Financial Statements of

JN CAYMAN

March 31, 2023

JN CAYMAN

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Independent Auditors' Report to the Directors

Opinion

We have audited the financial statements of JN Cayman (the "Society"), which comprise the statement of financial position as at March 31, 2023, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Report on other legal and regulatory requirements

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedule A is presented for the purpose of complying with Section 21 of the Building Societies Act (2020 Revision) of the Cayman Islands and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

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

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

KPMG

Independent Auditors' Report to the Directors (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

KPMG

July 14, 2023

JN CAYMAN

Statement of Financial Position

As at March 31, 2023
(stated in Cayman Islands dollars)

	Notes	2023	2022
Assets			
Cash and cash equivalents	4,14	2,363,833	6,662,689
Loans, net of allowance for credit losses	5	29,567,103	28,329,648
Investments, net of allowance for credit losses	6,14	634,415	1,449,638
Other receivables		232,532	570,645
Right-of-use asset	8(i)	767,253	908,955
Property and equipment	7	3,411,312	2,430,976
Total assets	CI$	36,976,448	40,352,551
Liabilities and shareholders' equity			
Liabilities			
Savings, investment shares and interest	9,14	29,942,429	28,418,611
Other payables	15	586,938	3,928,049
Lease liability	8(iv)	854,876	968,208
Due to related companies	14	77,254	114,694
		31,461,497	33,429,562
Shareholders' equity			
Paid-up proprietary shares	10	3,579,950	3,579,950
Special proprietary shares Series A	10	300,000	300,000
Contributed capital	11	1,361,978	1,361,978
Credit loss reserve	22(f)	643,662	809,114
Accumulated (deficit)/surplus		(370,639)	871,947
		5,514,951	6,922,989
Total liabilities and shareholders' equity	CI$	36,976,448	40,352,551

The accompanying notes are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 13, 2023 and signed on its behalf by:

__Gladstone Lewars__________________Chairman

__Earl Jarrett____________________Director

JN CAYMAN

Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2023
(stated in Cayman Islands dollars)

	Notes	2023	2022
Interest income			
Interest on loans		1,850,186	1,867,384
Interest from investments	14	(47,502)	115,402
		1,802,684	1,982,786
Interest expense			
Interest on savings and investment shares	14	(761,062)	(568,002)
Other interest and bank charges		(9,632)	(8,501)
Net interest income before provisions and other items		1,031,990	1,406,283
Allowance for expected credit losses	5(e)	(195,413)	879,890
Impairment of investment		-	3,460
Net interest income after provisions and allowances		836,577	2,289,633
Other income	12,14	595,877	504,262
Operating expenses	13,14	(2,840,492)	(2,640,315)
(Loss)/profit, being total comprehensive (loss)/income	CI$	(1,408,038)	153,580

The accompanying notes are an integral part of these financial statements.

JN CAYMAN

Statement of Changes in Shareholders' Equity

Year ended March 31, 2023
(stated in Cayman Islands dollars)

		Paid-up proprietary shares	Special proprietary shares	Contributed capital	Credit loss reserve	Accumulated surplus	Total Shareholders' equity
Balances at April 1, 2021	CI$	3,579,950	300,000	1,361,978	537,871	989,606	6,769,405
Transfer to / (from) credit loss reserve		-	-	-	271,243	(271,243)	-
Profit for the year		-	-	-	-	153,580	153,580
Balances at March 31, 2022	CI$	3,579,950	300,000	1,361,978	809,114	871,947	6,922,989
Transfer to / (from) credit loss reserve		-	-	-	(165,452)	165,452	-
Loss for the year		-	-	-	-	(1,408,038)	(1,408,038)
Balances at March 31, 2023	CI$	3,579,950	300,000	1,361,978	643,662	(370,639)	5,514,951

The accompanying notes are an integral part of these financial statements.

JN CAYMAN

Statement of Cash Flows

Year ended March 31, 2023
(stated in Cayman Islands dollars)

	Note		2023	2022
Operating activities				
(Loss)/Profit for the year			(1,408,038)	153,580
Adjustments for:				
Allowance for expected credit losses	5(e)		195,413	(879,890)
Depreciation	7		118,050	115,920
Depreciation – Right-of-use asset	8(ii)		141,702	82,659
Interest on lease liabilities	8(ii)		47,427	30,181
Impairment on investments			-	(3,460)
Changes in operating assets and liabilities:				
Loans (Gross)			(1,432,868)	(376,186)
Investments interest receivable			94,988	(33,228)
Other receivables			338,113	(325,637)
Savings and investment shares	9		1,531,308	(902,733)
Interest payable			(7,490)	9,704
Other payables			(3,341,111)	903,591
Due to related companies			(37,440)	82,103
Net cash used in operating activities			(3,759,946)	(1,143,396)
Investing activities				
Sale of investments			720,239	-
Purchases of investments			-	(54,443)
Purchases of property and equipment	7		(1,098,390)	(49,686)
Net cash from investing activities			(378,151)	(104,129)
Financing activities				
Payment of lease	8(iv)		(160,759)	(53,587)
Net cash from financing activities			(160,759)	(53,587)
Net decrease in cash and cash equivalents during the year			(4,298,856)	(1,301,112)
Cash and cash equivalents at beginning of year			6,662,689	7,952,658
Effect of exchange rate fluctuations on cash and cash equivalents			-	11,143
Cash and cash equivalents at end of year	4	CI$	2,363,833	6,662,689
Supplemental information on cash flows from operating activities:				
Interest received		CI$	1,897,672	1,949,558
Interest paid		CI$	1,249,402	1,091,022

The accompanying notes are an integral part of these financial statements.

1. Incorporation and background information

JN Cayman (the "Society") was incorporated under the Building Societies Act (2020 Revision) of the Cayman Islands on October 5, 1992. On August 11, 2015, National Building Society of Cayman changed its name to JN Cayman.

The Society's principal activities are granting home loans and operating savings share accounts in the Cayman Islands.

On March 29, 2018, the majority share ownership (95.89%) of the Society was transferred from JN Bank Limited ("JN Bank") (formerly Jamaica National Building Society) to JN Financial Group Limited (the "Parent"). JN Financial Group Limited is a wholly owned subsidiary of The Jamaica National Group Limited (the "Ultimate Parent"). These three companies are incorporated in Jamaica.

The registered office of the Society is 29 Elgin Avenue, George Town, Grand Cayman, Cayman Islands.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the Board of Directors on July 13, 2023. The accounting policies have been applied consistently by the Society, except as discussed further below.

Details of the Society's significant accounting policies, including changes during the year, are included in Notes 21 and 22.

(b) Basis of preparation and measurement

The financial statements have been prepared on the going concern basis, with historical cost accounting basis being applied, except for financial instruments, which are measured at amortised cost using the effective interest rate method, less impairment, if any.

Management is satisfied that the Society has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. This assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Society.

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

(c) Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Cayman Islands dollar, which is the Society's functional currency.

The Cayman Islands dollar is pegged to the United States dollar at CI$1 = US$1.20.

(d) Use of estimates, assumptions and judgements

The preparation of these financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and income and expenses for the year then ended. Although these amounts are based on management's best knowledge of current events and actions, actual amounts could differ from these estimates.

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

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

3. Critical accounting estimates and judgements in applying accounting policies

The key assumptions about the future and other major sources of estimation uncertainty that have a significant risk of the date being materially adjusted in the year ending March 31, 2023 are as follows:

(a) Key sources of estimation uncertainty

(i) Allowance for expected credit losses

The measurement of the allowance for expected credit losses for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income (FVOCI) requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 18(a), which also sets out key sensitivities of the ECL to changes in these elements.

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

- Establishing the criteria for determining whether credit risk has increased significantly since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

In determining the amounts recognised for the impairment of loans in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management further estimates the expected future cash flows of loans that have impairment indicators as well as the timing of such cash flows. Historical loss experience is applied to a group or portfolio of loans where indicators of impairment are not observable on individually significant loans with similar characteristics, such as credit risks. A loan is considered credit-impaired when one or more events occur that have a significant adverse impact on the expected future cash flows of the loan. It includes observable data that have come to the attention of the Society about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past-due event;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the restructuring of original credit terms.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(a) Key sources of estimation uncertainty (continued)

(ii) Valuation of financial instruments

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

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

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

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

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

(iii) Residual value and expected useful life of property and equipment

The residual value and the expected useful life of an asset are reviewed at each reporting date, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Society.

(b) There are no critical accounting judgments (other than those involving estimation) that management has made in applying accounting policies and that have a significant effect on amounts recognised in these financial statements.

4. Cash and cash equivalents

	Note		2023	2022
Cash at bank	14		2,080,520	6,446,947
Cash in hand			283,313	215,742
		CI$	2,363,833	6,662,689

Cash at bank includes deposits with the Royal Bank of Canada, which is a large financial institution located in the Cayman Islands. Deposits are also held with JN Bank. In addition, certificates of deposit denominated in United States Dollars are held with JN Bank for the equivalent of CI$179,214 (2022: CI$1,512,388) with annual interest rates of 2.70% (2022: 2.5% and 2.7%). This certificate of deposit has a maturity date of April 13, 2023.

5. Loans, net of allowance for credit losses

		2023	2022
Loans, gross		30,390,969	28,958,101
Allowance for expected credit losses		(823,866)	(628,453)
Loans, net of allowance for credit losses	CI$	29,567,103	28,329,648

Loans are repayable in monthly instalments of principal and interest and are primarily secured by a first charge on real estate in the Cayman Islands. CI$90,362 (2022: CI$31,821) of loans outstanding at March 31, 2023 are secured by savings and investment shares.

Of the loans outstanding as at March 31, 2023, 9.31% (2022: 10.38%) are repayable in United States dollars with the remaining loans being repayable in Cayman Islands dollars. As at March 31, 2023, there were 163 loans (2022: 164 loans) outstanding and 7 loans (2022: 6 loans) that were over one year in arrears.

As at March 31, 2023, the gross outstanding amount of the loans which were in arrears for over one year was CI$1,217,072 (2022: CI$1,048,617). Loans which were in arrears for more than 90 days but less than one year amounted to CI$1,054,657 (2022: CI$742,682).

The Directors have determined that the allowance for expected credit losses is adequate as at March 31, 2023. The actual amounts ultimately collected are subject to the impact of future changes in business and economic conditions as well as other factors. The ultimate loan losses incurred by the Society may vary significantly from the estimated amounts included in the financial statements and the differences could be material. The estimates are continually reviewed and, as adjustments to these provisions become necessary, they are reflected in current operations.

5. Loans, net of allowance for credit losses (continued)

The Society manages certain loans on behalf of JN Bank. These are loans that were originally granted by the Society but were sold to JN Bank over the past several years, and, as such, are no longer included within the loan portfolio of the Society. Accordingly, the Society does not carry an allowance for expected credit losses for these loans.

(a) Loan portfolio

The Society's loan portfolio, net of allowance for expected credit losses, is as follows

	2023			2022		
	Gross carrying amount	ECL Allowance	Carrying amount	Gross carrying amount	ECL Allowance	Carrying amount
Retail customers						
Mortgage loans	30,300,607	(823,431)	29,477,176	28,926,170	(628,342)	28,297,828
Share loans	90,362	(435)	89,927	31,931	(111)	31,820
CI$	30,390,969	(823,866)	29,567,103	28,958,101	(628,453)	28,329,648

The Society's mortgage loan agreements include the right to call mortgages at any time with at least six months' notice, provided that a notice to call a loan may not be issued within six months of the date of disbursement of the loan.

(b) Loans, less allowance for expected credit losses, maturity profile

The maturity profile of the loans is as follows:

		2023	2022
3 months to 1 year		84,755	168,971
1 year to 5 years		414,916	355,179
5 years and over		29,067,432	27,805,498
	CI$	29,567,103	28,329,648

5. Loans, net of allowance for credit losses (continued)

(c) Concentration

The Society's loan portfolio, net of allowance for expected credit losses, is concentrated as follows:

	2023		2022	
	Number of loans	CI$	Number of loans	CI$
Individuals	163	29,567,103	164	28,329,648
	163	29,567,103	164	28,329,648

(d) Impaired loans

The Society's loan portfolio, sorted by days overdue, is as follows:

		2023	2022
Loans neither past due nor impaired		25,658,485	24,081,906
Past due but not impaired		1,779,910	1,299,803
30 to 59 days*		424,856	896,244
60 to 89 days*		255,989	888,849
Individually impaired			
90 to 180 days*		365,940	102,203
181 to 365 days*		688,717	640,479
12 to 18 months*		187,047	-
Over 18 months*		1,030,025	1,048,617
Total gross		30,390,969	28,958,101
Less ECL allowance (note 5(e))		(823,866)	(628,453)
Loans, net	CI$	29,567,103	28,329,648

*All loans included above are secured by collateral.

At the reporting date, loans on which interest is no longer accrued amounted to CI$7,326,926 (2022: CI$7,588,788) and represents 24.11% (2022: 26.21%) of the gross loans portfolio. This is represented as: default loans, those overdue greater than 90 days CI$2,264,636; special monitoring loans, less than 90 days CI$680,845; and loans neither past due nor impaired CI$4,381,445 (2022: CI$1,789,321; CI$1,743,230; and CI$4,056,237, respectively).

5. Loans, net of allowance for credit losses (continued)

(e) Allowance for expected credit losses

The movement in the allowance for expected credit losses is as follows:

		2023	2022
At beginning of year		628,453	1,508,343
Changes in allowance for the year		195,413	(879,890)
Balance at end of year	CI$	823,866	628,453

6. Investments, net of allowance for credit losses

	Note	2023	2022
Certificates of deposit with JN Bank	13	625,460	1,345,695
Interest receivable on certificates of deposit (reinvested)	13	15,004	109,992
		640,464	1,455,687
Allowance for expected credit losses		(6,049)	(6,049)
	CI$	634,415	1,449,638

Certificates of deposit with JN Bank comprise United States dollar certificates of deposit of CI$267,442, CI$355,677 and CI$13,721. These investments accrue interest at 3.15%, 3.10% and 3.10% per annum, respectively, and will mature on June 3, 2023, August 26, 2023 and September 11, 2023, respectively.

7. Property and equipment

		Buildings	Motor Vehicles	Leasehold Improvements	Computer Software	Computer Hardware	Furniture and Fittings	Office Equipment	Total
March 31, 2021		3,300,131	109,029	165,603	134,986	213,159	332,675	117,757	4,373,340
Additions		30,847	-	-	-	18,839	-	-	49,686
March 31, 2022		3,330,978	109,029	165,603	134,986	231,998	332,675	117,757	4,423,026
Disposal		-	(38,129)	-	-	-	-	-	(38,129)
Additions		12,462	-	543,435	141,773	68,542	231,721	100,457	1,098,390
March 31, 2023		3,343,440	70,900	709,038	276,759	300,540	564,396	218,214	5,483,287
Depreciation:									
March 31, 2021		910,103	109,029	165,603	134,986	169,301	297,963	89,149	1,876,134
Charge for year		82,760	-	-	-	21,537	6,548	5,075	115,920
March 31, 2022		992,863	109,029	165,603	134,986	190,838	304,511	94,224	1,992,054
Disposal		-	(38,129)	-	-	-	-	-	(38,129)
Charge for year		83,379	-	-	-	23,350	6,751	4,570	118,050
March 31, 2023		1,076,242	70,900	165,603	134,986	214,188	311,262	98,794	2,071,975
Net book values as at March 31, 2023	CI$	2,267,198	-	543,435	141,773	86,352	253,134	119,420	3,411,312
Net book values as at March 31, 2022	CI$	2,338,116	-	-	-	41,161	28,165	23,534	2,430,976

As at March 31, 2023, property and equipment includes right-of-use asset of CI$767,253 (2022: CI$908,955) related to leased office premises (see note 8).

8. Leases

The Society leases premises at Piccadilly, which started September 1, 2021 and run for a period of seven years to August 31, 2028, with an option to renew the lease after that date. Information about the lease for which the Society is a lessee is presented below.

i. Right-of-use asset

Right-of-use asset relates to leased premises at Piccadilly for office and professional services.

		2023	2022
Balance at April 1, 2022	CI$	908,955	991,614
Depreciation charge for the year		(141,702)	(82,659)
Balance at March 31, 2023	**CI$**	**767,253**	**908,955**

ii. Amounts recognised in profit or loss

		2023	2022
Interest on lease liabilities	CI$	47,427	30,181
Common Area Maintenance and utilities (CAM)		120,115	59,077
Depreciation		141,702	82,659

iii. Amounts recognised in statement of cash flows

		2023	2022
Common Area Maintenance and utilities (CAM)	CI$	120,115	59,077
Lease payments		160,759	53,587
Deposit		-	22,840
Total cash outflow for lease	**CI$**	**280,874**	**135,504**

iv. Lease liability

		2023	2022
Balance at April 1, 2022	CI$	968,208	991,614
Lease payments		(160,759)	(53,587)
Interest		47,427	30,181
Balance at March 31, 2023	**CI$**	**854,876**	**968,208**

9. Savings and investment shares

(a) Savings and investment shares, including interest payable, maturity profile

Savings shares are repayable on demand and have no voting rights. Investment shares are repayable upon maturity and have no voting rights. The maturity distribution of the savings and investment shares is as follows:

		2023	2022
On demand		4,408,497	5,001,153
Within one year		25,533,932	23,417,458
	CI$	29,942,429	28,418,611

The total above includes interest payable as follows:

		2023	2022
On demand		240,425	247,915
	CI$	240,425	247,915

As at March 31, 2023, savings shares and investment shares were as follows:

Type	Currency	2023	2022
Savings shares	USD	2.6%	3.8%
Investment shares	USD	70.8%	71.1%
Savings & Investment shares	GBP	0.2%	0.2%

The remaining savings and investment shares are denominated in Cayman Islands dollars.

(b) Concentration

The savings and investment shares portfolio, including interest payable, is concentrated as follows:

	2023		2022	
	Number of accounts	CI$	Number of accounts	CI$
Public authorities	2	8,036	2	6,966
Financial institutions	12	1,698,117	11	1,398,219
Commercial and business	8	6,601,523	7	5,158,608
Individuals	1,381	21,634,753	1,555	21,854,818
	1,403	29,942,429	1,575	28,418,611

9. Savings and investment shares (continued)

According to Section 19 of the Building Societies Act (2020 Revision), the Society may receive deposits or loans at interest, provided that the total amount so received on deposits or loans and not repaid by the Society shall not at any time exceed seventy-five percent of the amount for the time being secured to the Society by mortgages from its members. In performing the assessment, the Society must disregard any loan accounts that are more than 12 months in arrears, as well as any loans for which the property has been in the possession of the Society for more than 12 months.

As at March 31, 2023 and 2022, the Society was compliant with Section 19 of the Building Societies Act (2020 Revision).

Subsequent to March 31, 2023 up to the date of these financial statements, the Society continues to monitor its compliance with Section 19.

10. Share capital

Paid-up proprietary shareholders are entitled to vote at any meeting of the Society, with each paid-up proprietary shareholder having one vote. Paid-up proprietary shares are issued in multiples of CI$10 and CI$1 each. Special proprietary shares Series A are entitled to vote at any meeting of the Society, with each share carrying five votes each and giving the holders the right to appoint at least 75% of the Directors of the Society. Special proprietary shares Series A are issued at CI$10 each.

	Paid-up proprietary shares		Special proprietary shares Series A	
	Number	Value (CI$)	Number	Value (CI$)
Balances at March 31, 2023 and 2022	1,738,550	3,579,950	30,000	300,000

11. Contributed capital

During the year ended March 31, 2014, the Society sold its interests in JN Money Services Cayman (JNMS Cayman), a company incorporated in the Cayman Islands, to JN Bank, giving rise to a surplus of CI$1,361,978, which is included in Contributed Capital within equity as this is a common control transaction between entities with the same ultimate beneficial owner.

12. Other income

	Note		2023	2022
Commissions and service charges			234,593	291,412
Miscellaneous income			147,104	39,288
Late charges			121,980	101,562
Rental income	13		92,200	72,000
		CI$	595,877	504,262

12. Other income (continued)

A. Disaggregation of fees and commission income

In the following table, fees and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services.

	2023	2022
Commission income	161,725	163,167
Mortgage loan fees	41,853	88,638
Transaction fees	31,015	39,607
	CI$ 234,593	291,412

B. Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Society recognises revenue when it completes performance of service as contracted to a customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

At a point in time	Note		2023	2022
Commission income			161,725	163,167
Miscellaneous income			147,104	39,288
Late charges			121,980	101,562
Rental income	14		92,200	72,000
Mortgage loan fees			41,853	88,638
Transaction fees			31,015	39,607
		CI$	595,877	504,262

13. Operating expenses

	Note		2023	2022
Staff cost, excluding pension contributions	14		968,414	949,172
Professional fees (excluding audit)			542,253	461,103
Depreciation	7,8		259,752	198,579
Staff insurance			183,395	147,004
Audit fees			174,326	126,911
Rent			130,429	70,523
Government licences			104,471	102,506
Utilities			75,159	76,630
Other expenses	14		65,839	62,423
Computer maintenance and licence fees			63,053	52,953
Repairs and maintenance			55,138	47,414
Restructuring advice			53,985	214,423
Office cleaning			35,275	28,832
Business insurance			32,818	36,699
Travel and entertainment			26,407	24,323
Security			25,982	24,631
Pension scheme contributions	16		21,043	1,202
Printing and postage			16,431	10,703
Advertising			6,842	10,698
Office supplies			5,205	4,127
Donations			-	600
Foreign exchange (gain)			(5,725)	(11,143)
		CI$	2,840,492	2,640,315

14. Related parties

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

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

- (i) has control or joint control over the Society;
- (ii) has significant influence over the Society; or
- (iii) is a member of the key management personnel of the Society or of a parent of the Society.

(B) An entity is related to the Society if any of the following conditions applies:

- (i) The entity and the Society are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third party and the other entity is an associate of the third party;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Society or an entity related to the Society;
- (vi) The entity is controlled, or jointly controlled by a person identified in (A);
- (vii) A person identified in (A) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Society (or of a parent of the Society);

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

14. Related parties (continued)

Included in these financial statements are the following balances and transactions with JN Bank, other related companies and the directors of the Society:

JN Bank		2023	2022
Statement of financial position			
Cash and cash equivalents	CI$	943,807	5,715,930
Due to JN Bank (i)		(15,690)	(3,155)
Investments		625,403	1,345,635
Savings and investment shares (iv)		(46,376)	(46,329)
Interest receivable on certificates of deposit		15,004	37,545
Statement of Profit or loss			
Other income (v)		41,725	43,167
Interest income (vi)		(47,502)	115,402
JN Money Services and its subsidiaries			
Statement of financial position			
Due to JNMS and its subsidiaries (i)	CI$	(119,225)	(58,442)
Savings and investment shares (ii)		(9,690)	(9,370)
Other payables (vii)		-	(3,334,287)
Statement of Profit or loss			
Rental income		72,000	72,000
Other income		120,000	120,000
The Jamaica National Group Limited (Ultimate Parent)			
Statement of financial position			
Due to Ultimate Parent and its subsidiaries (i)	CI$	(69,359)	(53,098)
Directors and other related parties			
Statement of financial position			
Savings and investment shares (ii)		(1,344,424)	(1,318,205)
Interest payable (ii)		(22,932)	(10,158)
Statement of Profit or loss			
Interest on savings and investment shares		(10,237)	(22,520)
Operating expenses (iii)		(605,547)	(552,009)

14. Related parties (continued)

(i) Due from (to) related companies has no fixed repayment dates and does not bear interest. However, settlements occur on a frequent basis.

(ii) As at March 31, 2023, savings and investment share accounts held by directors and subsidiaries include savings shares accruing interest at rates of 0.10% (2022: 0.10%) and investment shares accruing interest at a rate of 1.85% (2022: 1.85%).

(iii) Operating expenses include directors' fees and charges from other related parties of the Society.

(iv) Includes JNMS and JN Bank deposit accounts held with the Society.

(v) As at March 31, 2023, the total value of the loan portfolio owned by JN Bank but managed by the Society was CI$724,825 (2022: CI$811,843). The Society is paid a management fee by JN Bank for managing these loans. During the year ended March 31, 2023, the Society received a management fee of CI$41,725 (2022: CI$43,167), which is included in other income in the statement of profit or loss and in commission and service charges in Note 12.

(vi) The interest income on certificates of deposit consists of interest income from the US dollar certificates of deposit disclosed as part of cash and cash equivalents as well as interest income from the British Pound certificates of deposit classified as part of investments.

(vii) Other payables include CI$0 (2022: CI$3,334,287) in respect of JN Money Services.

Transactions with key management personnel

i. Key management personnel compensation

Key management personnel compensation comprised the following:

		2023	2022
Short-term employee benefits		272,104	256,662
Balance at March 31	CI$	272,104	256,662

ii. Key management personnel transactions

The aggregate values of transactions and outstanding balances related to key management personnel were as follows:

		Transaction values for the year ended March 31		**Maximum balance for the year ended March 31**		**Balance outstanding as at March 31**	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**
Credit cards		20,437	-	4,147	-	163	-
	CI$	20,437	-	4,147	-	163	-

Credit card limit for Managing Director is US$15,000. The card was not used during the financial year ended March 31, 2022.

15. Other payables

	Note		2023	2022
Insurance payable	14		319,152	325,514
General accrual			157,685	177,595
Staff related accrual			61,391	75,368
Other payables			48,710	15,285
Intra-group (JN Money Services)	14		-	3,334,287
		CI$	586,938	3,928,049

16. Pension scheme

As required under the laws of Cayman Islands, the Society participates in a defined contribution pension scheme, the Cayman National Pension Plan.

The Society is required to match each employee's contribution on a one to one basis up to 5% of the employee's annual salary. During the year ended March 31, 2023, the Society contributed CI$21,043 (2022: CI$1,202) to this scheme on behalf of its employees.

17. Regulatory matters

The Society is subject to regulatory capital requirements established by Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements exposes the Society to certain actions by CIMA that, if undertaken, could have a direct material adverse effect on the Society's financial statements. Under capital adequacy guidelines used by CIMA, the Society must meet specific capital guidelines that involve quantitative measures of the Society's assets, liabilities, and certain off-statement-of-financial-position items as calculated under regulatory accounting practices. The Society's regulatory capital amounts and classification are also subject to qualitative judgments by CIMA about components and risk weightings.

17. Regulatory matters (continued)

As at March 31, 2023, the Society's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements, are presented in the following table:

		Actual	2023 minimum for regulatory capital and capital adequacy purposes	Actual	2022 minimum for regulatory capital and capital adequacy purposes
Regulatory capital	CI$	4,871,289	2,891,052	6,113,875	2,374,411
Risk asset ratio		28.61%	15%	37.35%	15%
Liquidity ratio		10.09%	10%	28.80%	10%

Regulatory capital comprised the following:

		2023	2022
Paid-up proprietary shares		3,579,950	3,579,950
Special proprietary shares Series A		300,000	300,000
Contributed capital		1,361,978	1,361,978
Accumulated (deficit)/surplus		(370,639)	871,947
Balance at March 31	CI$	4,871,289	6,113,875

18. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Climate-related risk

The Society has a risk management framework that seeks to balance strong corporate oversight with well-defined independent risk management functions within the business. The Society also has appropriate documented strategies, policies and processes, and authority delegated throughout the organisation.

The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. It also has responsibility for capital management and to ensure prudential operations and regulatory compliance. The Board of Directors manages and reviews major risk exposures and concentrations across the organisation in accordance with best practices.

Certain risk management activities are arranged on a Group-wide basis and overseen or performed at that level, and references to "Group" in this note, such as 'Group Audit Committee' and 'Group Risk and Compliance Unit', should be understood accordingly.

18. Financial risk management (continued)

The risk management policies and procedures are established by the Group Risk and Compliance Unit to identify, assess and measure the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits set. The focus of financial risk management for the Society is ensuring that the Society has adequate economic capital and that the use of and proceeds from its financial assets are sufficient to fund the obligations arising from its contractual liabilities.

A key aspect of the management of the Society's financial risk is matching the timing of cash flows from assets and liabilities. The Society actively manages its investments using an approach that balances quality, diversification, liquidity and return.

The portfolio is reviewed on a periodic basis, as are investment guidelines and limits with the objective of ensuring that the Society can always meet its obligations without undue cost and in accordance with the Society's internal and regulatory capital requirements.

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

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

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Society's customers, clients or market counterparties fail to fulfil their contractual obligations to the Society. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities. The Society is also exposed to other credit risks arising from investments in debt securities.

Credit risk is the single largest risk for the Society's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in the credit risk and management teams which report regularly to the appropriate Board committee.

(a.1) Measuring credit risk for loans and investments

(a.1.1) Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Society measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

18. Financial risk management (continued)

(a) Credit risk (continued)

(a.1.2) Credit risk grading

The Society uses watchlists to determine credit ratings that reflect its assessment of the probability of default of individual countparties. The Society uses multiple watchlists to identify various categories of counterparty. Information related to the branches, contact centre, loan servicing, debt management and portfolio management from the watchlists, which drives the credit ratings, is fed into the model. The model enables expert judgement from management for each exposure. This allows for consideration which may not be captured as part of other data inputs into the model.

(a.1.3) Treasury

For debt securities in the Treasury portfolio, external rating agency (Moody's) credit grades are used.

These published grades are continually monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The JN Group's rating method comprises 25 rating levels for instruments not in default (1 to 23) and five default classes (26 to 30). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

18. Financial risk management (continued)

(a.1.3) Treasury (continued)

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

Bank rating	TTC PD as a percentage (Corporate)	TTC PD as a percentage (Sovereign)	S & P	Moody's	Description of Grade
1	0.01%	0.00%	AAA	Aaa	Investment Grade
2	0.02%	0.00%	AA+	Aa1	
3	0.02%	0.00%	AA	Aa2	
4	0.02%	0.00%	AA-	Aa3	
5	0.05%	0.02%	A+	A1	
6	0.05%	0.02%	A	A2	
7	0.05%	0.02%	A-	A3	
8	0.15%	0.09%	BBB+	Baa1	
9	0.15%	0.09%	BBB	Baa2	
10	0.15%	0.09%	BBB-	Baa3	
11	0.81%	0.46%	BB+	Ba1	Speculative grade
12	0.81%	0.46%	BB	Ba2	
13	0.81%	0.46%	BB-	Ba3	
14	3.02%	2.47%	B+	B1	
15	3.02%	2.47%	B	B2	
16	3.02%	2.47%	B-	B3	
17	7.21%	12.18%	CCC+	Caa1	
18	7.21%	12.18%	CCC	Caa2	
19	7.21%	12.18%	CCC-	Caa3	
20	29.62%	12.18%	CC	Ca	
21	29.62%	12.18%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

18. Financial risk management (continued)

(a.2) Expected credit loss measurement

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

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

Stage 2
If a significant increase in credit risk ('SICR') since initial recognition is identified, but the financial investment is not yet deemed to be credit-impaired it is moved to 'Stage 2'. Note 18 (a.2.1) describes how the Society determines when a significant increase in credit risk has occurred.

Stage 3
Where, after initial recognition, a financial asset is, on the basis of objective evidence, determined to be credit-impaired it is moved to stage 3.
Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. POCI financial assets are included in stage 3.

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Note 18 (a.2.3) below describes the inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 22 includes an explanation of how the Society has incorporated this in its ECL models.

(a.2.1) Significant increase in credit risk (SICR)

Assessing whether there has been a significant increase in the credit risk of a financial instrument requires the Society to assess the risk of default (not risk of loss). In making the assessment, the Society considers whether: one or more of the qualitative or quantitative evaluation criteria is true of the financial instrument or of the borrower or issuer; any amount contractually due from the borrower or issuer is more than 30 days past due, giving rise to a rebuttable presumption that there has been a significant increase in credit risk (the 'Backstop' criterion.)

18. Financial risk management (continued)

(a.2.1) Significant increase in credit risk (SICR) *(continued)*

Quantitative criteria:

Quantitative criteria are generally statistical or non-statistical measures of changes in PD relative to thresholds established by management under Basel III guidelines. These guidelines have not been adopted and the Society therefore uses (i) the Backstop criterion, and (ii) other qualitative criteria, as set out below.

Loans

The Society considers a loan to have experienced a significant increase in credit risk when one or more of the following is true.

The borrower:
- is in short-term forbearance
- has cancelled direct debit arrangements
- has been granted an extension of the loan term
- has previously been in arrears within the past 12 months
- has payments more than 30 days past due ('Backstop')

Investments – Treasury portfolio

Instruments in the corporate and sovereign portfolios

The Society considers an investment instrument in its corporate or sovereign portfolio to have experienced a significant increase in credit risk when one or more of the following is true.

- The borrower or issuer is on the Watchlist
  and / or
- The borrower or issuer
  - is operating under business and or financial and or economic conditions that are experiencing significant adverse changes
  - has been, or is expected to be, granted forbearance or restructuring
  - has experienced or expected to experience significant adverse changes in operating results
  - is experiencing early signs of cashflow or liquidity problems such as delay in servicing trade creditors or borrowings

  and / or

- The investment instrument:
  - has experienced a significant increase in credit spread
  - is expected to risk default because of a significant deterioration in the value of collateral held (where collateralised)

18. Financial risk management (continued)

(a.2.1) Significant increase in credit risk (SICR) *(continued)*

Other investment instruments

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

Level at which SICR is assessed and frequency of assessment:

For retail financial instruments, the Society assesses credit risk on a portfolio basis, and this is done quarterly.

For corporate and sovereign financial instruments, where a Watchlist is used for monitoring credit risk, the assessment is done at the individual counterparty level on a periodic basis.

The Society has adopted the low credit risk exemption for intra-group exposures.

The assessment of SICR incorporates forward-looking information (see a.2.4 below). The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group Credit Risk team.

(a.2.2) Definition of default and credit-impaired assets:

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

- The borrower is more than 90 days past due on its contractual payments - Backstop:
- The borrower meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
    - The borrower is in long-term forbearance.
    - The borrower is deceased.
    - The borrower is insolvent.
    - The borrower is in breach of financial covenant(s).
    - An active market for that financial asset has disappeared because of financial difficulties.
    - Concessions have been made by the lender relating to the borrower's financial difficulty.
    - It is becoming probable that the borrower will enter bankruptcy.
    - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

18. Financial risk management (continued)

(a.2.2) Definition of default and credit-impaired assets (continued):

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

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

(a.2.3) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Society expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Society includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Society's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

18. Financial risk management (continued)

(a.2.3) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

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

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

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

For revolving products, the exposure at default is predicted by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Society's recent default data.

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

For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 18 (a.2.4) below for an explanation of forward-looking information and its inclusion in ECL calculations.

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

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

(a.2.4) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Society has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

18. Financial risk management (continued)

(a.2.4) Forward-looking information incorporated in the ECL models (continued)

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

In addition to the base economic scenario, the Group Risk and Compliance Unit also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

At March 31, 2023 and 2022, the Society concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes of which each chosen scenario is representative.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3, and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Society measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

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

18. Financial risk management (continued)

(a.2.4) Forward-looking information incorporated in the ECL models (continued)

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario at the reporting date were as follows:

		Base	Upside	Downside
All Cayman Islands portfolios:	March 31, 2023:	70%	20%	10%
	March 31, 2022:	20%	70%	10%

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

Sensitivity analysis

The changes to the ECL as at March 31, 2023 that would result from a 5% increase or decrease in the LGD from the actual assumptions used in the Society's economic variable assumptions would be an increase of CI$41,193 or a decrease of CI$41,193.

(a.2.5) Grouping of instruments for losses measured on a collective basis

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

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk or similar team.

(a.2.6) Measurement of credit risk

Credit risk is the risk of counterparty default which will result in financial loss to the Society if it were to occur. The credit risk arises principally from the loans that the Society grants to its customers. Other financial assets which potentially expose the Society to concentrations of credit risk consist of cash and cash equivalents, other receivables, amounts due from related companies and investments.

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

The Society manages credit risk associated with loans by evaluating each debtor's ability to repay the loans, ensuring that:

(i) all loans are properly collateralised and the securities are sufficiently insured;
(ii) an appropriate and sufficient first charge is registered over the collateral;
(iii) loan loss provisioning is in keeping with the Society's policy for the provision of loan losses, as shown in note 5(e);
(iv) loans are not concentrated in one individual, company or group; and
(v) strong underwriting and credit administration services are in place.

The decision for each loan is evaluated by the Credit Committee, prior to funds being advanced.

A significant proportion of the cash and cash equivalents is represented by cash balances held in current and savings accounts with the Royal Bank of Canada and JN Bank, respectively. Investments consist of certificates of deposit with JN Bank.

The Society limits its exposure to credit risk by investing only in JN Bank certificates of deposit. Management also monitors and reviews the credit rating of its counterparties. In instances where the credit rating has fallen below a certain level, management will dispose of the holding as soon as practical.

Management monitors its amounts due from related companies and its exposure to credit risk and does not anticipate any material losses as a result of the concentration risk. There are no material exposures related to other receivables at reporting date.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Society's maximum exposure to credit risk on these assets.

	Loans, net of allowance for credit losses			
	2023			
	ECL staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	CI$	CI$	CI$	CI$
Standard monitoring	-	-	-	-
Special monitoring (Less than 90 days)	22,647,372	5,471,868	-	28,119,240
Default (Over due Greater than 90 days)	-	-	2,271,729	2,271,729
Gross carrying amount	**22,647,372**	**5,471,868**	**2,271,729**	**30,390,969**
ECL allowance	(114,750)	(132,842)	(576,274)	(823,866)
Net carrying amount	**22,532,622**	**5,339,026**	**1,695,455**	**29,567,103**

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

	Loans, net of allowance for credit losses			
	2022			
	ECL staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	CI$	CI$	CI$	CI$
Standard monitoring	-	-	-	-
Special monitoring (Less than 90 days)	20,877,464	6,289,338	-	27,166,802
Default (Over due Greater than 90 days)	-	-	1,791,299	1,791,299
Gross carrying amount	**20,877,464**	**6,289,338**	**1,791,299**	**28,958,101**
ECL allowance	(102,041)	(163,694)	(362,718)	(628,453)
Net carrying amount	**20,775,423**	**6,125,644**	**1,428,581**	**28,329,648**

	Investments, net of allowance for credit losses			
	2023			
	ECL staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	CI$	CI$	CI$	CI$
Investment grade	-	-	-	-
Standard monitoring	640,464			640,464
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**640,464**	-	-	**640,464**
ECL allowance	(6,049)	-	-	(6,049)
Net carrying amount	**634,415**	-	-	**634,415**

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

	2022			
	ECL staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	CI$	CI$	CI$	CI$
Investment grade	-	-	-	-
Standard monitoring	1,455,687	-	-	1,455,687
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	**1,455,687**	-	-	**1,455,687**
ECL allowance	(6,049)	-	-	(6,049)
Net carrying amount	**1,449,638**	-	-	**1,449,638**

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

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

- Mortgages over residential and commercial properties;
- Charges over deposits

An estimate made at the time of borrowing of the fair value of collateral held against loans to customers and affiliates is shown below.

	2023	2022
Not impaired		
Property	41,019,063	42,431,801
Other Cash or cash equivalents	90,362	31,931
Past due – not impaired		
Property	4,094,740	4,804,740
Impaired – individually		
Property	4,582,786	3,140,000
	49,786,950	50,408,472

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

For credit-impaired loans, the value of collateral is based on the most recent appraisals.

	Note		2023	2022
LTV ratio				
Less than 50%			6,466,575	6,688,097
51-70%			7,760,641	7,734,912
71-90%			9,804,000	9,405,749
91-100%			3,176,348	2,408,761
More than 100%			669,061	663,527
Total		CI$	27,871,648	26,903,068

Credit-impaired loans

	Note		2023	2022
Less than 50%			537,590	88,442
51-70%			1,010,199	492,055
71-90%			-	516,335
91-100%			147,666	160,699
More than 100%			-	169,050
Total		CI$	1,695,455	1,426,581

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

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

March 31, 2023	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
	CI$	CI$	CI$	CI$
Credit-impaired assets				
Loans to individuals:				
- Mortgages	2,271,729	(576,274)	1,695,455	4,582,786
Total credit-impaired assets	**2,271,728**	**(576,274)**	**1,695,455**	**4,582,786**

March 31, 2022	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
	CI$	CI$	CI$	CI$
Credit-impaired assets				
Loans to individuals:				
- Mortgages	1,791,299	(362,718)	1,428,581	3,140,000
Total credit-impaired assets	**1,791,299**	**(362,718)**	**1,428,581**	**3,140,000**

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period; and

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 22 (c))

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

Loss allowance (continued)

The following two tables explain changes in the loss allowance between the beginning and the end of the annual period.

	Allowance for expected credit losses				
	Stage 1	**Stage 2**	**Stage 3**		
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	CI$	**CI$**	**CI$**	**CI$**	**CI$**
Loss allowance as at April 1, 2022	**102,041**	**163,694**	**362,718**	**-**	**628,453**
Transfers:					
Transfer from Stage 1 to Stage 2	(697)	697	-	-	-
Transfer from Stage 2 to Stage 3	-	(17,925)	17,925	-	-
Transfer from Stage 3 to Stage 2	-	29,887	(29,887)	-	-
Transfer from Stage 2 to Stage 1	1,751	(1,751)	-	-	-
New financial assets originated or purchased impaired	15,024	-	-	-	15,024
Derecognition	(1,886)	(861)	-	-	(2,747)
Additional impairment during the year	(1,483)	(40,898)	225,518	-	183,137
Loss allowance as at March 31, 2023	**114,750**	**132,842**	**576,274**	**-**	**823,866**

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

Loss allowance (continued)

	Allowance for expected credit losses				
	Stage 1	Stage 2	Stage 3		
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	CI$	**CI$**	**CI$**	**CI$**	**CI$**
Loss allowance as at April 1, 2021	**308,683**	**199,962**	**999,698**	**-**	**1,508,343**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	3,308	(3,308)	-	-	-
Transfer from Stage 2 to Stage 3	-	22,422	(22,422)	-	-
Transfer from Stage 3 to Stage 2	-	336,790	(336,790)	-	-
Transfer from Stage 2 to Stage 1	4,055	(4,055)	-	-	-
New financial assets originated or purchased impaired	17,287	-	-	-	17,287
Derecognition	(27,477)	(258)	-	-	(27,735)
Additional impairment during the year	(203,815)	(387,859)	(277,768)	-	(869,442)
Loss allowance as at March 31, 2022	**102,041**	**163,694**	**362,718**	**-**	**628,453**

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

Changes in stages of gross amount of investments during the period

	Stage 1	**Stage 2**	**Stage 3**		
Loans	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	CI$	CI$	CI$	CI$	CI$
Gross carrying amount as at April 1, 2022	**21,224,124**	**5,331,841**	**2,402,136**	**-**	**28,958,101**
Transfers:					
Transfer from Stage 1 to Stage 2	(145,378)	145,378	-	-	-
Transfer from Stage 2 to Stage 3	-	(692,392)	692,392	-	-
Transfer from Stage 3 to Stage 2	-	159,722	(159,722)	-	-
Transfer from Stage 2 to Stage 1	88,657	(88,657)	-	-	-
New financial assets originated or purchased impaired	2,948,608	-	-	-	2,948,608
Financial assets derecognised	(421,586)	(129,365)	-	-	(550,951)
Other movements during the period other than write-offs	(1,047,053)	745,341	(663,077)	-	(964,789)
Gross carrying amount as at March 31, 2023	**22,647,372**	**5,471,868**	**2,271,729**	**-**	**30,390,969**

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

Changes in stages of gross amount of investments during the period

	Stage 1	**Stage 2**	**Stage 3**		
Loans	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	CI$	CI$	CI$	CI$	CI$
Gross carrying amount as at April 1, 2021	**20,387,601**	**5,576,470**	**2,617,843**	**-**	**28,581,914**
Transfers:					
Transfer from Stage 1 to Stage 2	(34,436)	34,436	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,442)	2,442	-	-
Transfer from Stage 3 to Stage 2	-	169,621	(169,621)	-	-
Transfer from Stage 2 to Stage 1	8,818	(8,818)	-	-	-
New financial assets originated or purchased impaired	3,521,478	-	-	-	3,521,478
Financial assets derecognised	(1,824,856)	(43,797)	-	-	(1,868,653)
Other movements during the period other than write-offs	(834,481)	(393,629)	(48,528)	-	(1,276,638)
Gross carrying amount as at March 31, 2022	**21,224,124**	**5,331,841**	**2,402,136**	**-**	**28,958,101**

Write-off policy

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

The Society may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended March 31, 2023 was CI$0. The Society still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Concentration by class and geographical area

The Society's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

18. Financial risk management (continued)

(a.2.6) Measurement of credit risk (continued)

Concentration by class and geographical area (continued)

The Society's significant concentration of credit exposure, as at the reporting date, by class were as follows:

		2023	2022
Cash and cash equivalents		2,363,833	6,662,689
Investments, net of allowance		634,415	1,449,638
Loans, net of allowance		29,567,103	28,329,648
Other receivables		232,532	570,645
	CI$	32,797,883	37,012,620

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

		2023	2022
Jamaica		1,569,623	7,062,005
Cayman Islands		31,228,260	29,950,615
	CI$	32,797,883	37,012,620

Modification of financial assets

The Society sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to note 5 above). The Society monitors the subsequent performance of modified assets. The Society may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for up to three consecutive months. The gross carrying amount of such assets held as at March 31, 2023 was CI$1.220M (2022: Nil).

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

18. Financial risk management (continued)

(b) Liquidity risk

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

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

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

Management of liquidity risk

The Society manages this risk by maintaining an adequate level of liquid funds.

An analysis of the undiscounted cash flows of the Society's financial liabilities on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of settlement of the amounts recognised in the statement of financial position. There was no change during the year in the nature of the exposure to liquidity risk to which the Society is subject or its approach to measuring and managing the risk.

March 31, 2023		Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Assets						
Cash and cash equivalents		2,363,833	-	-	-	2,363,833
Loans, net of allowance for credit losses		74,618	10,137	414,916	29,067,432	29,567,103
Investments, net of allowance for credit losses		265,017	369,398	-	-	634,415
Other receivables		232,532	-	-	-	232,532
	CI$	2,936,000	379,535	414,916	29,067,432	32,797,883
Financial Liabilities						
Savings, investment shares, and interest		25,533,932	4,408,497	-	-	29,942,429
Lease liabilities		29,273	97,236	464,744	263,623	854,876
Other payables		586,939	-	-	-	586,939
Due to related companies		77,254	-	-	-	77,254
	CI$	26,227,398	4,505,733	464,744	263,623	31,461,498
On-statement-of-financial-position gap, being total maturity gap		(23,291,398)	(4,126,198)	(49,828)	28,808,809	1,336,385
Cumulative gap	CI$	(23,291,398)	(27,417,596)	(27,467,424)	1,336,385	

18. Financial risk management (continued)

(b) Liquidity risk (continued)

March 31, 2022		Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial Assets						
Cash and cash equivalents		6,662,689	-	-	-	6,662,689
Loans, net of allowance for credit losses		-	168,971	355,179	27,805,498	28,329,648
Investments, net of allowance for credit losses		712,403	737,235	-	-	1,449,638
Other receivables		570,645	-	-	-	570,645
	CI$	7,945,737	906,206	355,179	27,805,498	37,012,620
Financial Liabilities						
Savings, investment shares, and interest		20,907,805	7,510,806	-	-	28,418,611
Lease liabilities		27,779	85,554	591,253	263,622	968,208
Other payables		3,928,049	-	-	-	3,928,049
Due to related companies		114,694	-	-	-	114,694
	CI$	24,978,327	7,596,360	591,253	263,622	33,429,562
On-statement-of-financial position-gap, being total maturity gap		(17,032,590)	(6,690,154)	(236,074)	27,541,876	3,583,058
Cumulative gap	CI$	(17,032,590)	(23,722,744)	(23,958,818)	3,583,058	-

Consistent with most building societies with similar lending and deposit-taking activities, the management of mismatched maturity positions is ultimately based on management's reasonable expectations of future events. It is management's belief that the Society's cash and cash equivalents together with maturing loans will be sufficient to cover any net withdrawal from savings or investment shares over the next twelve months. The Society does not expect that all its customers will demand payment of funds at the earliest date possible.

Liquidity Reserve

	2023 Carrying Amount	2023 Fair Value	2022 Carrying Amount	2022 Fair Value
Cash and balances with other banks	2,080,520	2,079,418	6,446,947	6,443,724
Other cash & cash equivalents	283,313	283,163	215,742	215,634
Total liquidity reserve	2,363,833	2,362,581	6,662,689	6,659,358

(c) Market risk

Market risk is the risk that changes in interest rates and foreign exchange rates will affect the fair value positions held by the Society. Market risk arises in the Society due to fluctuation in the fair value of liabilities and in the fair value of investments held.

18. Financial risk management (continued)

(c) Market risk (continued)

Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. For each of the major components of market risk, the Society has policies and procedures in place which detail how each risk should be monitored and managed.

The management of each of these major components of market risk and the exposure of the Society at the reporting date are addressed below:

(i) *Currency risk*

The Society invests in financial instruments and enters into transactions denominated in currencies other than its functional currency, the Cayman Islands dollar. Consequently, the Society is exposed to the risk that the exchange rate of the Cayman Islands dollar relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Society's assets or liabilities that are denominated in currencies other than the Cayman Islands dollar. The Society's currency risk is managed in accordance with policies and procedures in place.

The Cayman Islands dollar is pegged to the United States dollar at CI$1 = US$1.20, and any amounts in United States dollars are reflected in the financial statements at this rate and therefore are not exposed to currency risk. The Society's total exposure to currency risk as at March 31, 2023 and 2022 is considered insignificant, and thus fluctuations in exchange rates would not have a significant impact on the Society's (loss)/profit for the year.

Net foreign currency assets/(liabilities) were as follows:

	2023	2022
United States dollars	(5,594,008)	(6,077,743)
British pounds	(45,756)	90,413

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society's exposure to changes in interest rates relates to the Society's financial assets and liabilities. The Society is primarily exposed to interest rate risk through its principal activity of granting long-term loans while obtaining financing through short-term liabilities comprising savings and investment shares. Management continually monitors the Society's exposure to interest rate risk.

The Society is not exposed to interest rate risk on its fixed rate financial assets and liabilities, including financial assets and liabilities that do not accrue interest, as at March 31, 2023 and 2022.

18. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

These financial assets and liabilities are set out below:

Fixed rate		2023	2022
Investments, net of allowance for credit losses		634,415	1,449,638
Savings and investment shares		(25,533,932)	(23,417,458
	CI$	(24,899,517)	(21,967,820)

The Society's net exposure to interest rate risk on its variable rate financial assets and liabilities as at March 31, 2023 and 2022 were as follows:

Variable rate		2023	2022
Cash and cash equivalents		2,363,833	6,662,689
Loans, net of allowance for credit losses		29,567,103	28,329,648
Savings and investment shares		(4,408,497)	(5,001,153)
	CI$	27,522,439	29,991,184

As at March 31, 2023, 42.16% (2022: 69.2%) of the Society's fixed rate savings and investment shares have maturities of less than 3 months.

For the year ended March 31, 2023 and 2022, the range of rates of interest, which approximate the effective yields on these assets and liabilities, was as follows:

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	0.00% - 2.7%	0.00% - 2.70%
Investments, net of allowance for credit losses	3.10% - 3.15%	0.25% - 3.15%
Loans, net of allowance for credit losses	4.25% - 8.25%	4.25% - 8.25%
<u>Liabilities</u>		
Savings and investment shares	0.0% - 5.0%	0.05% - 3.35%

18. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The following is a summary of the Society's interest rate gap position:

	Carrying Amount	Less than 3 months	3-12 months	1-5 years	More than 5 years
March 31, 2023					
Cash and cash equivalents	2,363,833	2,363,833	-	-	-
Loans, net of allowance for credit losses	29,567,103	74,618	10,137	414,916	29,067,432
Investments, net of allowance for credit losses	634,415	265,017	369,398	-	-
	32,565,351	2,703,468	379,535	414,916	29,067,432
Savings and investment shares	(29,942,429)	(25,533,932)	(4,408,497)	-	-
	2,622,922	(22,830,464)	(4,028,962)	414,916	29,067,432
March 31, 2022					
Cash and cash equivalents	6,662,689	6,662,689	-	-	-
Loans, net of allowance for credit losses	28,329,648	-	168,971	355,179	27,805,498
Investments, net of allowance for credit losses	1,449,638	712,403	737,235	-	-
	36,441,975	7,375,092	906,206	355,179	27,805,498
Savings and Investment shares	(28,418,611)	(20,907,805)	(7,510,806)	-	-
	8,023,364	(13,532,713)	(6,604,600)	355,179	27,805,498

There was no change during the year in the nature of exposure to interest rate risk to which the Society is subject or its approach to measuring and managing this risk.

Management closely monitors the average yield on the portfolio to determine any necessity for repricing.

(iii) Sensitivity to interest rate movements:

At March 31, 2023 and 2022, a 1% increase in the interest rate, with all other variables held constant, would adjust profit or loss by the amounts shown below:

		2023	2022
Change in income or loss for year	CI$	31,072	102,947

A 1% decrease would have resulted in losses of ($21,386) (2022: $75,048) on the profit or loss, assuming that all other variables remain constant.

18. Financial risk management (continued)

(d) *Operational risk*

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

The Society's objective is to manage operational risk to achieve the optimal balance between the Society's financial viability and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Society standards for the management of operational risk that meet the following requirements:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- appropriate segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Society's standards is supported by a programme of periodic reviews undertaken by Group Internal Audit, Group Compliance and Risk Management Unit. The results of internal audit reviews are discussed with management of the business to which they relate and the recommendations and required actions agreed. Summaries of the Group internal audit reviews are submitted to the Group Audit Committee and to the Board of Directors. There was no change during the year in the nature of exposure to operational risk to which the Society is subject or its approach to measuring and managing this risk.

(e) *Climate-related risk*

Climate related risks may have potential negative impact on the Society arising from climate change. Climate-related risks also have an impact on the principal risk categories discussed above, but due to their pervasive nature they are identified and managed by the Society on an overall basis.

At the Board Level, the sustainability of the business and our third party relationships are discussed and the appropriate direction is provided. At the business level, the Credit Risk Unit and the Risk and Compliance Unit teams continuously assesses these risks to determine the threats to the entities within the JN Group.

18. Financial risk management (continued)

(f) Capital management

The Society's Capital Management policy is to maintain a strong capital base so as to sustain future development of the Society. The Board of Directors, together with responsible senior management of the Society, monitor the return on capital.

There was no change during the year in the capital requirement or the Society's approach to managing capital.

19. Contingent liabilities

It is the opinion of the Society's legal advisor that there are no contingent liabilities to be accounted for.

20. Fair value of financial instruments

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

2023		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents		2,363,833	-	-	2,363,833
Loans, net of allowance for credit losses		-	29,567,103	-	29,567,103
Investments, net of allowance for credit losses		-	634,415	-	634,415
Other receivables		-	232,532	-	232,532
Total assets	CI$	2,363,833	30,434,050	-	32,797,883
Liabilities:					
Savings, investment shares and interest		-	29,942,429	-	29,942,429
Other payables		-	586,938	-	586,938
Lease liability			854,876	-	854,876
Due to related companies		-	77,254	-	77,254
Total liabilities	CI$	-	31,461,497	-	31,461,497

2022		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents		6,662,689	-	-	6,662,689
Loans, net of allowance for credit losses		-	28,329,648	-	28,329,648
Investments, net of allowance for credit losses		-	1,449,638	-	1,449,638
Other receivables		-	570,645	-	570,645
Total assets	CI$	6,662,689	30,349,931	-	37,012,620
Liabilities:					
Savings, investment shares and interest		-	28,418,611	-	28,418,611
Other payables		-	3,928,049	-	3,928,049
Lease liability			968,208	-	968,208
Due to related companies		-	114,694	-	114,694
Total liabilities	CI$	-	33,429,562	-	33,429,562

20. Fair value of financial instruments (continued)

(a) Determination of fair values

The following methods and assumptions were used to estimate the fair value of significant on-statement-of-financial position financial instruments:

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash resources and deposits with financial institutions with original maturities of three months or less. As such their carrying values are a reasonable approximation of their fair values.

(ii) Loans

The estimated fair value of loans is the principal receivable less any allowance for losses, as rates may be changed when relevant market rates change.

(iii) Investments

Investment comprise deposits with financial institutions with original maturities exceeding three months and not greater than one year. As such their carrying values are a reasonable approximation of their fair values.

(iv) Other receivables, due from/(to) related companies, interest payable and other payables

The above items are substantially short term in nature, and do not bear interest. As such their carrying amounts approximate their fair values.

21. Changes in significant accounting policies

Except for the changes described below, the Society has consistently applied the accounting policies set out in Note 22 to all periods presented in the financial statements.

The details, nature and effects of changes are explained below:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. They did not have any significant effect on the financial statements, and, based on the Society's current operations, none of them have any impact on the amounts and disclosures in the financial statements.

A number of new standards and amendments to standards are effective for annual reporting periods beginning after January 1, 2022 and earlier application was permitted; however, except as stated above, the Society has not early adopted the new and amended standards in preparing the financial statements.

21. Changes in significant accounting policies (continued)

The following new and amended standards are not expected to have a significant impact on the Society's financial statements.

IFRS17 Insurance Contracts.
Amendments to IFRS 17.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
Definition of Accounting Estimates (Amendments to IAS 8).
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17).

Other standards

The following new and amended standards, which are not yet due, are not expected to have a significant impact on the Society's financial statements.

- *Classification of liabilities as current or non-current (Amendments to IAS 1).*
- *Lease liability in a sale and leaseback (Amendments to IFRS 16).*
- *Non-current liabilities with covenants (Amendments to IAS 1).*

22. Significant accounting policies

Except for the changes explained in Note 21, the Society has applied the following accounting policies to all periods presented in the financial statements:

(a) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society and its cost can be reliably measured. The cost of day-to-day servicing of property and equipment is recognised in the statement of profit or loss.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised in the statement of profit or loss.

Property and equipment are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their estimated useful lives and is generally recognised in profit or loss.

22. Significant accounting policies (continued)

(a) Property and equipment (continued)

The depreciation rates are as follows:

Buildings	2.5% per annum
Motor vehicles	20% per annum
Leasehold improvements	33% per annum
Computer software & hardware	33% per annum
Furniture, fittings & office equipment	10% per annum

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

(b) Leases

At inception of a contract, the Society 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.

The details, nature and effects of the changes are as follows:

As a lessee

As a lessee, the Society leases assets such as property. Under IFRS 16, the Society recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

Right-of-use asset and lease liability are recognised 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 any improvements made to the office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The borrowing rate for the lease is agreed in the lease agreement, however the Society determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

22. Significant accounting policies (continued)

(b) Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payment, 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 Society is reasonably certain to exercise, lease payments in an optional renewal period if the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonable certain to terminated early.

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

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

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Society remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Society presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

(c) Financial instruments

(c.1) Measurement methods

Amortised cost and effective interest rate

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial instruments are measured at amortised cost using the effective interest rate method for all financial instruments.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.1) Measurement methods (continued)

Amortised cost and effective interest rate (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition in note 18(a.2)) at initial recognition - the Society calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Society revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimates, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(c.2) Initial recognition and measurement

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

At initial recognition, the Society measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

The transaction price is usually the best evidence of fair value at initial recognition, represented by the fair value of the consideration given or received in exchange for the financial instrument. If the Society determines that the fair value differs from the transaction price, the financial instrument is at initial recognition nevertheless recorded at fair and the difference between the transaction price and fair value is a Day 1 gain or loss, accounted for in a manner that is based on the level in the hierarchy that the fair value of the asset falls, that is:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised in profit or loss as a Day 1 gain or loss.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.2) Initial recognition and measurement (continued)

(i) When the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, the difference is deferred and the timing of recognition of the deferred Day 1 gain or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(c.3) Classification and subsequent measurement

The Society classifies its financial assets in the following measurement categories:

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

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

(c.3.1) Financial assets

(i.) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the Society's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

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

1) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 22. Interest income from these financial assets is included in 'Interest revenue' using the effective interest rate method.

2) Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are recognised in OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.3.1) Financial assets (continued)

(i.) Debt instruments (continued)

3) When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

4) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest revenue' using the effective interest rate method.

Business model: the business model, the basis for the three measurement categories described immediately above, reflects how the Society manages the assets in order to generate cash flows. The Society determines whether its objective is solely to collect the contractual cash flows from the assets, i.e. whether it is the 'hold to collect' business model, or it is to collect both the contractual cash flows and cash flows arising from the sale of assets (the 'hold to collect and sell' business model). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Society in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Society's business model for the mortgage loan book is to 'hold to collect' contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Society as part of liquidity management and is generally classified within the 'hold to collect and sell' business model.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These securities are classified in the 'other' business model and measured at FVTPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Society assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Society considers whether the contractual cash flows are consistent with a basic lending arrangement; i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. If so, the debt instrument is classified and measured at amortised cost.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.3.1) Financial assets (continued)

(i.) Debt instruments (continued)

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

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

(ii.) 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 Society subsequently measures all equity investments at fair value through profit or loss, except where the Society's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Society's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Society's right to receive payments is established.

(iii.) Expected credit losses on debt instrument assets

The Society assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Society recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 18 provides more details of how the allowance for expected credit losses is measured.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv.) 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;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision, and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

(c.4) *Derecognition of financial assets and financial liabilities*

(c.4.1) Financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Society transfers substantially all the risks and rewards of ownership, or (ii) the Society neither transfers nor retains substantially all the risks and rewards of ownership and the Society has not retained control.

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

Where the Society 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 (as in the cases of securities lending and sale-and-repurchase transactions), the transferred assets are not derecognised.

Where the Society enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards, these transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Society:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has obligation to remit any cash it collects from the assets without material delay.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.4) *Derecognition of financial assets and financial liabilities (continued)*

(c.4.1) Financial assets *(continued)*

Collateral (shares and bonds) furnished by the Society under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Society retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Society retains a subordinated residual interest.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets of the Society comprise cash and cash equivalents, loans, net, due from related companies, investments and other receivables.

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments which comprise long-term US$ denominated bonds are classified as financial instruments measured at amortised cost, where original maturity is greater than 3 months.

(c.4.2) Financial liabilities

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the statement of profit or loss.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise savings and investment shares, interest payable, other payables and due to related companies.

(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 Society has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

(vi) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held in current accounts and short-term investments with original maturities of less than 3 months. These are subject to an insignificant risk of changes in value, and are held for the purposes of meeting short-term commitments, rather than for investment purposes.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.4) *Derecognition of financial assets and financial liabilities (continued)*

(c.4.2) Financial liabilities *(continued)*

Loans

Mortgage loans are categorised as loans and are measured at amortised cost net of any provisions for impairment of such loans. Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. When loans cannot be recovered, they are written off and charged against the bad debt expense; however, this may not occur until all the necessary legal proceedings have been completed and the amount of the loss is finally determined. In certain cases, they are written off when the borrower has consistently defaulted on their monthly repayments and management deem the amounts irrecoverable. In assessing each loan, securities held as collateral and other factors such as business and economic conditions are taken into account.

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine SICR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Society may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorised amount, term, or type of underlying collateral. The original loan is derecognised and the new loan is recognised at its fair value. The difference between the carrying value of the derecognised asset and the fair value of the new asset is recognised in the statement of profit or loss.

For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in the statement of profit or loss.

Investments

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments [certificates of deposit] are classified as financial instruments measured at amortised cost, with original maturity of greater than 3 months.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.5) Modification of financial assets and financial liabilities

(c.5.1) Financial assets

Modification of loans: The Society sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Society assesses whether or not the new terms are substantially different from the original terms. The Society does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired and the Society derecognises the original financial asset [see (c.4) above] and recognises a 'new' asset at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

A new effective interest rate for the asset is then calculated. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Society also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Society recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is described in note 18.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.5) Modification of financial assets and financial liabilities (continued)

(c.5.2) Financial liabilities

The Society derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(c.6) Identification and measurement of impairment

The Society assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Society recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 18 a.2 provides more details of how the expected credit loss allowance is measured.

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

22. Significant accounting policies (continued)

(c) Financial instruments (continued)

(c.7.) Recognition and measurement of Financial guarantee contracts and loan commitments

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance, and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

The Society has not made any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Society cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision

(c.8) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Society determines that the fair value at initial recognition differs from the transaction price, that difference is accounted for as described in note 22(c.2).

If an asset or a liability measured at fair value has a bid price and an ask price, then the Society measures assets and long positions at a bid price and liabilities and short positions at an ask price.

22. Significant accounting policies (continued)

(d) Interest income and expense

Interest income and expense are calculated by applying the effective interest rate to the gross carrying amount of financial assets or liabilities, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

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

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

(e) Contingencies

A contingent liability is recognised in the financial statements when it is probable that the future event giving rise to the liability will occur and the amount of economic benefit required to settle it is reasonably estimable.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(f) *Credit loss reserve*

As required by the Cayman Islands Monetary Authority's Statement of Guidance on Credit Risk Classification, Provisioning and Management the credit loss reserve is maintained at a level considered adequate to create a general provision for probable credit losses and is judgmentally determined based on management's evaluation of the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and any loan on which interest payments and principal repayments are ninety or more days in arrears and the level of expected credit loss as determined in accordance with IFRS.

The credit loss reserve is a reserve apportioned from the retained earnings. This credit loss reserve is in excess of expected credit loss allowance determined under IFRS in accordance with Group policy.

(g) Employee benefits

Employee benefits comprise all forms of consideration given by the Society in exchange for services rendered by employees. These include current or short-term benefits such as salaries, statutory payroll contributions due, annual vacation leave and sick leave. Short-term employee benefits are recognised in the statement of profit or loss. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave. Obligations for contributions to the defined-contribution pension scheme are recognised as an expense as incurred.

22. Significant accounting policies (continued)

(h) Taxation

The Cayman Islands levies no taxes on income or gains.

(i) Cash and cash equivalents

Cash and cash equivalents are classified and measured at amortised cost. They comprise cash in hand and at bank, including short term deposits where original maturities do not exceed three months from the reporting date, and other financial instruments 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.

Realised and unrealised gains and losses arising from fluctuations in exchange rates are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Other receivables
Other receivables are classified and measured at amortised cost less impairment losses.

(k) Other payables
Other payables are classified and measured at amortised cost.

(l) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Society at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gains or losses on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

23. COVID-19 and Ukraine / Russian War Considerations

The Cayman economy continues to show resilience with strong recovery from the COVID-19 pandemic and the impact of the Russia/Ukraine war. External shocks such as supply chain disruption, jurisdictional changes in food production spurring imports of substitutes and continued interest rate increases from major central banks globally, have resulted in high inflation for the Cayman economy. These have placed price pressures on the ultimate consumers who must keep making adjustments in consumption patterns. Through these shocks, the economy has recorded a reduction in unemployment, influenced significantly from the successful recovery of the tourism sector. The Cayman Islands continue to see tourism arrivals above pre-COVID performance, and all elements of the economy demonstrate signs of benefit.

The JN Group continues to actively monitor and manage risks identified from the global macroeconomic environment due to the Covid-19 and Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Group operates.

JN CAYMAN

Schedule A

March 31, 2023
(stated in Cayman Islands dollars)

Schedule A – Section 21 Building Societies Act (2020 Revision) Disclosure

The following table is presented to comply with Section 21 of the Building Societies Act (2020 Revision):

Section 22(a)

Mortgage balances under $20,000:	**JN Cayman 2023**	**JN Cayman 2023**	**JN Cayman 2022**	**JN Cayman 2022**
Categories, gross	Number of accounts	Value (CI$)	Number of accounts	Value (CI$)
$1 - $2,000	0	0	2	3,176
$2,001 - $10,000	4	19,389	6	35,790
$10,001 - $15,000	1	10,095	4	51,041
$15,001 - $20,000	0	0	1	15,885
TOTAL	5	29,484	13	105,893

Section 22(b)

Loan values with balances of:	**JN Cayman 2023**	**JN Cayman 2023**	**JN Cayman 2022**	**JN Cayman 2022**
Categories, gross	Number of accounts	Value (CI$)	Number of accounts	Value (CI$)
Greater than $20,000	158	29,537,619	151	28,852,208
TOTAL	158	29,537,619	151	28,852,208

Section 22(b)

	JN Cayman 2023	**JN Cayman 2022**
	Number of Mortgage deeds	Number of Mortgage deeds
Inspected by auditors	59	64

Section 22(1)(b) Form A

Particulars to be set forth in case of a mortgage, where the repayments are not upwards of twelve months in arrears, the property has not been upwards of twelve months in possession of the Society and where the present debt exceeds CI$20,000.

Date of advance	Whether subject to prior mortgage or charge. If so, what amount	Original value of property	Amount advance	Present debt	Amount of payments in advance	Amount of payments in arrears
	$'000	$'000	$'000	$'000	$'000	$'000
Total	0	0	0	0	0	0

Section 22(1)(b) Form B

Particulars to be set forth in case of property of which the Society has been upwards of twelve months in possession.

Date of Advance	Whether subject to prior mortgage or charge. If so, what amount	Original value of property	Amount advanced	Present debt	Amount of payments in advance	Amount of payments in arrears
	$'000	$'000	$'000	$'000	$'000	$'000
25-Aug-08	-	385	340	295		0
29-Nov-08	-	460	321	283		37
25-Jan-09	-	625	350	354		123
4-Nov-09	-	635	422	267		1
24-May-10	-	250	169	134		17
1-Jun-10	-	170	125	83		0
30-Jun-10	-	275	367	216		0
13-Aug-10	-	430	165	187		22
29-Sep-10	-	245	183	159		0
Total	**-**	**3,475**	**2,442**	**1,979**	**-**	**199**

Section 22(1)(b) Form C

Particulars to be set forth in case of a mortgage where the repayments are upwards of twelve months in arrears, and the property has not been upwards of twelve months in possession of the Society.

Date of Advance	Whether subject to prior mortgage or charge. If so, what amount	Original value of property	Amount advanced	Present debt	Amount of payments in advance	Amount of payments in arrears
	$'000	$'000	$'000	$'000	$'000	$'000
Total	0	0	0	0	0	0