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Cornerstone Trust & Merchant Bank Limited

Financial Statements
30 September 2024

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Independent auditor's report

To the members of Cornerstone Trust & Merchant Bank Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cornerstone Trust & Merchant Bank Limited (the Company) as at 30 September 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2024;
- the statement of profit & loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Responsibilities of management and those charged with governance for the financial statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

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.

Report on other legal and regulatory requirements

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 kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
24 December 2024

Cornerstone Trust & Merchant Bank Limited

Statement of Profit or Loss and other Comprehensive Income

Year ended 30 September 2024

(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2024 $'000	2023 $'000
Net interest income and other revenue			
Interest income on investment and resale agreements		117,944	145,003
Interest income on loans and banks deposits		379,550	330,674
Interest income on leases		8,843	12,259
Total interest income		506,337	487,936
Interest expense on deposits		(101,564)	(108,978)
Interest expense on securities on securities sold under repurchase agreements		(35,864)	(21,470)
Net interest income		368,909	357,488
Net gain from financial assets at fair value through profit or loss		-	39,627
Other revenue	6	121,556	60,053
		490,465	457,168
Non-interest expenses			
Staff costs	7	(284,824)	(243,021)
Impairment reversal/(losses) on financial assets		7,808	(18,354)
Other	8	(193,343)	(179,321)
		(470,359)	(440,696)
Profit before income tax		20,106	16,472
Income tax	9	(10,570)	5,792
Net profit for the year		9,536	22,264
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Unrealised gain/(loss) on investment securities at fair value through other comprehensive income, being total other comprehensive income, net of tax		22,327	(15,513)
Total Comprehensive Income for the Year		31,863	6,751

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

Cornerstone Trust & Merchant Bank Limited
Statement of Financial Position
30 September 2024
(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2024 $'000	2023 $'000
ASSETS			
Cash resources			
Statutory reserves with Bank of Jamaica	10(a)	228,264	244,168
Amounts due from banks and cash in hand	10(b)	876,858	803,951
		1,105,122	1,048,119
Resale agreements	11	500,629	478,211
Investment securities	12	966,159	1,179,720
Loans, net of loss allowance	13	3,960,310	3,940,254
Net investment in finance leases	14	50,601	114,095
Property, plant and equipment	15	111,646	127,876
Other assets	16	1,082,663	852,435
Deferred tax assets	17	49,689	60,510
Right-of-use assets	18	57,984	68,418
Tax recoverable		13,096	13,770
		7,897,899	7,883,408
LIABILITIES			
Customers' deposits	19	2,419,116	2,464,777
Other liabilities	20	157,265	619,685
Lease liabilities	18	65,759	74,873
Securities sold under repurchase agreements	21	740,469	240,646
		3,382,609	3,399,981
EQUITY			
Share capital	22	4,471,500	4,471,500
Reserve fund	23	64,001	64,001
Retained earnings reserve	24	65,000	65,000
Loan loss reserve	25	40,011	40,608
Fair value reserve	26	(34,220)	(56,547)
Accumulated deficit		(91,002)	(101,135)
Total equity		4,515,290	4,483,427
Total liabilities and equity		7,897,899	7,883,408

Approved for issue by the Board of Directors on 19 December 2024 and signed on its behalf by:

Robert Drummond Director

Mark Myers Director

Cornerstone Trust & Merchant Bank Limited

Statement of Changes in Equity

Year ended 30 September 2024

(expressed in Jamaica dollars unless otherwise indicated)

	Note	Share capital	Reserve fund	Retained earnings reserve	Loan loss reserve	Fair value reserve	Accumulated deficit	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 October 2022		4,471,500	64,001	65,000	38,386	(41,034)	(121,177)	4,476,676
Comprehensive income								
Profit for the year		-	-	-	-	-	22,264	22,264
Other comprehensive loss		-	-	-	-	(15,513)	-	(15,513)
Total comprehensive income for the year		-	-	-	-	(15,513)	22,264	6,751
Movement between reserves:								
Transfer to loan loss reserve	25	-	-	-	2,222	-	(2,222)	-
Balance at 30 September 2023		4,471,500	64,001	65,000	40,608	(56,547)	(101,135)	4,483,427
Comprehensive income								
Profit for the year		-	-	-	-	-	9,536	9,536
Other comprehensive income		-	-	-	-	22,327	-	22,327
Total comprehensive income for the year		-	-	-	-	22,327	9,536	31,863
Movement between reserves:								
Transfer from loan loss reserve	25	-	-	-	(597)	-	597	-
Balance at 30 September 2024		4,471,500	64,001	65,000	40,011	(34,220)	(91,002)	4,515,290

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

Cornerstone Trust & Merchant Bank Limited

Statement of Cash Flows

Year ended 30 September 2024

(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2024 $'000	2023 $'000
Cash flows from operating activities			
Profit for the year		9,536	22,264
Adjustments for:			
Depreciation	15,18	28,915	33,003
(Reversal)/Impairment losses on financial assets		(7,808)	18,354
Amortisation of software	16	658	612
Lease Interest		5,306	5,963
Interest income		(506,337)	(487,936)
Interest expense		137,428	130,448
Income tax	9	10,570	(5,792)
Unrealised gain on foreign currency assets and liabilities		(37,165)	(23,450)
Changes in operating assets and liabilities:			
Statutory reserves with central bank		15,904	1,422
Net investment in finance leases		63,494	63,351
Customers' deposits net		(50,573)	(229,442)
Securities sold under repurchase agreements, net		499,466	(292,036)
Loans, net of loss allowance		(16,138)	(279,797)
Other assets		(230,652)	(35,687)
Other liabilities		(462,421)	348,298
Cash used in operations		(539,817)	(730,425)
Interest received		504,898	511,202
Interest paid		(132,159)	(122,232)
Taxation paid		(1,082)	(4,623)
Net cash used in operating activities		(168,160)	(346,078)
Cash flows from investing activities			
Proceeds from sale of investment securities		462,339	252,711
Purchase of property, plant, and equipment	15	(2,251)	(4,109)
Purchase of intangible asset	16	(234)	(183)
Net cash provided by in financing activities		459,854	248,419
Cash flow from financing activity			
Payment of lease liabilities	18(iii)	(14,420)	(14,420)
Net cash used in financing activity		(14,420)	(14,420)
Effect of exchange rate changes on cash and cash equivalents		10,319	13,236
Net increase/(decrease) in cash and cash equivalents for year		287,593	(98,843)
Cash and cash equivalents at beginning of year		1,331,349	1,430,192
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10(c)	1,618,942	1,331,349

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

1. Identification

Cornerstone Trust & Merchant Bank Limited ("the Company"), which is incorporated and domiciled in Jamaica, is a 100% subsidiary of Cornerstone United Holdings Jamaica Limited ("CUHJL" or "parent company"). The registered office of the Company is located at 17 St. Lucia Way, Kingston 5, Jamaica and its principal activities are accepting deposits and granting loans and finance leasing.

The financial statements were authorised for issue by the Directors of the company on 19 December 2024. The Directors have the power to amend and reissue the financial statements.

2. License and Regulation

The Company is licensed under the Banking Services Act (2014).

3. Statement of Compliance and Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with 'International Financial Reporting Standards as issued by the IASB' ("IFRS Accounting Standards") and the relevant provisions of the Jamaican Companies Act ("the Act").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(d).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Standards, interpretations and amendments to published accounting standards effective in the current financial year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). In February 2021, the IASB ('the Board') issued amendments to the following standards:

- Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2; and
- Definition of Accounting Estimates, which amends IAS 8. The amendments aim to improve accounting policy disclosures, either by making the disclosures more specific to the entity or by reducing generic disclosures that are commonly understood applications of IFRS and to distinguish changes in accounting estimates from changes in accounting policies.

The Company has assessed the impact of these amendments and have improved the specificity of its accounting policy disclosures.

3. Statement of Compliance and Basis of Preparation (Continued)

(b) Basis of measurement (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023). IAS 12 specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. There has been no significant impact to the financial statements arising from the adoption of these amendments.

Amendment to IAS 12 - International tax reform. In December 2021, the Organisation for Economic Co-operation and Development ('OECD') released the Pillar Two model rules to reform international corporate taxation that aim to ensure that applicable multinationals (global revenue exceeding €750 million) pay a minimum effective corporate tax rate of 15%. The rules are due to be passed into national legislation based on each country's approach, and some countries have already enacted or substantively enacted the rules. Applying the rules and determining the impact are likely to be very complex, and this poses a number of practical challenges. In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes' that provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. Targeted disclosure requirements were also introduced. Jurisdictions subject to an endorsement process will need to endorse the amendments.

The country in which the Company operates has not adopted the pillar two rules as of 30 September 2024, consequently, there is no impact in the current year. However, this will be reassessed in future periods.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective and which the Company will adopt in future financial years. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows.

3. Statement of Compliance and Basis of Preparation (Continued)

(b) Basis of measurement (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted (continued)

Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026 with early adoption permitted). These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

IFRS 18, 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027). This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Company will assess the impact of future adoption of these amendments and new standard.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company

(c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Jamaica dollars, which is the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise indicated.

(d) Use of judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection 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, expenses, gains and losses for the period then ended.

Cornerstone Trust & Merchant Bank Limited
Notes to the Financial Statements
30 September 2024
(expressed in Jamaica dollars unless otherwise indicated)

3. Statement of Compliance and Basis of Preparation (Continued)

(d) Use of judgements and estimates (continued)

Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows.

(i) Judgements

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

(a) *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.

(b) *Impairment of financial assets*

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

(ii) Key assumptions concerning the future and other sources of estimation uncertainty

(a) Allowance for impairment losses

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

(b) Fair value of financial instruments

In the absence of quoted market prices, the fair value of certain of the Company's financial instruments was determined by surveying market participants to obtain indicative prices.

Considerable judgement is required in interpreting market data to arrive at estimates of fair value or in interpreting market data to arrive at estimates of fair value or in selecting inputs for price estimation models, particularly since pricing inputs include data not observed in actual market transactions but indicative information. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

3. Statement of Compliance and Basis of Preparation (Continued)

(d) Use of judgements and estimates (continued)

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

(c) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. It recognises deferred tax assets on management's assessment of the availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised. Where the tax outcome of these matters results in amounts that are different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented unless otherwise stated.

(a) Financial instruments – classification, recognition and de-recognition, 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, net investment in finance leases, resale agreements, investment securities, and other assets. Financial liabilities comprise customers' deposits and other liabilities and securities sold under repurchase agreements.

(i) Recognition and initial measurement

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

Other receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Cornerstone Trust & Merchant Bank Limited
Notes to the Financial Statements
30 September 2024
(expressed in Jamaica dollars unless otherwise indicated)

4. Material Accounting Policies (Continued)

(a) Financial instruments – classification, recognition and de-recognition, and measurement (continued)

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment or fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assessment whether contractual cash flows are solely payments of principal and interest:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

4. Material Accounting Policies (Continued)

(a) Financial instruments – classification, recognition and de-recognition, and measurement (continued)

(ii) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

The Company's objective is to hold financial assets to collect contractual cash flows.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

4. Material Accounting Policies (Continued)

(a) Financial instruments – classification, recognition and de-recognition, and measurement (continued)

(iii) Derecognition

The Company 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 Company 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 OCI is recognised in profit or loss.

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

(iv) Measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(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 Company 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 Company's trading activity.

4. Material Accounting Policies (Continued)

(a) Financial instruments – classification, recognition and de-recognition, and measurement (continued)

(vi) Specific financial instruments

(a) 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 rather than for investment purposes (these include short-term deposits and resale agreements where the maturities do not exceed three months from the acquisition date). Cash excludes statutory reserves at Bank of Jamaica as such amounts are not available for use by the Company. Cash and cash equivalents are measured at amortised cost.

(b) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements ('resale agreements' or 'reverse repos') or sales of securities under repurchase agreements ('repurchase agreements' or 'repos') are accounted for as short-term collateralised lending and borrowing, respectively and are measured at amortised cost. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried at amortised cost. It is the policy of the branch to obtain possession of collateral with a fair value in excess of the principal amount loaned under resale agreements.

The difference between the amount borrowed or invested and the amount repaid or collected is recognised as interest expense or interest income, respectively, in profit or loss over the life of each agreement using the effective interest method.

(c) Equity instruments

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

- The Company measures all equity investments at FVPL.

- Gains and losses on equity investments at FVPL are included in the 'Other revenue' line in the statement of profit or loss.

(d) Other assets

Accounts receivable is measured at amortised cost, less impairment losses.

(e) Other liabilities

Other liabilities are measured at cost or amortised cost.

4. Material Accounting Policies (Continued)

(a) Financial instruments – classification, recognition and de-recognition, and measurement (continued)

(vi) Specific financial instruments (continued)

(f) Customers' deposits

Customers' deposits are measured at amortised cost.

(g) Share capital and dividends

The Company classifies capital instruments as equity instruments or financial liabilities in accordance with the substance of the contractual terms of the instrument. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the holders, or if dividends are not discretionary. Dividends thereon are recognised as interest in profit or loss.

The Company's preference shares are non-redeemable; also, they bear specified entitlements to dividends that are non-cumulative – which is interpreted by the directors as not creating a contractual obligation to pay; rather, payment is at the discretion of the directors. Accordingly, they are presented as equity.

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

Dividends on instruments classified as equity are recognised directly in equity; they are recognised when there is an irrevocable obligation to pay the dividend.

(b) Leases

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 Company uses the definition of a lease in IFRS 16.

(i) As a lessee

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

The Company 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.

4. Material Accounting Policies (Continued)

(b) Leases (continued)

(i) As a lessee (continued)

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company 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.

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

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

Short-term leases

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

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4. Material Accounting Policies (Continued)

(b) Leases (continued)

(ii) As lessor

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

To classify the lease, the Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When assets are held under finance lease, the present value of the lease payments is recognised as a receivable and classified as net investment in finance leases on the statement of financial position. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Interest earned on leases is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the net investment in the lease.

(c) Interest income

Interest income is recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the g estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

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 of a financial asset.

The ‘amortised cost’ of a financial asset is the amount at which the financial asset 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.

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). 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.

4. Material Accounting Policies (Continued)

(c) Interest income (continued)

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI, includes interest on financial assets measured at amortised cost, other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

(d) Fees 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 Company recognises revenue when it transfers control over a service to a customer.

Fee and commission income – including account service and trustee's fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15.
Service fees	The Company provides administration, credit risk evaluation and execution services to certain customers. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.

(e) Dividend income

Dividends are recognised in profit or loss when the Company's irrevocable right to receive payment is established.

4. Material Accounting Policies (Continued)

(f) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

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 issue of financial liability.

The 'amortised cost' of a financial liability is the amount at which the 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.

The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

(g) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of those transactions (as a matter of practicality, an average rate may be used). Gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

Changes in the fair value of monetary securities are analysed between differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

(h) Loans and net investment in finance leases

Loans are measured at amortised cost less impairment losses. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Net investment in finance leases is measured as indicated in Note 4(b).

Impairment is recognised as indicated in Note 4(i).

4. Material Accounting Policies (Continued)

(i) Impairment of financial assets

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVPL:

- financial assets that are debt instruments; and
- net investment in finance lease.

The Company 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 on which credit risk has not increased significantly since their initial recognition.

The Company 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 Company 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 Company expects to receive); and
- 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.

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.

4. Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Company 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 Company 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.

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 Company 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 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

Loss 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; and
- loan commitments and financial guarantee contracts: generally, as a provision.

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4. Material Accounting Policies (Continued)

(i) Impairment of financial assets (continued)

Write-off

Loans and investment 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 Company 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.

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.

As required by the Banking Services Act, if a payment is contractually 90 days in arrears, the loan or leases is classified as impaired, if not already classified as such.

Statutory and other regulatory reserve requirements that exceed the amounts required under IFRS are included in a non-distributable reserve fund as an appropriation of profits.

(j) Impairment of non-financial assets

The carrying amounts of the Company'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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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.

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4. Material Accounting Policies (Continued)

(k) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of property, plant and equipment is calculated using the straight-line method, to write down the cost of the assets to their residual values over their estimated useful lives, as follows:

Motor vehicle	20.0%
Furniture, equipment and leasehold	10.0%
Computer hardware	22.5%

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if such carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in profit or loss. Repairs and renewals are charged to profit or loss during the financial period in which they are incurred.

(l) Employee benefits

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

(i) Benefits other than pensions

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 Note (l)(ii) below.

The Company’s net outgoing in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, remeasurements are recognised in profit or loss in the period in which they arise.

4. Material Accounting Policies (Continued)

(l) Employee benefits (continued)

(ii) Pension plan

Pensions are the only post-employment benefits to which the Company is committed. To better secure such benefits, the Company participates in the defined contribution pension plan with Seramco Limited, a related company of previous parent company, which replaced a prior defined benefit pension scheme.

Pensions obligations in the former defined benefit plan were transferred by way of annuity purchases and active members started to contribute on a defined contribution basis. The scheme is funded by contributions from the Company and employees in accordance with the rules of the scheme. Under the defined contribution schemes, retirement benefits are based on the Company's and employees' accumulated contributions, plus investments returns and, therefore, the Company has no further liability to fund pension benefits. Obligations for contributions to defined contribution plans is expensed as the related services are provided (Note 28).

(m) Intangible asset

Computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. This is amortised on the basis of its expected useful life of five (5) years.

(n) Income tax

Income tax on the profit or loss for the period comprises current and deferred income 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 recognised in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax recoverable or 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.

(ii) Deferred income tax

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 income 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 at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is possible that the temporary difference will not reverse in the foreseeable future.

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 Company. 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.

5. Financial Instruments Risk Management and Fair Values

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. Management's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established the following committees for managing and monitoring risks:

(i) Assets and Liability Committee

The Assets and Liability Committee is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risk of the Company.

(ii) Audit Committee

The mandate of the Audit Committee is to oversee how management monitors compliance with the Company's risk management policies and procedures and to review the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are to be reported to the Audit Committee.

The main risks to which the Company is exposed are credit, liquidity and market risks. Market risk includes interest rate risk and foreign currency risk. The Company’s exposure to these risks and the way in which it measures and manages these risks are described below.

(a) Credit risk

The Company takes on exposure to credit risk, which is the risk that its customers, clients or other counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in credit contracts not recognised in the statement of financial position, such as loan commitments. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or group and single related party or group of related counterparties.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Company to similar risks to loans and these are mitigated by the same control policies and processes.

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure of the Company at 30 September 2024 and 30 September 2023 without taking account of any collateral held or other credit enhancements, is as follows:

(a) Credit risk exposures relating to financial assets represent the amounts carried on the statement of financial position.

(b) Credit risk exposures relating to items not carried on the statement of financial position amount to $65,947,000 (2023 - $151,900,000) (see Note 5(b)).

Credit exposure

(i) Loans and net investment in finance leases

The following table summarises the Company's credit exposure for loans and net investment in finance leases at their carrying amounts, as categorised by industry sectors:

	2024 $'000	**2023 $'000**
Agriculture and fishing	65,213	-
Mining, quarrying and processing	339,267	350,144
Construction	203,924	51,978
Distribution	178,769	500,327
Manufacturing	108,337	120,114
Personal	2,187,762	1,931,744
Professional and other services	697,310	854,686
Electricity, gas & water	222,378	252,550
	4,002,960	4,061,543
Interest receivable	34,873	30,608
	4,037,833	4,092,151
Loss allowance	(26,922)	(37,802)
	4,010,911	4,054,349

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Credit exposure (continued)

(ii) Debt securities

The following table summarises the Company's credit exposure for debt securities at their carrying amounts, as categorised by issuer (see Notes 11 and 12)

	2024	2023
	$'000	$'000
Government of Jamaica and Bank of Jamaica	21,780	41,272
Corporate bonds	689,907	1,073,766
Other financial institutions	500,629	478,211
	1,212,316	1,593,249

Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of different types of collateral. The main types of collateral obtained are mortgages over commercial and residential properties, charges over business assets, such as premises, inventories and accounts receivable, and charges over financial instruments such as debt securities and equities.

Estimates of fair value are based on the value of collateral assessed at the time of granting credit or acquiring other financial assets, and generally are not updated except when a loan (or other financial asset) is individually assessed as impaired. Collateral generally is not held over balances with banks or brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held as at 30 September 2024 and 30 September 2023. All resale agreements were fully collateralised as at 30 September 2024. The fair value of such securities was $549,952,000 (2023 - $500,526,000).

Management monitors the market value of collateral held during its review of the adequacy of the provision for credit losses and requests additional collateral in accordance with the underlying agreement.

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

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

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below.

	Loans		Resale agreements	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Properties	9,808,885	12,154,424	-	-
Debt securities (Note 11)	-	-	549,952	500,526
Liens on motor vehicles & equipment	1,563,522	1,754,389	-	-
Hypothecation of deposits	52,399	83,541	-	-
	11,424,806	13,992,354	549,952	500,526

Credit review process

The Company has an established credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and principal repayment obligations.

Credit quality

(i) Loans and net investment in finance leases

The Company assesses the probability of default of individual counterparties using internal ratings. Clients of the Company are segmented into five rating classes. The Company's internal rating scale, which is shown below, reflects the range of default probabilities defined for each rating class, via:

Company's rating	**Description of the rating**
1	Standard
2	Potential Problem Credit
3	Sub-Standard
4	Doubtful
5	Loss

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Company to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

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5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Credit review process (continued)

Credit quality (continued)

(i) Loans and net investment in finance leases (continued)

The credit quality of loans and net investment in finance leases is as follows:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan receivables:				
Standard	3,883,891	-	-	3,883,891
Potential problem credit	-	44,949	-	44,949
Sub- standard	-	-	58,392	58,392
	3,883,891	44,949	58,392	3,987,232
Loss allowance	(12,344)	(1,170)	(13,408)	(26,922)
	3,871,547	43,779	44,984	3,960,310

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan receivables:				
Standard	3,774,124	-	-	3,774,124
Potential problem credit	-	33,908	-	33,908
Sub- standard	-	-	170,024	170,024
	3,774,124	33,908	170,024	3,978,056
Loss allowance	(20,790)	(467)	(16,545)	(37,802)
	3,753,334	33,441	153,479	3,940,254

	2024	**2023**
	$'000	**$'000**
Net investment in finance leases:		
Standard	50,601	114,096
Loss allowance	-	(1)
	50,601	114,095

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Credit review process (continued)

Credit quality (continued)

(ii) Investments in debt securities and resale agreements

The Company limits its exposure to credit risk associated with investment securities by investing mainly in liquid securities with counterparties that have high credit quality and Government of Jamaica securities.

The Company identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

12-month and lifetime probabilities of default are based on historical data supplied by each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit quality of investment securities and resale agreements is as follows:

	2024		2023	
	Resale agreements	**Investment securities**	**Resale agreements**	**Investments securities**
	$'000	**$'000**	**$'000**	**$'000**
Credit rating				
B+	500,629	718.646	478,212	1,128,997
Loss allowance	-	-	(1)	-
	500,629	718,646	478,211	1,128,997

(iii) Cash resources

Cash resources are held with banks and other financial institutions counterparties.

Impairment has been measured at 12- month expected loss basis and reflects the short maturities of the exposures. The Company considered that cash resources have low credit risk and as a result no impairment allowance was recognised.

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment

Inputs, assumptions and techniques used for estimating impairment

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.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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 allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- External data from credit reference agencies, including industry-standard credit scores.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

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5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Credit risk grades (continued)

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 credit rating of a security decreased from grade 1 to grade 3 and the risk grade of loans and net investment in finance leases has moved from grade 1 (standard) to grade 3 (sub-standard).

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 return 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.

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued)

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company uses a forward-looking score card model to estimate the potential of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 45% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 35% probability of occurring, respectively. Each scenario considers the expected impact of interest rates, unemployment rates, gross domestic product (GDP) and inflation. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organisations and selected private-sector forecasters.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Loss allowance

The loss allowance recognised is analysed as follow:

(i) Loans and net investment in finance leases

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 October 2023	15,878	903	21,021	37,802
Transfer from stage 1 to stage 2	(600)	600	-	-
Transfer from stage 1 to stage 3	(315)	-	315	-
New financial assets purchased	882	153	-	1,035
Net remeasurement during the year	3,804	(486)	(5,156)	(1,838)
Financial assets derecognised	(7,305)	-	(2,772)	(10,077)
Balance at 30 September 2024	12,344	1,170	13,408	26,922

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5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Loss allowance (continued)

The loss allowance recognized is analysed as follow (continued):

(i) Loans and net investment in finance leases (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 October 2022	18,387	436	4,798	23,621
Transfer from stage 1 to stage 2	(189)	189	-	-
Transfer from stage 1 to stage 3	(4,368)	-	4,368	-
New financial assets purchased	1,653	278	1,864	3,795
Net remeasurement during the year	1,226	-	9,991	11,217
Financial assets derecognised	(831)	-	-	(831)
Balance at 30 September 2023	15,878	903	21,021	37,802

5. Financial Instruments Risk Management and Fair Values (Continued)

(a) Credit risk (continued)

Impairment (continued)

Loss allowance (continued)

The loss allowance recognised is analysed as follow (continued)

(ii) Debt securities

	2024 Stage 1 $'000
Balance at 1 October 2023	7,741
Net remeasurement during the year	3,071
Balance at 30 September 2024	10,812

	2023 Stage 1 $'000
Balance at 1 October 2021	3,523
New financial assets purchased	2,196
Financial assets derecognised	(132)
Net remeasurement during the year	2,154
Balance at 30 September 2023	7,741

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The consequence may be failure to meet obligations to repay depositors, fulfil commitments to lend and meet other payment obligations.

Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by treasury personnel, along with the management team, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption of cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investments;

5. Financial Instruments Risk Management and Fair Values (Continued)

(b) Liquidity risk (continued)

Liquidity risk management process (continued)

The Company's liquidity management process, as carried out within the Company and monitored by treasury personnel, along with the management team, includes (continued)

(v) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain the Liquidity Coverage Ratio (LCR); and

(vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. It is unusual for companies to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

Items carried on the statement of financial position

The tables below present the undiscounted cash flows (both interest and principal) of the Company's financial liabilities based on contractual and expected repayment rights and obligations.

	2024						
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Contractual cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Customers' deposits	610,122	902,395	929,394	-	-	2,441,911	2,419,116
Securities sold under repurchase agreements	426,866	318,290		-	-	745,156	740,469
Lease liabilities	1,202	3,605	9,614	61,515	5,457	81,393	65,759
Other liabilities	94,521	-	-	-	-	94,521	94,521
Total liabilities	1,132,711	1,224,290	939,008	61,515	5,457	3,362,981	3,319,865

5. Financial Instruments Risk Management and Fair Values (Continued)

(b) Liquidity risk (continued)

Items carried on the statement of financial position (continued)

	2023						
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Contractual cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Customers' deposits	1,052,965	492,586	941,728	-	-	2,487,279	2,464,777
Securities sold under repurchase agreement	45,287	197,210	-	-	-	242,497	240,646
Lease liabilities	1,202	2,403	10,815	69,619	11,773	95,812	74,873
Other liabilities	619,685	-	-	-	-	619,685	619,685
Total liabilities	1,719,139	692,199	952,543	69,619	11,773	3,445,273	3,399,981

The table below shows the contractual expiry by maturity of the Company's loans and lease commitments and guarantees.

	2024 No later than 1 year	**2023 No later than 1 year**
	$'000	**$'000**
Guarantees	500	500
Loans and leases commitments	65,447	151,400
	65,947	151,900

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, balances with BOJ, investment securities and loans to customers. In the normal course of business, debt securities have been pledged to secure liabilities. The Company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding from its parent company and other financial institutions.

(c) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in foreign currency exchange rates, interest rates and equity prices. Market risk is monitored by the Asset and Liability Committee (ALCO) which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change in the nature of the Company's exposure to market risk or the manner in which it measures and manages the risk.

5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currency assets to address short-term imbalances.

Concentration of currency risk
The table below summarises the currencies in which the Company's financial assets and liabilities are denominated at 30 September, expressed in Jamaican dollars:

	2024				
	USD	**GBP**	**CAN**	**EURO**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash resources	218,297	3,109	4,572	52,735	278,713
Resale agreements	290,676	-	-	-	290,676
Investments securities	22,215	-	-	-	22,215
Loans, net of loss allowance	28,905	-	-	-	28,905
Other assets	476,806	2,157	-	-	478,963
Total financial assets	1,036,899	5,266	4,572	52,735	1,099,472
Financial liabilities					
Customers deposits	1,039,652	1,144	-	-	1,040,796
Securities sold under repurchase agreements	31,562	-	-	-	31,562
Other liabilities	14,463	-	3,608	54,713	72,784
Total financial liabilities	1,085,677	1,144	3,608	54,713	1,145,142
Net position	(48,778)	4,122	964	(1,978)	(45,670)

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5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

	2023				
	USD	**GBP**	**CAN**	**EURO**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash resources	399,552	2,940	124	633	403,249
Resale agreements	478,211	-	-	-	478,211
Investments securities	42,866	-	-	-	42,866
Loans, net of loss allowance	42,604	-	-	-	42,604
Other assets	516,368	-	57,111	36	573,515
Total financial assets	1,479,601	2,940	57,235	669	1,540,445
Financial liabilities					
Customers deposits	1,090,625	1,027	-	-	1,091,652
Securities sold under repurchase agreements	324,053	-	-	-	324,053
Other liabilities	-	11	57,101	-	57,112
Total financial liabilities	1,414,678	1,038	57,101	-	1,472,817
Net position	64,923	1,902	134	669	67,628

5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity to foreign exchange rate movements

The following table indicates the currency to which the Company had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The change in currency rates below represents management's assessment of the reasonably possible change in foreign exchange rates at the reporting date. The sensitivity analysis presents the effect of adjusting foreign currency denominated monetary items at the reporting date for a 4% increase and a 1% decrease (2023: 4% increase and a 1% decrease) in foreign currency exchange rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, each variable had to be considered on an individual basis. There was no change in the basis of calculation from the previous reporting date.

	2024		2023	
	% Change in currency rate	Effect on profit before income tax $'000	% Change in currency rate	Effect on profit before income tax $'000
Currency				
USD	4%	4,356	4%	2,597
USD	-1%	(1,089)	-1%	(649)

The change in foreign currency exchange would not affect the carrying value of the Company's financial instruments as they are not carried at fair value.

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Executive Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the management team and treasury personnel.

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5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	2024						
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets							
Cash resources	1,105,122	-	-	-	-	-	1,105,122
Resale agreements	500,629	-	-	-	-	-	500,629
Investments securities	96,845	50,747	81,394	737,173	-	-	966,159
Loans, net of loss allowance	75,562	164,404	214,780	1,506,024	1,999,540		3,960,310
Net investment in finance leases	2,808	7,438	18,149	22,206	-	-	50,601
Other assets	-	-	-	-	-	980,273	980,273
Total financial assets	1,780,966	222,589	314,323	2,265,403	1,999,540	980,273	7,563,094
Financial liabilities							
Customers deposits	608,387	894,929	915,800	-	-	-	2,419,116
Securities sold under repurchase agreements	426,562	313,907	-	-	-	-	740,469
Lease liabilities	790	2,402	6,629	50,711	5,227	-	65,759
Other liabilities	-	-	-	-	-	134,188	134,188
Total financial liabilities	1,035,739	1,211,238	922,429	50,711	5,227	134,188	3,359,532
Total interest repricing gap	745,227	(988,649)	(608,106)	2,214,692	1,994,313	846,085	4,203,562
Cumulative gap	745,227	(243,422)	(851,528)	1,363,164	3,357,477	4,203,562	

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5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The following tables summarise the Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing and maturity dates (continued).

	2023						
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets							
Cash resources	1,048,119	-	-	-	-	-	1,048,119
Resale agreements	-	478,211	-	-	-	-	478,211
Investments securities	-	-	204,949	974,771	-	-	1,179,720
Loans, net of loss allowance	26,137	14,563	276,699	1,845,125	1,777,730	-	3,940,254
Net investment in finance leases	-	3,032	2,723	100,915	7,425	-	114,095
Other assets	-	-	-	-	-	852,435	852,435
Total financial assets	1,074,256	495,806	484,371	2,920,811	1,785,155	852,435	7,612,834
Financial liabilities							
Customers deposits	1,045,048	488,888	930,841	-	-	-	2,464,777
Securities sold under repurchase agreements	45,034	195,612	-	-	-	-	240,646
Lease liabilities	734	1,481	6,899	54,490	11,269	-	74,873
Other liabilities	-	-	-	-	-	619,685	619,685
Total financial liabilities	1,090,816	685,981	937,740	54,490	11,269	619,685	3,399,981
Total liquidity gap	(16,560)	(190,175)	(453,369)	2,866,321	1,773,886	232,750	4,212,853
Cumulative gap	(16,560)	(206,735)	(660,104)	2,206,217	3,980,103	4,212,853	

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5. Financial Instruments Risk Management and Fair Values (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity to interest rate movements

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit before taxation.

The sensitivity of the profit before taxation is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and financial liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be considered on an individual basis. It should be noted that movements in these variables may be non-linear.

2024		2023	
% Change in basis points USD/JMD	Effect on profit before taxation (net) $'000	% Change in basis points USD/JMD	Effect on profit before taxation (net) $'000
-25/-25	(9,892)	-25/-25	(9,958)
+50/+50	15,962	+50/+50	18,217

(iii) Equity risk

Equity price risk arises on equity securities held by the Company 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 Company's investment strategy is to maximise investment returns while managing risk to minimise potential adverse effects on the Company's financial performance.

The Company's equity securities which were listed on the Jamaica Stock Exchange were sold during the year.

(d) Capital management

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

(i) To comply with the capital requirements set by the regulators;
(ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

5. Financial Instruments Risk Management and Fair Values (Continued)

(d) Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Basel II Committee as implemented by BOJ. The required information is filed with BOJ on a quarterly basis.

BOJ requires each financial institution to:

(i) Maintain a ratio of Tier 1 capital to total assets of 6%; and

(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The Company's regulatory capital as managed by the Executive Committee is divided into two tiers:

(i) Tier 1 capital: share capital, reserve fund and reserves created by appropriations of retained earnings; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of Government securities and equity instruments measured at FVPL.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, considering any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios for the period and year ended 30 September 2024 and 30 September 2023.

	2024 $'000	2023 $'000
Tier 1 capital	4,481,050	4,499,366
Tier 2 capital	40,028	40,608
Total regulatory capital	4,521,078	4,539,974

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5. Financial Instruments Risk Management and Fair Values (Continued)

(d) Capital management (continued)

The tables below summarise the composition of regulatory capital and the ratios for the years ended 30 September 2024 and 2023.

	2024 $'000	2023 $'000
Risk- weighted assets:		
On statements of financial position	6,561,378	6,330,557
Off statements of financial position	500	500
Total risk weighted assets	6,561,878	6,331,057
Tier 1 capital to total assets:		
Actual ratio	55.63%	57.07%
Required ratio	10.00%	10.00%

	2024 $'000	2023 $'000
Total regulatory capital to risk weighted assets:		
Actual ratio	68.9%	71.71%
Required ratio	10.00%	10.00%

The Company complied with externally imposed capital requirement.

(e) Fair value of financial instruments

(i) Definition and measurement of fair values

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

5. Financial Instruments Risk Management and Fair Values (Continued)

(e) Fair value of financial instruments (continued)

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

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

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

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

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

Where fair value approximates the carrying value of financial instruments due to their short-term nature, no fair value disclosure is made.

The fair value of cash resources, resale agreements, other assets, customers' deposits, repurchase agreements and other liabilities are assumed to approximate their carrying values due to their short-term nature and are included in the level 2 fair value hierarchy.

The fair value of loans and net investment in finance leases are assumed to approximate their carrying values as interest rates on these instruments approximate current market rates offered on similar instruments. These are included in the level 2 fair value hierarchy.

The following table shows the valuation technique used in measuring fair value in the Level 2 hierarchy for financial assets measured at fair value. There are no significant unobservable inputs used.

Type	**Valuation technique**
Government 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 • Apply price to estimate fair value.
Corporate bonds	• Prices of bonds at reporting date as quoted by a large and reputable international broker/dealer
Securities purchased under resale agreements	• The carrying amount is reasonable approximation of fair value due to their short-term interest.

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5. Financial Instruments Risk Management and Fair Values (Continued)

(e) Fair value of financial instruments (continued)

(ii) Accounting classifications and fair values

The fair value of financial assets and liabilities, together with the carrying amounts and their classifications shown in the statement of financial position, are as follows:

	2024					
	Carrying Value			Fair Value		
	Amortised cost	FVOCI	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Corporate bonds	-	689,907	689,907	60,000	629,907	689,907
Government of Jamaica bonds	-	21,780	21,780	-	21,780	21,780
	-	711,687	711,687	60,000	651,687	711,687
Financial assets not measured at fair value						
Cash resources	1,105,122	-	1,105,122	1,105,122	-	1,105,122
Resale agreements	500,629	-	500,629	500,629	-	500,629
Certificates of deposits	247,513	-	247,513	247,513	-	247,513
Loans, net of loss allowance	3,960,310	-	3,960,310	3,960,310	-	3,960,310
Net investment in finance lease	50,601	-	50,601	50,601	-	50,601
Other assets	980,273	-	980,273	980,273	-	980,273
	6,844,448	-	6,844,448	6,844,448	-	6,844,448
Financial liabilities not measured at fair value						
Customers' deposits	2,419,116	-	2,419,116	2,419,116	-	2,419,116
Securities sold under repurchase agreements	740,469	-	740,469	740,469	-	740,469
Lease liabilities	65,759	-	65,759	65,759	-	65,759
Other liabilities	94,521	-	94,521	94,521	-	94,521
	3,319,865	-	3,319,865	3,319,865	-	3,319,865

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5. Financial Instruments Risk Management and Fair Values (Continued)

(e) Fair value of financial instruments (continued)

(iii) Valuation techniques and significant unobservable inputs (continued)

	2023					
	Carrying Value			Fair Value		
	Amortised cost	FVOCI	Total	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value						
Corporate bonds	-	1,073,766	1,073,766	60,000	1,013,766	1,073,766
Government of Jamaica bonds	-	41,272	41,272	-	41,272	41,272
	-	1,115,038	1,115,038	60,000	1,055,038	1,115,038
Financial assets not measured at fair value						
Cash resources	1,048,119	-	1,048,119	1,048,119	-	1,048,119
Resale agreements	478,211	-	478,211	478,211	-	478,211
Certificates of deposits	50,723	-	50,723	50,723	-	50,723
Loans, net of loss allowance	3,940,254	-	3,940,254	3,940,254	-	3,940,254
Net investment in lease	114,095	-	114,095	114,095	-	114,095
Other assets	852,435	-	852,435	852,435	-	852,435
	6,483,837	-	6,483,837	6,483,837	-	6,483,837
Financial liabilities measured at fair value						
Customers' deposits	2,464,777	-	2,464,777	2,464,777	-	2,464,777
Securities sold under repurchase agreements	240,646	-	240,646	240,646	-	240,646
Lease liabilities	74,873	-	74,873	74,873	-	74,873
Other liabilities	619,685	-	619,685	619,685	-	619,685
	3,399,981	-	3,399,981	3,399,981	-	3,399,981

6. Other Revenue

	2024	2023
	$'000	$'000
Service fees	17,495	25,451
Gain or loss on sale of investment	6,724	-
Foreign exchange gains, net	96,209	28,836
Gain on termination of leases	303	1,917
Miscellaneous	825	3,849
	121,556	60,053

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7. Staff Costs

	2024 $'000	2023 $'000
Salaries and wages	210,603	164,968
Statutory payroll contributions	20,582	49,737
Pension cost (Note 28)	16,113	16,559
Other	37,526	11,757
	284,824	243,021

8. Other Non-Interest Expenses

	2024 $'000	2023 $'000
Auditor's remuneration	20,426	17,147
Depreciation and amortisation	29,573	33,615
Insurance	8,539	9,327
Legal and other professional fees	27,625	23,139
Asset tax	22,986	17,701
Registration and license	1,607	1,415
Communication	25,152	22,931
Premises	32,630	22,684
Irrecoverable General Consumption Tax	12,580	15,821
Other	12,225	15,541
	193,343	179,321

9. Income Tax

Income tax is computed at 33⅓% of the profit for the year, as adjusted for taxation purposes, and comprises:

	2024 $'000	2023 $'000
Current income tax	1,752	-
Deferred income taxes (Note 17)	8,818	(5,792)
	10,570	(5,792)

9. Income Tax (Continued)

Reconciliation of expected tax charge to effective tax charge

	2024 $'000	2023 $'000
Profit before income tax	20,106	16,472
Tax charge calculated at statutory tax rate of 33⅓%	6,702	5,491
Adjusted for the effect of:		
Expenses not deductible for tax purposes	10,177	7,962
Income not subject to tax	(2,603)	(13,847)
Recognition of previously unrecognised deferred taxes	-	(1,826)
Other	(3,706)	(3,572)
Actual income tax charge/(credit)	10,570	(5,792)

Taxation losses, subject to agreement by the Commissioner General, Taxpayer Administration Jamaica, available for relief against future taxable profits, amounted to approximately $215,660,000 (2023 - $220,921,000). The maximum amount of the losses that can be utilised in any one year is restricted to 50% of the taxable profit for that year.

10. Cash Resources

(a) Statutory reserves with Bank of Jamaica (BOJ)

Statutory reserves with BOJ, as required under Section 43 of the Banking Services Act and in accordance with the terms of the licence, are held at BOJ as a cash reserve. Accordingly, these amounts are not available for investment or other use by the Company. The reserves represent 6% and 14% (2023 - 6% and 14%) of the Company's prescribed Jamaica dollar and foreign currency liabilities, respectively. The Jamaica dollar reserve is held on a non-interest-bearing basis, while the foreign currency reserve earns interest at variable rates, with a weighted average interest rate at the reporting date of Nil% (2023 Nil%).

(b) Amounts due from other banks and cash in hand:

	2024 $'000	2023 $'000
Notes, coins, and money at BOJ	917,754	720,543
Less: Statutory reserves with BOJ	(228,264)	(244,168)
	689,490	476,375
Accounts with other banks foreign currency denominated	127,627	135,495
Accounts with other banks Jamaica dollar denominated	59,741	192,081
	876,858	803,951

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10. Cash Resources (Continued)

(c) Cash and cash equivalents comprised the following for the purposes of the statement of cash flows:

	2024 $'000	2023 $'000
Amounts due from other banks and cash in hand	876,858	803,951
Resale agreements (Note 11)	497,222	476,675
Certificates of deposits	244,862	50,723
	1,618,942	1,331,349

11. Resale Agreements

The Company enters into resale agreements collateralised by Government of Jamaica securities. These agreements result in credit exposure in that the counterparty to the transaction may be unable or unwilling to fulfill its contractual obligations. The amounts are made up as follows:

	2024 $'000	2023 $'000
Principal	497,222	476,676
Less impairment allowance	-	(1)
	497,222	476,675
Accrued interest receivable	3,407	1,536
	500,629	478,211

For the purposes of the statement of cash flows, an amount of $497,222,000 (2023 - $476,675,000) is included in cash and cash equivalents (Note 10(c)).

The fair value of securities held by the Company as collateral for resale agreements at the reporting date was $549,952,000 (2023 - $500,526,000).

12. Investment Securities

	2024 $'000	2023 $'000
Financial assets measured at amortised cost:		
Certificates of deposits (Note 10 (c))	244,862	50,723
Interest accrued	2,651	-
	247,513	50,723
Financial assets measured at FVOCI:		
Government of Jamaica bonds	21,780	41,272
Corporate bonds	689,907	1,073,766
	711,687	1,115,038
Interest accrued	6,959	13,959
	718,646	1,128,997
	966,159	1,179,720

Expected credit losses on securities measured at FVOCI amounted to $10,812,000 (2023 - $7,741,000). The amount is included in the fair value reserve (Note 26).

13. Loans, net of Loss Allowance

	2024 $'000	2023 $'000
Business and Government	1,765,107	1,986,829
Personal	2,187,622	1,960,619
	3,952,729	3,947,448
Interest accrued	34,503	30,608
	3,987,232	3,978,056
Loss allowance	(26,922)	(37,802)
	3,960,310	3,940,254

As at 30 September 2024, loans with principal balances outstanding of $49,789,000 (2023 - $99,474,000) were in non-performing status. Interest receivable on these loans amounted to $658,000 (2023 - $658,000). Interest taken to income in respect of these loans amounted to Nil (2023 - $12,865,000).

14. Net Investment in Finance Leases

	2024 $'000	2023 $'000
Total minimum lease payment receivable	55,202	127,380
Less unearned income	(4,601)	(13,284)
	50,601	114,096
Less loss allowance	-	(1)
Net investment in finance leases	50,601	114,095

Future minimum lease payments are receivable as follows:

	2024 $'000	2023 $'000
2023	-	56,376
2024	8,412	45,354
2025	30,335	19,301
2026	11,493	3,708
2027	2,756	2,641
2028	1,761	-
2029	445	-
	55,202	127,380

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15. Property, Plant and Equipment

	Leasehold improvements	Motor vehicle	Furniture and equipment	Computer hardware	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
1 October 2022	124,790	12,026	13,990	34,787	185,593
Additions	-	-	954	3,338	4,292
30 September 2023	124,790	12,026	14,944	38,125	189,885
Additions	-	-	166	2,085	2,251
30 September 2024	124,790	12,026	15,110	40,210	192,136
Accumulated depreciation:					
1 October 2022	1,491	9,822	7,434	20,694	39,441
Charge for the year	12,479	2,204	2,179	5,706	22,568
30 September 2023	13,970	12,026	9,613	26,400	62,009
Charge for the year	12,479	-	1,308	4,694	18,481
30 September 2024	26,449	12,026	10,921	31,094	80,490
Net book values:					
30 September 2024	98,341	-	4,189	9,116	111,646
30 September 2023	110,820	-	5,331	11,725	127,876

16. Other Assets

	2024	2023
	$'000	$'000
Intangible assets	1,073	1,496
Prepayments	27,994	27,516
Reimbursables - related parties	942,039	351,184
Lease advance	3,301	366
Other receivables	108,256	471,873
	1,082,663	852,435

Intangible assets consist of computer software. There were additions during the current year amounting to $234,000 (2023 - $183,000). Amortisation for the year amounted to $658,000 (2023 - $612,000).

Other receivables as at 30 September 2024 include outstanding settlements arising from foreign currency trading totalling $27,763,000 (2023 -$385,922,000).

17. Deferred Tax Assets

Deferred tax asset is calculated on all temporary differences using the tax rate of 33⅓%. The items giving rise to the deferred tax asset and the movements on the account are as follows:

	2024 $'000	2023 $'000
Asset as at 1 October	60,510	85,058
Charged/credited to the statement of profit or loss (Note 9)	(8,818)	5,792
Charged to the statement of other comprehensive income	(2,003)	(30,340)
Asset as at 30 September	49,689	60,510

Deferred income tax assets are attributable to the following items:

	2024 $'000	2023 $'000
Property plant equipment	(9,422)	3,345
Accrued vacation	2,613	2,700
Investments	(10,738)	(8,735)
Tax losses	71,884	73,640
Unrealised exchange losses	8,694	3,096
Allowance for loan losses	(13,342)	(13,536)
	49,689	60,510

The deferred tax charged/credited to the statement of profit or loss comprises the following temporary differences:

	2024 $'000	2023 $'000
Property plant equipment	(12,767)	1,734
Accrued vacation	(87)	(155)
Tax losses	(1,756)	6,649
Unrealised exchange losses	5,598	4,683
Allowance for loan losses	194	(777)
Other	-	(6,342)
	(8,818)	5,792

Deferred tax charged to the statement of comprehensive income relates to investments totalling $2,003,000 (2023 - $30,340,000).

Deferred tax assets shown in the statement of financial position to be recovered after more than 12 months total $62,462,000 (2023 - $76,985,000).

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18. Leases

The Company leases property for office space and other uses. The lease term ranges from 3 - 10 years.

(i) Amounts recognised in the statement of financial position shows the following amounts relating to leases.

	2024 $'000	2023 $'000
Right-of-use assets		
Property		
Balance at 1 October	68,418	78,853
Depreciation charge for the year	(10,434)	(10,435)
Balance at 30 September	57,984	68,418
Lease liabilities		
Current	9,822	8,895
Non- current	55,937	65,978
	65,759	74,873

(ii) Amounts recognised in profit or loss relating to lease liabilities

	2024 $'000	2023 $'000
Depreciation charge of right-of-use assets	10,434	10,435
Interest expense (include in other expenses)	5,306	5,963
Expense relating to short- term leases (included in other expenses)	14,084	5,576

(iii) Amounts recognised in the statement of cash flows

	2024 $'000	2023 $'000
Total cash outflows for lease liabilities	14,420	14,420

(iv) Extension options

The property lease contains extension options exercisable by the Company up to 28 February 2030. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options.

The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of $21,480,000.

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19. Customers' Deposits

	2024 $'000	2023 $'000
Personal	1,045,633	719,093
Business	1,358,590	1,735,703
	2,404,223	2,454,796
Interest payable	14,893	9,981
	2,419,116	2,464,777

20. Other Liabilities

	2024 $'000	2023 $'000
Accounts payable and accruals	71,446	45,553
Taxes payable	62,744	52,621
Foreign currency trade settlement	23,076	521,511
	157,266	619,685

21. Securities Sold Under Repurchase Agreements

	2024 $'000	2023 $'000
Securities sold under repurchase agreements	739,500	240,034
Accrued interest	969	612
	740,469	240,646

Securities sold under repurchase agreements are collateralized by investment securities (Note 12) with carrying value amounting to $776,475,000 (2023 - $265,675,000).

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22. Share Capital

Authorised –

20,000,000 ordinary shares of no-par value (i, iii)
10,000,000 20% Non-cumulative preference shares of no-par value (ii)
1,600,000 5% Non-cumulative US$ preference shares (ii)
14,500,000 5% JMD non-cumulative preference shares (ii)
100,000,000 4% JMD non-cumulative preference shares (ii)
240,000 3% JMD Non-cumulative preference shares (ii)

	2024 $'000	2023 $'000
Issued and fully paid		
18,000,000 ordinary shares (18,000,000 ordinary shares)	1,017,000	1,017,000
8,000,000 20% non-cumulative preference shares	8,000	8,000
14,260,000 5% non-cumulative preference shares	2,162,780	2,162,780
240,000 3% non-cumulative preference shares	600,000	600,000
5,000,000 4% non-cumulative preference shares	477,000	477,000
1,600,000 5% Non- cumulative US$ preference shares	206,720	206,720
	4,471,500	4,471,500

(i) The holders of ordinary shares are entitled to one vote per share at meetings of the Company and to receive dividends as declared from time to time.

(ii) The preference shares are not redeemable. The holders of the preference shares have the right to a fixed non-cumulative preferential dividend (at a rate fixed from time to time by resolution of the directors, currently fixed at 20%, 5%, 4% and 3% respectively per annum).In the event of the Company being wound up, to have the amount paid up on the preference shares repaid in priority to repayment of ordinary shares; and at any time after December 2003, to request conversion of each preference share for one ordinary share.

Further, the preference shareholders are not entitled to receive notice of, or to attend, general meetings of the Company.

(iii) On 18 August 2023, a board resolution was passed to increase the share capital of the Company by way of an issue of one million (1,000,000) ordinary shares at a price of $1,000. The amount raised as capital is $1,000,000,000.

23. Reserve Fund

Under Section 41 of the Banking Services Act, the Company is required to make an annual transfer of 15% of the net profit for the year to a reserve fund ("the Fund") until the amount in the Fund is at least 50% of the paid-up share capital and thereafter, a minimum of 10% until the amount in the Fund is at least equal to the paid up capital.

There was no transfer to the statutory reserve fund during the year as there was an adjusted net loss.

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24. Retained Earnings Reserve

Section 42 of The Banking Services Act permits the transfer of any portion of net profit to a retained earnings reserve, at the discretion of the directors; however, they must notify Bank of Jamaica for the transfer to be effective, and any transfer from this reserve must be approved by Bank of Jamaica. No transfer to this reserve was made during the year.

This reserve constitutes a part of the capital base for the purpose of, *inter alia*, determining the maximum level of deposit liabilities and lending to customers.

25. Loan Loss Reserve

The loan loss reserve is a non-distributable reserve which represents the excess of the provision for losses on loans and net investment in finance leases as determined using the Bank of Jamaica's regulatory requirements over the amounts determined under IFRS. During the year, an amount of $597,000 was transferred from the loan reserve, (2023 - $2,222,000 was transferred to the loan loss reserve).

26. Fair Value Reserve

Fair value reserve represents the excess or shortfall of fair value of securities classified as FVOCI at year end over the amortised cost, net of expected losses on such securities and deferred tax.

27. Dividends

There were no dividends declared for 2024 or 2023.

28. Pension Plan

On 19 May 2015, the Trustees of the Retirement Plan for the Employees of Seramco Limited (a related company of previous parent company), and related companies wound up that pension plan effective 31 October 2015 and transferred employees past service benefits to a new defined contribution approved superannuation fund. Approval was received from the Financial Services Commission and contributions to the new defined contribution superannuation fund commenced on 1 November 2015 at an agreed rate of 5%.

The Company's contribution for the year was $16,113,000 (2023 - $16,559,000) (Note 7).

29. Commitments

	2024 $'000	2023 $'000
Loans and net investment in finance leases (a)	65,446	151,400
Guarantees (b)	500	500
	65,946	151,900

(a) This represents loans and net investment in finance leases approved but not yet disbursed to customers at the reporting date.

(b) This represents contractual amounts of financial instruments not carried on the statement of financial position that commit the Company to extend credit to customers. Guarantees are only offered on a cash secured basis to customers therefore limiting any risk of credit losses.

There were no commitments for capital expenditure as at 30 September 2024 (2023 - $12,660,000).

30. Related Party Transactions and Balances

In the ordinary course of business, the Company provides services to its connected persons on terms similar to those offered to persons not connected to the Company.

(a) Definition of a related party:

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

(i) A person or a close member of that person's family is related to the Company if that person:
- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:
- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- 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).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- The entity is controlled, or jointly controlled, by a person identified in (i).
- A person identified in (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).
- The entity, or any member of a group of which it is a part, provides key management services to the Company or to the parent of the Company
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A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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30. Related Party Transactions and Balances (Continued)

(b) Identity of related parties

The Company has a related party relationship with its parent company (Note i), other related companies, directors, key management personnel, and the pension plan.

(c) The statement of financial position includes the following assets/(liabilities) with related parties:

	2024 $'000	2023 $'000
Parent company		
Loans, net of loss allowance	24,148	42,353
Other assets	915,768	367,952
Deposits (v)	(21,528)	(20,304)
Other liabilities	-	(23,914)

	2024 $'000	2023 $'000
Other related parties		
Loans, net of loss allowance	297,885	276,369
Resale agreements	500,629	323,614
Net investments in finance lease	-	1,685
Right-of use assets	57,984	68,418
Lease liabilities	(65,759)	(74,873)
Other assets	26,270	16,019
Other liabilities	-	(9,471)
Repurchase agreements (iv)	(740,469)	(240,646)
Deposits	(438,577)	(284,579)

	2024 $'000	2023 $'000
Directors:		
Loans, net of loss allowance (ii)	23,291	17,889
Deposits (ii)	(22,550)	(25,436)

	2024 $'000	2023 $'000
Key management personnel:		
Loans, net of loss allowance (iii)	396,959	300,453
Deposits (v)	(9,912)	(8,103)

30. Related Party Transactions and Balances (Continued)

(c) The statement of financial position includes the following assets/(liabilities) with related parties. (continued)

(i) Loans due from parent company are secured, bear interest at 8.5% and are payable within three (3) years of the reporting date. The expected credit loss on these balances is immaterial.

(ii) Loans due from directors are secured and bear interest at 8.5% and 9.5% and are payable within five (5) years of the reporting period.

(iii) Loans granted to key management personnel include secured and unsecured and bear interest in the range of 5.5% to 16.5% and are payable within fourteen (14) years of the reporting period. The unsecured facilities are granted in accordance with the Banking Services Act, Section 58 (1).

(iv) The securities sold under repurchase agreements to related entities bear interest between the range of 6.5% to 8% for JMD and 2.5% for USD. They are set to mature two (2) to three (3) months after the year end.

(v) The customer deposits held by related parties bears interest in the range of 0.25% to 11.5%. They are set to mature three (3) months after the year end.

(d) The statement of profit or loss and other comprehensive income includes the following income earned from/(expenses incurred in) transactions with related parties, in the ordinary course of business, as follows:

	2024 $'000	2023 $'000
Parent company:		
Interest income - loans	2,661	4,478
Interest expense	(65)	(70)
Other related parties:		
Rent	(14,420)	(14,420)
Interest income	16,015	42,001
Interest expense	(16,513)	(44,973)
Directors and other key management personnel:		
Interest income	25,926	24,833
Interest expense	(538)	(489)

(e) Key management compensation

Key management are paid by the parent company.