VICTORIA MUTUAL INVESTMENTS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2019

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Victoria Mutual Investments Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiary ("the group"), set out on pages 9 to 92 which comprise the group's and company's statements of financial position as at December 31, 2019, the group's and company's income statements, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at December 31, 2019, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1. Fair value of investments

The key audit matter	How the matter was addressed in our audit
The valuation of the group's investments requires significant estimation, as quoted prices are not available for some of these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values. *[see notes 7 and 29 to the financial statements]*	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the group's controls over the determination and computation of fair values. • Challenging the reasonableness of yields/prices by comparing to independent pricing sources. • Assessing the reasonableness of significant assumptions used by management. • Involving our own valuation specialists to determine/obtain yields/prices of specific securities and comparing them to those used by management. • Evaluating the adequacy of the disclosures, including disclosure of the degree of estimation involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets

The key audit matter	How the matter was addressed in our audit
The group and company are required to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates. The key areas requiring greater management judgement include the identification of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default and the application of forward-looking information. Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement.	Our procedures in this area included the following: • Obtaining an understanding of the models used by the group and company for the calculation of expected credit losses, including governance over the determination of key judgements. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Involving our financial risk modelling specialists to evaluate the appropriateness of the group's and company's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probability of default, loss given default and exposure at default.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
We therefore determined that the impairment of financial assets has a high degree of estimation uncertainty.	Our procedures in this area included the following (continued): • Involving our financial risk modelling specialists to evaluate the appropriateness of the group's methodology for determining the economic scenarios used and the probability weightings applied to them. • Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with IFRS 9.

Other Information

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

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 group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 7-8, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

February 28, 2020

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Appendix to the Independent Auditors' report

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VICTORIA MUTUAL INVESTMENTS LIMITED

Appendix to the Independent Auditors' report (continued)

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.

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

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

VICTORIA MUTUAL INVESTMENTS LIMITED

Statement of Financial Position
December 31, 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Cash and cash equivalents	5	1,917,241	740,538	126,715	89,074
Resale agreements	6	3,937,275	4,217,141	-	24,708
Investment securities	7	16,718,180	13,241,358	1,138,352	599,851
Interest in subsidiary		-	-	109,500	109,500
Interest in associate	8	90,766	-	90,766	-
Net investment in finance lease	18	30,688	108,371	30,688	108,371
Loans receivable	9	1,876,637	1,376,139	1,876,637	1,376,139
Accounts receivable:					
Customers		16,550	868,721	-	-
Brokers		449	-	-	-
Other	10	313,326	530,631	35,011	9,297
Income tax recoverable		40,397	8,621	23,774	8,621
Deferred tax asset	11(a)	-	182,398	-	1,941
Property, plant and equipment	12	113,006	19,743	-	-
Intangible asset – computer software	13	273,186	316,538	-	-
TOTAL ASSETS		25,327,701	21,610,199	3,431,443	2,327,502
LIABILITIES AND EQUITY					
Liabilities:					
Due to ultimate parent society	30(c)	116,739	-	29,875	-
Due to subsidiary company	30(c)	-	-	94,593	64,400
Borrowings	17	2,410,625	1,410,625	2,410,625	1,410,625
Accounts payable:					
Customers		925,785	1,312,170	-	-
Brokers		-	127,594	-	-
Others	14	414,296	447,685	45,648	46,274
Lease liabilities	18	93,897	-	-	-
Repurchase agreements	15	16,999,392	15,454,981	-	-
Income tax payable		-	48,720	-	-
Deferred tax liability	11(a)	5,939	-	2,954	-
Employee benefit obligation	16	34,200	36,000	-	-
TOTAL LIABILITIES		21,000,873	18,837,775	2,583,695	1,521,299
Equity:					
Share capital	19	707,887	707,887	707,887	707,887
Share premium		24,000	24,000	24,000	24,000
Investment revaluation reserve	20(a)	1,489,713	251,753	-	-
Other reserve	20(b)	5,734	2,334	-	-
Retained earnings		2,049,494	1,736,450	115,861	74,316
Equity attributable to owners of the company		4,276,828	2,722,424	847,748	806,203
Non-controlling interest	21	50,000	50,000	-	-
TOTAL EQUITY		4,326,828	2,772,424	847,748	806,203
TOTAL EQUITY AND LIABILITIES		25,327,701	21,610,199	3,431,443	2,327,502

The financial statements on pages 9 to 92 were approved for issue by the Board of Directors on February 28, 2020 and signed on its behalf by:

Director — Courtney Campbell

Chief Executive Officer — Rezworth Burchenson

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Income Statement
Year ended December 31, 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Interest income calculated using the effective interest method	22	817,565	698,785	170,671	114,488
Other interest income:					
Interest income for finance leases	22	8,215	7,103	8,215	7,103
Interest expense	22	(565,399)	(455,809)	(120,457)	(96,337)
Net interest income	22	260,381	250,079	58,429	25,254
Gains from investment activities	23	485,899	213,879	80,362	31,080
Dividend income		813	-	287,163	210,105
Net fees and commissions	24	933,128	838,268	34,928	11,587
Other income		2,740	4,549	1,521	3,602
Other operating revenue		1,422,580	1,056,696	403,974	256,374
Net interest income and other operating revenue		1,682,961	1,306,775	462,403	281,628
Operating expenses					
Staff costs	25	(518,023)	(349,068)	-	-
Impairment losses on financial assets	28(b)	96,042	(105,442)	(18,470)	(5,590)
Other operating costs	26	(459,416)	(313,230)	(97,151)	(56,377)
		(881,397)	(767,740)	(115,621)	(61,967)
Share of loss in associate	8	(15,337)	-	(15,337)	-
Profit before income tax		786,227	539,035	331,445	219,661
Income tax	27	(188,178)	(141,437)	(4,895)	1,934
Profit for the year attributable to shareholders of the company		598,049	397,598	326,550	221,595
Earnings per share (expressed as ¢ per share)	33	40¢	27¢		

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Statements of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Profit for the year		598,049	397,598	326,550	221,595
Other comprehensive income (OCI):					
Items that will never be classified to profit or loss:					
Net gains on investments in equity instruments designated at fair value through OCI		885,870	163,200	-	-
Remeasurement of employee benefit obligation	16(b)(i)	5,100	18,400	-	-
Deferred tax on remeasurement of employee benefit obligation	11(a)	(1,700)	(6,133)	-	-
		3,400	12,267	-	-
		889,270	175,467	-	-
Items that may be reclassified to profit or loss:					
Realised loss in fair value of debt securities at FVOCI		-	(797)	-	(797)
Change in fair value of debt securities at fair value through OCI		528,135	(226,679)	-	-
Deferred tax on change in fair value of investment securities measured at fair value through OCI		(176,045)	75,560	-	-
		352,090	(151,119)	-	-
Total other comprehensive income/(loss) net of tax		1,241,360	23,551	-	(797)
Total comprehensive income for the year attributable to shareholders of the company		1,839,409	421,149	326,550	220,798

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Equity
Year ended December 31, 2019

	Attributable to owners of the company							
	Share capital [Note (19)] $'000	Share premium $'000	Investment revaluation reserve [Note 20(a)] $'000	Other reserve [Note 20(b)] $'000	Retained earnings $'000	Total $'000	Non-controlling interest (Note 21) $'000	Total equity $'000
Restated balances at January 1, 2018	**707,887**	**24,000**	**240,469**	**(9,933)**	**1,548,856**	**2,511,279**	**50,000**	**2,561,279**
Transactions with shareholders:								
Dividends (note 31)	-	-	-	-	(210,004)	(210,004)	-	(210,004)
Comprehensive income:								
Profit for the year	-	-	-	-	397,598	397,598	-	397,598
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	(151,119)	-	-	(151,119)	-	(151,119)
Change in fair value of equities at FVOCI	-	-	163,200	-	-	163,200	-	163,200
Realised loss on fair value of securities at FVOCI	-	-	(797)	-	-	(797)	-	(797)
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	12,267	-	12,267	-	12,267
Total other comprehensive income for the year	-	-	11,284	12,267	-	23,551	-	23,551
Total comprehensive income for the year	-	-	11,284	12,267	397,598	421,149	-	421,149
Balances at December 31, 2018	**707,887**	**24,000**	**251,753**	**2,334**	**1,736,450**	**2,722,424**	**50,000**	**2,772,424**
Transactions with shareholders:								
Dividends (note 31)	-	-	-	-	(285,005)	(285,005)	-	(285,005)
Comprehensive income:								-
Profit for the year	-	-	-	-	598,049	598,049	-	598,049
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	352,090	-	-	352,090	-	352,090
Change in fair value of equities at FVOCI	-	-	885,870	-	-	885,870	-	885,870
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	3,400	-	3,400	-	3,400
Total other comprehensive income	-	-	1,237,960	3,400	-	1,241,360	-	1,241,360
Total comprehensive income for the year	-	-	1,237,960	3,400	598,049	1,839,409	-	1,839,409
Balances at December 31, 2019	**707,887**	**24,000**	**1,489,713**	**5,734**	**2,049,494**	**4,276,828**	**50,000**	**4,326,828**

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Company Statement of Changes in Equity
Year ended December 31, 2019

	Share capital [Note (19)] $'000	Investment revaluation reserve [Note 20(a)] $'000	Share premium $'000	Retained earnings $'000	Total $'000
Restated balances at January 1, 2018	**707,887**	**797**	**24,000**	**62,725**	**795,409**
Transactions with shareholders:					
Dividends (note 31)	-	-	-	(210,004)	(210,004)
Comprehensive income:					
Profit for the year	-	-	-	221,595	221,595
Other comprehensive income, realised loss on fair value of securities at FVOCI, being total other comprehensive income	-	(797)	-	-	(797)
Total comprehensive income for the year	-	(797)	-	221,595	220,798
Balances at December 31, 2018	**707,887**	**-**	**24,000**	**74,316**	**806,203**
Transaction with shareholders:					
Dividends (note 31)	-	-	-	(285,005)	(285,005)
Comprehensive income:					
Profit for the year, being total comprehensive income for the year	-	-	-	326,550	326,550
Balances at December 31, 2019	**707,887**	**-**	**24,000**	**115,861**	**847,748**

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Statement of Cash Flows
Year ended December 31, 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Cash flows from operating activities:					
Profit for the year		598,049	397,598	326,550	221,595
Adjustments for:					
Depreciation	12	16,953	6,993	-	-
Amortisation of intangible asset	13	49,499	21,895	-	-
Share of loss in associate	8	15,337	-	15,337	-
Impairment losses on financial assets	28(b)	(96,042)	105,442	18,470	5,590
Change in employee benefit obligation	16(b)(ii)	3,300	5,000	-	-
Unrealised exchange gains on foreign currency balances		(10,110)	(1,367)	-	-
Unrealised fair value loss on securities at fair value through profit or loss		(138,621)	(13,920)	-	-
Gains from investment activities		(203,839)	(117,942)	(8,009)	(1,396)
Interest income	22	(817,565)	(698,785)	(170,671)	(114,488)
Dividend income		(813)	-	(287,163)	(210,105)
Interest expense	22	556,203	455,809	120,457	96,337
Interest expense on lease liability	18	9,196	-	-	-
Income tax charge/(credit)	27	188,178	141,437	4,895	(1,934)
		169,725	302,160	19,866	(4,401)
Changes in operating assets and liabilities:					
Due from parent society		116,739	-	29,875	-
Due from subsidiary		-	-	30,193	344,852
Loans receivable		(500,585)	(935,082)	(500,585)	(935,082)
Resale agreements		352,876	(871,933)	24,708	(24,708)
Accounts receivable		1,088,477	(251,118)	(22,150)	2,118
Accounts payable		(579,345)	(2,105,253)	(805)	29,053
Repurchase agreements		1,255,743	2,147,692	-	-
Income tax recoverable		(15,154)	(5,796)	(15,154)	(5,796)
		1,888,476	(1,719,330)	(434,052)	(593,964)
Interest received		976,410	824,480	167,108	109,234
Interest paid		(533,312)	(488,312)	(120,279)	(103,022)
Income tax paid		(241,886)	(202,915)	-	(166)
Net cash provided by/(used in) operating activities		2,089,688	(1,586,077)	(387,223)	(587,918)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	12	(10,941)	(3,696)	-	-
Acquisition of intangible asset	13	(6,147)	(104,939)	-	-
Acquisition of associate		(106,103)	-	(106,103)	-
Net investment in finance lease		77,683	(108,371)	77,683	(108,371)
Investment securities (purchased)/sold, net		(1,590,020)	(1,566,757)	(548,874)	(460,447)
Dividends received		813	-	287,163	210,105
Net cash provided by in investing activities		(1,634,715)	(1,783,763)	(290,131)	(358,713)
Cash flow from financing activities:					
Proceeds from loan		1,000,000	904,516	1,000,000	904,516
Payment of lease liabilities		(14,574)	-	-	-
Dividends paid	31	(285,005)	(210,004)	(285,005)	(210,004)
Net cash provided by financing activities carried forward		700,421	694,512	714,995	694,512

The accompanying notes form an integral part of the financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Statement of Cash Flows (Continued)
Year ended December 31, 2019

		Group		Company	
	Notes	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Net cash provided by financing activities brought forward		700,421	694,512	714,995	694,512
Net increase/(decrease) in cash and cash equivalents		1,155,394	(2,675,328)	37,641	(252,119)
Cash and cash equivalents at beginning of year		740,538	3,409,989	89,074	341,193
Effect of exchange rate fluctuations on cash and cash equivalents		21,309	5,877	-	-
Cash and cash equivalents at end of year	5	1,917,241	740,538	126,715	89,074

The accompanying notes form an integral part of the financial statements.

1. Identification

Victoria Mutual Investments Limited ("the company") is incorporated and domiciled in Jamaica. The company is a 80% subsidiary of The Victoria Mutual Building Society ("ultimate parent society" or "VMBS"). The parent society is incorporated in Jamaica under the Building Societies Act. The company's registered office is located at 8-10 Duke Street, Kingston, Jamaica.

The company issued 20% of its ordinary shares to the public and is listed on the Jamaica Stock Exchange.

The company has a wholly-owned subsidiary, Victoria Mutual Wealth Management Limited ("the subsidiary company"), which is incorporated and domiciled in Jamaica. The principal activities of the subsidiary company are stock and investment brokering, the provision of financial and investment advisory services and money market dealing.

The company's activities are administered by its subsidiary company. The company's income during the year was mainly interest, finance lease and dividend income.

The company and its subsidiary are collectively referred to as "the group".

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant provisions of the Jamaican Companies Act.

This is the first set of the group's annual financial statements in which IFRS 16, *Leases* have been applied. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations issued but not yet effective

At the date of approval of these financial statements, certain new and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early adopted by the group. The group has assessed them and determined that the following may be relevant to its operations:

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

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

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to *References to Conceptual Framework in IFRS Standards* (continued)

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

  - A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

  The group is assessing the impact that the amendments will have on its 2020 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 2020 financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides 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 does not expect the amendment to have a significant impact on its financial statements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendment to IFRS 9, *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures* is effective for annual periods beginning on or after January 1, 2020, and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments cover all companies with hedges affected by IBOR reform are required to:

  - assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.
  - assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions the interest rate benchmark is not altered as a result of IBOR reform.
  - prospectively cease applying the exceptions at the earlier of:
    (a) when the uncertainty regarding the timing and the amount of interest rate benchmark base cash flows is no longer present; and
    (b) the discontinuation of the hedging relationship (or reclassification of all amounts from the cash flow hedge reserve).
  - include additional disclosure for hedging relationships directly affected by IBOR reform.

  The group is assessing the impact that the amendment will have on its 2020 financial statements.

(b) Basis of measurement

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

(i) Debt instruments at fair value through other comprehensive income (FVOCI), measured at fair value.

(ii) Equity securities at fair value through profit or loss (FVTPL), measured at fair value.

(iii) Certain equity securities designated as at FVOCI, measured at fair value.

(iv) Post-employment medical benefit obligation measured at the present value of the obligation as set out in note 4(f)(iii).

(c) Functional and presentation currency

The financial statements are presented in thousands of Jamaica dollars, which is the functional currency of the company.

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

The estimates, and the assumptions underlying them, 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

(i) Critical accounting judgements in applying the group's accounting policies

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

(1) 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.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(ii) Key assumptions and other sources of estimation uncertainty

(1) Employee benefit obligation

The amounts recognised in the statement of financial position, income statement and statement of profit or loss and other comprehensive income for employee benefits are determined actuarially using several assumptions. The primary assumption used in determining the amounts recognised is the discount rate used to determine the present value of post-employment medical benefits obligation.

The discount rate is determined based on the estimated 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 of discount by extrapolating from the longest-tenure 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 obligation.

(2) Allowance for impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(a) and 28(b), 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 notes 4(a) and 28(b).

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

(3) Fair value of financial instruments

There are no quoted market prices for a significant portion of the company's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a Level 2 fair value. Some other fair values are estimated based on quotes published by a broker/dealer, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be different from the actual price of the instrument in an actual arm's length transaction as set out in notes 7 and 29(b).

3. Changes in significant accounting policies

The group initially applied IFRS 16 *Leases* from January 1, 2019. A number of other new standards are also effective from January 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 the statement of financial position at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

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

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 January 1, 2019.

3. Changes in significant accounting policies (continued)

(b) As a lessee

As a lessee, the group leases office spaces. 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. For leases of property, the group separates non-lease components and account for these separately.

i. Leases classified as operating leases under IAS 17

Previously, the group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at January 1, 2019 as set out in see note 3(d). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The group 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 certain equipment. These were classified as finance leases.

The group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

The group has applied IFRS 15 *Revenue from Contracts with Customers* in the contract to each lease and non-lease component.

3. Changes in significant accounting policies (continued)

(d) Impact on transition

On transition to IFRS 16, the company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	$'000
Right-of-use assets – property, plant and equipment	54,053
Lease liabilities	54,053

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted- average rate applied is 10%.

	$'000
Operating lease commitments at December 31, 2018 as per IAS 17	37,477
Discounted using the incremental borrowing rate at January 1, 2019	30,777
Extension options reasonably certain to be exercised	23,276
Lease liabilities recognised at January 1, 2019	54,053

4. Significant accounting policies

Except for the changes described in note 3, the group has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Financial instruments – Classification, recognition, derecognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements:

- Financial assets comprise cash and cash equivalents, resale agreements, investment securities, loans receivable and accounts receivable.

Financial liabilities comprise accounts payable, borrowings, amounts due to ultimate parent society, amounts due to subsidiary and repurchase agreements.

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

(i) Recognition and initial measurement

The group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The group initially recognises accounts receivable on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

At initial recognition, the group measures a financial asset or financial liability at its fair value, plus or minus; 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.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(i) Recognition and initial measurement (continued)

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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.

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.

(ii) Classification and subsequent remeasurement

The group has applied IFRS 9 and classified its financial assets in the following measurement categories:

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

Financial assets

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

(a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- the group's business model for managing the asset; and
- the cash flow characteristics of the asset.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) 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 FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 4(a)(vi)]. Interest income from these financial assets is included in 'Interest income' calculated using the effective interest method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within the period in which it arises. Interest income from these financial assets is included in 'Interest income'calculated using the effective interest method.

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

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) Debt instruments (continued)

Factors considered by the group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, 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.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent re-measurement (continued)

Financial assets (continued)

(b) Equity instruments

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

The group subsequently measures all equity investments at fair value through profit or loss, except where the group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Gains from investment activities' caption in the statement of profit or loss.

Financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book) and other financial liabilities designated as such at initial recognition.

- Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expense incurred on the financial liability.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iii) Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

The exchange between the group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iii) Derecognition (continued)

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Measurement and gains and losses

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iv) Measurement and gains and losses (continued)

Specific financial instruments

(1) Derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond, interest rate, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk.

The group may use derivatives to manage its own exposure to foreign exchange risk. Derivatives held for risk management purposes are measured initially at fair value in the statement of financial position. Subsequent to initial recognition, derivatives are measured at fair value, and, if the derivative is not held for trading, and is not designated in a qualifying hedge relationship, changes in fair value are recognised immediately in profit or loss.

(2) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that 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 (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at cost.

(3) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending and classified at amortised cost. They are measured at fair value on initial recognition and subsequently, at amortised cost. The difference between the purchase cost and the resale consideration is recognised in the income statement as interest income using the effective interest method.

The group enters into transactions whereby it transfers assets but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. Repurchase agreements are accounted for as short-term collateralised borrowing and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iv) Measurement and gains and losses (continued)

Specific financial instruments (continued)

(3) Resale and repurchase agreements (continued)

The proceeds of sale are reported as liabilities and are carried at amortised cost. The difference between the sale consideration and the repurchase price is recognised in the income statement over the life of each agreement as interest expense using the effective interest method.

(4) Accounts receivable

Accounts receivable are measured at amortised cost less impairment losses.

(5) Share capital

The company's ordinary shares are classified as equity instruments in accordance with the substance of the contractual terms of the instrument. Dividends thereon are recognised as distributions within equity.

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

(6) Accounts payable

Accounts payable are measured at amortised cost.

(v) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

(vi) Impairment

The group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- lease receivables.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vi) Impairment (continued)

The group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the company if the commitment is drawn and the cash flows that the company expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the group expects to recover.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vi) Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vi) Impairment (continued)

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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.
- 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 profit or loss as a reclassification from OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vi) Impairment (continued)

Write-off (continued)

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

(b) Investment in associates

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates 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 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 accumulated losses not recognised.

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rates ruling at that date. Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Gains and losses arising on translation are recognised in profit or loss.

(d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

4. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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 in 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 profit or loss as incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computers	5 years
Furniture and fixtures	10 years
Leasehold improvements	5 years
Right-of-use assets (leasehold properties)	7-10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(e) Intangible asset – computer software and amortisation

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs associated with maintaining computer software programs are recognised in profit or loss as incurred.

These assets are measured at cost less accumulated amortisation and, if any, impairment losses. The assets are amortised using the straight-line method over their useful lives, estimated at five years. Amortisation methods, useful lives and residual values are reassessed at each reporting date.

(f) Employee benefits

(i) General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described in (ii) and (iii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

4. Significant accounting policies (continued)

(f) Employee benefits (continued)

(i) General benefits (continued)

Post-employment obligations included in these financial statements are actuarially determined by a qualified independent actuary. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation was 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 have relied on the work of the actuary and the actuary's report.

(ii) Defined-benefit pension plan

The subsidiary company is a participating employer in a group defined-benefit pension plan operated by the ultimate parent society [see note 16(a)]. The plan exposes the participating subsidiaries to actuarial risks associated with the current and former employees of group companies and there is no stated policy for charging the net defined benefit cost among group companies. Additionally, all residual interest in the scheme belongs to the ultimate parent society. The plan is, therefore, accounted for as a defined-contribution plan in the financial statements of the individual participating subsidiaries, that is, pension contributions, as recommended by the actuary, are expensed as they become due.

The subsidiary company also participates in a defined contribution plan [see note 16(a)]. Contributions are expensed as they become due.

(iii) Employee medical benefits

The subsidiary company provides post-employment medical benefits to retirees.

The group's net obligation in respect of medical benefits provided to retirees is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value.

The discount rate is the yield on long-term government securities that have maturity dates approximating the terms of the group's obligation. The calculation is performed by an independent, qualified actuary using the *projected unit credit* method.

4. Significant accounting policies (continued)

(f) Employee benefits (continued)

(iii) Employee medical benefits (continued)

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses are recognised immediately in other comprehensive income (OCI). The group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the portion of the change in benefit relating to past service by employees is recognised as an expense immediately in profit or loss. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

(g) Income tax

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

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income 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 income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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 reversals of existing temporary differences, are considered, based on the business plans for the group. Deferred tax assets 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 taxable profits improves.

4. Significant accounting policies (continued)

(h) Impairment of non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of non-financial assets is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Leases

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

Policy applicable from January 1, 2019

At inception of a contract, the company 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 January 1, 2019.

(a) As a lessee

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

Non-lease components have been separated for leases of properties.

4. Significant accounting policies (continued)

(i) Leases (continued)

Policy applicable from January 1, 2019 (continued)

(a) As a lessee (continued)

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 Victoria Mutual Building Society 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 company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

4. Significant accounting policies (continued)

(i) Leases (continued)

Policy applicable from 1 January 1, 2019 (continued)

(a) As a lessee (continued)

Subsequent to initial recognition, 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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as such in the statement of financial position.

Short-term leases

The group has elected not to recognise right-of-use assets and lease liabilities for lease that are considered short-term leases. The group recognises the lease payments associated with these lease as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception 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 their relative standalone prices.

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the group applies IFRS 15 to allocate the consideration in the contract.

The group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Generally, the accounting policies applicable to the group as a lessor in the comparative period were not different from IFRS 16.

4. Significant accounting policies (continued)

(i) Leases (continued)

Policy applicable before January 1, 2019

(a) As a lessee

Assets held under leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(b) As a lessor

When the group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(j) Interest

(i) Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial assets; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets. The company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimate future cash flows including ECL

4. Significant accounting policies (continued)

(j) Interest (continued)

(i) Effective interest rate (continued)

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on 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 expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

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

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

(iv) Presentation

Interest income calculated using the effective interest method presented in the income statement includes interest on financial assets measured at amortised cost and interest on debt instruments measured at FVOCI; interest expense presented in the income statement includes financial liabilities measured at amortised cost and interest expense on lease liabilities.

4. Significant accounting policies (continued)

(k) Gain or loss from trading and holding securities

Gain or loss on securities trading is recognised when the group becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon remeasurement of those assets.

(l) Dividend income

Dividends are recognised in the income statement when the group's irrevocable right to receive payment is established. Dividend income is included in gain from investment activities.

(m) Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type	**Nature and timing of satisfaction of performance obligation, including significant payment term**	**Revenue recognition under IFRS 15**
Equity trading services	The group provides stockbrokering services to customers. A fixed fee is charged for each transaction executed.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

4. Significant accounting policies (continued)

(m) Fee and commission income (continued)

Type	Nature and timing of satisfaction of performance obligation, including significant payment term	Revenue recognition under IFRS 15
Corporate advisory services	The group provides finance-related services including loan administration services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Portfolio asset management service	The group provides portfolio/asset management services. Fees for provides portfolio/asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Revenue from portfolio/asset management services is recognised over time as the services are provided.

5. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Bank accounts	1,913,791	724,001	126,715	89,074
Accounts with brokers	3,450	16,537	-	-
	1,917,241	740,538	126,715	89,074

6. Resale agreements

The group purchases government and corporate securities and agrees to resell them on a specified date and at a specified price ('resale agreements').

	Group	
	2019	2018
	$'000	$'000
Denominated in Jamaica dollars	1,400,050	3,260,000
Denominated in United States dollars [US$19,342,951 (2018: US$7,513,209)]	2,537,348	957,179
	3,937,398	4,217,179
Less allowance for expected credit losses [note 28(b)(iv)(c)]	(123)	(38)
	3,937,275	4,217,141

	Company	
	2019	2018
	$'000	$'000
Denominated in United States dollars	-	24,714
Less impairment loss allowance [note 28(b)(iv)(c)]	-	(6)
	-	24,708

Under collateralised resale agreements, the group obtains securities as collateral on terms which permit it to re-pledge or resell them to others under repurchase agreements as set out in note 15. At December 31, 2019, securities that the group and company held under repurchase arrangements had a fair value of $4,544,446,000 (2018: $4,422,420,000) and $Nil (2018:$27,679,000) respectively.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

7. Investment securities

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investment securities at fair value through profit or loss:				
Quoted equities	397,156	32,800	45,661	20,376
Convertible preference shares	58,998	-	58,998	-
Units in unit trust funds:				
Denominated in Jamaica dollars	380,480	170,927	207,393	170,927
Denominated in United States dollars [US$143,287 (2018: US$280,081)]	18,796	35,682	-	-
	855,430	239,409	312,052	191,303
Amortised cost:				
Deferred shares	410,647	410,647	410,647	410,647
Corporate bonds	427,423	-	427,423	-
	838,070	410,647	838,070	410,647
At fair value through other comprehensive income				
Unquoted equities	7,429	7,133	3,935	3,733
Quoted equities	1,421,370	535,500	-	-
	1,428,799	542,633	3,935	3,733
Government of Jamaica securities:				
Treasury bills	-	4,861,516	-	-
Benchmark investment notes	6,470,069	-		
US$ bonds [US$38,846,118 (2018: US$40,120,095)]	5,093,251	5,111,280	-	-
	11,563,320	9,972,796	-	-
Bank of Jamaica securities:				
US$ Certificates of deposit [US$3,116,728 (2018: US$6,389,714)]	408,843	814,046	-	-
J$ Certificates of deposit	150,321	250,131	-	-
	559,164	1,064,177	-	-
Foreign government securities:				
US$ bonds [US$7,813,220 (2018: US$7,986,909)]	1,024,914	1,017,528	-	-
Other public sector securities [US$bonds $2,708,857 US$(2018:NIL)]	355,339	-	-	-
Corporate bonds [US$bonds $829,790 US$(2018:NIL)]	108,849	-	-	-
	15,040,385	12,597,134	3,935	3,733
	16,733,885	13,247,190	1,154,057	605,683
Less allowance for impairment on instruments at amortised cost [note 28(b)(iv)(c)]	(15,705)	(5,832)	(15,705)	(5,832)
	16,718,180	13,241,358	1,138,352	599,851

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

7. Investment securities (continued)

Investment securities mature, in relation to the reporting date, as follows:

	Group					
	2019					
	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:						
Quoted equities	-	-	-	-	397,156	397,156
Convertible preference shares	-	-	-	-	58,998	58,998
Units in unit trust funds	-	-	-	-	399,276	399,276
At amortised cost:						
Deferred shares	-	-	410,647	-	-	410,647
Corporate bonds	-	-	232,000	195,423	-	427,423
At FVOCI:						
Unquoted equities	-	-	-	-	7,429	7,429
Quoted equities	-	-	-	-	1,421,370	1,421,370
Bank of Jamaica securities	-	517,467	41,697	-		559,164
Investment notes	-	1,937,550	2,453,917	2,078,602	-	6,470,069
US$ bonds	-	-	833,787	4,259,464	-	5,093,251
Foreign government securities	-	-	17,197	1,007,717	-	1,024,914
Other public sector securities	-	-	309,577	45,762	-	355,339
Corporate bonds	-	-	17,873	90,976	-	108,849
	-	2,455,017	4,316,695	7,677,944	2,284,229	16,733,885

	Group					
	2018					
	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:						
Quoted equities	-	-	-	-	32,800	32,800
Units in unit trust funds	-	-	-	-	206,609	206,609
At amortised cost:						
Deferred shares	-	-	410,647	-	-	410,647
At FVOCI:						
Unquoted equities	-	-	-	-	7,133	7,133
Quoted equities	-	-	-	-	535,500	535,500
Bank of Jamaica securities	250,131	453,456	360,590	-	-	1,064,177
Investment notes	-	70,002	2,886,007	1,905,507	-	4,861,516
US$ bonds	-	46,566	1,016,715	5,065,527	-	6,128,808
	250,131	570,024	4,673,959	6,971,034	782,042	13,247,190

Certain Bank of Jamaica, Government of Jamaica and foreign government securities are pledged as collateral for repurchase agreements (see note 15).

Government of Jamaica securities having an aggregate face value of $32,000,000 (2018: $32,000,000) have been pledged as collateral against possible overdrafts and uncleared effects at one of the subsidiary company's bankers.

8. Investment in associate

	2019
Carrying amount of interest in associate:	$'000
Carilend Caribbean Holdings Company Limited	90,766

Effective August 29, 2019, the company acquired 30% shareholding in Carilend Caribbean Holdings Limited (Carilend) at an initial cost of $106,103,000. Carilend's place of operation is St. Thomas, Barbados and its principal activity is to operate a peer to peer lending platform which efficiently matches borrowers and lenders. The purpose of the acquisition is to generate dividend income.

The following table summarises the financial information of Carilend as included in its own unaudited financial statements as at December 31, 2019 adjusted for fair value adjustments.

	2019 $'000
Percentage ownership interest	30%
Assets	163,427
Liabilities	(388,767)
Net liabilities (100%)	(225,340)
Group's share of net liabilities	(67,602)
Fair value adjustment	158,368
Carrying amount of investment	90,766
Revenue	21,323
Loss from continuing operations	64,309
Share of loss from continuing operations since date of investments	15,337

9. Loans receivable

	Group and Company	
	2019 $'000	2018 $'000
Margin loans	1,322,996	1,314,837
Corporate loans	538,871	-
Insurance premium financing	14,770	61,302
	1,876,637	1,376,139

10. Accounts receivable - others

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest receivable	221,751	213,636	9,891	7,234
Withholding tax and GCT recoverable, net	55,551	64,880	-	395
Other receivables and prepaid expenses	36,024	252,115	25,120	1,668
	313,326	530,631	35,011	9,297

11. Deferred tax (liability)/ asset

(a) Deferred tax (liability)/ asset is attributable to the following:

	Group			
	2019			
	Balance at beginning of year	Recognised in other comprehensive income	Recognised in income (note 27)	Balance at end of year
	$'000	$'000	$'000	$'000
Property, plant and equipment	(10,902)	-	22,183	11,281
Investment securities	196,425	(176,045)	(46,336)	(25,956)
Interest receivable	(50,926)	-	939	(49,987)
Dividend receivable	(182)	-	(3)	(185)
Interest payable	25,465	-	7,482	32,947
Accrued vacation leave	400	-	-	400
Employee benefit obligation	12,033	(1,700)	1,100	11,433
Finance leases	(837)	-	15,923	15,086
Unused tax losses	11,435	-	(10,783)	652
Lease liabilities	-	-	1,849	1,849
Unrealised foreign exchange losses	(513)	-	(2,946)	(3,459)
	182,398	(177,745)	(10,592)	(5,939)

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

11. Deferred tax liability (continued)

(a) Deferred tax (liability)/ asset is attributable to the following (continued):

	Group			
	2018			
	Balance at beginning of year	Recognised in other comprehensive income	Recognised in income (note 27)	Balance at end of year
	$'000	$'000	$'000	$'000
Property, plant and equipment	3,620	-	(14,522)	(10,902)
Investment securities	65,131	56,514	74,780	196,425
Interest receivable	(44,726)	-	(6,200)	(50,926)
Dividends receivable	(181)	-	(1)	(182)
Interest payable	33,876	-	(8,411)	25,465
Accrued vacation leave	436	-	(36)	400
Employee benefit obligation	16,500	(6,133)	1,666	12,033
Finance leases	-	-	(837)	(837)
Unused tax losses	-	-	11,435	11,435
Unrealised foreign exchange (losses)/gains	5,204	-	(5,717)	(513)
	79,860	50,381	52,157	182,398

	Company				
	Balance at December 31, 2017	Recognised in income (note 27)	Balance at December 31, 2018	Recognised in income (note 27)	Balance at December 31, 2019
	$'000	$'000	$'000	$'000	$'000
Interest receivable	(159)	159	-	-	-
Investment securities	-	(8,076)	(8,076)	(10,009)	(18,085)
Finance lease	-	(837)	(837)	15,923	15,086
Interest payable	-	71	71	(26)	45
Tax losses	-	10,783	10,783	(10,783)	-
	(159)	2,100	1,941	(4,895)	(2,954)

12. Property, plant and equipment

	Group				
	Leasehold property	**Computer equipment**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost:					
December 31, 2017	-	14,994	25,319	23,588	63,901
Additions	-	3,043	272	381	3,696
December 31, 2018	-	18,037	25,591	23,969	67,597
Recognition of right-of-use assets On initial application of IFRS 16 [note 3(d)]	54,053	-	-	-	54,053
Adjusted balances at January 1, 2019	54,053	18,037	25,591	23,969	121,650
Additions	45,222	3,960	1,473	5,508	56,163
December 31, 2019	99,275	21,997	27,064	29,477	177,813
Depreciation:					
December 31, 2017	-	11,275	11,872	17,714	40,861
Charge for the year	-	1,939	2,304	2,750	6,993
December 31, 2018	-	13,214	14,176	20,464	47,854
Charge for the year	10,926	1,795	2,318	1,914	16,953
December 31, 2019	10,926	15,009	16,494	22,378	64,807
Net book values:					
December 31, 2019	88,349	6,988	10,570	7,099	113,006
December 31, 2018	-	4,823	11,415	3,505	19,743
December 31, 2017	-	3,719	13,447	5,874	23,040

13. Intangible asset – computer software

	Group	
	2019	**2018**
	$'000	**$'000**
Cost:		
At beginning of year	390,409	285,470
Additions	6,147	104,939
At end of year	396,556	390,409
Amortisation:		
At beginning of year	73,871	51,976
Charge for the year	49,499	21,895
At end of year	123,370	73,871
Net book values	273,186	316,538

14. Accounts payable – other

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest payable	98,703	75,811	179	-
Other payables and accrued expenses	315,593	371,874	45,469	46,274
	414,296	447,685	45,648	46,274

15. Repurchase agreements

The group sells government and corporate securities, or interests therein, to clients and agrees to repurchase them on a specified date and at a specified price ('repurchase agreements' or 'repos').

	Group	
	2019	**2018**
	$'000	**$'000**
Denominated in Jamaica dollars	6,974,879	7,587,900
Denominated in United States dollars [US$76,419,807 (2018: US$61,945,711)]	10,024,513	7,867,081
	16,999,392	15,454,981

At December 31, 2019, securities obtained under resale agreements and certain investments (see notes 6 and 7) and interest accrued thereon are pledged by the group as collateral for repurchase agreements. These financial instruments have a carrying value of $18,513,000,000 (2018: $15,772,663,000).

16. Employee benefit obligation

(a) Pensions

The group participates in The Victoria Mutual (Defined Benefit) Pension Plan ("Plan"), which is administered by trustees.

The members make compulsory contributions at 5% of pensionable salaries and may elect to pay voluntary contributions up to 14.5% to the extent that the total contributions paid by or on behalf of a member in any year does not, in aggregate, exceed 20% of remuneration in that year.

VICTORIA MUTUAL INVESTMENTS LIMITED

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16. Employee benefit obligation (continued)

(a) Pensions (continued)

The employer makes ordinary annual contributions as advised by the Actuary to be adequate, in addition to the members' compulsory contributions, to ensure the solvency of the Plan or to provide for any improvement, so long as such are in keeping with the relevant Act or other applicable legislation. The Plan provides for retirement and death benefits.

The defined benefit plan was closed to new entrants effective December 31, 2016. The new defined contribution plan was approved by the Financial Services Commission and Tax Administration Jamaica with an effective date of January 1, 2017 and will benefit employees who were hired on or after January 1, 2017. Both the defined benefit plan and the defined contribution plan are funded by contributions from the subsidiary company and employees in accordance with the respective Trust Deed and Plan Rules.

The most recent funding actuarial valuation of the defined benefit plan, performed as of December 31, 2017, indicated that it is adequately funded. The group's contribution to the plans for the year amounted to $1,635,000 (2018: $794,000) as set out in note 25.

(b) Medical obligation

The group's obligation in respect of post-employment medical benefits has been recognised primarily in respect of medical benefits for pensioners as follows:

(i) Movements in the present value of the medical obligation recognised in the statement of financial position.

	2019 **$'000**	**2018** **$'000**
Balance at beginning of year	36,000	49,400
Interest cost	2,600	4,200
Current service cost	900	2,700
Past service cost	-	(1,700)
Benefits paid	(200)	(200)
Experience adjustments and actuarial gains recognised in OCI	(5,100)	(18,400)
Net credit in profit or loss and OCI	(1,800)	(13,400)
Balance at end of year	34,200	36,000

16. Employee benefit obligation (continued)

(b) Medical obligation (continued)

(ii) Expense recognised in staff costs (note 25):

	2019 $'000	2018 $'000
Current service cost	900	2,700
Past service cost	-	(1,700)
Interest on obligation	2,600	4,200
Benefits paid	(200)	(200)
	3,300	5,000

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

	2019 %	2018 %
Discount rate	7.50	7.00
Medical premiums growth	6.00	5.00

(iv) As at December 31, 2019, the weighted average duration of the employee benefit obligation was 22 years (2018: 21 years).

(v) Sensitivity analysis

A half percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-employment medical benefit obligations by amounts shown below:

	2019		2018	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	$'000	$'000	$'000	$'000
Discount rate	31,000	37,900	32,500	40,100
Assumed medical cost trend rate	37,000	31,000	40,100	32,500

17. Borrowings

	Group and Company	
	2019	2018
	$'000	$'000
Fixed and variable unsecured bond (i)	1,000,000	-
Fixed rate credit linked note (ii)	410,625	410,625
Variable rate unsecured bond (iii)	1,000,000	1,000,000
	2,410,625	1,410,625

(i) In July 2019, the company issued two (2) fixed rate and variable unsecured bond for $500,000,000 each. The first bond was issued in July 2019 and attracted an interest rate of 5% with a maturity date of December 31, 2020. The second was issued in October of 2019 and attracted an interest rate of 5.5% with a maturity date of March 31, 2021.

(ii) The note attracts interest at 6.5% per annum paid quarterly. The principal is repayable in 2023 and is secured by deferred shares issued by the parent society.

(iii) The bond attracts interest at 7.75% per annum for the first two years and thereafter at a variable rate of 2.5 percentage points above the weighted average yield rate applicable to the six month treasury bill rate. The bond matures in March 9, 2023 and is unsecured.

18. Leases

The group leases office spaces. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local market conditions.

The office spaces leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the group is a lessee is presented below.

(a) Leases as lessee (IFRS 16)

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment (see note 12).

	Group
	Leasehold properties
	2019
	$'000
Balance at January 1	54,053
Additions	45,222
	99,275
Depreciation charge for the year	(10,926)
Balance at December 31	88,349

18. Leases (continued)

(a) Leases as lessee (IFRS 16) (continued)

(ii) Lease liabilities:

Undiscounted cashflows of lease liability

	Group 2019 $'000
Less than one year	16,134
One to five years	87,531
More than five years	32,165
	135,830
Carrying amount of lease liabilities	93,897
Current	13,954
Non-current	79,943
	93,897

(iii) Amounts *recognised in profit or loss*

	Group 2019 $'000
Leases under IFRS 16	
Interest on lease liabilities	9,196
Expenses relating to short-term leases (1 property)	2,668
2018 – Operating leases under IAS 17	
Lease expense	25,716

(iv) Amounts recognised in statement of cash flows

	Group 2019 $'000
Total cash outflow for leases	14,574

(v) 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.

18. Leases (continued)

(b) Leases as lessor

The group lease out equipment under finance leases in its capacity as a lessor.

The group recognised interest income on lease receivable of $ 8,215,000 (2018: $7,103,000).

The maturity analysis of lease receivables showing the undiscounted lease payments to be received after the reporting dates under IFRS 16 (2019) and IAS 17 (2018) is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Gross investment in finance leases, receivable:		
2019	-	32,645
2020	10,956	29,591
2021	9,601	29,591
2022	9,601	29,591
2023	5,494	9,039
	35,652	130,457
Unearned finance income	(4,964)	(22,086)
Net investment in finance leases	30,688	108,371

19. Share capital

	2019	**2018**
	$'000	**$'000**
Authorised:		
5,000,000,000 (2018: 5,000,000,000) ordinary shares at no par value		
Issued and fully paid:		
1,500,025,000 (2018: 1,500,025,000) ordinary shares	713,262	713,262
Less: share issuance costs	(5,375)	(5,375)
	707,887	707,887

(a) On November 9, 2017, a resolution was passed increasing the authorised share capital of the company from 24,000,400 ordinary shares to 5,000,000,000 ordinary shares at no par value.

By way of the said resolution, the major shareholder declared that each of the issued ordinary shares of the company be sub-divided into 50 ordinary stocks (50:1).

On December 27, 2017, the company issued 300,005,000 ordinary shares at a total value of $689,262,000 to the public through an initial public offering.

The company was listed on the Jamaica Stock Exchange on December 29, 2017.

(b) The issued share capital does not include premium of $24,000,000 (2018: $24,000,000) on the shares, in accordance with Section 39(7) of the Companies Act Jamaica. This has been retained in the share premium account.

20. Reserves

(a) Investment revaluation reserve

This represents:

- the cumulative net change in the fair value of equity securities measured at FVOCI, net of deferred taxes.

- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified, net of deferred tax.

This amount is increased by the amount of loss allowances.

(b) Other reserve

This represents accumulated actuarial gains or losses arising from the remeasurement of the post-retirement medical benefit obligation, net of deferred taxes.

21. Non-controlling interest

This represents convertible preference shares in the subsidiary company, issued to the ultimate parent society.

The holders of this category of preference shares have the right to convert each preference share to one ordinary share. The preference shares are redeemable, redemption being at the option of the subsidiary company and dividends are payable at such time as the subsidiary company may determine. The number of units in this category totals 50,000,000 (2018: 50,000,000).

22. Net interest income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest income calculated using the effective interest method:				
Investment securities	628,154	551,251	50,301	38,740
Resale agreements	69,607	75,035	1,617	-
Other	119,804	72,499	118,753	75,748
	817,565	698,785	170,671	114,488
Interest income on finance leases	8,215	7,103	8,215	7,103
	825,780	705,888	178,886	121,591
Interest expense:				
Repurchase agreements	(435,746)	(359,472)	-	-
Loans and borrowings	(120,169)	(96,051)	(120,169)	(96,051)
Lease liabilities	(9,196)	-	-	-
Other	(288)	(286)	(288)	(286)
	(565,399)	(455,809)	(120,457)	(96,337)
Net interest income	260,381	250,079	58,429	25,254

23. Gains from investment activities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed income securities	172,602	109,484	8,010	-
Equities	160,268	14,354	15,384	4,082
Unit trust funds	81,943	37,710	56,968	26,998
Net foreign exchange translation gains	71,086	52,331	-	-
	485,899	213,879	80,362	31,080

Net foreign exchange translation gains include gains and losses arising from the translation of financial assets and liabilities denominated in foreign currencies.

24. Net fees and commissions

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed income securities	-	1,352	-	-
Brokerage activities	63,673	24,415	-	-
Corporate advisory services	518,339	614,476	-	-
Portfolio management services	58,668	84,163	-	-
Unit trust funds	257,486	102,236	-	-
Commitment fees on loans	24,928	11,587	24,928	11,587
Underwriting fees	10,000	-	10,000	-
Mutual funds	34	39	-	-
	933,128	838,268	34,928	11,587

25. Staff costs

	Group	
	2019	2018
	$'000	$'000
Salaries and wages	440,774	278,589
Statutory payroll contributions	25,219	20,322
Pension plan contributions [note 16(a)]	1,635	794
Post-employment medical benefit [note 16(b)(ii)]	3,300	5,000
Allowances and other benefits	47,095	44,363
	518,023	349,068

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26. Other operating costs

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Advertising and public relations	49,152	33,451	5,083	4,174
Asset tax	45,840	45,326	-	200
Audit fees – current	15,740	14,859	3,125	3,659
Audit fees – prior	1,000	-	1,000	-
Bad debts written-off	2,435	-	2,435	1,607
Bank charges	7,195	6,818	-	-
Communication and courier	4,652	5,012	-	-
Depreciation and amortisation	66,453	28,888	-	-
Directors' fees	14,239	15,544	7,681	8,330
Financial Services Commission fees	9,932	9,362	-	-
Foreign exchange loss	-	2,856	-	2,856
Irrecoverable GCT	9,943	8,738	-	109
JCSD charges	4,489	-	4,489	-
Legal and other professional fees	60,926	28,836	5,460	9,034
Outsourced services	68,028	32,432	-	-
Postage and telegraph	1,598	2,028	183	945
Rent, maintenance and utilities	26,642	25,716	-	-
Software maintenance and IT expenses	46,107	29,188	-	-
Stationery and office supplies	2,464	3,302	-	-
Trustee fees – retail repurchase agreements	4,637	3,843	-	-
Management fees	1,356	-	66,340	24,302
Other expenses	16,588	17,031	1,355	1,161
	459,416	313,230	97,151	56,377

27. Income tax

(a) The charge for income tax is computed at statutory tax rate of 33⅓% (2018: 33⅓%) of the profit for the year for the subsidiary company and 25% (2018: 25%) for the company, as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(i) Current income tax				
Current year	177,586	193,282	-	-
Adjustment to prior year estimate	-	312	-	-
	177,586	193,594	-	-
(ii) Deferred income tax (note 11)				
Origination and reversal of temporary differences	21,375	(63,592)	4,895	(13,369)
Unused tax losses	(10,783)	11,435	-	11,435
	10,592	(52,157)	4,895	(1,934)
Total income tax charge	188,178	141,437	4,895	(1,934)

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Notes to the Financial Statements (Continued)
December 31, 2019

27. Income tax (continued)

(b) The effective tax rate for 2019 was 23.93% (2018: 26.23%) for the group and 1.48% (2018: 0.008%) for the company of pre-tax profits. The actual tax charge/(credit) differs from the theoretical tax charge for the year, as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit before income tax	786,227	539,035	331,445	219,661
Tax calculated at a rate of:				
25%	82,861	54,915	82,861	54,915
33⅓%	247,044	176,492	-	-
Adjusted for the effects of:				
Depreciation, amortisation and capital allowances	7,083	(3,464)	(3,440)	(3,436)
Income not subject to tax	(189,982)	(92,715)	(71,588)	(52,526)
(Income)/expenses not deductible for tax purposes	41,172	5,897	(2,938)	(887)
	188,178	141,125	4,895	(1,934)
Adjustment to prior year estimate	-	312	-	-
Actual tax charge	188,178	141,437	4,895	(1,934)

28. Financial instruments-risk management

(a) Introduction and overview

The group's activities are principally related to the use of financial instruments. The group therefore has exposure to the following risks from its use of financial instruments in the ordinary course of business:

- credit risk
- liquidity risk
- market risk

The Board of Directors of the company has overall responsibility for the establishment and oversight of the group's risk management framework. Senior management of the company and the subsidiary company report to the respective Board of Directors on their activities. The group's risk management policies are designed to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

28. Financial instruments-risk management (continued)

(a) Introduction and overview (continued)

The group regularly reviews its risk management policies and systems to reflect changes in market conditions and product and service offerings. The respective Audit, Risk and Conduct Review Committees of the company and the subsidiary company are responsible for monitoring compliance with the group's risk management policies and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group.

The Audit, Risk and Conduct Review Committees are assisted in these functions by the Victoria Mutual Group's Internal Audit Unit and the Group Risk Management Unit, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Conduct Review Committees.

The key risks to which the group is exposed and the manner in which it measures and manages them are as follows:

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from stock broking activities, investing activities, collateralised lending and deposits with other institutions. Balances arising from these activities include debt securities, resale agreements, cash and cash equivalents and accounts receivable.

(i) Management of credit risk

Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the company's Finance and Risk Management Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

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 company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

The company manages the credit risk on items exposed to such risk as follows:

- Cash and cash equivalents

  These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

- Resale agreements

  Collateral is held for all resale agreements.

- Investment securities

  In relation to its holding of investment securities, the company manages the level of risk it undertakes by investing substantially in short term Government of Jamaica, Bank of Jamaica and foreign Government debt securities; such securities are generally unsecured.

- Accounts receivable

  Exposure to credit risk is managed by regular analysis of the ability of the customers and other counter parties to meet repayment obligations.

(ii) Concentration of credit risk

There is significant concentration of credit risk in that the company holds substantial amounts of debt securities issued by the Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

(iii) Maximum exposure to credit risk and credit quality analysis

The following table sets out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost, FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

Debt securities at FVOCI:

	Group				
	2019				
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Purchased credit - impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Credit grade					
Investment grade	673,168	-	-	-	673,168
Non-investment grade	12,388,361	-	-	335,629	12,723,990
	13,061,529	-	-	335,629	13,397,158
Loss allowance [note 28(b)(iv)(c)]	(45,317)	-	-	-	(45,317)

	Group			
	2018			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Investment grade	820,453	-	-	820,453
Non-investment grade	11,575,873	-	-	11,575,873
Default	-	-	197,075	197,075
	12,396,326	-	197,075	12,593,401
Loss allowance [note 28(b)(iv)(c)]	(29,487)	-	(130,373)	(159,860)

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

Resale agreements, loans receivable and debt securities at amortised cost:

	Group				
	2019				2018
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	**Stage 1** 12-month ECL
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Credit grade					
Non-Investment grade	6,654,097	24,245	-	6,678,342	6,003,965
Loss allowance [note 28(b)(iv)(c)]	(21,627)	(2,751)	-	(24,378)	(5,871)
	6,632,470	21,494	-	6,653,964	5,998,094

Loans receivable and debit securities at amortised cost:

	Company			
	2019			2018
	Stage 1 Lifetime ECL	**Stage 2** Lifetime ECL	**Total**	**Stage 1** 12-month ECL
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	2,716,699	24,245	2,740,944	1,786,786
Loss allowance [note 28(b)(iv)(c)]	(21,627)	(2,751)	(24,378)	(5,833)
	2,695,072	21,494	2,716,566	1,780,953

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment

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

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

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to below for a description of how the company determines when a significant increase in credit risk has occurred.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Please see below which includes an explanation of how the company has incorporated this in its ECL models.

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

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

(a) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and third party policies including forward-looking information.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

The key judgements and assumptions adopted by the company in addressing the requirements of the standard are discussed below (continued):

(a) Significant increase in credit risk (continued)

The company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The company use internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

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

Determining whether credit risk has been increased significantly:

The company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(a) Significant increase in credit risk (continued)

Credit risk grades (continued):

Determining whether credit risk has been increased significantly (continued):

As a backstop, the company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

In assessing whether a borrower is in default, the company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the company; and
- based on data developed internally and obtained from external sources.

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

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(b) Incorporation of forward-looking information

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 judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the group's Finance team on an annual basis and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and 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 company considers other possible scenarios and scenario weightings. 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.

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 to those projected. The company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

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.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) Measurement of the expected credit loss (ECL)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. 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 12-month 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. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

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

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

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities at FVOCI:

	Group			
	2019			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2019	29,487	-	130,373	159,860
Net financial assets originated or purchased	16,000	-	-	16,000
Financial assets derecognised during period	(6,722)	-	(130,373)	(137,095)
Changes in models/assumptions used in ECL calculation	6,199	-	-	6,199
Foreign exchange adjustment	353	-	-	353
Net remeasurement of loss allowance	15,830	-	(130,373)	(114,543)
Balance as at December 31, 2019	45,317	-	-	45,317

	2018			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2018	30,859	22,157	-	53,016
Transfer				
Transfer from Stage 2 to Stage 3	-	(22,157)	22,157	-
Net remeasurement of loss allowance	(1,372)	-	108,216	106,844
Balance as at December 31, 2018	29,487	-	130,373	159,860

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities, finance lease, loan receivable and resale agreement at amortised cost:

	Group 2019 Stage 1 12-month ECL	Group 2019 Stage 2 Lifetime ECL	Group 2019 Total
	$'000	$'000	$'000
Balance as at January 1, 2019	5,877	-	5,877
New financial assets originated/purchased	13,938	2,751	16,689
Financial assets derecognised during the period	(38)	-	(38)
Changes to inputs used in ECL calculation	1,850	-	1,850
Net remeasurement of loss allowance	15,750	2,751	18,501
Balance as at December 31, 2019	21,627	2,751	24,378

	2018 12-month ECL
	$'000
Balance as at January 1, 2018	8,615
Changes to inputs used in ECL calculation	4,201
Financial assets that have been derecognised	(6,939)
Net remeasurement of loss allowance	2,738
Balance as at December 31, 2018	5,877

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities at amortised cost:

	Company		
	2019		
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	Total
	$'000	$'000	$'000
Balance as at January 1, 2019	5,839	-	5,839
Net financial assets originated/purchased	13,869	2,751	16,620
Changes in inputs used in ECL calculations	1,850	-	1,850
Net remeasurement of loss allowance	15,719	2,751	18,470
Balance as at December 31, 2019	21,558	2,751	24,309

	Stage 1 12-month ECL
	$'000
Balance as at January 1, 2018	1,638
Net remeasurement of loss allowance	4,201
Balance as at December 31, 2018	5,839

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management procedures which the group uses include maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis, and maintaining a line of credit with a strong financial institution.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

The group also manages this risk by keeping a pre-determined portion of its financial assets in liquid form. The key measure used for monitoring liquidity risk is the ninety day liquidity gap ratio. In computing the ratio, the numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The ninety day liquidity gap ratio at the end of the year was 56.96% (2018: 30.67%).

During the year there was no change to the nature of liquidity risk to which the group is exposed, or to the manner in which it measures and manages the risk.

The following table presents the undiscounted cash flows payable on the group's financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Group				
	2019				
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Contractual cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Accounts payable	1,241,378	-	-	1,241,378	1,241,378
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Repurchase agreements, including interest	7,741,026	9,465,626	-	17,206,652	16,999,392
Lease liabilities	4,012	12,122	119,696	138,830	93,897
Due to ultimate parent society	116,739	-	-	116,739	116,739
	9,128,913	10,095,804	2,348,091	21,157,808	20,862,031

	Group				
	2018				
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Contractual cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Accounts payable	1,811,638	-	-	1,811,638	1,811,638
Borrowings	25,691	78,501	1,758,197	1,862,389	1,410,625
Repurchase agreements, including interest	12,277,087	3,337,095	-	15,614,182	15,530,792
	14,114,416	3,415,596	1,758,197	19,288,209	18,753,055

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

	Company				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to parent society	29,875	-	-	29,875	29,875
Due to subsidiary	94,593	-	-	94,593	94,593
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Accounts payables and accruals	45,648	-	-	45,648	45,648
	195,874	618,056	2,228,395	3,042,325	2,580,741

	Company				
	2018				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to subsidiary	64,400	-	-	64,400	64,400
Borrowings	25,691	78,501	1,758,197	1,862,389	1,410,625
Accounts payables and accruals	46,274	-	-	46,274	46,274
	136,365	78,501	1,758,197	1,973,063	1,521,299

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rates, foreign currency rates and equity prices and will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investments. Market risk exposures are measured using sensitivity analysis.

There has been no change in the nature of market risk to which the group is exposed or the manner in which it measures and manages the risk.

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar.

The main currency giving rise to this risk is the United States dollar (US$). The group ensures that this risk is kept to an acceptable level by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances. Foreign exchange gains and losses from these activities are included in other income.

At the reporting date, the group's exposure to foreign currency risk was as follows, in nominal amounts:

	Group		**Company**	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Foreign currency assets:				
Cash and cash equivalents	6,713	1,919	68	20
Cumulative preference share	450	-	450	-
Resale agreements	19,325	7,495	-	194
Investment securities	53,568	54,811	-	-
Loans receivable	131	-	131	161
Accounts receivable	8,809	11,676	-	-
	88,996	75,901	649	375
Foreign currency liabilities:				
Accounts payable	9,464	13,538	1	-
Repurchase agreements	76,420	61,751	-	-
	85,884	75,289	1	-
Net foreign currency assets	3,112	612	648	375

Foreign exchange rates

The group uses the average of Bank of Jamaica's buying and selling rates [see note 4(c)]. The rates as at the reporting date were as follows:

	2019	**2018**
United States dollar	131.1769	127.3995

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements:

A 4% strengthening (2018: 2%) and a 6% weakening (2018: 4%) of the Jamaica dollar against the United States dollar at December 31, 2019 would have increased/(decreased) profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2018.

	Group			
	2019		2018	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	4% Revaluation	(16,329)	2% Revaluation	(2,125)
US$	6% Devaluation	24,493	4% Devaluation	(1,063)

	Company			
	2019		2018	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	4% Devaluation	(3,399)	2% Revaluation	(1,909)
US$	6% Devaluation	5,099	4% Revaluation	954

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched by that of its financial liabilities; where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Group 2019				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	18,905	-	-	1,898,336	1,917,241
Resale agreements	3,562,113	375,162	-	-	3,937,275
Loans receivables	42,575	257,874	1,576,188	-	1,876,637
Investment securities	227,623	2,227,393	12,037,932	2,225,232	16,718,180
Accounts receivable	-	-	-	330,325	330,325
Net investment in finance leases	-	-	30,688	-	30,688
Total financial assets	**3,851,216**	**2,860,429**	**13,644,808**	**4,453,893**	**24,810,346**
Borrowings	-	500,000	1,910,625	-	2,410,625
Accounts payable	-	-	-	1,340,081	1,340,081
Lease liabilities	-	-	93,897	-	93,897
Due to ultimate parent society	-	-	-	116,739	116,739
Repurchase agreements	7,647,112	9,352,280	-	-	16,999,392
Total financial liabilities	**7,647,112**	**9,852,280**	**2,004,522**	**1,456,820**	**20,960,734**
Total interest sensitivity gap*	**(3,795,896)**	**(6,991,851)**	**11,640,286**	**2,997,073**	**3,849,612**
Cumulative gap	**(3,795,896)**	**(10,787,747)**	**852,539**	**3,849,612**	**-**

	Group 2018				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	950	-	-	739,588	740,538
Resale agreements	4,006,369	210,772	-	-	4,217,141
Loans receivables	160,073	852,491	363,575	-	1,376,139
Investment securities	4,169,970	500,022	7,795,156	776,210	13,241,358
Accounts receivable	-	-	-	1,399,352	1,399,352
Total financial assets	**8,337,362**	**1,563,285**	**8,158,731**	**2,915,150**	**20,974,528**
Borrowings	-	-	1,410,625	-	1,410,625
Accounts payable	-	-	-	1,887,449	1,887,449
Repurchase agreements	12,202,334	3,252,641	-	-	15,454,975
Total financial liabilities	**12,202,334**	**3,252,641**	**1,410,625**	**1,887,449**	**18,753,049**
Total interest sensitivity gap*	**(3,864,972)**	**(1,689,356)**	**6,748,106**	**1,027,701**	**2,221,479**
Cumulative gap	**(3,864,972)**	**(5,554,328)**	**1,193,778**	**2,221,479**	**-**

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	Company 2019				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	126,715	126,715
Investment securities	-	-	881,362	256,990	1,138,352
Net investment in finance lease	2,785	5,568	22,335	-	30,688
Resale agreements	-	-	-	-	-
Loans receivable	39,790	252,306	1,584,541	-	1,876,637
Other receivables	-	-	-	35,011	35,011
Total financial assets	**42,575**	**257,874**	**2,488,238**	**418,716**	**3,207,403**
Borrowings	-	500,000	1,910,625	-	2,410,625
Accounts payable	-	-	-	45,648	45,648
Due to parent	-	-	-	29,875	29,875
Due to subsidiary	-	-	-	94,593	94,593
Total financial liabilities	**-**	**500,000**	**1,910,625**	**170,116**	**2,580,741**
Total interest sensitivity gap*	**42,575**	**(242,126)**	**577,613**	**248,600**	**626,662**
Cumulative gap	**42,575**	**(199,551)**	**378,062**	**626,662**	**-**

	Company 2018				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	89,074	89,074
Investment securities	-	-	410,647	189,204	599,851
Net investment in finance lease	8,122	15,909	84,340	-	108,371
Resale agreements	24,708	-	-	-	24,708
Loans receivable	160,073	852,491	363,575	-	1,376,139
Other receivables	-	-	-	9,297	9,297
Total financial assets	**192,903**	**868,400**	**858,562**	**287,575**	**2,207,440**
Borrowings	-	-	1,410,625	-	1,410,625
Accounts payable	-	-	-	46,274	46,274
Due to subsidiary	-	-	-	64,400	64,400
Total financial liabilities	**-**	**-**	**1,410,625**	**110,674**	**1,521,299**
Total interest sensitivity gap*	**192,903**	**868,400**	**(552,063)**	**176,901**	**686,141**
Cumulative gap	**192,903**	**1,061,303**	**509,240**	**686,141**	**-**

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual re-pricing and maturity dates are as follows:

	Group			
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Overall average**
December 31, 2019:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.10	-	-	0.10
J$ Resale agreements	2.69	-	-	2.69
US$ Resale agreements	2.54	2.45	-	2.52
J$ Investment securities	2.29	1.99	3.95	3.32
US$ Investment securities	4.50	4.10	7.68	7.46
J$ Margin loans	9.69	8.81	9.66	9.72
US$ Margin loans	8.25	-	7.65	7.95
Net investment in finance leases	8.75	8.75	8.75	8.75
Liabilities				
Borrowings	-	5	6.58	5.79
J$ Repurchase agreements	2.49	3.79	-	2.63
US$ Repurchase agreements	2.05	2.70	-	2.25

	Group			
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Overall average**
December 31, 2018:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.10	-	-	0.10
J$ Resale agreements	2.69	-	-	2.69
US$ Resale agreements	2.54	2.45	-	2.52
J$ Investment securities	2.11	-	7.29	2.97
US$ Investment securities	-	3.75	7.08	6.81
J$ Margin loans	11.09	12.99	10.80	11.63
US$ Margin loans	8.00	-	7.55	7.78
Net investment in finance leases	8.75	8.75	8.75	8.75
Liabilities				
Borrowings	-	8.00	-	8.00
J$ Repurchase agreements	2.49	3.79	-	2.63
US$ Repurchase agreements	2.05	2.70	-	2.25

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Notes to the Financial Statements (Continued)
December 31, 2019

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual repricing and maturity dates are as follows (continued):

	Company			
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Overall average**
December 31, 2019:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.10	-	-	0.10
J$ Margin loans	9.69	8.81	9.66	9.72
US$ Margin loans	8.25	-	7.65	7.95
US$ resale agreements	-	-	-	-
J$ Investments	-	-	7.75	7.75
Net investment in finance leases	8.75	8.75	8.75	8.75
Liabilities				
Borrowings	-	5	6.58	5.79

	Company			
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Overall average**
December 31, 2018:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.10	-	-	0.10
J$ Margin loans	11.09	12.99	10.80	11.63
US$ Margin loans	8.00	-	7.55	7.78
US$ resale agreements	1.65	-	-	1.65
J$ Investments	-	-	6.50	6.50
Net investment in finance leases	8.75	8.75	8.75	8.75
Liabilities				
Borrowings	-	-	7.39	7.39

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity to interest rate movements

The following shows the sensitivity to interest rate movements at the reporting date on the group's profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2018.

	2019	2018
J$ interest rates	Increase by 100 bps	Increase by 100 bps
	Decrease by 100 bps	Decrease by 100 bps
US$ interest rates	Increase by 100 bps	Increase by 100 bps
	Decrease by 100 bps	Decrease by 100 bps

2019			2018		
Change in basis points	**Effect on profit**	**Effect on equity**	**Change in basis points**	**Effect on profit**	**Effect on equity**
JMD / USD	**$'000**	**$'000**	**JMD / USD**	**$'000**	**$'000**
+100/+100	(86,044)	(614,682)	+100/+100	(70,890)	(439,363)
-100/-100	84,044	366,869	-100/-100	70,890	521,960

(iii) Equity price risk

Equity price risk arises from equity securities held by the group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the group's investment strategy is to maximise investment returns while managing risk.

The group's equity securities that are listed on the Jamaica Stock Exchange total $1,818,526,000 (2018: $568,300,000). An increase or decrease of 10% (2018: 10%) in share prices would result in an increase or an equal decrease, respectively, in profit of $39,715,600 (2018: $3,280,000) and an increase or equal decrease in other comprehensive income of $142,137,000 (2018: $56,830,000).

28. Financial instruments-risk management (continued)

(e) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to comply with the capital requirements set by the regulators of the subsidiary company.

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the subsidiary company maintains a capital base of which at least 50% is to be of Tier 1 capital. In addition, the FSC employs certain ratios to test capital adequacy and solvency.

The subsidiary company's regulatory capital position as at the reporting date was as follows:

	2019	**2018**
	$'000	**$'000**
Tier 1 Capital	2,043,132	1,771,632
Tier 2 Capital	55,734	52,334
Total regulatory capital	2,098,866	1,823,966
Risk-Weighted Assets:		
On statement of financial position	11,889,297	10,544,598
Foreign exchange exposure	351	53
	11,889,648	10,544,651
Operational risk-weighted assets	281,831	273,419
	12,171,479	10,818,070

Capital adequacy ratios:

	FSC Benchmark	**2019**	**2018**
Tier 1 Capital/Total regulatory capital	Greater than 50%	97.34%	97.13%
Total regulatory capital/risk-weighted	Minimum 10%	17.24%	16.86%
Actual capital base /total assets	Greater than 6%	16.18%	10.65%

The capital position is sensitive to changes in market conditions. This sensitivity is due primarily to changes in the value of assets and liabilities resulting from changes in interest rates.

28. Financial instruments-risk management (continued)

(e) Capital management (continued)

There was no change in the way the subsidiary company managed its capital during the financial year.

The Jamaica Stock Exchange ("JSE") monitors the capital requirements of the subsidiary as a member dealer.

The subsidiary company's capital position as at the reporting date was as follows:

	2019	**2018**
	$'000	**$'000**
Net Free Capital	2,615,396	1,420,258
Minimum Capital Requirements	(930,335)	(870,445)
Excess of Net Free Capital	1,685,061	549,813
Total Liabilities	18,583,815	17,405,655

	JSE Benchmark	**2019**	**2018**
Net Free Capital/Total Liabilities	Greater than 5%	14.07%	8.16%

Throughout the year, the subsidiary company met all the requirements of the FSC and JSE relating to capital adequacy.

29. Financial instruments - fair values

(a) Definition and measurement of fair values

The group's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the group using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments.

29. Financial instruments - fair values (continued)

(a) Definition and measurement of fair values (continued)

Where a quoted market price is not available, fair value is computed using alternative techniques making use of available input data; the group uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable.

Fair value hierarchy: The different levels in the hierarchy have been defined as follows:

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

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

Level 3
Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The techniques used to estimate fair values, together with the inputs used, are describe below. The use of assumptions and estimates means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm’s length transaction.

29. Financial instruments - fair values (continued)

(b) Valuation techniques for investment securities classified as Level 2 as well as any significant unobservable inputs used.

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	**Valuation techniques**
J$ denominated securities issued or guaranteed by the Government of Jamaica and Bank of Jamaica securities.	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids); • Using this yield, determine price using accepted formula; and • Apply price to estimate fair value.
US$ denominated Government of Jamaica securities, public sector securities and corporate bonds.	• Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer; and • Apply price to estimate fair value.
Units in unit trust funds	• Obtain prices quoted by unit trust managers; and • Apply price to estimate fair value.
Convertible preference shares	• Fair value assumed to be similar to cost due to the recent purchase.

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29. Financial instruments - fair values (continued)

(c) Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

		Group 2019						
		Carrying amount			Fair value*			
	Note	FVOCI $'000	Fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:								
Quoted equities	7	1,421,370	397,156	1,818,526	1,818,526	-	-	1,818,526
Units in unit trust funds	7	-	399,276	399,276	-	399,276	-	399,276
Convertible preference shares	7	-	58,998	58,998	-	-	58,998	58,998
Bank of Jamaica securities	7	559,164	-	559,164	-	559,164	-	559,164
Government of Jamaica securities	7	11,563,320	-	11,563,320	-	11,563,320	-	11,563,320
Foreign government securities	7	1,024,914	-	1,024,914	-	1,024,914	-	1,024,914
Other public sector securities		355,339	-	355,339	-	355,339	-	355,339
Corporate bonds		108,849	427,423	536,272	-	536,272	-	536,272
Fixed deposits		-	410,647	410,647	-	410,647	-	410,647
		15,032,956	1,693,500	16,726,456	1,818,526	14,848,932	58,998	16,726,456

		Company 2019				
		Carrying amount	Fair value*			
	Note	Fair value through profit or loss $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:						
Quoted equities	7	45,661	45,661	-	-	45,661
Convertible preference shares	7	58,998	-	-	58,998	58,998
Units in unit trust funds	7	207,393	-	207,393	-	207,393
		312,052	45,661	207,393	58,998	312,052

		Group 2018					
		Carrying amount			Fair value*		
	Note	FVOCI $'000	Fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:							
Quoted equities	7	535,500	32,800	568,300	568,300	-	568,300
Units in unit trust funds	7	-	206,609	206,609	-	206,609	206,609
Bank of Jamaica securities	7	1,064,177	-	1,064,177	-	1,064,177	1,064,177
Government of Jamaica securities	7	9,972,796	-	9,972,796	-	9,972,796	9,972,796
Foreign government securities	7	1,017,528	-	1,017,528	-	1,017,528	1,017,528
		12,590,001	239,409	12,829,410	568,300	12,261,110	12,829,410

		Company 2018			
		Carrying amount	Fair value*		
	Note	Fair value through profit or loss $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:					
Quoted equities	7	170,927	170,927	-	170,927
Units in unit trust funds	7	20,376	-	20,376	20,376
		191,303	170,927	20,376	191,303

29. Financial instruments - fair values (continued)

(c) Accounting classifications and fair values (continued):

* The group and company do not disclose the fair values of cash and cash equivalents, unquoted equities, certificates of deposit, resale agreements, accounts receivable, accounts payable and repurchase agreements because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

30. Related party transactions and balances

(a) Definition of related party

A related party is a person or entity that is related to the group.

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

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

(2) has significant influence over the group; or

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

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

(1) 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).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an entity of which the other entity is a member).

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

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

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

(6) The entity is controlled, or jointly controlled, by a person identified in (a)(i) above.

(7) 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).

(8) The entity or any member of a group of which it is a part providing key management services to the group or to the parent of the group;

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

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30. Related party transactions and balances (continued)

(b) Identity of related parties

The group has a related party relationship with its parent society, fellow subsidiaries, associate of parent society, key management personnel, including directors and the pension plan.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents:				
Parent society	64,297	276,742	32,356	10,318
Repurchase agreements:				
Ultimate parent society	2,282,047	1,499,379	-	-
Associate of ultimate parent society	102,828	154,011	-	-
Key management personnel, excluding directors	24,931	17,168	-	17,168
Ultimate parent society	-	1,000,000	-	-
Investment securities:				
Ultimate parent society	1,210,696	410,647	410,647	410,647
Associate	58,998	-	58,998	-
Accounts receivable:				
Parent company	833	-	-	-
Fellow subsidiary	2,960	16,177	-	-
Directors	8,384	7,619	-	-
Loans receivable:				
Directors	-	29,665	-	29,665
Due to ultimate parent society	116,739	-	29,875	-
Borrowings:				
Ultimate parent society	200,000	-	200,000	-
Associate of ultimate parent society	70,000	70,000	70,000	70,000
Accounts payable – other:				
Due to ultimate parent society	243,229	109,132	29,875	37,666
Subsidiary	-	-	94,593	64,400
Associate of ultimate parent society	184	1,162	-	-
Fellow subsidiaries	9,161	30,601	-	-
Key management personnel, excluding directors	30	7	-	-

30. Related party transactions and balances (continued)

(d) The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest and dividend income:				
Ultimate parent society	30,382	21,352	26,852	18,706
Directors		-	-	-
Key management personnel, excluding directors	-	-	-	-
Subsidiary - interest	-	-	1,617	-
Dividend income	-	-	286,350	-
Associate company	1,480	-	1,480	-
Commission income:				
Fellow subsidiary	600	-	-	-
Commission expense:				
Fellow subsidiary	18,245	26,729	10,000	-
Operating expenses:				
Subsidiary	-	-	53,446	23,400
Ultimate parent society	253,842	94,226	12,894	-
Fellow subsidiary	-	5,478	-	-
Interest and dividend expense:				
Ultimate parent society	296,709	204,902	228,004	168,003
Fellow subsidiaries	-	1,385	-	-
Associate of ultimate parent	4,585	4,978	-	-
Directors	11	8	-	-
Key management personnel, excluding directors	318	238	-	-
Directors' fees (note 25)	14,239	15,545	7,681	8,330
Short-term employee benefits:				
Key management personnel, excluding directors	85,054	78,194	-	-

31. Dividends

On May 14, 2019 (2018: February 26) the Board of Directors declared an interim dividend of \$0.03 (2018: \$0.02) per ordinary stock unit of the paid up capital stock of 1,500,025,000 (2018: 1,500,025,000) ordinary stock units, paid to the shareholders on record as at May 24, 2019 (2018: March 9).

On November 13, 2019 (2018: November 13) the Board of Directors declared an interim dividend of 0.16 (2018: \$0.12) per ordinary stock unit of the paid up capital stock of 1,500,025,000 (2018: 1,500,025,000) ordinary stock units, paid to the shareholders on record as at November 27, 2019 (2018: November 27).

32. Managed funds and custodial arrangements

The group acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. The group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements. At December 31, 2019, these funds amounted to \$29,477,536,000 (2018: \$24,313,239,000).

Additionally, at December 31, 2019, there were custodial arrangements for assets totalling \$18,807,714,000 (2018: \$24,560,120,000).

33. Earnings per share

The calculation of basic earnings per share is calculated by dividing the profit for the year attributable to owners of the company of \$598,049,000 (2018: \$397,598,000), by a weighted average number of ordinary shares held during the year.

	2019	**2018**
Number of ordinary shares at December 31	1,500,025,000	1,500,025,000
Basic earnings per share (cents)	40¢	27¢