taxation recoverable		1,459,866	1,246,253	1,506	1,369
Interest in subsidiaries	10	-	-	5,264,030	5,264,030
Interest in associates	11	650,147	609,517	-	-
Loans	12, 37(c)	110,830,929	97,507,080	161,045	137,154
Other assets	13	4,598,599	3,985,484	190,259	52,190
Assets held for sale	14	205,783	404,560	-	-
Investment property	15	374,656	385,696	-	-
Property, plant and equipment	16	6,351,167	5,522,229	440,040	365,807
Goodwill and other intangible assets	17	1,921,055	1,371,547	416	263
Deferred tax assets	18	2,461,060	1,531,997	589,043	589,043
Right-of-use assets	26(i)(a)	996,495	-	59,954	-
Total assets		232,013,045	213,721,600	7,172,446	6,650,122
LIABILITIES					
Bank overdraft	6(d)	-	7,311	-	-
Due to specialised financial institutions	48	20,326,365	18,730,994	-	-
Customer deposits	19, 37(c)	139,865,968	129,492,554	-	-
Due to related entities	9(b)	179,900	175,159	415,993	175,159
Securities sold under repurchase agreements	20	20,417,110	17,240,387	-	-
Other payables	21, 37(c)	6,026,265	4,945,740	256,352	156,032
Margin loan payable	22	-	898,159	-	-
Taxation payable		297,834	517,848	-	-
Deferred tax liabilities	18	7,042	20,185	-	-
Employee benefits obligation	23(a)	1,435,498	1,726,899	-	-
Insurance contract provisions	24	4,228,571	4,123,006	-	-
Long-term loans	25, 37(c)	5,291,458	1,647,961	-	-
Lease liabilities	26(i)(b)	1,018,060	-	64,155	-
Total liabilities		199,094,071	179,526,203	736,500	331,191
EQUITY					
Reserve fund	27	7,600,000	7,600,000	-	-
Contractual savings reserve	28	14,223	14,223	-	-
Other reserves	29	3,483,987	6,131,889	175,081	175,212
Retained earnings		21,745,631	20,371,248	6,260,865	6,143,719
Total equity attributable to equity holders of the Company		32,843,841	34,117,360	6,435,946	6,318,931
Non-controlling interest	31	75,133	78,037	-	-
Total equity		32,918,974	34,195,397	6,435,946	6,318,931
Total liabilities and equity		232,013,045	213,721,600	7,172,446	6,650,122

The financial statements on pages 87 to 217, were approved by the Board of Directors on November 25, 2020 and signed on its behalf on January 7, 2021 by:

Elizabeth Ann Jones Director
Elizabeth Jones

Director
Kathleen Moss

Director
Hon. Earl Jarrett , OJ, CD, JP, CStJ

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Statements of Profit or Loss
Year ended March 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Interest revenue calculated using the effective interest method:					
Interest on loans		10,367,269	9,474,598	10,365	35,846
Interest on investments		2,648,145	3,323,704	547	551
		13,015,414	12,798,302	10,912	36,397
Interest expense	32	(2,559,047)	(2,630,392)	(5,372)	-
Net interest revenue		10,456,367	10,167,910	5,540	36,397
Impairment losses on financial instruments	39(b)(vi)	(820,481)	(357,443)	-	-
Unrealised gain/(loss) on fair value through profit or loss (FVTPL) investment securities		23,568	(78,985)	-	-
Other operating income	33	9,365,386	8,217,910	2,304,715	1,689,716
Operating expenses	34	(18,813,590)	(17,270,763)	(2,186,767)	(2,015,453)
Operating surplus/(deficit)		211,250	678,629	123,488	(289,340)
Gain on disposal of investments		1,205,203	675,946	-	-
Share of profit of associates	11	40,630	34,609	-	-
Unrealised foreign exchange (loss)/gain		(80,594)	(117,303)	(6,342)	10,366
Surplus/(deficit) before taxation		1,376,489	1,271,881	117,146	(278,974)
Taxation	35	(757,113)	(458,688)	-	195,000
Surplus/(deficit) for the year		619,376	813,193	117,146	(83,974)
Attributable to:					
Equity holders of the Company		608,413	858,871	117,146	(83,974)
Non-controlling interest		10,963	(45,678)	-	-
		619,376	813,193	117,146	(83,974)

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Statements of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Surplus/(deficit) for the year		619,376	813,193	117,146	(83,974)
Other comprehensive income:					
Items that are or may be reclassified to profit or loss:					
Translation of foreign subsidiaries' balances		(278,778)	(154,516)	-	-
(Decrease)/increase in fair value through other comprehensive income (FVOCI) investment securities, net of impairment losses		(2,153,063)	912,248	-	-
Realised losses on investments recognised in the statement of profit or loss		(738,003)	(780,267)	-	-
Deferred tax on FVOCI investment securities and Expected Credit Loss (ECL)	18	968,235	(2,845)	-	-
		(2,201,609)	(25,380)	-	-
Items that will never be reclassified to profit or loss:					
Net loss on equity investments designated as FVOCI		(29,376)	(7,888)	-	-
Remeasurement of employee benefits obligation	23(d)	512,012	(68,531)	-	-
Deferred tax on employee benefits obligation	18	(170,670)	22,844	-	-
		311,966	(53,575)	-	-
Total other comprehensive loss for the year		(1,889,643)	(78,955)	-	-
Total comprehensive (loss)/income for the year		(1,270,267)	734,238	117,146	(83,974)
Attributable to:					
Equity holders of the Company		(1,284,682)	780,114	117,146	(83,974)
Non-controlling interest		14,415	(45,876)	-	-
		(1,270,267)	734,238	117,146	(83,974)

To be read in conjunction with the accompanying notes to the financial statements.

Group Statement of Changes in Equity
Year ended March 31, 2020

	Reserve fund $'000 (note 27)	Contractual savings reserve $'000 (note 28)	Other reserves $'000 (note 29)	Retained earnings $'000	Total $'000	Non - controlling interest $'000	Total equity $'000
Balances at March 31, 2018	7,600,000	14,223	5,562,826	20,442,845	33,619,894	125,024	33,744,918
Changes on initial application of IFRS 9	-	-	(248,918)	(24,860)	(273,778)	(1,759)	(275,537)
Adjusted balances at April 1, 2018	7,600,000	14,223	5,313,908	20,417,985	33,346,116	123,265	33,469,381
Surplus for the year	-	-	-	858,871	858,871	(45,678)	813,193
Other comprehensive income/(loss):							
Translation of foreign subsidiaries' balances	-	-	(154,631)	-	(154,631)	115	(154,516)
Increase in fair value of Fair Value Through Other Comprehensive Income (FVOCI) investments, net of deferred tax	-	-	901,994	-	901,994	(479)	901,515
Realised gains on investments recognised in the statement of profit or loss	-	-	(780,267)	-	(780,267)	-	(780,267)
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	(45,853)	(45,853)	166	(45,687)
Total other comprehensive loss	-	-	(32,904)	(45,853)	(78,757)	(198)	(78,955)
Total comprehensive (loss)/income	-	-	(32,904)	813,018	780,114	(45,876)	734,238
Transactions with owners							
Dividends paid [note 31(b)]	-	-	-	-	-	(2,893)	(2,893)
Claims on dormant accounts by customers	-	-	(5,329)	-	(5,329)	-	(5,329)
	-	-	(5,329)	-	(5,329)	(2,893)	(8,222)
Movement between reserves:							
Transfer from credit loss reserve			(143,786)	140,245	(3,541)	3,541	-
Transfer from retained earnings reserve	-	-	1,000,000	(1,000,000)	-	-	-
	-	-	856,214	(859,755)	(3,541)	3,541	-
Balances at March 31, 2019	7,600,000	14,223	6,131,889	20,371,248	34,117,360	78,037	34,195,397
Total comprehensive income for the year:							
Surplus for the year	-	-	-	608,413	608,413	10,963	619,376
Other comprehensive income							
Translation of foreign subsidiaries' balances	-	-	(282,305)	-	(282,305)	3,527	(278,778)
Decrease in fair value of Fair Value Through Other Comprehensive Income (FVOCI) investments, net of deferred tax	-	-	(1,214,168)	-	(1,214,168)	(36)	(1,214,204)
Realised gains on investments recognised in the statement of profit or loss	-	-	(738,003)	-	(738,003)	-	(738,003)
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	341,381	341,381	(39)	341,342
Total other comprehensive (loss)/income	-	-	(2,234,476)	341,381	(1,893,095)	3,452	(1,889,643)
Total comprehensive loss	-	-	(2,234,476)	949,794	(1,284,682)	14,415	(1,270,267)
Transactions with owners							
Dividends paid [note 31(b)]	-	-	-	-	-	(6,025)	(6,025)
Claims on dormant accounts by customers	-	-	(131)	-	(131)	-	(131)
	-	-	(131)	-	(131)	(6,025)	(6,156)
Movement between reserves:							
Transfer from credit loss reserve	-	-	(413,295)	424,589	11,294	(11,294)	-
Balances at March 31, 2020	7,600,000	14,223	3,483,987	21,745,631	32,843,841	75,133	32,918,974

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Company Statement of Changes in Equity
Year ended March 31, 2020

	Other reserves $'000 (note 29)	Retained earnings $'000	Total $'000
Balances at March 31, 2018	180,541	6,227,693	6,408,234
Total comprehensive income for the year			
Deficit for the year, being total comprehensive loss	-	(83,974)	(83,974)
Transactions with owners recorded directly in equity			
Claims on dormant accounts by customers	(5,329)	-	(5,329)
Balances at March 31, 2019	175,212	6,143,719	6,318,931
Total comprehensive income for the year			
Surplus for the year, being total comprehensive income		117,146	117,146
Transactions with owners recorded directly in equity			
Claims on dormant accounts by customers	(131)	-	(131)
Balances at March 31, 2020	175,081	6,260,865	6,435,946

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Group Statement of Cash Flows
Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Surplus for the year		619,376	813,193
Adjustments to reconcile surplus to net cash used by operating activities:			
Depreciation - property, plant and equipment and investment property	15,16	669,888	644,098
Amortisation of intangible assets	17	266,374	254,096
Depreciation on right-of-use assets	26(i)(a)	237,851	-
Write-off of intangible assets	17	(32,158)	-
Gains on disposal of property, plant and equipment and investment property		(54,680)	(13,280)
Gains on disposal of investments		(1,205,203)	(675,946)
Gains on disposal of assets held for sale		(19,355)	(17,079)
Gains from foreign exchange rate changes		(317,911)	(688,586)
Translation differences		(31,835)	(4,970)
Dividend income	33	(25,207)	(33,162)
Share of profits of associates	11	(40,630)	(34,609)
Impairment loss on interest in associates	11	-	93,600
Interest income		(13,015,414)	(12,798,302)
Interest expense	32	2,518,456	2,630,392
Interest expenses on lease liabilities	26(i)(c), 32	40,591	-
Current tax expense	35(a)(i)	899,652	1,114,267
Deferred taxation	18, 35(a)(ii)	(142,539)	(655,579)
Employee benefits obligation		220,611	184,373
Impairment (reversal)/losses on foreclosed properties	14	(36,872)	40,955
Insurance contract provisions		105,565	(410,646)
Impairment losses on financial instrument		820,481	357,443
		(8,522,959)	(9,199,742)
Changes in operating assets and liabilities:			
Securities purchased under resale agreements	7	640,256	102,576
Net additions to loans		(13,424,509)	(10,130,141)
Other assets		(570,783)	(855,363)
Due to specialised financial institutions		1,595,371	1,146,959
Net receipts from customer deposits		7,739,293	12,593,417
Due to related entities		4,741	(9,233)
Securities sold under repurchase agreements	20	3,116,463	(7,005,898)
Other payables		1,066,625	429,384
Margin loan payable		(898,159)	(1,608,237)
		(9,253,661)	(14,536,278)
Interest paid		(2,522,114)	(2,535,792)
Interest received		10,239,533	9,470,992
Income tax paid		(1,333,279)	(1,010,158)
Net cash used by operating activities (page 97)		(2,869,521)	(8,611,236)

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Group Statement of Cash Flows (Continued)
Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Net cash used by operating activities (page 96)		(2,869,521)	(8,611,236)
Cash flows from investing activities			
Investments		(29,642,686)	(11,870,424)
Interest received		2,801,880	3,405,510
Dividend received	33	25,207	33,162
Assets held for sale		86,534	(89,638)
Purchase of intangible assets	17	(712,912)	(217,889)
Purchase of property, plant and equipment and investment property	15,16	(1,721,311)	(988,910)
Proceeds from sale of assets held for sale		168,470	90,121
Proceeds from disposal of property, plant and equipment		162,928	24,484
Proceeds from disposal of investments		33,379,740	14,349,107
Net cash provided by investing activities		4,547,850	4,735,523
Cash flows from financing activities			
Long-term loans	25	3,643,497	564,379
Dividend paid to non-controlling interest		(6,025)	(2,893)
Claims on dormant accounts		(131)	(5,329)
Payment of lease liabilities	26(i)(d)	(256,877)	-
Bank overdraft		(7,311)	(1,886)
Net cash provided by financing activities		3,373,153	554,271
Net increase/(decrease) in cash and cash equivalents		5,051,482	(3,321,442)
Cash and cash equivalents at beginning of the year		24,130,156	27,865,231
Effects of exchange rate changes on cash and cash equivalents		357,053	(413,633)
Cash and cash equivalents at end of the year		29,538,691	24,130,156

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Company Statement of Cash Flows
Year ended March 31, 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Surplus/(deficit) for the year		117,146	(83,974)
Adjustments to reconcile surplus/(deficit) to net cash provided/(used) by operating activities:			
Depreciation - property, plant and equipment	16	70,353	38,591
Amortisation of intangible assets	17	393	226
Depreciation on right-of-use assets	26(i)(a)	10,803	-
Interest income		(10,912)	(36,397)
Dividend income	33	(152,909)	(545,000)
Interest expense	32	1,358	-
Interest expense on lease liability	32	4,014	-
Taxation	35(a)(ii)	-	(195,000)
		40,246	(821,554)
Operating assets and liabilities:			
Due from related entities		(96,297)	(6,075)
Taxation recoverable		(137)	(129)
Loans	12	(21,539)	467,493
Other assets		(138,069)	(24,680)
Due to related entities	37	239,476	(9,233)
Other payables		100,320	(12,294)
		124,000	(406,472)
Interest received		8,560	31,750
Net cash provided/(used) by operating activities		132,560	(374,722)
Cash flows from investing activities			
Dividend received from subsidiaries		152,909	545,000
Acqusition of intangible assets	17	(546)	-
Acqusition of property, plant and equipment	16	(144,586)	(334,144)
Net cash provided by investing activities		7,777	210,856
Cash flow from financing activities			
Payment of lease liabilities	26(i)(d)	(10,616)	-
Claims on dormant accounts		(131)	(5,329)
Net cash used by financing activities		(10,747)	(5,329)
Net increase/(decrease) in cash and cash equivalents		129,590	(169,195)
Cash and cash equivalents at the beginning of the year		25,192	194,387
Cash and cash equivalents at the end of the year		154,782	25,192

To be read in conjunction with the accompanying notes to the financial statements.

1. The Company

The Jamaica National Group Limited ("the Company") was incorporated on December 16, 2016, under the Jamaican Companies Act, as a public company limited by guarantee and having share capital. The number of shares which the Company is authorised to issue is unlimited and is comprised of two classes, namely, membership shares and preference or deferred shares.

The registered office of the Company is located at 2-4 Constant Spring Road, Kingston 10. Its principal activity is that of an investment holding company.

The Company is the ultimate holding company with two direct subsidiaries, MCS Group Limited and JN Financial Group Limited. Both entities are incorporated in Jamaica under the Jamaican Companies Act.

"Group" refers collectively to the Company and its subsidiaries. The Group also has an interest in associates and a joint venture.

Subsidiaries	Country of incorporation	Percentage ownership 2020	2019	Nature of business
JN Financial Group Limited and its subsidiaries:	Jamaica	100	100	Financial holding company.
JN Cayman	Cayman Islands	95.89	95.89	Mortgage lending on residential properties and other financial services.
JN Bank Limited	Jamaica	100	100	Banking services.
JN Bank UK	United Kingdom	100	-	Banking services.
JN Money Services Limited and its subsidiaries:	Jamaica	100	100	Money transfer services including remittances, bill payments, mobile credit top up and sale of foreign currencies.
JN Money Services (UK) Limited	England	100	100	Money transfer services including remittances, bill payments and mobile credit top up.
JN Money Services (USA) Inc.	United States of America	100	100	Money transfer services including remittances, bill payments and mobile credit top up.
JN Money Services (Canada) Limited	Canada	100	100	Money transfer services including remittances, bill payments and mobile credit top up.
JN Money Services (Cayman) Ltd[1].	Cayman Islands	80	80	Money transfer services including remittances, bill payments and mobile credit top up.

1. The Company (continued)

Subsidiaries (continued)	Country of incorporation	Percentage ownership		Nature of business
		2020	**2019**	
JN Financial Group Limited (continued)				
JN Fund Managers Limited (JNFM)	Jamaica	100	100	Provision of investment services, pension management and administrative services, credit facilities, investment banking and stock brokerage services.
JN General Insurance Company Limited (JNGI)	Jamaica	99.5	99.5	General insurance services.
JN Life Insurance Company Limited (JNLIC)	Jamaica	100	100	Life insurance services.
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro business for periods not exceeding 260 weeks.
MCS Group Limited	Jamaica	100	100	Holding company.
JN Properties Limited	Jamaica	100	100	Property development, maintenance and rental services.
The Jamaica Automobile Association (Services) Limited	Jamaica	100	100	Automobile road safety, fleet management and allied services.
Management Control Systems Limited	Jamaica	97.31	97.31	Sale of technology products, software and implementation services.
Total Credit Services Limited	Jamaica	100	100	Debt recovery services.
The Creative Unit Limited	Jamaica	100	100	Creative advertisement, event management and printing services.
Building Societies Development Limited (BSDL)[2]	Jamaica	70	70	Housing development services.
Associates and Joint Ventures				
Knutsford Holdings Limited	Jamaica	40	40	Owners of commercial buildings.
Jamaica Joint Venture Investment Company Limited	Jamaica	50	50	Owners of commercial buildings.
Transaction ePins Limited	Jamaica	19.5	19.5	Distribution of electronic prepaid air time.

1 JN Bank Limited holds the remaining 20% shareholding in JN Money Services (Cayman) Limited, making it a wholly-owned subsidiary of JN Financial Group Limited.

2 The results of BSDL are not considered material to these financial statements and have not been consolidated.

1. The Company (continued)

Other related entities:

Jamaica National Building Society (JNBS) Foundation ("The Foundation") was incorporated under the laws of Jamaica on July 11, 1990 as a company limited by guarantee and not having a share capital, with the liability of each of the 10 members limited to $1. It is a charitable organisation which aims at assisting with grants or otherwise for the development of affordable housing throughout Jamaica and, in particular, rural Jamaica, as well as to develop and promote for the benefit of the public, study and research into housing and the management of savings. It is funded principally by contributions from the Group. The Foundation is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempt from income tax under Section 12(h) of that Act.

2. Licence and regulations

JN Bank Limited is licensed, and its financial statements are delivered, under the Banking Services Act, 2014 and the Banking Services Regulations 2015, which became effective on September 30, 2015. JN Money Services Limited (JNMS) is licensed under section 22G(2) of the Bank of Jamaica Act. JN Bank UK Limited is an authorised institution under the Financial Services and Markets Act 2000 of the United Kingdom and is required to submit its financial statements to its regulators annually.

Details of licences and regulations for JNMS subsidiaries are included at notes 8(iv) and 39(f). JN Fund Managers Limited is designated as a primary dealer by the Bank of Jamaica and is licensed and authorised by the Financial Services Commission. JN General Insurance Company Limited and JN Life Insurance Company Limited are licensed by the Financial Services Commission and registered under the Insurance Act 2001. JN Cayman is licensed by Cayman Islands Monetary Authority.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provision of the Jamaican Companies Act.

Details of the Group's accounting policies, including changes during the year, are included in notes 45 and 46.

This is the first set of the Group's annual financial statements in which IFRS 16, *Leases,* will be applied.

(b) Basis of preparation:

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

- financial instruments classified as at fair value through profit or loss and at fair value through other comprehensive income are measured at fair value; and
- the liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations.

3. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Company. The financial statements of other entities included in the consolidated financial statements that have different functional currencies are translated into Jamaica dollars in the manner set out in note 46(q)(iii). Amounts are rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates, assumptions and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements 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. Although these estimates are based on managements best knowledge of current events and actions, actual amounts could differ from these estimates.

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

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 4.

(e) Comparative information:

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

4. Accounting estimates and judgements

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

(a) Key sources of estimation uncertainty:

(i) Post-retirement benefits:

The amounts recognised in the statements of financial position and statements of profit or loss and profit or loss and other comprehensive income for certain post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

4. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued):

(i) Post-retirement benefits (continued):

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Allowance for impairment losses:

Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 46, 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.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 46.

4. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued):

(iii) Valuation of financial instruments:

The Group's accounting policy on fair value measurements is discussed in accounting policy [note 46(b)].

When measuring the fair value of an asset or liability, the Group uses market-observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.

- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cashflow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other risk premia used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values for Levels 2 and 3. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss and loss expense reserves have been determined by the indirect subsidiary companies' actuaries using their past loss experience and industry data.

4. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued):

(iv) Outstanding claims (continued):

Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by the actuaries, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Note 41 gives information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts.

(v) Goodwill:

Goodwill is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(vi) Residual value and expected useful lives of property, plant and equipment and investment property:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

(vii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates of the amount the inventories are expected to realise are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

4. Accounting estimates and judgements (continued)

(b) Critical accounting judgements in applying accounting policies:

(i) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(ii) Impairment of investment in equity securities:

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [note 46(a)].

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be “significant” and a decline in a quoted market price that persists for nine months or longer to be “prolonged”.

(iii) Deferred tax asset:

The recognition of a deferred tax asset requires management to make assumptions concerning future taxable profits against which deferred tax assets can be recovered.

It is reasonable probable based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a maternal adjustment to the carrying amount reflected in the financial statements.

5. Responsibilities of the appointed actuaries and external auditors

The actuaries have been appointed by management and the Board of Directors pursuant to the requirements of IAS 19 and the Insurance Act 2001. With respect to preparation of financial statements, the actuaries are required to carry out an actuarial valuation of management’s estimate of the Group’s health, group life and policyholders liabilities and report thereon to the members. The actuaries for the general and life insurance subsidiaries are required to carry out an actuarial valuation of management’s estimate of the subsidiaries’ liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, less reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation.

5. Responsibilities of the appointed actuaries and external auditors (continued)

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuaries, in their verification of the management information provided by the Group and used in the valuation, also makes use of the work of the external auditors. The actuaries' reports outline the scope of their work and opinion. An actuarial valuation is prepared annually.

The external auditors have been appointed by the shareholders, pursuant to the Jamaican Companies Act, to conduct an independent and objective audit of the financial statements of the Company and Group in accordance with International Standards on Auditing, and report thereon to the members. In carrying out their audit, the auditors also make use of the work of the actuaries and their report on the Group's post-employment and other obligations and the subsidiary's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

6. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash reserves with Bank of Jamaica [see (a)]	13,753,529	13,976,952	-	-
Short-term bank deposits [see (b), (c)]	1,020,362	208,482	-	-
Cash and cash equivalents [see (b), (c), (d), (e)]	14,764,800	9,944,722	154,782	25,192
	29,538,691	24,130,156	154,782	25,192

(a) Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves not available for use by the JN Bank Limited and are determined by the percentage of average prescribed liabilities stipulated by Bank of Jamaica.

At March 31, 2020, the required percentage of average prescribed liabilities was seven percent (7%) (2019: 9%) for Jamaica dollar liabilities and fifteen percent (15%) (2019: 15%) for foreign currency liabilities. On May 15, 2020 the cash reserves requirement was further reduced to 5% of the average prescribed liabilities for Jamaica dollar. At March 31, 2020, the Bank met the cash reserve requirements.

(b) Cash and cash equivalents for the Group include deposits held on behalf of clients of $87.21 million (2019: $33.07million) in the books of an indirect subsidiary. The corresponding liabilities are included in other payables (note 21).

(c) Cash and cash equivalents held by a banking indirect subsidiary are restricted as follows:

(i) $472.80 million (2019: $360.90 million) to facilitate settlement of Multilink transactions;

(ii) $2.98 million (2019: $2.95 million) with a commercial bank to cover a third party guarantee;

(iii) $66.98 million (2019: $62.51 million) for bid collateral; and

(iv) $6,683.65 million (2019: $3,548.67 million) for repurchase agreements collateral.

6. Cash and cash equivalents (continued)

(d) Unsecured and secured overdraft facilities amounting to $145 million (2019: $145 million) and $8million (2019: $8 million), respectively, are held by indirect subsidiaries with a commercial bank. The amount drawn from the secured facility is $Nil (2019: $7.31 million) for the Group and $Nil (2019: $Nil) for the Company.

(e) Cash and cash equivalents include cash collected on behalf of related entities amounting to $173.22 million (2019: $214.33 million).

7. Securities purchased under resale agreements

	Group	
	2020	2019
	$'000	$'000
Principal	4,615,640	5,255,896
Interest receivable	31,456	6,460
	4,647,096	5,262,356

At March 31, 2020, securities obtained and held under resale agreements for the Group had a fair value of $5,144 million (2019: $5,897 million). The balance is shown net of expected credit losses of $0.06 million (2019: $1.16 million).

Securities purchased under resale agreements, excluding interest receivable, are due, from the reporting date, as follows:

	Group	
	2020	2019
	$'000	$'000
Within 3 months	3,742,513	5,082,319
3 months to 1 year	873,127	173,577
	4,615,640	5,255,896

8. Investments

	Group 2020 $'000	Group 2019 $'000
Amortised cost		
Treasury bills	2,478,062	153,447
Corporate bonds	1,114,821	1,351,138
Certificates of deposit	5,576,815	12,971,947
Promissory notes	-	367,201
	9,169,698	14,843,733
Fair Value Through Other Comprehensive Income		
Corporate and sovereign bonds	13,411,017	9,183,641
Government of Jamaica securities	30,082,598	37,260,149
Treasury bills	13,687,478	8,741,578
Promissory note	52,561	-
Quoted equities	219,430	145,586
Unquoted equities [see (i) below]	19,614	29,353
	57,472,698	55,360,307
Fair Value Through Profit or Loss		
Quoted equities	422,217	515,126
Mutual funds	322,834	261,717
	745,051	776,843
	67,387,447	70,980,883
Interest receivable	627,340	806,071
	68,014,787	71,786,954
Less ECL	(37,286)	(22,229)
	67,977,501	71,764,725

(i) Unquoted equities comprise 29,273 units of shares held by JN Bank Limited in Automated Payments Limited, an automated clearing house operator. These shares are classified as fair valued through other comprehensive income.

(ii) Investments, excluding interest receivable and expected credit losses, are due, from the reporting date, as follows:

	Group 2020 $'000	Group 2019 $'000
No specific maturity	984,089	951,782
Within 3 months	18,103,469	13,746,734
3 months to 1 year	10,233,026	7,617,816
1 year to 5 years	17,463,289	19,617,555
5 years and over	20,603,574	29,046,996
	67,387,447	70,980,883

8. Investments (continued)

(iii) Investments of the general and life insurance subsidiaries, totalling $153.04 million (2019: $154.57 million), are held to the order of the Financial Services Commission as required by the Insurance Act 2001.

(iv) The Group's USA-based indirect subsidiary, as a money transmitter, is licensed in the States of New York, Maryland, Connecticut, New Jersey, Georgia, Florida, District of Columbia, California and Massachusetts. The regulations require a total minimum net worth of US$2.07 million (2019: US$2.01 million). In addition, the regulations require surety bonds in favour of and/or pledged funds to, the Superintendent of Banking of US$3.37 million (2019: US$2.31 million). As at March 31, 2020, the indirect subsidiary had US$0.68 million (2019: US$1.99 million) in short term bank deposits to meet minimum requirements established by the States in which it operates.

(v) Restricted balances amounting to US$0.03 million (2019: US$0.03 million) are held with Ghana Merchant Bank, in respect of the provision of remittance services on behalf of an indirect subsidiary.

(vi) An indirect subsidiary had securities pledged of £Nil (2019: £0.88 million) as safeguard for undisbursed remittances.

(vii) At March 31, 2020, investments that are pledged by the Group as collateral for securities sold under repurchase agreements had a carrying value of $15.03 billion (2019: $15.04 billion) (note 20).

9. Due from/to related entities

(a) This represents amounts due from indirect subsidiaries in the ordinary course of business. The amount is unsecured, interest free and due within three (3) months.

(b) This represents amounts due to the JN Foundation by the Group, as well as amounts due to subsidiary in the ordinary course of business by the Company. The amount is unsecured, interest free and payable within three (3) months, except for the amount due by the Company which bears interest at 3% per annum.

10. Interest in subsidiaries

	Company	
	2020	2019
	$'000	$'000
Shares, at cost or written down value (see note 1)	5,264,030	5,264,030

11. Interest in associates

	Group	
	2020	2019
	$'000	$'000
Shares, net (see note 1)	52,499	52,499
Group's share of reserves	583,995	543,365
	636,494	595,864
Debentures	13,653	13,653
	650,147	609,517

11. Interest in associates (continued)

The following table summarises the financial information of the associates, which are equity-accounted for, as included in their own financial statements, after fair value adjustments on acquisition and elimination of differences in accounting policies and intercompany transactions. The latest audited financial information for Jamaica Joint Venture Investment Company Limited is as at and for the fifteen months ended March 31, 2020 (2019: December 31, 2018) and that of Knutsford Holdings Limited is as at and for the year ended December 31, 2019 (2019: December 31, 2018). The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these associates.

	Jamaica Joint Venture Investment Company Limited		Knutsford Holdings Limited		Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Percentage ownership interest	**50%**	**50%**	**40%**	**40%**		
Net assets (100%)	684,198	686,701	837,215	732,509	1,521,413	1,419,210
Net assets (50%/40%)	342,099	343,351	334,886	293,004	676,985	636,355
Group's share of net assets being carrying amount of investment in associates	301,608	302,860	334,886	293,004	636,494	595,864
Group's share of pre-acquisition value of the investment in associates	40,491	40,491	-	-	40,491	40,491
	342,099	343,351	334,886	293,004	676,985	636,355
Revenue	119,369	92,304	219,196	148,864	338,565	185,347
Interest expense	(1,252)	(1,892)	(16,084)	(16,163)	(17,336)	(18,055)
Income tax charge	(11,592)	(5,148)	(14,369)	(8,705)	(25,961)	(13,853)
(Loss)/profit and total comprehensive income (100%)	(2,503)	14,677	104,706	68,175	102,203	82,852
Group's share of (loss)/profit and total comprehensive income	(1,252)	7,339	41,882	27,270	40,630	34,609

Interest in associates includes a 19.5% holding in Transactions ePins Limited, which is not accounted for using the equity method as the Group is not considered to have significant influence. Shares are shown net of provision for impairment of $93.60 million (2019: $93.60 million) representing the full carrying value of the Group's holding in Transaction ePins Limited. The impairment provision is made as there was no return on the investment to date and projected negative cash flows.

12. Loans

Loans, less allowances for losses, are as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Mortgage loans - principal	78,241,589	73,927,086	-	-
Term loans	1,514,853	1,483,446	-	-
Other loans	30,457,016	21,606,813	154,046	132,507
	110,213,458	97,017,345	154,046	132,507
Accrued interest	617,471	489,735	6,999	4,647
	110,830,929	97,507,080	161,045	137,154

12. Loans (continued)

Included in loans for the Group are balances due from directors and companies controlled by directors amounting to $8.93 million (2019: $3.54 million) and interest due on these loans of $6,000 (2019: $16,000).

The JN Bank Limited's mortgage loan agreements include the right to call mortgages at any time with six months' notice except for new loans, which cannot be called six months after the issue date.

Other loans in the Group represent the balance on secured and unsecured loan facilities with indirect subsidiaries. Interest is receivable at 7.5% and 4% per annum, respectively.

Loans, less allowance for losses and excluding accrued interest, are due from the reporting date as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Within 3 months	2,790,679	1,655,751	-	-
3 months to 1 year	3,530,942	3,047,260	-	-
1 year to 5 years	17,580,098	15,309,682	111,539	90,000
5 years and over	86,311,739	77,004,652	42,507	42,507
	110,213,458	97,017,345	154,046	132,507

The Group's loan portfolio, including accrued investment and less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	2020	2019	2020	2019
			$'000	$'000
Professional and other services	416	422	1,267,791	1,549,109
Individuals	78,258	66,836	96,621,511	86,682,746
Corporations	458	481	12,941,627	9,275,225
	79,132	67,739	110,830,929	97,507,080

The Company's loan portfolio, including accrued investment and less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	2020	2019	2020	2019
			$'000	$'000
Corporations	3	2	161,045	137,154

Loans and advances on which interest is no longer accrued [see note 46(s)] amounted to $11,745.74 million (2019: $9,689.49 million) for the Group and $Nil (2019: $Nil) for the Company. This represents 10.40% (2019: 9.79%) of the gross loan portfolio of the Group. These loans are included in the financial statements, net of allowance for losses.

12. Loans (continued)

Impairment losses on loans are as follows:

	Group	
	2020	2019
	$'000	$'000
At beginning of the year	1,481,477	1,385,577
IFRS 9 transition	-	252,452
Increase in allowance made during the year [note 39(b)(vi)]	693,827	299,578
Translation adjustment	19,077	-
Written back during the year [note 39(b)(vi)]	(134,282)	(456,130)
At end of the year [note 39(b)(vi)]	2,060,099	1,481,477

Allowance for loan losses made in accordance with the requirements of IFRS is as follows:

	Group	
	2020	2019
	$'000	$'000
Specific provision	2,060,099	1,481,477

Provisions made in accordance with Bank of Jamaica and other provisioning requirements are as follows:

	Group	
	2020	2019
	$'000	$'000
Specific provision	2,415,615	2,041,387
General provision	671,413	880,234
	3,087,028	2,921,621

The total provision is broken down as follows:

	Group	
	2020	2019
	$'000	$'000
Provision as per IFRS [note 39(b)(vi)]	2,060,099	1,481,477
Additional provision based on Bank of Jamaica provisioning requirements [note 29(c)]	1,026,929	1,440,144
	3,087,028	2,921,621

13. Other assets

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Other receivables	3,286,037	2,674,525	190,259	52,190
Reinsurance assets [note 24(a)]	1,130,813	1,207,828	-	-
Inventories	181,749	103,131	-	-
	4,598,599	3,985,484	190,259	52,190

The balances are reflected net of ECL allowance of $192.83 million (2019: $174.99 million) for the Group.

14. Assets held for sale

	Group	
	2020	2019
	$'000	$'000
Foreclosed properties	684,713	920,362
Less impairment losses (see note below)	(478,930)	(515,802)
	205,783	404,560

Movement on impairment losses is as follows:

	Group	
	2020	2019
	$'000	$'000
At beginning of year	515,802	474,847
Increase in allowance	6,395	40,955
Write-off	(43,267)	-
	(36,872)	40,955
At end of year	478,930	515,802

JN Bank Limited acquired real properties through foreclosure on collateral held as securities against loans. Foreclosed properties should be disposed of within 3 years of acquisition, in accordance with Section 53(1) of the Banking Services Act, 2014 [see note 46(i)].

15. Investment property

	Group $'000
Cost:	
March 31, 2018	504,896
Additions	106
Transfers in	6,720
Translation adjustments	(961)
March 31, 2019	510,761
Additions	90
Translation adjustments	1,980
March 31, 2020	512,831
Depreciation:	
March 31, 2018	114,846
Charge for the year	11,077
Translation adjustments	(858)
March 31, 2019	125,065
Charge for the year	11,911
Translation adjustments	1,199
March 31, 2020	138,175
Carrying values:	
March 31, 2020	374,656
March 31, 2019	385,696
March 31, 2018	390,050

	Group	
	2020 $'000	2019 $'000
Fair value of investment property	1,121,061	911,373
Income earned from the properties [note 26(ii)]	45,619	66,242
Expenses incurred by the properties	28,883	59,273

Land and building which is classified as investment property in the books of an indirect subsidiary is occupied by certain fellow subsidiaries. They were, therefore, reclassified as property, plant and equipment on the Group basis.

15. Investment property (continued)

Measurement of fair value:

The fair value of investment property is categorised as Level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key inputs and fair value measurement
Income approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.	• Expected market rental growth yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher/(lower); • The occupancy rates were higher/(lower); • Rent-free periods were shorter/(longer); or • Yields were lower/(higher).

16. Property, plant and equipment

	Group					
	Freehold land and buildings $'000	Leasehold land and buildings $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At cost:						
March 31, 2018	4,171,767	660,307	4,334,163	1,001,683	71,699	10,239,619
Additions	3,593	67,664	556,203	183,665	205,273	1,016,398
Transfers from work-in-progress	14,516	-	2,013	-	(16,529)	-
Transfers out	(6,720)	(4,566)	(12,679)	(310)	(18,253)	(42,528)
Disposals	-	-	(1,232)	(145,144)	-	(146,376)
Translation adjustments	1,857	93	325	61	-	2,336
March 31, 2019	4,185,013	723,498	4,878,793	1,039,955	242,190	11,069,449
Additions	-	75,699	672,909	162,345	810,268	1,721,221
Transfers from work-in-progress	-	-	-	-	(160,576)	(160,576)
Transfers	-	988	-	-	(988)	-
Disposals	(101,484)	(6,339)	(9,569)	(161,484)	-	(278,876)
Translation adjustments	37,173	13,388	18,935	2,058	156	71,710
March 31, 2020	4,120,702	807,234	5,561,068	1,042,874	891,050	12,422,928
Depreciation:						
March 31, 2018	721,736	485,960	3,209,387	640,256	-	5,057,339
Charge for the year	91,802	73,960	313,950	153,309	-	633,021
Transfers out	-	(2,885)	(4,999)	(330)	-	(8,214)
Translation adjustments	3	91	159	(7)	-	246
Eliminated on disposals	-	-	(1,046)	(134,126)	-	(135,172)
March 31, 2019	813,541	557,126	3,517,451	659,102	-	5,547,220
Charge for the year	105,892	67,560	338,667	145,858	-	657,977
Translation adjustments	8,400	10,866	16,436	1,490	-	37,192
Eliminated on disposals	(10,571)	(1,585)	(5,864)	(152,608)	-	(170,628)
March 31, 2020	917,262	633,967	3,866,690	653,842	-	6,071,761
Net book values:						
March 31, 2020	3,203,440	173,267	1,694,378	389,032	891,050	6,351,167
March 31, 2019	3,371,472	166,372	1,361,342	380,853	242,190	5,522,229
March 31, 2018	3,450,031	174,347	1,124,776	361,427	71,699	5,182,280

Included in freehold land and buildings is the cost of land at $109.53 million (2019: $109.53 million).

16. Property, plant and equipment (continued)

	Company		
	Computers and office equipment $'000	Motor Vehicles $'000	Total $'000
Cost:			
March 31, 2018	9,872	68,548	78,420
Additions	269,148	64,996	334,144
March 31, 2019	279,020	133,544	412,564
Additions	76,996	67,590	144,586
March 31, 2020	356,016	201,134	557,150
Depreciation:			
March 31, 2018	437	7,729	8,166
Charge for the year	16,877	21,714	38,591
March 31, 2019	17,314	29,443	46,757
Charge for the year	35,833	34,520	70,353
March 31, 2020	53,147	63,963	117,110
Net book values:			
March 31, 2020	302,869	137,171	440,040
March 31, 2019	261,706	104,101	365,807
March 31, 2018	9,435	60,819	70,254

17. Goodwill and other intangible assets

	Group						
	Customer base $'000	Trademarks $'000	Goodwill $'000	Licence $'000	Software $'000	Non-compete agreement $'000	Total $'000
At cost:							
March 31, 2018	69,568	120,496	829,675	435	1,654,258	30,863	2,705,295
Additions	-	-	-	-	217,889	-	217,889
Translation adjustments	-	204	2,654	-	39	113	3,010
March 31, 2019	69,568	120,700	832,329	435	1,872,186	30,976	2,926,194
Additions	-	-	-	107,109	605,803	-	712,912
Transfers	-	-	-	-	74,276		74,276
Translation adjustments	-	-	-	-	1,522	-	1,522
Write-offs	-	8,652	20,086	-	1,151	2,269	32,158
March 31, 2020	69,568	129,352	852,415	107,544	2,554,938	33,245	3,747,062
Amortisation and impairment losses:							
March 31, 2018	69,568	3,421	-	-	1,196,672	30,863	1,300,524
Charge for the year	-	364	-	-	253,732	-	254,096
Translation adjustments	-	(107)	-	-	21	113	27
March 31, 2019	69,568	3,678	-	-	1,450,425	30,976	1,554,647
Charge for the year	-	363	-	-	266,011	-	266,374
Translation adjustments	-	173	-	-	2,544	2,269	4,986
March 31, 2020	69,568	4,214	-	-	1,718,980	33,245	1,826,007

17. Goodwill and other intangible assets (continued)

	Group						
	Customer base $'000	Trademarks $'000	Goodwill $'000	Licence $'000	Software $'000	Non-compete agreement $'000	Total $'000
Net book values:							
March 31, 2020	-	125,138	852,415	107,544	835,958	-	1,921,055
March 31, 2019	-	117,022	832,329	435	421,761	-	1,371,547
March 31, 2018	-	117,075	829,675	435	457,586	-	1,404,771

	Company Software $'000
Cost:	
March 31, 2018 and 2019	677
Additions	546
March 31, 2020	1,223
Depreciation:	
March 31, 2018	188
Charge for the year	226
March 31, 2019	414
Charge for the year	393
March 31, 2020	807
Net book value:	
March 31, 2020	416
March 31, 2019	263
March 31, 2018	489

Goodwill is attributable to the acquisition of Manufacturers Credit and Information Services Limited (MCIS) and QuikCash.

In testing intangible assets for impairment, recoverable amounts of cash-generating units (CGUs) were estimated based on value in use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of the CGUs for MCIS and QuikCash, were arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica and Cayman Islands, as relevant. The fair value measurement was categorised as Level 3 fair value based on inputs in the valuation technique. Future sustainable cash flows were estimated based on the most recent forecasts, based on past experience and management's plans.

These projections included specific estimates for five (5) years for Quick cash and four (4) years for MCIS and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant will make.

17. Goodwill and other intangible assets (continued)

The key assumptions used in the discounted cash flow projections were as follows:

	2020		2019	
	QuikCash	MCIS	QuikCash	MCIS
	%	%	%	%
Discount rates – Cayman Islands and Jamaica, respectively	13.6	20	14.0	20.0
Growth rates	2.1	4	2.0	4.0
Jamaican dollar devaluation rate	-	6	-	5.0

The estimated recoverable amount of QuikCash exceeded its carrying amount by approximately CI$0.32 million as at March 31, 2020 (2019: CI$0.15 million). Management has identified that a reasonably possible change in the following key assumptions could cause the estimated recoverable amount of goodwill to be equal to its carrying amount:

	2020	2019
	%	%
Discount rate	19.4	18.4
Growth rate	(10.9)	(7.7)

18. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Other assets	77,245	40,253	12,988	37,783	90,233	78,036
Interest receivable	(50,608)	(27,164)	(2,380)	(58,590)	(52,988)	(85,754)
Property, plant and equipment	254,329	118,971	(1,062)	8,557	253,267	127,528
Employee benefits obligation	482,473	575,633	-	-	482,473	575,633
Other payables	110,386	61,107	358	19,238	110,744	80,345
FVOCI investment securities	843,702	(102,960)	(16,785)	(50,564)	826,917	(153,524)
Contractual savings reserve	(4,267)	(4,267)	-	-	(4,267)	(4,267)
Tax losses carried forward	649,743	623,561	-	-	649,743	623,561
Investment securities at amortised cost	(1,697)	7,015	-	-	(1,697)	7,015
Intangible assets	44,080	-	-		44,080	-
Right-of-use assets	(144,592)	-		-	(144,592)	-
Lease liabilities	153,328	-	-	-	153,328	-
Unrealised foreign exchange (gains)/losses	(79,122)	(63,130)	-	23,391	(79,122)	(39,739)
Impairment losses on loans	126,060	302,978	(161)	-	125,899	302,978
Net deferred tax assets/(liabilities)	2,461,060	1,531,997	(7,042)	(20,185)	2,454,018	1,511,812

	Company	
	2020	2019
	$'000	$'000
Interest receivable	(1,162)	(1,162)
Property, plant and equipment	(19,909)	(19,909)
Other payables	2,501	2,501
Unrealised foreign exchange gains	(2,484)	(2,484)
Tax losses carried forward	610,097	610,097
Net deferred tax assets	589,043	589,043

18. Deferred tax assets/(liabilities) (continued)

Movement in net temporary differences during the year are as follows:

	Group 2020				
	Balances at April 1, 2019 $'000	Recognised in surplus $'000 [Note 35(a)(ii)]	Reconised in other comprehensive income $'000	Currency translation $'000	Balances at March 31, 2020 $'000
Other assets	78,036	12,087	-	110	90,233
Interest receivable	(85,754)	32,766	-	-	(52,988)
Property, plant and equipment	127,528	118,888	-	6,851	253,267
Employee benefits obligation	575,633	77,510	(170,670)	-	482,473
Other payables	80,345	35,254	-	(4,855)	110,744
FVOCI investment securities	(153,524)	(277)	980,718	-	826,917
Contractual savings reserve	(4,267)	-	-	-	(4,267)
Tax losses carried forward	623,561	26,182	-	-	649,743
Investment securities at amortised cost	7,015	3,771	(12,483)	-	(1,697)
Intangible assets	-	44,080	-	-	44,080
Right-of-use assets	-	(144,592)	-	-	(144,592)
Lease liabilities	-	153,328	-	-	153,328
Unrealised foreign exchange gains	(39,739)	(39,379)	-	(4)	(79,122)
Impairment losses on loans	302,978	(177,079)	-	-	125,899
Net deferred tax assets	1,511,812	142,539	797,565	2,102	2,454,018

	Group 2019					
	Balances at April 1, 2018 $'000	Recognised in surplus $'000 [Note 35(a)(ii)]	Recognised in other comprehensive income $'000	Currency translation $'000	Recognised in equity $'000	Balances at March 31, 2019 $'000
Other assets	9,054	64,914	-	4,068	-	78,036
Interest receivable	(65,552)	(20,202)	-	-	-	(85,754)
Property, plant and equipment	243,363	(112,538)	-	(3,297)	-	127,528
Employee benefits obligation	494,811	57,978	22,844	-	-	575,633
Other payables	54,826	25,519	-	-	-	80,345
FVOCI investment securities	(161,733)	11,054	(2,845)	-	-	(153,524)
Contractual savings reserve	(4,267)	-	-	-	-	(4,267)
Tax losses carried forward	411,941	216,197	-	(4,577)	-	623,561
Investment securities at amortised cost	-	(445)	-	-	7,460	7,015
Unrealised foreign exchange gains	(163,100)	123,307	-	54	-	(39,739)
Impairment losses on loans	(65,419)	289,795	-	-	78,602	302,978
Net deferred tax assets	753,924	655,579	19,999	(3,752)	86,062	1,511,812

18. Deferred tax assets/(liabilities) (continued)

Movement in net temporary differences during the year are as follows (continued):

	Company		
	2020		
	Balances at April 1, 2019 $'000	Recognised in surplus $'000 [Note 35(a)(ii)]	Balances at March 31, 2020 $'000
Interest receivable	(1,162)	-	(1,162)
Property, plant and equipment	(19,909)	-	(19,909)
Other payables	2,501	-	2,501
Tax losses carried forward	610,097	-	610,097
Unrealised foreign exchange gain	(2,484)	-	(2,484)
Net deferred tax assets	589,043	-	589,043

	Company		
	2019		
	Balances at April 1, 2018 $'000	Recognised in surplus $'000 [Note 35(a)(ii)]	Balances at March 31, 2019 $'000
Interest receivable	-	(1,162)	(1,162)
Property, plant and equipment	1,216	(21,125)	(19,909)
Other payables	2,501	-	2,501
Tax losses carried forward	390,326	219,771	610,097
Unrealised foreign exchange gain	-	(2,484)	(2,484)
Net deferred tax assets	394,043	195,000	589,043

19. Customer deposits

	Group 2020 $'000	Group 2019 $'000
Deposits	139,537,480	129,100,148
Accrued interest	328,488	392,406
	139,865,968	129,492,554

Customer deposits are due, from the reporting date, as follows:

	Group 2020 $'000	Group 2019 $'000
Within 3 months	120,669,637	114,731,410
From 3 months to 1 year	17,374,038	13,681,050
Over 1 year	1,822,293	1,080,094
	139,865,968	129,492,554

The Group's customer deposits portfolio is concentrated as follows:

	Number of accounts		Value	
	2020	2019	2020 $'000	2019 $'000
Public authorities	655	793	866,124	943,526
Financial institutions	166	158	6,163,916	5,257,668
Commercial and business	7,607	6,831	10,631,032	9,538,423
Individuals	920,963	852,933	122,204,896	113,752,937
	929,391	860,715	139,865,968	129,492,554

20. Securities sold under repurchase agreements

	Group 2020 $'000	Group 2019 $'000
Principal	20,298,001	17,181,538
Interest payable	119,109	58,849
	20,417,110	17,240,387

20. Securities sold under repurchase agreements (continued)

Securities sold under repurchase agreements are due from the reporting date as follows:

	Group	
	2020	2019
	$'000	$'000
Within 3 months	14,974,924	13,925,416
From 3 months to 1 year	5,398,797	3,314,971
Over 1 year	43,389	-
	20,417,110	17,240,387

At March 31, 2020, securities obtained under resale agreements and certain investments have been pledged by the Group as collateral for repurchase agreements. These financial instruments have a carrying value of $21,672.20 million (2019: $18,348.98 million) (see notes 7 and 8).

21. Other payables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Staff related accruals	303,168	270,630	-	-
Insurance payable	851,250	713,624	-	-
Customers' and other deposits [note 6(b)]	746,169	594,040	-	-
Trade payables	1,597,552	1,618,593	99,775	70,592
Accruals	245,324	117,703	80,097	-
Other payables	2,282,802	1,631,150	76,480	85,440
	6,026,265	4,945,740	256,352	156,032

22. Margin loan payable

This represented a short-term debt facility provided by a brokerage firm to an indirect subsidiary to acquire securities on its own account. The facility was collateralised by the securities held with the brokerage firm. The interest rate was 3.4% per annum.

23. Employee benefits obligation

The Group provides for several post-retirement pension benefits through a defined-contribution scheme which replaced a prior defined-benefit pension scheme for employees within the Group. The pensioners in the defined-benefit scheme were transferred to a defined-contribution scheme, with the guarantee of their pension payments, and active members started to contribute on a defined-contribution basis. The scheme is funded by contributions from the Group and employees in accordance with the rules of the scheme.

Under the defined-contribution scheme, retirement benefits are based on the Group's and employees' accumulated contributions, plus interest and, therefore, the Group has no further obligation to fund pension benefits.

23. Employee benefits obligation (continued)

During a prior period, the trustees of the scheme purchased annuities for the transferring pensioners in the scheme, thereby removing the obligation of the guarantee of the pension payments from the scheme.

The following indirect subsidiaries participate in defined-contribution pension schemes in their respective jurisdiction as follows:

	Subsidiary	Pension scheme
(i)	JN Cayman	Cayman National Pension Plan
(ii)	JN Money Services (USA) Inc.	401K retirement plan managed by Legg Mason Global Asset Management
(iii)	JN Money Services (Canada) Limited	Registered retirement services plan managed by Manulife Financial Corporation
(iv)	JN Money Services (Cayman) Limited	Cayman Islands Chamber of Commerce Pension Plan
(v)	JN Money Services (UK) Limited	Legal & General Assurance Society Limited Pension Plan

The total contributions made for the year is included in employee costs (note 36).

The Group provides group life and post-retirement health insurance benefits to retirees who have met certain minimum service requirements.

The amounts recognised in the statement of financial position for employee benefits in respect of the group life and health insurance plans are as follows:

(a) Employee benefits obligation:

	Group	
	2020	2019
	$'000	$'000
Present value of unfunded obligations	1,430,921	1,720,244
Supplementary benefit	4,577	6,655
	1,435,498	1,726,899

23. Employee benefits obligation (continued)

(b) Movement in the present value of unfunded obligations:

	Group	
	2020	2019
	$'000	$'000
Present value of unfunded obligations and supplementary benefit at beginning of year	1,726,899	1,473,996
Benefits paid	(15,750)	(12,717)
Service costs	115,791	85,577
Interest cost	120,570	111,513
Actuarial (gain)/loss arising from:		
Experience adjustments	(33,816)	(6,019)
Demographic assumption	(370,712)	(12,555)
Financial assumptions	(107,484)	87,104
Balance at end of year	1,435,498	1,726,899

(c) Expenses recognised in the statement of revenue and expenses:

	Group	
	2020	2019
	$'000	$'000
Current service costs	108,850	85,577
Past service cost	6,941	-
Interest cost on obligation	120,570	111,513
	236,361	197,090

(d) Items recognised in other comprehensive income:

	Group	
	2020	2019
	$'000	$'000
Remeasurement (gain)/loss on obligation	(512,012)	68,531

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group	
	2020	2019
	%	%
Discount rate at March 31	6.70	7.00
Health cost inflation rate	5.20	6.00
Interest on contributions	6.50	7.00

23. Employee benefits obligation (continued)

(f) Sensitivity analysis:

Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	Group			
	2020		2019	
	1 % Increase $'000	1 % Decrease $'000	1 % Increase $'000	1 % Decrease $'000
Discount rate	(268,520)	364,592	(327,677)	444,343
Heath inflation rate	320,590	(240,211)	410,702	(307,695)
Interest on contributions	27,627	(22,017)	14,388	(11,483)

(g) At March 31, 2020, the weighted average duration of the defined benefit obligation was 24.4 years (2019: 22.9 years).

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy is expected to impact the employee benefit obligation as follows:

- Post-retirement health insurance plan: increase of $42.79 million (2019: $54.15million).
- Group life plan: decrease of $8.67 million (2019: $8.08 million).

(i) Supplementary pension benefit:

This represents the defined benefit obligation in respect of supplementary pension provided by an indirect subsidiary for 3 (2019: 4) pensioners.

24. Insurance contract provisions

(a) Group:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims outstanding	1,912,627	(29,567)	1,883,060	1,900,989	(125,608)	1,775,381
Unearned premiums	2,315,944	(1,101,246)	1,214,698	2,222,017	(1,082,220)	1,139,797
	4,228,571	(1,130,813)	3,097,758	4,123,006	(1,207,828)	2,915,178

24. Insurance contract provisions (continued)

(b) Analysis of movements in insurance contract provisions:

Claims outstanding:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	1,074,586	(88,335)	986,251	1,562,657	(346,307)	1,216,350
Claims incurred but not reported	826,403	(37,273)	789,130	808,402	(30,331)	778,071
Balances at beginning of year	1,900,989	(125,608)	1,775,381	2,371,059	(376,638)	1,994,421
Claims incurred	1,324,457	(50,868)	1,273,589	1,125,718	(61,816)	1,063,902
Claims paid in year	(1,312,819)	146,909	(1,165,910)	(1,595,788)	312,846	(1,282,942)
Change in outstanding claims provision	11,638	96,041	107,679	(470,070)	251,030	(219,040)
Balances at end of year	1,912,627	(29,567)	1,883,060	1,900,989	(125,608)	1,775,381
Claims notified	961,884	(27,478)	934,406	1,074,586	(88,335)	986,251
Claims incurred but not reported	950,743	(2,089)	948,654	826,403	(37,273)	789,130
Balances at end of year	1,912,627	(29,567)	1,883,060	1,900,989	(125,608)	1,775,381

Outstanding claims include gross claims payable of $17.894 million (2019: $30.85 million) under policies issued to related parties.

(c) Unearned premiums:

	2020			2019		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balances at beginning of the year	2,222,017	(1,082,220)	1,139,797	2,232,751	(1,151,705)	1,081,046
Premiums written during the year	4,919,947	(2,573,260)	2,346,687	4,875,520	(2,632,751)	2,242,769
Premiums earned during the year	(4,826,020)	2,554,234	(2,271,786)	(4,886,254)	2,702,236	(2,184,018)
Balances at end of year	2,315,944	(1,101,246)	1,214,698	2,222,017	(1,082,220)	1,139,797

(d) Gross unearned premiums are analysed as follows:

	Group	
	2020 $'000	2019 $'000
Liability	139,824	137,127
Motor	988,545	909,166
Pecuniary loss	4,507	4,182
Personal accident	10,882	10,488
Marine	5,427	5,565
Property	1,093,162	1,091,109
Engineering	73,597	64,380
	2,315,944	2,222,017

25. Long-term loans

	Group	
	2020	2019
	$'000	$'000
Development Bank of Jamaica Limited [see (i)]	1,302,921	1,033,392
JN Foundation unsecured bond [see (ii)]	16,481	16,481
National Insurance Fund [see (iii)]	33,243	61,028
National Export-Import Bank of Jamaica Limited [see (iv)]	434,007	471,699
Micro Investment Development Agency Limited [see (v)]	18,270	65,361
Unsecured bond [see (vi)]	2,592,136	-
Notes payable [see (vii)]	894,400	-
	5,291,458	1,647,961

(i) This represents several unsecured loans which bear interest ranging from 4% to 9.8% (2019: 9.8% to 10%) per annum. The loans are repayable in monthly or quarterly instalments ranging from $0.11 million to $21.43 million and ending between September 30, 2020 and August 31, 2023.

(ii) This is an unsecured bond, Series B, issued by a related party, which bears interest at 48% (2019: 4.8%) per annum. Repayment of the principal is subject to a call option exercisable by the bondholders after giving 180 days written notice. Interest payments are due quarterly.

The related party does not intend to require payment before March 31, 2021.

(iii) This represents several unsecured loans which bear interest at 4% per annum. The loans are repayable in quarterly instalments ranging from $0.13 million to $0.70 million and ending between June 30, 2020 and March 31, 2022.

(iv) This represents unsecured loans which bear interest at 10% per annum. The loans are repayable in quarterly instalments ranging from $6 million to $13.33 million and ending between September 30, 2022 and November 30, 2023.

(v) This represents several unsecured loans which bear interest at an average rate of 9.25% per annum. The loans are repayable in quarterly instalments ranging from $5.84 million to $6.11 million and matures on October 31, 2020.

(vi) This represents an unsecured bond, which bears interest at 7.75% per annum with principal repayable upon maturity on September 30, 2024. Interest payments are due quarterly.

(vii) This represents secured debt obligations issued by a subsidiary with maturity dates between March 30, 2021 and March 13, 2022. The notes bear interest at rates ranging between 4.5% to 5.9% per annum. They typically have fixed quarterly coupon payments and bullet payments of principal at maturity.

26. Leases

(i) The Group and Company leases properties. The leases for the Group and Company typically run for periods of five and three years, respectively with an option to renew the lease after the relevant dates. Lease payments are renegotiated at the time of lease renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

The Group and Company have elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

26. Leases (continued)

(i) Continued

Information about leases for which the Group and Company is a lessee is presented below.

(a) Right-of-use assets	Group Land and buildings 2020 $'000	Company Buildings 2020 $'000
Cost:		
April 1, 2019		
Recognition of right-of-use assets on transition to IFRS 16	961,974	70,757
Additions	263,981	-
Translation adjustment	8,391	-
March 31, 2020	1,234,346	70,757
Depreciation charge for the year	(237,851)	(10,803)
Carrying value	996,495	59,954

(b) Lease liabilities	2020 $'000	2020 $'000
Lease liabilities included in the statements of financial position at March 31, 2020	1,018,060	64,155
Lease liabilities are classified as follows:		
Current	185,946	7,958
Non-current	832,114	56,197
	1,018,060	64,155
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	370,652	11,541
One to five years	781,846	52,152
More than five years	197,968	12,086
	1,350,466	75,779

(c) Amounts to be recognised in profit of loss	2020 $'000	2020 $'000
Interest expense on lease liabilities (note 32)	40,591	4,014
Depreciation on right-of-use assets	237,851	10,803

(d) Amounts recognised in statement of cash flows:	2020 $'000	2020 $'000
Total cash outflow for leases	256,877	10,616

26. Leases (continued)

(i) Continued

(e) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of $53.34 million.

(ii) Leases as lessor

The Group leases out property and equipment. The Group has classified these as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group was $45.62 million (2019: $66.24 million), see note 15.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating leases under IFRS 16	$'000
Less than one year	62,794
One to five years	121,707
Total	184,501

The Company does not have any lease as lessor.

27. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations, under which one of the indirect subsidiaries operates, the entity is required to make transfers to the reserve fund of a minimum of 15% of net profits, until the amount in the fund is equal to 50% of the paid-up capital of the subsidiary and thereafter, 10% of the net profits until the fund is equal to its paid-up capital.

28. Contractual savings reserve

Under a previously operated scheme, the members of the predecessor entity, the Society, after meeting certain criteria, including saving a contracted sum at a fixed rate of 3% per annum which is maintained by an indirect subsidiary, became eligible to apply for a mortgage loan at a fixed rate of 5% per annum. The reserve was established in anticipation of the shortfall in interest income in future years, from the provision of this facility. Management continually monitors the adequacy of the reserve and makes appropriate adjustments, as necessary.

29. Other reserves

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital reserve	83,076	83,076	-	-
Exchange equalisation reserve [see (a)]	77,267	359,652	-	-
Investment revaluation reserve [see (b)]	(1,307,211)	644,960	-	-
Credit loss reserve [see (c)]	1,026,929	1,440,144	-	-
Other reserves [see (d)]	174,926	175,057	175,081	175,212
Retained earnings reserve [see note 30]	3,429,000	3,429,000	-	-
	3,483,987	6,131,889	175,081	175,212

(a) This comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries to Jamaica dollars for consolidation purposes.

(b) This represents unrealised gains on the revaluation of investments classified as FVOCI, net of deferred tax and expected credit losses.

(c) This is a non-distributable reserve representing the excess of regulatory and other provisions over the IFRS provision for loan losses (note 12).

(d) This reserve was created on February 1, 2017 under a scheme of arrangement to meet possible claims from customers with dormant accounts exceeding 15 years who may come forward.

30. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from net profits to retained earnings reserve for the banking subsidiary, which constitutes a part of the capital base of that subsidiary. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to the Bank of Jamaica and any reversal must also be approved by the Bank of Jamaica.

31. Non-controlling interest

(a) Non-controlling interest

	Group	
	2020	2019
	$'000	$'000
Share capital	3,612	3,612
Share of profits and reserves	71,521	74,425
	75,133	78,037

This represents the non-controlling interest in the following indirect subsidiaries:

	Non-controlling interest holding	
	2020	2019
	%	%
JN Cayman	4.11	4.11
Management Control Systems Limited	2.69	2.69
JN General Insurance Company Limited	0.50	0.50

31. Non-controlling interest (continued)

(b) Dividends to shareholders

	2020	2019
	$'000	$'000
Interim dividends paid to non-controlling interest	6,025	2,893

At the Board of Directors meetings held on October 24, 2019 (2019: September 26, 2018, February 8, 2019 and March 14, 2019) the directors of indirect subsidiaries declared interim dividends of which $6.03 million (2019: $2.89 million) were paid to shareholders with non-controlling interest.

32. Interest expense

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Customer deposits	1,041,573	1,263,393	-	-
Specialised financial institutions	617,917	737,667	-	-
Lease liabilities [note 26(i)(c)]	40,591	-	4,014	-
Other	858,966	629,332	1,358	-
	2,559,047	2,630,392	5,372	-

33. Other operating income

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Fees and commission:				
Commission income	70,451	35,801	-	-
Transaction fees	682,325	510,960	-	-
Loan fees	868,174	615,871	-	-
Money transfer fees	1,611,061	1,575,548	-	-
Mobile credit top up	32,278	42,406	-	-
Asset management fees	150,643	126,482	-	-
Corporate finance and advisory fees	23,935	56,332	-	-
Other fees and commission	367,087	187,584	-	-
Total fees and commission	3,805,954	3,150,984	-	-
Sundry:				
Realised foreign exchange gain on trading	3,813,184	2,819,432	-	-
Net underwriting insurance income	1,234,033	1,566,121	-	-
Management fees	-	-	1,240,896	973,060
Dividends	25,207	33,162	152,909	545,000
Rendering of services	152,215	397,267	910,910	171,656
Other	334,793	250,944	-	-
Total sundry	5,559,432	5,066,926	2,304,715	1,689,716
Total other operating income	9,365,386	8,217,910	2,304,715	1,689,716

34. Operating expenses

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Administrative	3,477,727	3,714,304	212,553	166,832
Employee costs (note 36)	10,834,621	9,225,271	832,175	725,397
Advertising and promotion	1,029,584	1,256,840	105,224	226,938
Audit fees - current year	128,506	117,857	9,690	5,683
- prior year	-	135	-	-
Bad debts written-off for loans and other receivables	368,928	142,740	-	-
Directors' fees	103,685	93,784	44,482	36,709
Directors' remuneration	82,027	75,897	82,027	75,897
Depreciation and amortisation	1,174,113	898,194	81,549	38,817
Impairment losses	32,625	134,894	-	-
Legal and other professional fees	1,581,774	1,610,847	819,067	739,180
	18,813,590	17,270,763	2,186,767	2,015,453

35. Taxation

(a) Taxation is based on the surplus for the year, as adjusted for income tax purposes, and is made up as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
Taxation on subsidiaries	917,590	1,126,531	-	-
Employment tax credit	(5,940)	(8,136)	-	-
Adjustments in respect of prior year	(11,998)	(4,128)	-	-
	899,652	1,114,267	-	-
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 18)	(116,357)	(439,382)	-	24,771
Unrecognised tax losses (note 18)	(26,182)	(216,197)	-	(219,771)
	(142,539)	(655,579)	-	(195,000)
Total taxation in statement of profit or loss	757,113	458,688	-	(195,000)

(b) Reconciliation of effective tax charge:

Taxation is computed at rates of 25% for the Company, 15%, 33⅓% and 25% for local direct and indirect subsidiaries and 19%, 26½% and 40% for certain foreign indirect subsidiaries. Dividends are received from local subsidiaries and companies external to the Group at 0% and 15%, respectively. Tax is computed on income at 0% for Cayman Island indirect subsidiaries. The effective tax rate for 2020 was 55.00% (2019: 36.06%) of $1,376.49 million (2019: $1,271.88 million) pre-tax surplus for the Group and an effective tax rate of Nil% (2019: 69.9%) of pre-tax surplus of $117.15 million (2019: deficit of $278.97 million) for the Company.

35. Taxation (continued)

(b) Reconciliation of effective tax charge (continued):

The actual charge differs from the "expected" tax charge for the year, as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Surplus/(deficit) before taxation	1,376,489	1,271,881	117,146	(278,974)
Computed "expected" tax expense at 15% & 19%	6,339	2,786		-
Computed "expected" tax expense/(credit) at 20% & 25%	124,676	106,158	29,288	(69,743)
Computed "expected" tax expense at 26½ % & 30%	10	271,477	-	-
Computed "expected" tax expense at 33⅓% & 40%	1,226,210	573,138	-	-
	1,357,235	953,559	29,288	(69,743)
Tax effect of difference between surplus/(deficit) for financial statements and tax reporting purposes on -				
Depreciation charge and capital allowances	(57,677)	115,443	(1,136)	(796)
Gain on disposal of property, plant and equipment	(4,096)	(10,959)	-	-
Unfranked and exempt income	(738,696)	(512,537)	(38,227)	(136,250)
Gain on disposal of investments	(336,263)	(161,661)	-	-
Disallowed expenses, net	585,510	49,824	15,371	6,759
Tax losses	56,114	57,914	(5,296)	5,030
Other	(93,016)	(28,767)	-	-
	769,111	462,816	-	195,000
Prior year over provision	(11,998)	(4,128)	-	-
Actual tax expense/(credit), net	757,113	458,688	-	(195,000)

(c) At March 31, 2020, taxation losses of the Company and local indirect subsidiaries available for relief against future taxable profits, subject to the agreement of the Commissioner General, Tax Administration Jamaica, aggregated approximately $2,811.56 million (2019: $2,678.27 million) for the Group and $2,614.96 million (2019: $2,465.77 million) for the Company.

The Company can utilise the full amount of tax loss, as it is within its first five years of assessment following the year of assessment in which it commenced business. Taxation losses available to overseas indirect subsidiaries, for relief against their future taxable profits after the first five years of assessment, amounted to approximately $1,122.87 million (2019: $9.98 million).

(d) At March 31, 2020, a deferred tax liability of approximately $3,890.00 million (2019: $3,859.86 million), relating to investment in certain indirect subsidiaries and associated companies has not been recognised, as the Company controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

36. Employee costs

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Salaries	7,641,693	6,426,284	600,569	440,184
Group life, pension and health insurance contributions	793,855	657,204	74,495	113,458
Statutory payroll contributions	821,044	680,370	57,601	44,490
Other	1,578,029	1,461,413	99,510	127,265
	10,834,621	9,225,271	832,175	725,397

37. Related party balances and transactions

(a) Definition of related party:

A related party is a person or entity that is related to the Group ("reporting entity").

A. A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

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

B. An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) 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).

(viii) 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.

37. Related party balances and transactions (continued)

Identity of related parties:

(b) The Company has a related party relationship with its subsidiaries, indirect subsidiaries, associates, the JN Group Pension Scheme (formerly The Contributory Pension Fund for Jamaica National Building Society and Subsidiary Companies), directors, companies owned by directors, other key management personnel and JN Foundation.

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and cash equivalents				
Other related entities	-	-	154,782	25,192
Securities sold under repurchase agreements				
Directors	124,230	122,196	-	-
Other related entities	1,611,825	519,891	-	-
Loans				
Directors	5,638	6,351	-	-
Other key management personnel	194,881	163,169	-	-
Other related entities	-	-	161,045	137,154
Customer deposits				
Directors	201,271	177,496	-	-
Other key management personnel	168,881	81,396	-	-
Other related entities	38,571	27,529	-	-
Other payables				
Due to related entities	174,440	179,159	414,635	175,159
Due to related entities	-	-	1,358	-
Long-term loans				
Other related entities	16,481	16,481	-	-

(d) The surplus/(deficit) before taxation includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Subsidiaries:				
Dividends	-	-	(152,909)	(545,000)
Interest income	-	-	(10,912)	(36,347)
Management fees expense	-	-	619,958	616,604
Management fees income	-	-	(1,240,896)	(973,060)
Insurance expense	-	-	15,712	3,813
Directors:				
Interest income	(456)	(451)	-	-
Interest expense	4,393	5,346	-	-
Other related parties:				
Interest expense	12,408	16,156	2,968	-
Contribution to pension scheme	234,634	206,684	19,192	15,984
Fee income	(54,990)	47,098	(910,910)	(171,656)
Contribution to JN Foundation	62,880	82,037	5,400	-

37. Related party balances and transactions (continued)

(e) Compensation paid to key management personnel (directors and senior executives) included in employee costs (note 36) is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Short-term benefits	421,857	379,861	202,093	189,392
Post-employment benefits	11,923	12,131	6,880	6,509
	433,780	391,992	208,973	195,901

38. Managed funds

An indirect subsidiary acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. The Group has no legal or equitable right or interest in these funds and, accordingly, these funds and the assets in which they are invested have been excluded from these financial statements. At March 31, 2020, these funds amounted to $34.32 billion (2019: $31.76 billion).

39. Financial risk management

(a) Overview

The Group has exposure to the following financial risks from its operations and the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board and management has established the Finance Committee, the Group Risk and Compliance Unit and Group Audit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. These committees have both executive and non-executive members and report to the Board of Directors on their activities.

39. Financial risk management (continued)

(a) Overview (continued)

The Group's risk management policies are established to identify, assess and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the Group has adequate economic capital and that the use of and proceeds from its disposal of financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities and other financial assets, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect of the management of the Group's financial risk is matching the timing of cash flows relating to assets and liabilities. The Group actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures. The Group Audit Committee is assisted by the Group Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Group Risk and Compliance Unit, the Group Audit Committee and the Board of Directors.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk:

Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, financial guarantees, letters of credit, endorsements and acceptances. The Group is also exposed to other 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 is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control functions are centralised in the credit risk and treasury management teams which report regularly to the appropriate board committee.

39. Financial risk management (continued)

(b) Credit risk (continued):

Credit risk measurement

(i) Loans and advances (including loan commitments and guarantees)

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).

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the credit-worthiness of individual counterparties. Borrower and loan specific information collected at the time of application (such as age, total debt service ratio, type of employment, net worth, and level of collateral for retail exposures; turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The table below reflects the Group's internal rating classification:

Credit classification	Credit risk rating at origination
Excellent	R1
Good	R2
Average	R3
Acceptable	R4
Marginal	R5
Potential problem	R6
Substandard	R7
Non Performing Loan (NPL) doubtful	R8

(ii) Investments

For debt securities in the Treasury portfolio, external rating agency credit grades are used.

These published grades are continually 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.

39. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk measurement (continued)

(ii) Investments (continued)

The Group's rating method comprises 25 rating levels for instruments not in default (1 to 25) and five default levels (26 to 30). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Group's internal rating scale, and mapping of external ratings, are set out below:

Company rating	PD range as percentage	S & P	Moody's	Description of the grade
1	0	AAA	Aaa	
2	0 - 0.02			
3	0.02 - 0.03	AA+	Aa1	
4	0.03 - 0.05	AA, AA-	Aa2, Aa1	
5	0.05 - 0.08	A+, A	A1, A2	
6	0.08 - 0.13	A-	A3	Investment grade
7	0.13 - 0.21	BBB+	Baa1	
8	0.21 - 0.31	BBB	Baa2	
9	0.31 - 0.47			
10	0.47 - 0.68	BBB-	Baa3	
11	0.68 - 0.96	BB+	Ba1	
12	0.96 - 1.34	BB	Ba2	
13	1.34 - 1.81			
14	1.81 - 2.4	BB-	Ba3	
15	2.4 - 3.1	B+	B1	
16	3.1 - 3.9			Speculative grade
17	3.9 - 4.86	B	B2	
18	4.86 - 6.04			
19	6.04 - 7.52			
20	7.52 - 9.35	B-	B3	
21	9.35 - 11.64			
22	11.64 - 14.48	CCC+	Caa1	
23	14.48 - 18.01			
24	18.01 - 22.41	CCC to CC-	Caa2 to Ca	Speculative grade
25	22.41 - 99.99			

39. Financial risk management (continued)

(b) Credit risk (continued)

Credit risk measurement (continued)

(ii) Investments (continued)

The Group's internal rating scale, and mapping of external ratings, are set out below (continued):

Company rating	PD range as percentage	S & P	Moody's	Description of the grade
26	Imminent insolvency	C, D-I, D-II	C to D	Speculative grade
27	Restructuring			
28	Restructuring with recapitalisation/ partial waiving of claims			
29	Cancellation without insolvency			
30	Insolvency			

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:

Stage 1:

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

Stage 2:

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.

Stage 3:

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

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

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.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 39(b)(iv) includes an explanation of how the Group has incorporated this in its ECL models.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard relating to the determination of ECL are presented below:

(i) Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last (12) twelve months.

Quantitative criteria:

Loans

The Group has concluded that delinquency status is the most reliable and appropriate measure as it has not utilised PDs throughout the history of operations. As the Caribbean region has not yet adopted Basel III guidelines, development of PDs has not been required.

Investments

The external credit rating grades are used as the basis for the assessment of increases in credit risk. Movements within investment grade are not construed as significant increases in credit risk; however, exceptional conditions may be taken into consideration. A movement by two notches will trigger a migration from Stage 1 to Stage 2.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

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

Qualitative criteria:

For Corporate and Sovereign portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- 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;
- 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 and is performed on a quarterly basis at a portfolio level for all Retail financial instruments held by the Group. In relation to Corporate and Sovereign financial 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 Credit Risk team.

Backstop:

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for intercompany exposures in the year ended March 31, 2020.

(ii) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

1) The borrower is more than 90 days past due on its contractual payments (other number of days below 90 days in the case of small business and remittance entities in the Group).

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

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

2) The borrower meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. default has been cured) when it no longer meets any of the default criteria for a period of three (3) consecutive months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iii) 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 PD, EAD, and 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.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

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 PD, EAD, and LGD, defined as follows (continued):

- 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). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- 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).
- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

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 PD, EAD, and LGD, defined as follows (continued):

- 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 are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

The assumptions underlying the ECL calculation, such as the underwriting terms, performance of the portfolio and changes in market conditions are monitored and reviewed on an annual basis.

(iv) 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 analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Business Advisory Services Unit on a quarterly basis and provide the best estimate view of the economy over the next five years. To project the economic variables out beyond five years, for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group Risk and Compliance Unit also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At March 31, 2020, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(iv) Forward-looking information incorporated in the ECL models (continued)

The assessment of SICR is performed using the Lifetime PD under each of the base and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs) or as with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2020 and March 31, 2019 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario at March 31, 2020 and March 31, 2019 were as follows:

	Base	**Upside**	**Downside**
All portfolios	75%	15%	10%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Management used the Vasicek model to apply forward looking information in the prior year. The scorecard approach was used in the current reporting year which utilized IMF's projected macro-economic variables for the period 2020-2021 to determine the possible impact on JN Group's loan, investment and Other receivable portfolios. This was applied as a post model overlay to the current Vasicek model to reflect the effects of the pandemic on the economy and its impact on the Group at March 31, 2020 (see note 47 COVID-19 Impact). As a result of COVID-19, management considered the application of an overlay in respect of the computation of the ECL to take into account the potential impact of the pandemic on the macroeconomic indicators.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(iv) Forward-looking information incorporated in the ECL models (continued)

In order to inform the forward-looking component of the ECL, macroeconomic variables, which are statistically significant and most correlated with the Non-Performing Loans (NPLs) and investment default rates, were selected. For the loan portfolio these include: Unemployment, GDP Growth and Inflation Rate; for the investment securities the macro factors applied were: Interest Rates, Real GDP Growth Rate and the Inflation Rate. The weighting for each variable was applied based on its ability to reflect the projected economic changes resulting from the pandemic.

(v) 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.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Group Risk and Compliance Unit.

There was no change during the year in the nature of exposure to credit risk to which the Group is subjected or its approach to measuring and managing the risk.

(vi) Management of credit risk

The Group manages credit risk associated with loans by evaluating the borrowers' ability to repay loans, ensuring that:

(i) where collateral is held against an outstanding loan, it is sufficiently insured;

(ii) loan loss provisioning is in keeping with regulatory guidelines;

(iii) loans are not concentrated in one individual, company or group; and

(iv) strong underwriting and credit administration systems are in place.

Counterparty credit risk

With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to liquid funds and debt securities. Further, locally issued Government of Jamaica notes are held with the Central Securities Depository (CSD), while global bonds issued by the Government of Jamaica and other investment assets are held with financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Group's Risk and Compliance Unit.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Credits to borrowers

Credit facilities to customers and other borrowers primarily comprise mortgage and other loans. The management of this type of credit risk is carried out through the use of a tiered approval framework within the Credit Risk Management Unit, up to the Loan Sub-Committee of the Board. This framework allows for the evaluation of proposed credits, and the formal approval of those commitments. The Board of Directors has the responsibility for the oversight of the Group's credit risk and the development of credit policies.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the customers' financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2020, the outstanding principal balances on loans that were restructured for the Group amounted to $2.15 billion (2019: $3.20 billion).

Impaired credits to borrowers

Impaired credits to customers and other borrowers are credits for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit.

Past due but unimpaired credits to borrowers

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed by debtors.

Write-off policy

The Group writes off credits to borrowers (and any related allowances for impairment losses) when it determines that the balances are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Credits to borrowers for write-off must be submitted to the Credit Committee and/or the Board of Directors for approval.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Write-off policy (continued)

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 March 31, 2020 was $134.28 million (2019: $456.39 million). The Group still seeks to recover in full amounts it is legally owed, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

Concentration by class and geographical area

The Group limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Group has documented investment policies in place, which guide in managing credit risk on cash and cash equivalents, securities purchased under resale agreements, investment securities, loans, and a portion of other assets (excluding inventory). The Group's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

The Group's and the Company's significant concentration of credit exposure, as at the reporting date, by geographic area were as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Jamaica	183,923,385	176,182,399	817,457	429,610
United States of America	11,342,134	10,229,812	-	-
United Kingdom	14,371,550	6,284,653	-	-
Canada	2,685,628	2,221,586	-	-
Ghana	6,018	5,647	-	-
Barbados	62,963	43,775	-	-
Bahamas	1,239	462,275	-	-
Turks and Caicos Islands	36,273	21,787	-	-
Cayman Islands	5,288,603	5,798,825	-	-
Trinidad & Tobago	-	373,253	-	-
Dominican Republic	-	633,244	-	-
Phillipines	1,828	-	-	-
	217,719,621	202,257,256	817,457	429,610

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Concentration by class and geographical area (continued)

Credit quality of loans

The credit quality of the Group's and Company's loans are summarised as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Neither past due nor impaired	83,745,487	82,526,947	161,045	137,154
Past due but not impaired:				
Below 30 days	17,213,832	5,190,685	-	-
30 to 60 days	4,625,797	5,139,424	-	-
60 to 90 days	2,304,002	419,186	-	-
Individually impaired:				
90-180 days	2,208,484	1,270,089	-	-
180-365 days	977,092	1,518,775	-	-
12-18 months	585,058	847,408	-	-
18 months and over	1,231,276	2,076,043	-	-
	112,891,028	98,988,557	161,045	137,154
Less allowance for losses (note 12)	(2,060,099)	(1,481,477)	-	-
	110,830,929	97,507,080	161,045	137,154

Exposure to credit risk

Credit risk exposure is the amount of loss that the Group would suffer if all counterparties to which the Group is exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statements of financial position, without taking account of the value of any collateral held.

There are no off-balance-sheet assets and the maximum exposure to credit risk is represented by the amount of financial assets in the statements of financial position.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Exposure to credit risk (continued)

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.

	Loans (Loans, loan commitments and authorised portion of credit card limits)			
	2020			
			ECL staging	
Credit grade	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	$'000	$'000	$'000
Standard monitoring	97,520,652	4,651	-	97,525,303
Special monitoring	3,758,918	12,775,508	-	16,534,426
Default	-	-	4,989,368	4,989,368
Gross carrying amount	101,279,570	12,780,159	4,989,368	119,049,097
Loss allowance	(662,239)	(302,063)	(1,095,797)	(2,060,099)
Carrying amount	100,617,331	12,478,096	3,893,571	116,988,998

	Loans (Loans, loan commitments and authorised portion of credit card limits)			
	2019			
			ECL staging	
Credit grade	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	$'000	$'000	$'000
Standard monitoring	86,767,296	80,972	-	86,848,268
Special monitoring	-	13,335,641	-	13,335,641
Default	-	-	4,477,695	4,477,695
Gross carrying amount	86,767,296	13,416,613	4,477,695	104,661,604
Loss allowance	(575,077)	(239,214)	(667,186)	(1,481,477)
Carrying amount	86,192,219	13,177,399	3,810,509	103,180,127

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 39(b)(iii) 'Expected credit loss measurement'.

The maximum exposure to credit risk for financial assets not subject to impairment is the carrying amount of the financial assets classified as FVTPL (see note 8).

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Collateral and other credit enhancements held against financial assets

The Group holds collateral against credits to borrowers primarily in the form of mortgage interests over property. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired. Other forms of collateral used by the indirect subsidiaries include, but are not limited to, insurance policy, motor vehicle, personal or corporate guarantees to secure loans.

Collateral generally is not held over balances with banks or brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

The fair value of collateral held against loans to borrowers and others is shown below:

	Group			
	Loans and advances		Resale agreements	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Properties	110,445,368	108,729,929	-	-
Debt securities	4,829,626	2,904,878	5,144,446	5,897,036
Household assets	1,991,981	3,660,095	-	-
Liens on motor vehicles	1,223,602	1,385,764	-	-
Hypothecation of deposits	2,276,869	2,654,911	-	-
Other	20,355	49,497	-	-
Subtotal	120,787,801	119,385,074	5,144,446	5,897,036
Against past due but not impaired financial assets:				
Properties	31,837,937	40,058,309	-	-
Household assets	1,761,849	1,328,328	-	-
Liens on motor vehicles	1,885,872	804,414	-	-
Other	18,974	19,076	-	-
Subtotal	35,504,632	42,210,127	-	-
Against past due and impaired financial assets:				
Properties	9,119,671	11,010,047	-	-
Household assets	604,929	548,293	-	-
Liens on motor vehicles	515,987	341,098	-	-
Business equipment	152,284	25,761	-	-
Other	21,170	5,964	-	-
Subtotal	10,414,041	11,931,163	-	-
Grand total	166,706,474	173,526,364	5,144,446	5,897,036

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

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

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

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

- Mortgages over residential properties;
- Margin agreement for derivatives, for which the Group has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

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

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

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.

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

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

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2020			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	54,173	(48,280)	5,893	-
- Term loans	1,331,681	(554,572)	777,109	1,643,811
- Mortgages	3,487,753	(498,136)	2,989,617	8,498,581
- Other	115,761	5,191	120,952	304,983
Total credit-impaired assets	**4,989,368**	**(1,095,797)**	**3,893,571**	**10,447,375**

	2019			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	102,280	(30,628)	71,652	-
- Term loans	658,402	(290,410)	367,992	918,592
- Mortgages	3,664,900	(331,265)	3,333,635	10,581,852
- Other	52,113	(14,883)	37,230	79,588
Total credit-impaired assets	**4,477,695**	**(667,186)**	**3,810,509**	**11,580,032**

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance

Loss allowance recognised in profit or loss during the year is summarised below:

	2020 $'000	2019 $'000
Loans (note 12)	693,827	299,578
Investments (note 8)	65,347	21,422
Other financial assets	61,307	36,443
	820,481	357,443

The loss allowance recognised in the year 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 year, as well as releases for financial instruments derecognised in the year;
- Discount unwound 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 year and write-offs of allowances related to assets that were written off during the year [see note 46(a)].

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

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

Group:

	2020			
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loss allowance as at April 1, 2019	574,854	207,643	698,980	1,481,477
Movement within profit or loss				
Transfers:				
Transfer from Stage 1 to Stage 2	(24,678)	104,628	-	79,950
Transfer from Stage 1 to Stage 3	(8,830)	-	131,889	123,059
Transfer from Stage 2 to Stage 1	16,499	(52,567)	-	(36,068)
Transfer from Stage 2 to Stage 3	-	(27,169)	161,669	134,500
Transfer from Stage 3 to Stage 2	-	22,847	(83,852)	(61,005)
Transfer from Stage 3 to Stage 1	5,688	-	(42,278)	(36,590)
New financial assets originated or purchased	209,504	51,588	205,516	466,608
Financial assets derecognised during the period	(193,912)	(56,584)	15,835	(234,661)
Other movements	79,387	52,717	125,930	258,034
Loss allowance recognised in profit or loss (note 12)	83,658	95,460	514,709	693,827
Other movements:				
Translation adjustment	3,809	161	15,107	19,077
Write-offs against provision (note 12)	(82)	(1,201)	(132,999)	(134,282)
Loss allowance at March 31, 2020	662,239	302,063	1,095,797	2,060,099

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the year due to these factors (continued):

Group (continued):

	2019			
	Stage 1	**Stage 2**	**Stage 3**	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loss allowance as at April 1, 2018	415,250	237,561	985,218	1,638,029
Movement within profit or loss				
Transfers:				
Transfer from Stage 1 to Stage 2	(13,378)	47,654	-	34,276
Transfer from Stage 1 to Stage 3	(3,521)	-	70,367	66,846
Transfer from Stage 2 to Stage 1	16,709	(59,793)	-	(43,084)
Transfer from Stage 2 to Stage 3	-	(31,234)	182,553	151,319
Transfer from Stage 3 to Stage 2	-	9,424	(57,527)	(48,103)
Transfer from Stage 3 to Stage 1	494	-	(13,642)	(13,148)
New financial assets originated or purchased	211,649	85,711	177,111	474,471
Financial assets derecognised during the period	(44,489)	(80,916)	(187,640)	(313,045)
Other movements	(7,815)	-	(2,139)	(9,954)
Loss allowance recognised in profit or loss (note 12)	159,649	(29,154)	169,083	299,578
Other movements:				
Write-offs against provision (note 12)	(45)	(764)	(455,321)	(456,130)
Loss allowance at March 31, 2019	574,854	207,643	698,980	1,481,477

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The high volume of new loans originated during the year, aligned with the Group's strategy.
- The write-off of loans with a total gross carrying amount of $238.38 million (2019: $566.37 million) resulted in the reduction of the Stage 3 loss allowance by the same amount.

The following table further explains changes in the gross carrying amount of the loans portfolio, loan commitments and credit cards to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Group (continued):

	2020			
	Stage 1	**Stage 2**	**Stage 3**	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at April 1, 2019	86,767,296	13,416,613	4,477,695	104,661,604
Transfers:				
Transfer from Stage 1 to Stage 2	(4,282,460)	4,080,719	-	(201,741)
Transfer from Stage 1 to Stage 3	(831,511)	-	790,785	(40,726)
Transfer from Stage 2 to Stage 3	-	(1,609,091)	1,557,981	(51,110)
Transfer from Stage 3 to Stage 2	-	892,726	(973,717)	(80,991)
Transfer from Stage 3 to Stage 1	154,760	-	(160,838)	(6,078)
Transfer from Stage 2 to Stage 1	2,327,262	(2,410,079)	-	(82,817)
New financial assets originated or purchased	29,863,360	1,450,635	424,117	31,738,112
Financial assets 74erecognized during the period	(12,715,950)	(2,989,051)	(943,771)	(16,648,772)
Write-offs	(3,187)	(52,313)	(182,884)	(238,384)
Sub-total	14,512,274	(636,454)	511,673	14,387,493
Gross carrying amount as at March 31, 2020	101,279,570	12,780,159	4,989,368	119,049,097

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

The following table further explains changes in the gross carrying amount of the loans portfolio, loan commitments and credit cards to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above (continued):

Group (continued):

		2019		
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at April 1, 2018	75,472,117	14,789,599	3,697,219	93,958,935
Transfers:				
Transfer from Stage 1 to Stage 2	(2,109,755)	2,042,063	-	(67,692)
Transfer from Stage 1 to Stage 3	(576,671)	-	564,018	(12,653)
Transfer from Stage 2 to Stage 3	-	(1,624,254)	1,553,603	(70,651)
Transfer from Stage 3 to Stage 2	-	639,566	(731,342)	(91,776)
Transfer from Stage 3 to Stage 1	54,209	-	(86,240)	(32,031)
Transfer from Stage 2 to Stage 1	3,289,125	(2,879,148)	-	409,977
New financial assets originated or purchased	20,536,728	4,867,216	845,860	26,249,804
Financial assets derecognized during the period	(9,897,044)	(4,380,390)	(838,509)	(15,115,943)
Write-offs	(1,413)	(38,039)	(526,914)	(566,366)
Sub-total	11,295,179	(1,372,986)	780,476	10,702,669
Gross carrying amount as at March 31, 2019	86,767,296	13,416,613	4,477,695	104,661,604

The total amount of undiscounted ECL at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was $Nil (2019: $Nil).

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

Group (continued):

Investments

The following table explains the changes in loss allowances between the beginning and the end of the year due to these factors:

	2020			
	Stage 1	Stage 2	Stage 3	
Investments	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance April 1, 2019	207,611	-	2,237	209,848
Transfers:				
Transfer from Stage 1 to Stage 2	(9,828)	9,828	-	-
New financial assets originated or purchased	79,407	10,710	-	90,117
Foreign exchange and other movements	16,238	-	1,323	17,561
Financial assets derecognised during the year	(40,094)	-	(2,237)	(42,331)
Loss allowance	45,723	20,538	(914)	65,347
Balance March 31, 2020	253,334	20,538	1,323	275,195

In prior year all investments were in Stage 1.

At March 31, 2020, the Group had investments and securities purchased under resale agreement at:

(i) Fair Value Through Other Comprehensive Income (FVOCI) of $57,472.70 million (2019: $55,360.31 million) (note 8) divided between Investment grade and Speculative grade, which had expected credit losses of $220.76 million (2019: $189.17 million).

39. Financial risk management (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

At March 31, 2020, the Group had investments and securities purchased under resale agreement at (continued):

(ii) Amortised cost in relation to debt securities of $9,169.70 million (2019: $14,843.73 million) and securities purchased under resale agreements of $4,615.64 million (2019: $5,255.90 million) (notes 8 and 7), respectively, which had expected credit losses of $37.29 million (2019: $22.23 million) (note 8) and $0.06 million (2019: $1.16 million) (note 7), respectively.

(c) Liquidity risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

(i) *Funding liquidity risk* - the risk that the Group will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

(ii) *Asset/market liquidity risk* – the risk that Group will not be able to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

Management of liquidity risk

The key measurement used for assessing the banking indirect subsidiary's liquidity risk is the ratio of liquid assets (as defined) to total liabilities. The liquidity ratios at the reporting date for the Group are as follows:

	Requirement		Actual	
	2020	2019	2020	2019
	%	%	%	%
Jamaica Dollar	21	23	24	28
United States of America Dollar	29	29	34	33
Canadian Dollar	29	29	95	74
Pound Sterling	29	29	69	36

39. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

There was no change during the year in the nature of exposure to liquidity risk which the Group is subjected to or its approach to measuring and managing the risk.

An analysis of the undiscounted cash flows of the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating the timing settlement of the amounts recognised in the statement of financial position. The Group does not expect that its customers will demand the payment of funds at the earliest date possible.

	Group						
	2020						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Due to specialised financial institutions	20,326,365	33,969,116	69,650	204,884	218,980	25,058	33,450,544
Customer deposits	139,865,968	179,036,070	120,972,949	17,495,018	20,083,239	20,484,864	-
Due to related entities	179,900	179,900	179,900	-	-	-	-
Securities sold under repurchase agreements	20,417,110	20,676,713	15,091,166	5,525,149	60,398	-	-
Other payables	6,026,265	6,026,265	5,928,339	97,926		-	-
Long-term loans	5,291,458	6,342,636	481,784	1,361,909	1,543,192	2,955,751	-
Lease liabilities	1,018,060	1,350,466	33,169	312,933	541,744	271,263	191,357
	193,125,126	247,581,166	142,756,957	24,997,819	22,447,553	23,736,936	33,641,901
Unrecognised loan commitments	-	6,226,445	6,226,445	-	-	-	-
Insurance contract liabilities	1,912,627	1,912,627	339,378	667,405	470,590	316,099	119,155
	195,037,753	255,720,238	149,322,780	25,665,224	22,918,143	24,053,035	33,761,056

	2019						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Bank overdraft	7,311	7,311	7,311	-	-	-	-
Due to specialised financial institutions	18,730,994	31,467,343	18,992	56,788	72,287	35,818	31,283,458
Customer deposits	129,492,554	131,459,446	114,200,840	13,738,225	1,951,443	1,568,938	-
Due to related entities	175,159	175,159	175,159	-	-	-	-
Securities sold under repurchase agreements	17,240,387	17,357,640	13,353,279	3,989,180	15,181	-	-
Other payables	4,945,740	4,945,740	4,899,052	46,688	-	-	-
Margin loan payable	898,159	903,548	903,548	-	-	-	-
Long-term loans	1,647,961	1,647,961	307,838	427,814	603,899	308,410	-
	173,138,265	187,964,148	133,866,019	18,258,695	2,642,810	1,913,166	31,283,458
Unrecognised loan commitments	-	8,028,457	8,028,457	-	-	-	-
Insurance contract liabilities	1,900,989	1,978,677	457,234	389,812	548,462	307,439	275,730
	175,039,254	197,971,282	142,351,710	18,648,507	3,191,272	2,220,605	31,559,188

39. Financial risk management (continued)

(c) Liquidity risk (continued)

For the Company, an analysis of the contractual maturities of the financial liabilities at the reporting date indicates that it is comprised of other payables, lease liabilities and amounts due to related entities totalling $512.03 million (2019: $331.19 million). These amounts, which are reported on the statement of financial position, are payable within three months of the reporting date.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risk

The Board Finance Committee manages market risks in accordance with its Investment Policy. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Group at the reporting date to each major risk are addressed below.

There was no change during the year in the nature of exposure to market risk which the Group is subjected to, or its approach to measuring and managing the risk.

(i) Interest rate risk:

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The interest rate risk analysis shows significant excess of short-term interest-bearing liabilities over short-term interest-earning assets. This is a direct consequence of the nature of the Group's business, which involves granting long-term loans (up to 30 years) funded by customers' deposits which are withdrawable on demand or at short notice. The Group may, provided that one month's notice is given, change the interest rates on variable rate mortgages. In addition, mortgages may be called after six months' notice. Customer deposits have been stable and are expected to remain so.

The Group's deposit-taking indirect subsidiaries manage risk by monitoring its customers' deposits, taking steps to ensure its stability, and by adjusting interest rates to the extent practicable within the overall policy of provision of banking and financial services.

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Interest rate risk (continued):

The following table summarises the carrying amount of recognisied assets and liabilities to arrive at the Group's interest rate gap based on the earlier of contractual repricing and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

	Group						
	2020						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash and cash equivalents	9,680,825	483,197	9,958	-	19,364,711	29,538,691	0.7
Securities purchased under resale agreements	-	3,690,836	924,804	-	31,456	4,647,096	4.9
Investments	161,460	21,195,321	9,770,775	35,307,661	1,542,284	67,977,501	3.8
Loans	-	6,699,224	4,192,367	99,322,179	617,159	110,830,929	7.8
Other assets	-	-	-	-	4,426,533	4,426,533	-
Total financial assets	9,842,285	32,068,578	14,897,904	134,629,840	25,982,143	217,420,750	
Financial Liabilities							
Due to specialised financial institutions	-	19,944,547	186,364	195,454	-	20,326,365	6.3
Customer deposits	99,517,924	21,217,605	17,031,294	1,768,938	330,207	139,865,968	1.1
Due to related entities	-	-	-	-	179,900	179,900	-
Securities sold under repurchase agreements	-	15,158,090	5,096,384	43,527	119,109	20,417,110	2.3
Other payables	-	758	-	-	6,025,507	6,026,265	-
Long-term loans	-	53,521	1,060,877	4,177,060	-	5,291,458	8.0
Total financial liabilities	99,517,924	56,374,521	23,374,919	6,184,979	6,654,723	192,107,066	
On-statement of financial position gap, being total interest rate sensitivity gap	(89,675,639)	(24,305,943)	(8,477,015)	128,444,861	19,327,420	25,313,684	
Cumulative gap	(89,675,639)	(113,981,582)	(122,458,597)	5,986,264	25,313,684	-	

	2019						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash and cash equivalents	2,164,434	158,703	11,989	-	21,795,030	24,130,156	3.1
Securities purchased under resale agreements	-	5,031,427	224,469	-	6,460	5,262,356	4.1
Investments	-	13,512,992	7,854,136	48,673,218	1,724,379	71,764,725	5.0
Loans	-	94,117,371	1,230,163	1,669,811	489,735	97,507,080	8.0
Other assets	-	885	-	-	3,881,468	3,882,353	3.0
Total financial assets	2,164,434	112,821,378	9,320,757	50,343,029	27,897,072	202,546,670	

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Interest rate risk (continued):

	Group 2019						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Total Financial Assets	2,164,434	112,821,378	9,320,757	50,343,029	27,897,072	202,546,670	
Financial Liabilities							
Bank overdraft	7,311	-	-	-	-	7,311	7.0
Due to specialised financial institutions	-	18,630,994	50,000	50,000	-	18,730,994	4.2
Customer deposits	87,437,553	25,776,233	13,644,397	1,080,093	1,554,278	129,492,554	1.0
Due to related entities	-	-	-	-	175,159	175,159	-
Securities sold under repurchase agreements	-	13,271,567	3,909,971	-	58,849	17,240,387	2.7
Other payables	-	13,796	65,501	-	4,866,443	4,945,740	-
Margin loan payable	-	898,159	-	-	-	898,159	2.3
Long-term loans	-	261,490	704,092	682,278	101	1,647,961	9.0
Total financial liabilities	87,444,864	58,852,239	18,373,961	1,812,371	6,654,830	173,138,265	
On-statement of financial position gap, being total interest rate sensitivity gap	(85,280,430)	53,969,139	(9,053,204)	48,530,658	21,242,242	29,408,405	
Cumulative gap	(85,280,430)	(31,311,291)	(40,364,495)	8,166,163	29,408,405	-	

	Company 2020					
	Immediately rate sensitive	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	%
Financial Assets						
Cash and cash equivalents	154,782	-	-	-	154,782	-
Due from related entities	-	-	-	311,371	311,371	-
Loans	-	23,833	130,213	6,999	161,045	4.0
Other assets	-	-	-	190,259	190,259	-
Total financial assets	154,782	23,833	130,213	508,629	817,457	
Financial Liabilities						
Due to related entities	-	-	-	415,993	415,993	-
Other payables	-	-	-	256,352	256,352	-
Total financial liabilities	-	-	-	672,345	672,345	
On statement of financial position gap, being total interest rate sensitivity gap	154,782	23,833	130,213	(163,716)	145,112	
Cumulative gap	154,782	178,615	308,828	145,112	-	

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Interest rate risk (continued):

	Company				
	2019				
	Immediately rate sensitive	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	%
Financial Assets					
Cash and cash equivalents	25,192	-		25,192	-
Due from related entities	-	-	215,074	215,074	-
Loans	-	132,507	4,647	137,154	8.0
Other assets	-	-	52,190	52,190	-
Total financial assets	25,192	132,507	271,911	429,610	-
Financial Liabilities					
Due to related entities	-	-	175,159	175,159	-
Other payables	-	-	156,032	156,032	-
Total financial liabilities	-	-	331,191	331,191	
On statement of financial position gap, being total interest rate sensitivity gap	25,192	132,507	(59,280)	98,419	
Cumulative gap	25,192	157,699	98,419	-	

Sensitivity to interest rate movements:

Fair value sensitivity for fixed rate instrument:

The sensitivity of the Group's financial assets and liabilities to interest rate risk is monitored using the following scenarios:

	Increase in interest rate		Decrease in interest rate	
	Basis points		Basis points	
	2020	**2019**	**2020**	**2019**
J$ denominated instruments	100	100	100	100
US$ denominated instruments	100	100	100	100

An increase/decrease, using the above scenarios, would adjust reserves and surplus by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Interest rate risk (continued):

Sensitivity to interest rate movements (continued):

Fair value sensitivity for fixed rate instrument (continued):

	Group			
	2020		2019	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(2,059,699)	2,013,767	(2,364,715)	2,672,324

	Company			
	2020		2019	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Surplus	3,088	(3,088)	1,058	(1,058)

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust surplus by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	Effect on surplus	
	Increase	Decrease
	$'000	$'000
March 31, 2020		
Variable rate instruments	72,043	(72,043)
March 31, 2019		
Variable rate instruments	104,948	(104,948)

The Company does not hold any variable rate instruments.

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(ii) Equity price risk:

Equity price risk arises from equity instruments at FVOCI held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise risk-adjusted investment returns.

A 5% (2019: 10%) increase and a 10% (2019:10%) decrease in the market prices at the reporting date would result in an increase, and decrease, in reserves for the Group of $32.08 million (2019: $66.07 million) $64.17 million (2019: $66.07 million) and, respectively.

The Company does not hold any equity securities.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value or cash flows if a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are United States dollars, Canadian dollars, Cayman dollars, Euro and Pound sterling.

The Group ensures that the net exposure is kept to an acceptable level by daily monitoring its cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the traded currencies. Foreign currency liabilities, generally, are backed by foreign currency assets.

Net foreign currency assets/(liabilities) were as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
United States dollars	(1,584)	77,261	1,398	(481)
Canadian dollars	416	(5,999)	260	152
Pound sterling	193	(38,806)	(41)	(372)
Euro	149	292	-	-
Cayman dollars	1,467	1,710	-	-
Trinidad & Tobago dollars	3,227	2,183	-	-

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at note 46(q)(i).

39. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity analysis:

A 6% (2019: 6%) weakening of the Jamaica dollar against the major currencies in which the Group undertakes transaction at March 31 would have increased operating surplus by the amounts shown. A 2% (2019: 4%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was done on the same basis for 2019.

	Group				Company			
	2020		2019		2020		2019	
	6%	2%	6%	4%	6%	2%	6%	4%
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States dollars	(12,735)	4,245	579,457	(386,305)	11,237	(3,746)	(3,608)	2,405
Canadian dollars	2,342	(782)	(33,475)	22,317	1,463	(488)	848	(565)
Pounds sterling	1,917	(639)	(383,016)	255,344	(407)	136	(3,673)	2,449
Euro	1,308	(437)	2,424	(1,615)	-	-	-	-
Cayman dollars	14,523	(4,841)	15,783	(10,517)	-	-	-	-
Trinidad & Tobago dollars	3,841	(1,280)	2,445	(1,637)	-	-	-	-

(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 natural and man-made disasters and from the need to comply with legal and regulatory requirements, and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk to achieve the optimal balance between the Group's financial viability and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Group Risk and Compliance Unit, centrally, and, in daily operations, to the senior management team.

There was no change to the Group's approach to operational risk management during the year.

39. Financial risk management (continued)

(e) Operational risk (continued)

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Group Risk and Compliance Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by Group Internal Audit. The results of all operational risk reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Group Audit Committee and to the Board of Directors.

(f) Capital management

Regulatory capital

General

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. This is supported by the annual Group Internal Capital Adequacy Assessment Process which seeks to ensure that all subsidiaries, on a stand-alone and on a Group basis, are adequately capitalised.

Banking indirect subsidiaries

The main regulator of the JN Bank Limited is the Bank of Jamaica, which monitors compliance with the capital requirements for JN Bank Limited (the Bank). The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Bank. This is supported by the annual Bank Internal Capital Adequacy Assessment Process which seeks to ensure that the JN Bank Limited is adequately capitalised.

39. Financial risk management (continued)

(f) Capital management (continued)

Regulatory capital (continued)

Banking indirect subsidiaries (continued)

The Bank of Jamaica requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets of 10%. The total regulatory capital expressed as a percentage of the total risk weighted assets, at March 31, 2020 was 15% (2019: 14%).

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) are the primary bodies which regulate the banking industry in the UK.

The UK banking subsidiary manages its capital in accordance with Capital Requirements Regulation (CRR) and Capital Requirements Directive (together referred to as CRD IV). The framework is enforced by the Prudential Regulation Authority (PRA). The PRA sets and monitors the Bank's capital requirements.

The PRA's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. The regulator sets Total Capital Requirement (TCR) for each bank in excess of the minimum resources requirement of 8% of risk weighted assets. A key input to the TCR setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

The UK banking subsidiary met the regulatory requirements for the reporting period ended March 31, 2020.

General insurance indirect subsidiary

General insurers must maintain a minimum level of assets, capital and surplus to meet its liabilities as required by its regulator, the Financial Services Commission (FSC). The FSC requires the ratio of available assets to required assets to be 250% under the terms of the Minimum Capital Test (MCT).

The MCT ratio attained by the entity at December 31, 2019 was 288% (December 31, 2018: 381%).

Life insurance indirect subsidiary

The entity's regulator is the FSC which monitors the capital requirements for the subsidiary. In implementing current capital requirements, the FSC requires the entity to maintain a minimum capital of $150 million. The entity is in compliance with this capital requirement.

39. Financial risk management (continued)

(f) Capital management (continued)

Regulatory capital (continued)

Life insurance indirect subsidiary (continued)

To assist in evaluating the current business and strategic opportunities, a risk-based approach is one of the core measures of financial performance. The risk based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the FSC and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%.

The MCCSR attained by the entity at December 31 is set out below:

	2019	2018
Regulatory capital held ($`000)	509,821	668,427
Minimum regulatory capital ($`000)	160,750	178,027
MCCSR Ratio	317.2%	375.5%

Investment management indirect subsidiary

The entity's regulator is the FSC, which monitors the entity's regulatory capital position. The FSC's benchmark capital ratios and the ratios attained by the subsidiary for the current and prior year are shown in the table below.

		2020		2019	
	FSC Benchmark	Required	Attained	Required	Attained
Capital ratios:					
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets	Minimum	10%	19.20%	10%	20.06%
Total Tier 1 capital expressed as a percentage of total qualifying capital	Greater than	50%	105.84%	50%	94.78%
Total regulatory capital expressed as a percentage of total assets	Minimum	6%	14.03%	6%	16.85%

The entity is in compliance with externally imposed capital requirements.

39. Financial risk management (continued)

(f) Capital management (continued)

Regulatory capital (continued)

Indirect foreign subsidiary

An indirect subsidiary is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that, if undertaken, could have a direct material effect on the indirect subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the indirect subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The indirect subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

As at March 31, 2020 and 2019, the indirect subsidiary's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements are presented in the following table:

	Actual	2020 minimum for regulatory capital and capital adequacy purposes	Actual	2019 minimum for regulatory capital and capital adequacy purposes
Regulatory capital (CI$)	6,651,209	2,601,000	5,578,962	2,792,682
Risk asset ratio	39.7%	15%	40.8%	15%
Liquidity ratio	267%	10%	24.4%	10%

Money transmission services indirect subsidiaries

The Bank of Jamaica requires the indirect subsidiary to maintain a net worth of US$0.01 million or its equivalent in Jamaica dollars. The indirect subsidiary group's and company's net worth as at March 31, 2020 amounted to the Jamaican equivalent of US$18.61 million (2019: US$16.95 million) and US$5.87 million (2019: US$6.64 million), respectively.

CIMA requires one of the indirect subsidiaries to maintain a net worth of CI$0.03million. Its net worth as at March 31, 2020 amounted to CI$4.98 million (2019: CI$4.94 million).

The regulatory capital requirement for the indirect subsidiary registered in The United States of America (USA) is described at note 8(iv).

The Financial Conduct Authority requires a United Kingdom indirect subsidiary to maintain a net worth of €0.14million. The indirect subsidiary's net worth as at March 31, 2020 amounted to €0.81 million or £0.72 million (2019: €1.05 million or £0.91 million).

39. Financial risk management (continued)

(f) Capital management (continued)

Regulatory capital (continued)

Money transmission services indirect subsidiaries (continued)

An indirect subsidiary, which is regulated by the Financial Transactions and Report Analysis Centre of Canada, is not subject to any externally imposed capital requirements.

There has been no change during the year in the manner in which capital is managed within Group.

40. Fair value of financial instruments

The fair value of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the Group determines fair values using other valuation techniques as detailed in note 46(b).

The fair values of cash and cash equivalents, securities purchased under resale agreements, due to/from related entities, other assets, securities sold under repurchase agreements and other payables are considered to approximate their carrying values due to their relatively short-term nature.

The estimated fair value of loans is the principal receivable less any allowance for losses.

40. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values:

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

The Company has no financial assets or financial liabilities measured at fair value.

	Group 2020					
	Carrying amount			Fair value		
	FVOCI $'000	At fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:						
Corporate and sovereign bonds	13,411,017	-	13,411,017	-	13,411,017	13,411,017
Quoted equities	219,430	422,217	641,647	641,647		641,647
Unquoted equities	19,614	-	19,614	-	19,614	19,614
Government of Jamaica securities	30,082,598	-	30,082,598	-	30,082,598	30,082,598
Treasury bills	13,687,478	-	13,687,478	-	13,687,478	13,687,478
Mutual funds	-	322,834	322,834	-	322,834	322,834
Promissory note	52,561	-	52,561	-	52,561	52,561
	57,472,698	745,051	58,217,749	641,647	57,576,102	58,217,749

	Group 2019					
	Carrying amount			Fair value		
	FVOCI $'000	At fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:						
Corporate and sovereign bonds	9,183,641	-	9,183,641	-	9,183,641	9,183,641
Quoted equities	145,586	515,126	660,712	660,712	-	660,712
Unquoted equities	29,353	-	29,353	-	29,353	29,353
Government of Jamaica securities	37,260,149	-	37,260,149	-	37,260,149	37,260,149
Treasury bills	8,741,578	-	8,741,578	-	8,741,578	8,741,578
Mutual funds	-	261,717	261,717	-	261,717	261,717
	55,360,307	776,843	56,137,150	660,712	55,476,438	56,137,150

40. Fair value of financial instruments (continued)

(b) Valuation techniques for investment securities classified as Level 2:

The following table shows the valuation techniques used in measuring the fair value of investment securities classified as Level 2.

Type	Valuation techniques
US$ denominated GOJ securities, sovereign and corporate bonds	• Obtain bid price provided by a recognised broker/dealer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Units in Mutual funds	• Obtain net asset value (NAV) per unit published by Fund Manager • Apply price to estimate fair value
Unquoted equities	• Price obtained from third party valuations • Apply price to estimate fair value
Foreign exchange forward contracts	• Obtain forward foreign exchange rates • Apply rates to estimate fair value

There are no significant unobservable inputs used in computing the fair values.

41. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Group's management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by the Group is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policies written by the Group are:

Liability insurance
Property insurance
Motor insurance
Life insurance

41. Insurance risk management (continued)

(a) Underwriting policy

The Group manages insurance risk through its underwriting policy that includes *inter alia* authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The underwriting strategy for the life insurance subsidiary includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and analyses.

The Group seeks to underwrite a balanced portfolio of risks at rates and on terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

(b) Reinsurance strategy:

The Group reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance results in credit risk. The Group manages reinsurance risk by selecting reinsurers which have established capability to meet its contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria and for monitoring its adequacy on an ongoing basis. Concentration of insurance risks is discussed in more detail in note 42.

(c) Terms and conditions of general and life insurance contracts:

The table below provides an overview of the terms and conditions of general and life insurance contracts written by the Group and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

Type of contract	**Terms and conditions**	**Key factors affecting future cash flows**
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.

41. Insurance risk management (continued)

(c) Terms and conditions of general and life insurance contracts (continued):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and bodily injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the deteriorating condition of the road network, failure by some motorists to obey traffic signals and the road code and an overall increase in the incidence of motor vehicle accidents. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. The bodily injury claims have a relatively long tail.

41. Insurance risk management (continued)

(c) Terms and conditions of general and life insurance contracts (continued):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Life	Life insurance contracts insure human life for death, critical illness or permanent disability over short and long duration. Short-duration life insurance contracts protect the indirect subsidiary's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy-holder. There are no maturity or surrender benefits.	For the contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as eating, smoking and exercise habits resulting in earlier or more claims than expected.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The Group reprices each contract to reflect the continually evolving risk profile. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

41. Insurance risk management (continued)

(d) Risk exposure and concentrations of risk:

The following table shows the Group's exposure to general insurance risk (based on the carrying value of claim provisions at the reporting date) per major category of business.

	Liability $'000	Property $'000	Motor $'000	Other $'000	Total $'000
At December 31, 2019					
Gross	172,850	24,376	1,437,888	3,761	1,637,975
Net of reinsurance	171,392	4,703	1,430,561	1,752	1,608,408
At December 31, 2018					
Gross	267,771	40,730	1,433,100	7,436	1,749,037
Net of reinsurance	215,157	7,069	1,397,156	4,047	1,623,429

(e) Claims development for general insurance:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Group. The top part of the table shows how the estimates of total claims for each accident year developed over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development:

	Accident year						
	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of cumulative claims at end of accident year	1,991,939	1,039,487	1,285,664	1,212,574	1,102,581	1,144,963	
- one year later	1,754,631	969,568	1,186,365	1,175,304	1,080,901	-	
- two years later	1,761,348	936,815	1,205,337	1,240,028	-	-	
- three years later	1,767,981	954,524	1,231,848	-	-	-	
- four years later	1,729,801	971,822	-	-	-	-	
- five years later	1,749,086	-	-	-	-	-	
Estimate of cumulative claims	1,749,086	971,822	1,231,848	1,240,028	1,080,901	1,144,693	7,418,378
Cumulative payments	(1,556,045)	(890,108)	(1,068,301)	(1,048,373)	(813,799)	(433,344)	(5,809,970)
Net outstanding liabilities	193,041	81,714	163,547	191,655	267,102	711,349	1,608,408

41. Insurance risk management (continued)

(f) Reinsurance limits

(i) The Group has property catastrophe reinsurance up to a maximum of $64.33 billion (2018: $56.637 billion) of which the Property and Condominium Strata Quota Share is $52.61 billion (2018: $46.24 billion), Engineering, Quota Share is $6.06 billion (2018: $4.847 billion) and Catastrophe Excess of Loss $5.66 billion (2018: $5.55 billion) per event under which it is liable for the first $400 million (2018: $400 million) of losses in accordance with the terms of the treaty. Motor catastrophe reinsurance cover is US$10 million (2018: US$10 million) per event. The Group limits its net exposure to a maximum amount on any one risk (property and engineering) or loss (the other classes) of US$900,000 (2018: US$900,000) for property claims; US$12,000 (2018: US$60,000) on contractors all risks and other engineering exposures; $25 million on performance, tender and mobilisation bonds; $10 million on motor, personal accident, public and employer's liability and fidelity bonds; and $5 million on fidelity guarantee bonds for the years ended December 31, 2019 and 2018.

Type of insurance contract	**Retention limit**
Group creditor life contract	JMD 7,500,000; USD 60,000; CAD 52,000; GBP 42,000 of coverage per life insured. Treaty limits apply.
Group life contract	JMD 3,000,000 of coverage per life insured. Treaty limits apply.

(ii) In the life insurance indirect subsidiary, the benefits assured for the creditor life policies, distributed by retained amounts and by reinsured amounts at December 31 are shown below:

	2019		
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	7,658,466	234,635	7,423,831
1,000 - 2,000	7,445,108	73,309	7,371,799
2,000 - 5,000	24,272,398	55,946	24,216,452
5,000 - 10,000	36,706,765	5,416,869	31,289,896
10,000 and over	27,823,344	18,436,286	9,387,058
	103,906,081	24,217,045	79,689,036

41. Insurance risk management (continued)

(f) Reinsurance limits (continued)

(ii) In the life insurance indirect subsidiary, the benefits assured for the creditor life policies, distributed by retained amounts and by reinsured amounts at December 31 are shown below (continued):

	2018		
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	6,610,647	231,094	6,379,553
1,000 - 2,000	6,213,998	45,105	6,168,893
2,000 - 5,000	22,638,946	426,217	22,212,729
5,000 - 10,000	31,652,306	4,350,403	27,301,903
10,000 and over	23,315,606	15,401,446	7,914,160
	90,431,503	20,454,265	69,977,238

42. Concentration of insurance risks

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentration may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which the Group is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Group because the occurrence of an event could have a significantly adverse effect on its cash flows.

The Group's key methods in managing these risks are twofold:

(a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Group's underwriting policy [note 41(a)].

(b) Secondly, the risk is managed through the use of reinsurance [note 41(b)]. The Group arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on a regular basis.

43. Commitments

At March 31 the Group had:

(a) Undisbursed approved loans of approximately $6.23 billion (2019: $8.03 billion).

(b) Capital commitments:

Commitments for capital expenditure approved and contracted for was $37.46 million (2019: $26.51 million).

(c) Sponsorship commitments:

Commitments for sponsorship expenditures amounted to $127.06 million (2019: $141.85 million).

44. Contingent liabilities

(i) There are several claims which have been brought against the Group in respect of damages for alleged breach of contract and other matters. It is the opinion of the Group's Legal Counsel that, in the unlikely event that these claims are successful, liability would not be significant.

(ii) In the ordinary course of business, the general insurance indirect subsidiary seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. These reinsurers are chosen based on their international rating, with no one reinsurer accounting for more than 15% of the indirect subsidiary's aggregates. Reinsurance ceded does not discharge the indirect subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligation could result in losses to the entity. Consequently, a contingent liability exists should an assuming reinsurer be unable to meet its obligations.

45. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 46 for all periods presented in these financial statements.

The details, nature and effects of the changes are as follows:

New and amended standard and interpretation that became effective during the year:

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, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. Accordingly, 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 of 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 46(u).

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 only to contracts entered into or changed on or after April 1, 2019.

45. Changes in accounting policies (continued)

(b) As a lessee

As a lessee, the Group leases assets such as property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to 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.

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 price.

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 their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; the Group applied this approach to its property leases.

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;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(c) As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

45. Changes in accounting policies (continued)

(c) As a lessor (continued)

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Group has applied IFRS 15, *Revenue from Contracts with Customers*, to allocate consideration in the contract to each lease and non-lease component.

(d) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, recognising the difference in retained earnings. The impact on transition is summarised below.

	Group $'000	Company $'000
Right-of-use assets – property, plant and equipment	961,974	70,757
Lease liabilities	(961,974)	(70,757)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted-borrowing rate applied is 6%.

	Group $'000	Company $'000
Operating lease commitments at March 31, 2019 as disclosed under IAS 17 in the Group's financial statements	631,977	13,232
Discounted using the incremental borrowing rate at April 1, 2019	745,874	11,553
Extention and termination options and adjustments	216,100	59,204
Lease liabilities recognised at April 1, 2019	961,974	70,757

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.

46. Significant accounting policies

Except for changes in note 45, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Financial assets and liabilities

Recognition and initial 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, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 39, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

(ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

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

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

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.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

46. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)

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 FVPL, 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 39(b). Interest income from these financial assets is included in 'Interest revenue' 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in surplus or deficit. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'interest revenue' 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 surplus or deficit. 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 surplus or deficit and presented in the profit or loss statement within 'net trading revenue' 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 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest revenue' using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. The Group determines whether its 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 the 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.

46. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)

For example, the Group's business model for the mortgage portfolio is to hold to collect contractual cash flows. Another 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 FVTPL.

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.

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 evidences a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequent to initial recognition 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 surplus or deficit, 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 surplus or deficit 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 'Other operating income' line in the statement of revenue and expenses.

46 Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

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, fees and points paid or received 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 [see definition on note 46(s)] 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.

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 surplus or deficit.

Modification of loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

46. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Modification of loans (continued)

- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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

Derecognition other than on a modification

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

Where 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 assets;

46. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Derecognition other than on a modification (continued)

(ii) Is prohibited from selling or pledging the assets; and 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.

Identification and measurement of 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 with the exposure arising from loan commitments. 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 39(b)(vi) provides more details of how the expected credit loss allowance is measured.

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in surplus or deficit as a reclassification from OCI.

Financial guarantee contracts and loan commitments

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

46. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial guarantee contracts and loan commitments (continued)

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance, or
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(b) Fair value measurement:

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in surplus or deficit on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

46. Significant accounting policies (continued)

(b) Fair value measurement (continued):

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

(c) Basis of consolidation:

[i] Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in surplus or deficit immediately. Transaction costs are expensed as incurred, except if related to the issued debt or equity securities, in which case they are deducted from the proceeds.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in surplus or deficit.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in surplus or deficit.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

46. Significant accounting policies (continued)

(c) Basis of consolidation (continued):

[ii] 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 subsidiary companies are listed in note 1 and are referred to as "subsidiaries" or "subsidiary" in the financial statements. The consolidated or Group financial statements comprise the financial results of the Company and its direct and indirect subsidiaries prepared to March 31, except for JN General Insurance Company Limited and JN Life Insurance Company Limited, which financial statements are prepared to December 31, annually (note 1). Consequently, the consolidated results include the results of these subsidiaries for the year ended December 31, 2019 (2019: December 31, 2018), updated for significant transactions to March 31, 2020 (2019: March 31, 2019).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

[iii] Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

[iv] Loss of control

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

46. Significant accounting policies (continued)

(c) Basis of consolidation (continued):

[v] Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to $Nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

Book value accounting is used to recognise transfer of investments in associates between investors under common control. The result of the transaction is recognised in equity as arising from a transaction with shareholders. Any difference between the amount paid and the carrying amount of the investee, that is, excess consideration is recognised as an additional investment and any deficit is recorded as dividends received.

[vi] Jointly controlled operations

A jointly controlled operation is a joint venture carried on by a venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and expenses that the Group incurs and its share of the income that it earns from the joint operation.

[vii] Transactions eliminated on consolidation

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

46. Significant accounting policies (continued)

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses [see note 46(t)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or deficit as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in surplus or deficit.

Property, plant and equipment, with the exception of artwork and freehold land on which no depreciation is provided, are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their estimated useful lives and is generally recognised in profit or loss. Leasehold properties are amortised in equal instalments over the shorter of the lease term and the properties' estimated useful lives.

The depreciation rates are as follows:

Freehold buildings	2½%
Leasehold buildings	Shorter of lease term and useful life
Leasehold improvements	Shorter of lease term and useful life
Computer hardware	33⅓%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

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

(e) Securities purchased/sold under resale/repurchase agreements:

Securities purchased under resale agreements ("Reverse repo") and securities sold under repurchase agreements ("Repo") are short-term transactions whereby securities are bought/sold with simultaneous agreements to resell/repurchase the securities on a specified date and at a specified price. Reverse repos and repos are accounted for as short-term collateralised lending and borrowing, respectively, and are measured at amortised cost less impairment.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income and expense, respectively.

46. Significant accounting policies (continued)

(f) Cash and cash equivalents:

Cash and cash equivalents are measured at amortised cost. They comprise cash balances and cash reserve at the Bank of Jamaica, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months from the reporting date, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments. Bank overdrafts are repayable on demand. Bank overdrafts that form an integral part of the Group's cash management for financing operations are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Investment property:

Investment property is measured at cost less accumulated depreciation and impairment losses. Rental income from investment property is recognised on the straight-line basis over the term of the lease, and accounted for on the accrual basis.

(h) Goodwill and other intangible assets:

[i] Goodwill:

Goodwill represents amount arising on acquisition of subsidiaries and other business venture. It comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised directly in surplus or deficit.

46. Significant accounting policies (continued)

(h) Goodwill and other intangible assets (continued):

[ii] Other intangible assets:

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

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to surplus or deficit on the straight-line basis over the estimated useful lives of intangible assets, unless such lives are infinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	5 years
Software	3 years
Non-compete agreement	5 years

(i) Assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held for sale. Assets held for sale are measured at the lower of their carrying amount and fair values less cost to sell.

Impairment losses on initial reclassification as held for sale and subsequent gains and losses on re-measurement are recognised in surplus or deficit. Once classified as held for sale, property, plant and equipment are no longer depreciated.

(j) Other assets:

Other assets are measured at amortised cost less impairment losses.

46. Significant accounting policies (continued)

(k) Employee benefits:

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

The Group provides post-retirement pension and health insurance benefits to employees who have satisfied certain minimum service requirements.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

[i] Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

[ii] Defined contribution plans:

Obligation for contributions to defined contribution plans is expensed as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

[iii] Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary, appointed by management using the projected unit credit method. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The Group's net obligation in respect of its defined-benefit plans (note 23) is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government instruments of terms approximating those of the Group's obligation.

46. Significant accounting policies (continued)

(k) Employee benefits (continued):

[iii] Defined-benefit plans (continued):

Remeasurements of the net defined-benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense on the net defined-benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in surplus or deficit.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in surplus or deficit. The Group recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

[iv] Other long-term employee benefits:

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in surplus or deficit in the period in which they arise.

[v] Termination benefits:

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(l) Loans payable:

Loans payable are recognised initially at cost, being their issue proceeds less attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, with any difference between net proceeds and redemption value being recognised in surplus or deficit on the effective interest rate basis. The associated costs are included in interest expense.

46. Significant accounting policies (continued)

(m) Provisions and contingencies:

A contingent liability is recognised in the financial statements when it is probable that the future event giving rise to the liability will occur and the amount of economic benefit required to settle it is reasonably estimable

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(n) Insurance contract recognition and measurement:

[i] Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

For the life insurance indirect subsidiary, the insurance contracts insure human life for death or permanent disability over short and long durations. These life insurance contracts protect the indirect subsidiary's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

The underwriting results are determined after making provision for, inter alia, outstanding claims.

Gross written premiums

Gross premiums reflect business written during the year, and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

46. Significant accounting policies (continued)

(n) Insurance contract recognition and measurement (continued):

[i] Insurance contracts (continued)

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

Unexpired risks

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by the indirect subsidiary under contracts of insurance entered into before the end of the financial year and is actuarially determined.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the indirect subsidiaries involved. The loss and loss expense reserves have been reviewed by the indirect subsidiary's actuary using the past loss experience of the indirect subsidiaries and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes that, based on the analysis completed by the actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

[ii] Reinsurance assets

In the ordinary course of business, the indirect subsidiaries seek to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the indirect subsidiaries' liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the subsidiaries and the Group. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations [see note 44(ii)].

46. Significant accounting policies (continued)

(n) Insurance contract recognition and measurement (continued):

[ii] Reinsurance assets (continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the reporting date, which are attributable to subsequent periods, are calculated substantially on the "twenty-fourths" basis on the total premiums ceded.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired, if there is objective evidence, as a result of an event that occurred after its initial recognition, that the subsidiaries may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the indirect subsidiaries will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in surplus or deficit.

[iii] Insurance receivable and insurance payable

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(o) Other payables:

Other payables are measured at amortised cost.

(p) Taxation:

[i] Income tax:

Income tax on the surplus or deficit for the year comprises current and deferred tax. Income tax is recognised in surplus or deficit, except to the extent that it relates to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax comprises expected tax payable on the taxable income or loss for the year, as adjusted for tax purposes, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

[ii] Deferred tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable surplus or deficit, and differences relating to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

46. Significant accounting policies (continued)

(p) Taxation (continued):

[ii] Deferred tax (continued):

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted as at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(q) Foreign currencies:

[i] Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US$1.00 = J$133.9592 (2019: J$125.0201), UK£1.00 = J$165.4943 (2019: J$164.5582) and Cdn$1.00 = J$93.7718 (2019: J$92.9814), being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of Euro1.00 = J$146.4085 (2019: J$138.3505) and Cayman Dollar 1.00 = J$165.0387 (2019: J$153.7757).

[ii] Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in surplus or deficit, except for differences arising on the re-translation of fair value through other comprehensive equity investments [note 46(a)] and foreign operations [note 46(q)(iii)].

[iii] For the purpose of consolidating the financial statements of the Group's foreign subsidiaries, each statement of financial position is translated at the closing rate and each statement of profit or loss at the average rate of exchange for the year. Translation differences are recognised in other comprehensive income and presented in an exchange equalisation reserve in equity [note 29(a)].

46. Significant accounting policies (continued)

(r) Allowance for credit losses:

The allowance for credit losses is maintained at a level considered adequate to provide for probable credit losses and is based on management's evaluation of individual loans in the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and guidance provided by BOJ and CIMA, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

General provisions for credit losses are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained by the indirect banking subsidiary at levels in excess of the minimum ½% established by the Bank of Jamaica.

IFRS 9 only permits specific loan loss provision and a general provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss provision required under the Regulations (note 2) that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve.

(s) Interest income and expense:

Interest income and expense are calculated by applying the effective interest rate to the gross carrying amount of financial assets or liabilities, except for:

[i] POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

[ii] 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).

(t) Impairment of non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists for any assets, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

46. Significant accounting policies (continued)

(t) Impairment of non-financial assets (continued):

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in surplus or deficit. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(u) Leases:

Policy applicable before April 1, 2019

Payments made under operating leases are recognised in surplus or deficit on the straight-line basis over the life of the lease.

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.

46. Significant accounting policies (continued)

Policy applicable from April 1, 2019 (continued)

(u) Leases (continued):

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.

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 remeasurements 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;
- 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.

46. Significant accounting policies (continued)

Policy applicable from April 1, 2019 (continued)

(u) Leases (continued):

As a lessee (continue)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit 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 the correspondence obligation as lease liabilities 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. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(v) Revenue recognition:

Revenue from the provision of services is recognised in surplus or deficit when the significant risks and rewards of ownership have been transferred to the buyer and the consideration can be reliably measured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or material associated costs on the possible return of goods.

Revenue from membership fees is recognised over the term of the membership. Revenue received in advance is deferred to match the revenue with the future costs associated with providing the service.

Media revenue is recognised when the related advertisement or commercial appears before the public. Production revenue is recognised by reference to the stage of completion of the project.

Money transfer fees are recognised when funds are transmitted on behalf of customers. Foreign exchange fees are recognised as earned, based on the value of remittances.

The accounting policies for the recognition of revenue from insurance contracts in respect of gross premiums written are disclosed in note 46(n)[i].

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts [see note 46(n)(i)]. Commission income in respect of reinsurance contracts is recognised on the accrual basis.

46. Significant accounting policies (continued)

(v) Revenue recognition (continued):

Investment income arises from financial assets and is comprised of interest and dividends and recognised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established.

The accounting policy for interest income is described at note 46(s).

(w) Fees and commission

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from April 1, 2018).*
Servicing fees	The banking indirect subsidiary provides administrative services to its customers in respect of service delivery within its branch network. Fees are determined based on the service provided.	Revenue from service is recognised over time as the service is provided.
Commission fees	The banking indirect subsidiary provides services to its clients based on duly executed client agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.
	Other subsidiaries recognise fees and commission as the related services are performed.	Revenue from fees and commission are recognised when the entity transfers control over a service to a customer.
Rental income	Earned on an accrual basis at a predetermined price and on payment terms agreed on and stated in a contract/rental agreement.	Rental income is earned over time and is recognised on the accrual basis.
Money transmitting	Fees are recognised when the indirect subsidiary has transmitted money to the customer, the customer has accepted the service, and collectability of the related receivable is reasonably assured.	Revenue from this service is recognised at the point in time when money is transmitted by the sender.
Mobile top up	Fees are recognised when the indirect subsidiary sells phone credit to customers.	Revenue from mobile top up is recognised at the point when the service is delivered.

46. Significant accounting policies (continued)

(w) Fees and commission (continued):

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from April 1, 2018).*
Bill payments	Fees are recognised when the indirect subsidiary transacts bill payment services on behalf of customers.	Revenue is recognised at the point in time that the transactions are completed.
Sale of foreign currency	Sale of currency is recognised when the currency is delivered to the customer and the customer has accepted the currency and collectability of receivable is reasonably assured.	Revenue from sale of currency is recognised at the point the currency is delivered to the customer.
Administrative fees	The Group's investment indirect subsidiary provides trustees and other administrative services for physical custody of securities based on executed client agreements along with the management of members' database and pensions contributions. Fees are calculated based on a fixed percentage of the value of the assets and is charged quarterly.	Revenue from trustee service is recognised over time as the service is provided.
Asset management fees	The Group's investment indirect subsidiary provides portfolio and investment management services to its clients based on duly executed client agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.
Corporate Finance & Advisory fees	An indirect subsidiary charges fees for advisory services provided to its corporate clients based on agreed mandate. Fees are charged based on the nature of the transaction which varies from client to client and are paid at the successful execution of each transaction.	Revenue from services is recognised at the successful execution of each transaction.

46. Significant accounting policies (continued)

(w) Fees and commission (continued):

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from April 1, 2018).*
Sale of computer hardware and software	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognised at that point in time. Invoices are usually payable within 30 days. Generally, no discounts are provided for the sale of computer hardware and software. The sale contract does not permit the customer the right of return, except in instances where the agreed goods were not initially supplied, in which case, if the incorrect item is returned within 7 days the item is exchanged for the correct item.	Revenue is recognised at a point in time when the goods are delivered and have been accepted by the customers.
The installation of computer equipment, the provision of computer services and software programming and the provision of network solutions	Invoices for the installation of computer equipment, the provision of computer services and software programming and the provision of network solutions are generated at each milestone as agreed in the contract. Invoiced amounts are not recognised as revenue but are accounted for as deferred revenue until the conditions for revenue recognition is achieved.	Revenue is recognised at the point in time when the performance obligation is met, i.e. when the installation of computer equipment, the provision of computer services and software programming and the provision of network solutions is complete and delivered to and accepted by the customer following their own User Acceptance Testing (UAT).
	Some service contracts include an annual maintenance service component. The price of this is quoted separately in the contract and are invoiced to the customer on a monthly basis. Invoices are usually payable within 30 days.	Revenue is recognised as the service is provided, i.e. in equal monthly instalments over the contract service period.

46. Significant accounting policies (continued)

(w) Fees and commission (continued):

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from April 1, 2018).*
Property management fees	An indirect subsidiary provides property management services to certain customers. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from property management fees is recognised over time as the services are provided.
Maintenance income	An indirect subsidiary charges maintenance fees from the tenants on monthly basis and are based on fixed rates agreed.	Revenue from maintenance income is recognised over time as the services are provided.
Membership fee income	An indirect subsidiary charges membership fees to the customers on a yearly basis and are based on fixed rates agreed.	Revenue from membership fees is recognised over time as the services are provided.

(x) New and amended standards and interpretations not yet effective:

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

- Amendment to IAS 1 *Presentation of Financial Statements,* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a 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 is assessing the impact that the amendment will have on its 2021 financial statements.

46. Significant accounting policies (continued)

(x) New and amended standards and interpretations not yet effective (continued):

- 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 derecognised in the financial statements are with the following effects:

  - 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 Group 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 derecognise 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.

- 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.

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2022, replaces IFRS 4 *Insurance Contracts*.

  The key principles in IFRS 17 are that an entity:

  (i) Identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

46. Significant accounting policies (continued)

(x) New and amended standards and interpretations not yet effective (continued):

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2022, replaces IFRS 4 *Insurance Contracts* (continued).

  The key principles in IFRS 17 are that an entity (continued):

  (ii) Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

  (iii) Recognises and measures groups of insurance contracts at:

  A. A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset);

  B. An amount representing the unearned profit in the group of contracts (the contractual service margin);

  (iv) Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately;

  (v) Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

  (vi) Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

  The Group is assessing the impact that this standard will have on its 2023 financial statements.

47. Impact of COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices.

47. Impact of COVID-19 (continued)

In light of the heightened concerns and in accordance with the directives of the various governments, The Group activated its Business Continuity Plan to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum. With the launch of the Business Continuity and Contingency Plan ("BCCP") as at March 17, 2020, specific work from home protocols were established and implemented to minimize the number of employees physically in office. In-Office staff are equipped with hand sanitizers, masks and face shields (where necessary), and are required to comply with the social/physical distancing rules mandated by governments in the various jurisdictions.

Furthermore, the Group acquired additional equipment, including computer hardware and software, to support the increased flexible working arrangements.

The Group continues to monitor the impact of COVID-19 on its members/customers and has implemented forbearance measures inclusive of granting moratoria, which included deferral of loan payments for up to three months. The Group ensures that all its locations remain compliant with government/public health restrictions and attendant mitigating measures.

Under IFRS 9, businesses are expected to include the impact of forward-looking macroeconomic indicators in their Expected Credit Loss (ECL) computation as at March 31, 2020.

Management continues to review the effect of developments arising from the pandemic on the risks faced by the Company (or, the Group). Management believes the Group is in a sufficiently strong position to deal with the possible significant economic downturn. However, management is aware that a long duration of the pandemic and the attendant containment measures could have a material adverse effect on the Group, and its customers, employees and suppliers.

48. Subsequent event

At a Board of Directors' meeting held on September 9, 2020 the Board approved the acquisition of the balance due to a specialised financial institution and authorised a subsidiary to raise the amount required to complete the transaction by June 21, 2021.

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