GraceKennedy Financial Group Limited

Consolidated Financial Statements
31 December 2024

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31 December 2024

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Independent auditor's report

To the members of GraceKennedy Financial Group Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of GraceKennedy Financial Group Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2024, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with IFRS Accounting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2024;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
31 March 2025

GraceKennedy Financial Group Limited

Consolidated Statement of Financial Position

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
ASSETS			
Cash at bank and short-term investments	5	33,539,700	27,816,405
Securities purchased under agreements to resell	6	3,961,256	4,642,428
Receivables and other assets	7	8,719,394	8,637,937
Investment securities	8	36,945,113	35,548,508
Pledged assets	9	78,777	-
Loans and advances, net of provision for credit losses	10	45,043,683	41,492,264
Investment in associated companies	11	2,959,078	2,588,072
Guarantees, letters of credit and letters of undertaking		223,297	177,342
Taxation recoverable		1,364,416	1,351,089
Intangible assets	12	4,863,847	4,371,339
Property, plant and equipment	13	8,163,046	7,193,264
Investment properties	14	1,593,595	938,000
Deferred tax assets	15	1,687,086	1,409,894
Total Assets		149,142,288	136,166,542

GraceKennedy Financial Group Limited

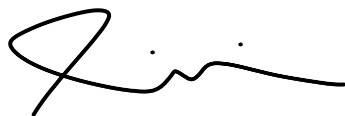
Consolidated Statement of Financial Position (Continued)

31 December 2024

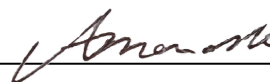
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
LIABILITIES			
Customer deposits		69,234,222	61,717,666
Securities sold under repurchase agreements		75,000	735,571
Loans payable	16	5,689,250	6,938,082
Lease liabilities	17	950,651	859,222
Guarantees, letters of credit and letters of undertaking		223,297	177,342
Insurance contract liabilities	18	11,647,146	10,944,098
Taxation payable		423,305	262,718
Other liabilities	19	10,782,882	9,909,729
Deferred tax liabilities	15	900,431	370,766
Post-employment benefit obligations	20	2,432,195	2,017,203
Total Liabilities		102,358,379	93,932,397
EQUITY			
Share capital	21	9,910,391	9,800,391
Share option reserves	22	202,222	138,762
Other reserves	23	5,302,522	4,525,693
Retained earnings		23,528,364	20,445,997
		38,943,499	34,910,843
Non-controlling interests	24	7,840,410	7,323,302
Total Equity		46,783,909	42,234,145
Total Liabilities and Equity		149,142,288	136,166,542

Approved for issue on behalf of the Board of Directors on 31 March 2025 and signed on its behalf by:



Peter Williams Director



Andrew Messado Director

GraceKennedy Financial Group Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
Income	25	36,393,282	33,183,468
Direct expenses	26	(15,362,561)	(13,828,118)
Gross Profit		21,030,721	19,355,350
Other operating income	27	2,300,200	2,434,707
Administration and other operating expenses	26	(17,422,468)	(15,852,240)
Operating Profit		5,908,453	5,937,817
Interest income - non-financial services		293,756	272,201
Interest expense - non-financial services		(366,824)	(395,023)
Share of results of associated companies	11	391,817	304,559
Profit before Taxation		6,227,202	6,119,554
Taxation	29	(1,723,670)	(1,411,280)
Net Profit		4,503,532	4,708,274
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Unrealised losses on investments measured at fair value through other comprehensive income, net of taxes	15	166,153	(344,229)
Realised (gains)/losses on investments measured at fair value through other comprehensive income, net of taxes	15	(46,758)	164,716
Currency translation differences		119,307	199,532
Items that will not be subsequently reclassified to profit or loss:			
Revaluation of property, plant & equipment, net of taxes	15	704,752	(534,725)
Remeasurements of other post-employment benefit obligations, net of taxes	15	(96,329)	(226,017)
Other comprehensive income, net of taxes		847,125	(740,723)
Total Comprehensive Income		5,350,657	3,967,551
Net Profit Attributable to:			
Equity holders of the Company		3,717,064	3,793,923
Non-controlling interests		786,470	914,251
		4,503,534	4,708,274
Total Comprehensive Income Attributable to:			
Equity holders of the Company		4,460,421	3,138,156
Non-controlling interests		890,236	829,395
		5,350,657	3,967,551

GraceKennedy Financial Group Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to equity holders of the Company						
	Share Capital $'000	**Share Option Reserves $'000**	**Other Reserves $'000**	**Retained Earnings $'000**	**Total $'000**	**Non-Controlling Interests $'000**	**Total Equity $'000**
Balance at 1 January 2023 (Restated)	9,800,391	118,356	4,881,459	18,052,883	32,853,089	6,905,693	39,758,782
Total comprehensive income	-	-	(655,766)	3,793,922	3,138,156	829,395	3,967,551
Transfer to other reserves	-	-	300,000	(300,000)	-	-	-
Transactions with owners:							
Employee share option schemes	-	20,406	-	-	20,406	(20127)	279
Dividends paid to non-controlling interests	-	-	-	-	-	(391,659)	(391,659)
Dividends paid - preference shares	-	-		(100,808)	(100,808)	-	(100,808)
Dividends paid – ordinary shares	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Balance at 31 December 2023 (Restated)	9,800,391	138,762	4,525,693	20,445,997	34,910,843	7,323,302	42,234,145
Total comprehensive income	-	-	476,829	3,983,592	4,460,421	890,236	5,350,657
Transfer to other reserves	-	-	300,000	(300,000)	-	-	-
Issue of ordinary shares (Note 21)	110,000	-	-	-	110,000	-	110,000
Transactions with owners:							
Employee share option schemes	-	63,460	-	-	63,460	(4,107)	59,353
Dividends paid to non-controlling interests	-	-	-	-	-	(399,021)	(399,021)
Dividends paid - preference shares	-	-		(71,225)	(71,225)	-	(71,225)
Dividends paid – ordinary shares	-	-	-	(500,000)	(500,000)	-	(500,000)
Balance at 31 December 2024	9,910,391	202,222	5,302,522	23,558,364	38,973,499	7,810,410	46,783,909

GraceKennedy Financial Group Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
Cash Flows from Operating Activities			
Net profit		4,503,532	4,708,274
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation of property, plant and equipment	13	765,633	740,442
Amortisation of intangible assets	12	312,407	480,103
Gain on disposal of property, plant and equipment		(10,251)	(8,918)
Revaluation gains on investment properties	27	(104,140)	(98,600)
Gains on investment activities	27	(6,550)	(1,454)
Provision for credit losses		441,367	(343,038)
Gains on foreign exchange		(388,214)	(320,112)
Share of results of associated company	11	(391,817)	(304,559)
Post-employment benefit obligations	20	344,449	229,686
Share option expense		59,353	279
Interest income	25	(6,811,986)	(5,908,161)
Interest expense	26	1,821,263	1,290,242
Taxation expense	29	1,723,670	1,411,280
		2,258,716	1,875,464
Changes in operating assets and liabilities:			
Loans and advances		(3,638,350)	(5,084,822)
Receivables and other assets		(1,263,969)	1,136,005
Customer deposits		7,516,555	7,581,018
Securities sold under agreements to repurchase		(660,571)	707,102
Restricted cash and bank accounts		(1,148,181)	(1,915,056)
Loans payable		(1,248,832)	595,827
Insurance contract liabilities		703,047	1,228,048
Other liabilities		(626,847)	(1,244,748)
Translation gains on other operating activities		(103,389)	153,069
Cash generated by operating activities		1,788,179	5,031,907
Tax paid		(1,562,668)	(1,437,219)
Interest received		6,951,897	5,808,924
Interest paid		(1,231,964)	(1,197,897)
Cash flows provided by operating activities (carried forward to page 6)		5,945,444	8,205,715

GraceKennedy Financial Group Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
Cash flows provided by operating activities (brought forward from page 5)		5,945,444	8,205,715
Cash Flows from Investing Activities			
Proceeds on disposal and maturity of investment		10,865,869	9,742,661
Acquisition of investment securities		(7,768,600)	(8,851,600)
Proceeds on disposal of property, plant, and equipment		12,344	49,693
Acquisition of property, plant, and equipment	13	(764,391)	(850,682)
Acquistion of intangible assets	12	(784,404)	(425,893)
Investments in associates	11	(110,000)	-
Acquisition of subsidiary, net of cash acquired	35	-	(1,822,917)
Interest received		293,757	272,201
Net cash used in investment activities		(1,744,575)	(1,886,537)
Cash Flows from Financing Activities			
Loans received	16 (b)	1,894,097	3,629,476
Loans repaid	16 (b)	(2,132,884)	(1,318,175)
Payment of principal on lease	17(c)	(203,268)	(190,295)
Share issue	21	110,000	-
Dividends paid		(571,225)	(1,100,808)
Dividends paid to non-controlling interests	24	(399,021)	(391,659)
Interest paid		(366,824)	(380,177)
Net cash (used in)/provided by financing activities		(1,669,125)	248,362
Net increase/(decrease) in cash and cash equivalents		(6,020,897)	6,567,540
Cash and cash equivalents at 1 January		23,094,148	16,849,747
Exchange rate change		84,002	(323,139)
Cash and Cash Equivalents at 31 December		29,199,046	23,094,148
Represented by:			
Cash and short-term investments	5	25,473,802	18,602,326
Repurchase agreements	6	3,961,256	4,642,428
Items in the course of collection	7	75,223	219,431
Items in the course of payment	19	(311,235)	(370,037)
Bank overdraft		-	-
		29,199,046	23,094,148

GraceKennedy Financial Group Limited

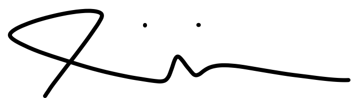
Company Statement of Financial Position

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
ASSETS			
Cash at bank	5	816,036	529,912
Receivables and other assets	7	992,244	1,342,804
Withholding tax recoverable		23,893	2,329
Property, plant, and equipment	13	408,725	272,929
Intangible assets	12	823,713	720,259
Investment in subsidiaries		14,773,762	14,773,762
Investment in associated companies	11	655,000	545,000
Deferred tax assets	15	95,757	73,800
Total Assets		18,589,130	18,260,795
LIABILITIES			
Lease liabilities	17	357,168	202,518
Loans payables	16	2,160,181	2,629,260
Other liabilities	19	954,010	1,075,730
Post-employment benefit obligations	20	376,829	289,000
Total Liabilities		3,848,188	4,196,508
EQUITY			
Share capital	21	9,910,391	9,800,391
Share option reserves	22	98,475	65,360
Retained earnings		4,732,076	4,198,535
Total Equity		14,740,942	14,064,286
Total Liabilities and Equity		18,589,130	18,260,794

Approved for issue on behalf of the Board of Directors on 31 March 2025 and signed on its behalf by:



Peter Williams — Director

Andrew Messado — Director

GraceKennedy Financial Group Limited

Company Statement of Comprehensive Income

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
Dividend income	34(b)	1,497,029	2,436,806
Fees earned from group companies		1,472,760	1,322,325
		2,969,790	3,759,131
Other operating income	27	435,077	439,240
Administration and other operating expenses	26	(2,360,473)	(1,967,824)
Profit before Taxation		1,044,394	2,230,547
Taxation	29	13,754	5,980
Net Profit		1,058,148	2,236,527
Other Comprehensive Income			
Remeasurements of other post-employment benefit obligations	15	(24,607)	(52,530)
Total Comprehensive Income		1,033,541	2,183,997

GraceKennedy Financial Group Limited

Company Statement of Changes in Equity

Year ended 31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital (Note 21) $'000	Share Option Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2023	9,800,391	43,417	3,014,538	12,858,346
Total comprehensive income	-	-	2,183,997	2,183,997
Transactions with owners -				
Employee share option schemes	-	21,943	-	21,943
Dividends paid	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2023	9,800,391	65,360	4,198,535	14,064,286
Balance at 1 January 2024	9,800,391	65,360	4,198,535	14,064,286
Total comprehensive income	-	-	1,033,541	1,033,541
Additional capital contribution	110,000	-	-	110,000
Transactions with owners -				
Employee share option schemes	-	33,115	-	33,115
Dividends paid	-	-	(500,000)	(500,000)
Balance at 31 December 2024	9,910,391	98,475	4,732,076	14,740,942

GraceKennedy Financial Group Limited

Company Statement of Cash Flows

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2024 $'000	2023 $'000
Cash Flows from Operating Activities			
Net profit		1,058,148	2,236,527
Adjustments to reconcile net profit to cash provided by operating activities:			
Depreciation and amortisation	12,13	266,929	211,551
Interest income	27	(6,622)	(14,749)
Interest expense		235,312	206,382
Post-employment benefit obligations		55,020	23,920
Gains on foreign exchange		(4,328)	(16,924)
Gain on disposal of property, plant and equipment		(127)	(3,143)
Share option expense		33,115	21,943
Taxation	29	(13,755)	(5,980)
		1,623,692	2,659,527
Changes in operating assets and liabilities			
Receivables		340,762	(522,123)
Payables		(121,720)	634,086
Cash generated from operations		1,842,734	2,771,490
Tax paid		(10,000)	-
Net cash provided by operating activities		1,832,734	2,771,490
Cash Flows from Investing Activities			
Investment in subsidiary	35	-	(3,745,036)
Investment in associate	11	(110,000)	-
Purchase of property plant and equipment	13	(10,020)	(27,859)
Purchase of intangible assets	12	(294,882)	(238,669)
Proceeds on the disposal of property, plant and equipment		127	3,142
Interest received		6,622	14,749
Net cash used in investing activities		(408,153)	(3,993,673)
Cash Flows from Financing Activities			
Payment of principal on leases	17(c)	(41,664)	(45,628)
Proceeds from long term loan		-	3,015,518
Payments on long term loan		(469,079)	(386,258)
Interest paid		(237,514)	(192,832)
Proceeds from issue of ordinary shares		110,000	-
Dividend paid		(500,000)	(1,000,000)
Net cash (used in)/provided by financing activities		(1,138,257)	1,390,800
Net increase in cash and cash equivalents		286,070	168,617
Cash and cash equivalents at 1 January		55	358,150
Effects of exchange rate changes on cash and cash equivalents		529,911	3,144
Cash and Cash Equivalents at 31 December		816,036	529,911

GraceKennedy Financial Group Limited

Notes to the Financial Statements
31 December 2024
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

GraceKennedy Financial Group Limited (the "Company" or "GKFGL") is a limited liability company, incorporated and domiciled in Jamaica and on November 15, 2024, was licensed under the Banking Services Act (2014) to operate as a financial holding company. The Company is a wholly owned subsidiary of GraceKennedy Limited (GKL), the ultimate parent company, which is also incorporated and domiciled in Jamaica. The registered office of the Company is at 73 Harbour Street, Kingston.

The principal activities of the Company, its subsidiaries, and associated companies (collectively, the Group) are as follows:

- Banking and Investments – Commercial banking, stock brokerage, corporate finance and advisory services, property rental;
- Insurance – General insurance and insurance brokerage; health insurance and creditor life insurance and,
- Money Services – Operation of money transfer services, and cambio operations and bill payment services.

The Company's subsidiaries and countries of incorporation are as follows:

	Nature of Business	Financial Reporting Year-end	Country of Incorporation and Place of Business	Group's Percentage Interest
Subsidiaries				
GraceKennedy Money Services Caribbean SRL and its subsidiary:	Holding company	31 December	Barbados	75%
GraceKennedy Remittance Services Limited (GKRS) and its subsidiaries:	Money services	31 December	Jamaica	75%
Grace Kennedy Currency Trading Services Limited (GKCTS)	Money services	31 December	Jamaica	75%
GraceKennedy Payment Services Limited (GKPS)	Money services	31 December	Jamaica	75%
GraceKennedy Remittance Services (Guyana) Limited	Money services	31 December	Guyana	75%
GraceKennedy (Trinidad & Tobago) Limited	Money services	31 December	Trinidad	75%
GraceKennedy Money Services (Antigua & Barbuda) Limited	Money services	31 December	Antigua	75%
GraceKennedy Money Services (Anguilla) Limited	Money services	31 December	Anguilla	75%
GraceKennedy Money Services (BVI) Limited	Money services	31 December	British Virgin Islands	75%
GraceKennedy Money Services (Montserrat) Limited	Money services	31 December	Montserrat	75%
GraceKennedy Money Services (St. Kitts & Nevis) Limited	Money services	31 December	St. Kitts	75%
GraceKennedy Money Services (St. Vincent & The Grenadines) Limited	Money services	31 December	St. Vincent	75%
GraceKennedy Money Services (Cayman) Limited	Money services	31 December	Cayman Islands	75%
GraceKennedy Money Services (Turks & Caicos Islands) Limited	Money services	31 December	Turks & Caicos	75%
First Global Holdings Limited (FGH) and its subsidiaries:	Holding company	31 December	Jamaica	75%
First Global Bank Limited (FGBL)	Commercial banking	31 December	Jamaica	75%
GK Capital Management Limited (GKCM)	Investment management	31 December	Jamaica	75%
GraceKennedy Properties Limited (GKPL)	Property rental	31 December	Jamaica	75%
Allied Insurance Brokers Limited (AIB)	Insurance brokerage	31 December	Jamaica	100%
GK Insurance Brokers Limited (GKIB)	Insurance brokerage	31 December	Turks & Caicos	100%
GK General Insurance Company Limited (GKGIC)	General insurance	31 December	Jamaica	100%
Knutsford Re Limited (KRe)	Insurance	31 December	Turks & Caicos	100%
GK Insurance (Eastern Caribbean) Limited (GK EC)	General insurance	31 December	St. Lucia	89.3%
Key Insurance Company Limited	General insurance	31 December	Jamaica	73.2%
GK Life Insurance Eastern Caribbean Limited	Creditor life insurance	31 December	St. Lucia	100%
GK Life Insurance Caribbean Limited	Creditor life insurance	31 December	Barbados	100%

1. Identification and Principal Activities (Continued)

The Group's associates and joint ventures and countries of incorporation are as follows:

	Nature of Business	Financial Reporting Year-end	Country of Incorporation and Place of Business	Group's Percentage Interest
Associated companies				
CSGK Finance Holdings Limited	Banking	31 December	Barbados	50%
Canopy Insurance Limited	Insurance	31 December	Jamaica	50%
GK Mutual Funds Limited	Investment	31 December	Jamaica	50%

The financial statements were authorised for issue by the Directors on 28 March 2025. The Directors have the power to amend and reissue the financial statements.

2. Material Accounting Policies

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS®), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets, investment properties and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, amendments and interpretations and has put into effect the following, which are immediately relevant to its operations.

- Amendment to IFRS 16, Leases on sale and leaseback, included requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.

- Amendments to IAS 1, 'Presentation of financial statements.' These amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

- Amendment to IAS 7 and IFRS 7 - Supplier finance, required disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

At the date of authorisation of these financial statements a number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2025 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to IAS 21 - Lack of Exchangeability, (effective for accounting periods starting on or after 1 January 2025). This is relevant if an entity has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The Group is currently assessing the impact of these amendments.

- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective for accounting periods starting on or after 1 January 2026). These amendments:
  - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
  - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

  The Group is currently assessing the impact of these amendments

- Annual improvements to IFRS – Volume 11 (effective for accounting periods starting on or after 1 January 2026). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
  - IFRS 9 Financial Instruments;
  - IFRS 10 Consolidated Financial Statements; and
  - IAS 7 Statement of Cash Flows

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

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

• IFRS 19, 'Subsidiaries without Public Accountability: Disclosures,' (effective for accounting periods beginning on or after 1 January 2027). This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.

A subsidiary is eligible if:
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

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

2. Material Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisitions of subsidiaries which result from purchases from third parties are accounted for by using the purchase method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Acquisitions of entities under common control are accounted for using the pooling of interest method, as business combinations involving entities under common control are outside the scope of IFRS 3. Under the pooling of interests method, the assets, liabilities, and equity of the acquired enterprises are recognised at their carrying amounts on acquisition date and adjusted only as a result of conforming the combining enterprises' accounting policies and applying those policies to all periods presented. No goodwill is recognised under the pooling of interests method. Any differences between the purchase consideration and the share capital of the acquired entity are recorded as adjustment to other reserves in equity.

Comparative financial information and accounting disclosures for the prior accounting period are presented in the financial statements of the acquiring entity as if the acquisition had occurred from the beginning of the earliest comparative period.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

GraceKennedy Financial Group Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(b) Basis of consolidation (continued)

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Intercompany transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are stated in the Company's statement of financial position at cost.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Acquisitions of associates from companies under common control are accounted for using methodology analogous to the pooling of interest method. In applying this method, the assets and liabilities of the acquired associates are recognised at their carrying amounts on acquisition date, and any difference between the purchase consideration and the acquirer's share of the net assets acquired is recorded directly in equity.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of equity-accounted investments in tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associated companies' in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the profit or loss.
In the Company's statement of financial position, investments in associates are shown at cost.

2. Material Accounting Policies (Continued)

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in arriving at net profit or loss.

Changes in the fair value of monetary assets denominated in foreign currencies and classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in arriving at net profit or loss and other changes are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other reserves in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2. Material Accounting Policies (Continued)

(e) Financial assets

Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and,
- those to be measured at amortised cost.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Equity instruments held for trading are measured at fair value through profit or loss (FVPL).

The Group reclassifies debt investments only when its business model for managing those assets changes.

Measurement

Debt Instruments

Measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity Instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in the profit or loss.

2. Material Accounting Policies (Continued)

(e) Financial assets (continued)

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

The Group uses three scenarios that are probability weighted to determine ECL.

Application of the General Model

The Group has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Group is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; 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. ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Group uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

2. Material Accounting Policies (Continued)

(e) Financial assets (continued)

Impairment (continued)

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward-looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Expected Life

When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

(f) Loans and provision for credit losses

Loans are recognised when they are advanced to borrowers. They are initially recorded at cost, which is the cash given to originate a loan including any transaction costs and are subsequently measured at amortised cost using the effective interest yield method.

A provision for credit losses is established in accordance with the policy described in Note 2(e) above. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific provisions for credit losses, to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

For non-performing and impaired loans, the accrual of interest income based on the original terms of the loan is discontinued. For the banking subsidiary, Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require that interest on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The charge for the year between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

2. Material Accounting Policies (Continued)

(f) Loans and provision for credit losses (continued)

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of loans. Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(g) Property, plant, and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other property, plant and equipment are carried at cost less accumulated depreciation.

Increases in carrying amounts arising on revaluation are credited to other reserves in equity. Decreases that offset previous increases of the same asset are charged against other reserves; all other decreases are charged to profit or loss.

Depreciation is calculated on the straight-line basis to allocate assets' cost or revalued amounts to their residual values over their estimated useful lives as follows:

Freehold buildings	65 years
Leasehold improvements	5 – 10 years
Equipment & fixtures	3 – 10 years
Motor vehicles	3 – 5 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

2. Material Accounting Policies (Continued)

(h) Investment properties

Investment properties, principally comprising land and buildings, are held for long-term rental yields and capital appreciation, and are treated as long-term investments. They are measured initially at cost, including related transaction costs, and are subsequently carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Fair value gains or losses are recorded as other operating income in profit or loss.

(i) Intangible assets

Amortisation of intangible assets is calculated using the straight-line method to allocate the cost of the assets over the estimated useful lives and is recognised in administration expenses in profit or loss.

Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

Policy contracts

Policy contracts are amortised over their estimated useful life which is 15 years and are carried at cost less accumulated amortisation. The cost of policy contracts comprises its purchase price and any directly attributable cost of acquiring the asset.

Brands

Brands are recorded at cost and represent the value of the consideration paid to acquire well established and recognised brands. These costs are amortised over the estimated useful life of the brands, which ranges from 5 to 20 years.

Customer relationships and lists

Customer relationships are recorded at cost and represent the value of the consideration paid to acquire customer contracts and the related customer relationships with insurance clients. These costs are amortised over the estimated useful life of the relationships, which is between 5 to 15 years.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to eight years.

2. Material Accounting Policies (Continued)

(i) Intangible assets (continued)

Bancassurance agreements

Bancassurance agreements are recorded at cost and represent the value of the consideration paid to acquire the rights to have insurance products sold using banking distribution channels. These costs are amortised over the estimated useful life of the agreements, which is 10 years.

Licences

Licences are recorded at historical cost and represent the value of the consideration paid to acquire the rights to operate under the regulatory framework in territories where registered. These licences have indefinite lives and are subsequently carried at cost less accumulated impairment. The Group's policy on impairment is disclosed in Note 2(j) below.

(j) Impairment of non-current assets

Property, plant and equipment and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(k) Securities purchased/sold under resale/repurchase agreements

Securities sold under repurchase agreements and securities purchased under resale agreements are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(l) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

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

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

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

Investment tax credits are benefits received for investments in specific qualifying assets related to capitalised expenditure. Any portion of these tax credits which are received but not fully utilised in the same year are carried forward for offset against future taxes and are recognised similarly to unused tax credits as a deferred tax asset.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in profit and loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

2. Material Accounting Policies (Continued)

(m) Employee benefits

Pension obligations

The Group participates in a defined benefit plan and a defined contribution plan operated by GKL, and other defined contribution plans operated by certain subsidiaries. The plans are funded by payments from employees and the Group to trustee-administered funds, as determined by periodic actuarial calculations.

The defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The contributions paid by the Group are charged to income in the period to which they relate.

The defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The defined benefit obligation is measured at the present value of the estimated future outflows using discount rates based on market yields on government securities that have terms to maturity approximating the term of the related liability.

During 2014, GKL assumed the defined benefit pension obligations of all companies within the GraceKennedy Group participating in this scheme. As a result, GKL recognises the total pension assets and obligations in respect of this plan. Under this arrangement, the obligation of the participating subsidiaries is limited to regular monthly pension contributions. Contributions are recognised in profit or loss in the period in which they are incurred.

Other post-employment obligations

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment and is calculated annually by independent actuaries using the projected unit credit method. The obligation is measured at the present value of the estimated future outflows using discount rates based on market yields on government securities that have terms to maturity approximating the term of the related liability.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Equity compensation benefits

GKL operates equity-settled, share-based compensation plans in which the Group participates. Stock options and/or restricted stock grants are awarded to directors, senior executives, management, and key employees of the Group. The fair value of the employee services received in exchange for the grant of the options or restricted units is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options or restricted units granted, excluding the impact of non-market vesting conditions. When options are exercised or restricted units are vested, the proceeds received net of any transaction costs, or the value transferred, are credited to share capital of GKL.

2. Material Accounting Policies (Continued)

(m) Employee benefits (continued)

Incentive plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the results for the year after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(n) Trade and insurance receivables

Trade and insurance receivables are carried at original invoice amount (which represents fair value) less provision made for impairment of these receivables.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in profit or loss.

Refer to Note 2(e) for accounting policy in relation to impairment.

(o) Deferred policy acquisition costs

The costs of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subsequently amortised as premium and are earned over the life of the contracts. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

(p) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, items in the course of collection/payment, short term loans, other short-term, highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(q) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as bonds, equities, interest rates, foreign exchange, or other indices. These contracts are initially recognised at fair value on the date that they are entered into and are subsequently re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Derivatives are only used for economic hedging purposes and not as speculative investment. However, where derivatives do not meet the hedge accounting criteria under IFRS 9, Financial Instruments, they are accounted for at fair value through profit or loss.

(r) Payables

Payables are initially recognised at fair value and subsequently stated at amortised cost.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business

Insurance operations

Definition and Classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgment to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

All of the Group's insurance contracts transfer significant insurance risk. The Group does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17's requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. Reinsurance contracts held may contain non-distinct investment components and such amounts are not presented as part of the Group's revenue or insurance service expenses.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Group measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach ("PAA").

All references to insurance contracts in these consolidated financial statements apply to insurance and reinsurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Unit of account

The Group manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and profitability groups: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses judgment to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio.

Reinsurance contracts held are assessed for aggregation requirements at the line of business level. The Group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Recognition and derecognition (Continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

  i. the beginning of the coverage period of the group; and
  ii. the initial recognition of any underlying insurance contract.

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:

- extinguished; or
- the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as an adjustment to the Liability for Remaining Coverage (“LRC”), unless the conditions for the derecognition of the original contract are met.

The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
   i. is not within the scope of IFRS 17;
   ii. results in different separable components;
   iii. results in a different contract boundary; or
   iv. belongs to a different group of contracts;

b. the modification means that the contract no longer meets the eligibility criteria for that approach.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Recognition and derecognition (continued)

When an insurance contract is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Fulfillment cash flows and contract boundary

The fulfillment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability-weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
    i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Fulfillment cash flows and contract boundary (continued)

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

a. to that group; and
b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group. Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the Group could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

Before a group of insurance contracts is recognised, the Group could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Measurement

The Group uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the General Measurement Model ("GMM") based on qualitative assessment.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
b. decreased for insurance acquisition cash flows paid in the period;
c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d. increased for the amortization of insurance acquisition cash flows in the period recognised as insurance service expenses.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Measurement (continued)

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a. the remaining coverage; and
b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a. increased for ceding premiums paid in the period;
b. increased for broker fees paid in the period; and
c. decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfills insurance contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer. The Group adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non- performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are recognized as insurance service expenses.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Measurement (continued)

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are recognized as net income from reinsurance contracts held.

Insurance service result from insurance contracts issued

The Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts, except for groups of contracts for which the expected pattern of release of risk during the coverage period differs significantly from the passage of time. For these groups of contracts, the Company recognises insurance revenue based on the expected timing of incurred insurance service expenses. The amount of insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk) allocated to the period.

Insurance service expenses include the following:

a. incurred claims and benefits, reduced by loss component allocations;
b. other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
c. insurance acquisition cash flows amortisation;
d. changes that relate to past service – changes in the FCF relating to the LIC; and
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
f. insurance acquisition cash flows assets impairment.

Amortization of insurance acquisition cash flows is based on the passage of time. except for groups of contracts for which the expected pattern of release of risk during the coverage period differs significantly from the passage of time. For these groups, the Company amortises insurance acquisition cash flows based on the timing of recognition of insurance revenue. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Insurance service result from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. incurred claims recovery, reduced by loss-recovery component allocations;
c. other incurred directly attributable expenses;
d. changes that relate to past service – changes in the FCF relating to incurred claims recovery;
e. effect of changes in the risk of reinsurers' non-performance; and
f. amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Some reinsurance contracts held contain non-distinct investment components which do not relate to the provision of insurance services; therefore, such amounts are not presented as part of the Group's revenue or insurance service expenses.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. Broker fees are included within reinsurance expenses.

The Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

The Group chooses not to apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

GraceKennedy Financial Group Limited

Notes to the Financial Statements

31 December 2024

(expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Significant judgements and estimates in applying IFRS

Areas of potential judgment	Applicable to the Company
For insurance contracts issued measured under the PAA, management judgment might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgment is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgment is potentially applicable to the Group. The Group sets premiums considering recent experience. There are no recent circumstances where there have been onerous contracts. In 2023 and 2024, the Group reviewed gross combined ratios which indicated that contracts are expected to be profitable. All contracts measured by the Group in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.
An entity can use judgment to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfillment of the contracts.	The Group performs regular expense studies and uses judgment to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date, including insurance acquisition cash flow assets. The Company has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

Estimates and assumptions

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the consolidated financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods will be used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

GraceKennedy Financial Group Limited

Notes to the Financial Statements
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2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Estimates and assumptions (continued)

Discount rates
The bottom-up approach was used to derive the discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free was derived using government bond rates available in the market denominated in the same currency as the product being measured. Management uses judgment to assess liquidity characteristics of the liability cash flows. Insurance contracts are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

Observable market information is available for up to 5 years. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Smith-Wilson method.

The yield curves that were used to discount the estimates of future cash flows are as follows:

	2024			2023		
Product	**1 year**	**5 years**	**10 years**	**1 year**	**5 years**	**10 years**
General insurance (issued and reinsurance held)	5.74%	7.12%	8.28%	6.18%	6.07%	7.03%

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Estimates and assumptions (continued)

Estimates of future cash flows to fulfil insurance contracts (Continued)

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as the activity-based costing method. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Claims settlement-related expenses are typically allocated based on the number of claims expected.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

The Group projects estimates of future expenses relating to fulfillment of contracts using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the general insurance contracts, estimates of future claim payments are adjusted for inflation.

Methods used to measure insurance contracts

Judgment is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. Estimates are performed on an accident year basis.

In its claims incurred assessments, the Group uses internal data consisting of historical paid claims, case reserves, and allocated claims expenses. This information is used to develop ultimate incurred claims and allocated claim adjustment expense estimates by accident year. The Incurred Development, Bornhuetter-Ferguson and Expected Loss Ratio methods are used to arrive at the estimates of incurred but not reported claims, which are industry standards for this type of claim.

The Incurred Development method projects current reported incurred claims to their ultimate values by accident year based on historical incurred development patterns. The Bornhuetter-Ferguson gives some weight to historically based development patterns and the balancing weight to historically based expected ultimate loss ratios. The Expected Loss Ratio method derives the ultimate incurred losses by applying the expected loss ratios to the earned premium. This method gives no weight to the losses reported as at the valuation date.

2. Material Accounting Policies (Continued)

(s) Insurance contracts business (continued)

Estimates and assumptions (continued)

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The Group does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The cost of capital method was used to derive the overall risk adjustment for non-financial risk.

In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at 6% per annum, representing the return required to compensate for the exposure to non-financial risk. The capital is determined at a 99.5% confidence level, and it is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification in contracts sold across geographies, because this reflects the compensation that the entity requires.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2023: 75%). The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2023.

Insurance contracts are those contracts that transfer significant insurance risk. The Group's insurance contracts are classified as short-term insurance contracts which include casualty and property insurance contracts. Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the reporting date is reported as the unearned premium liability. Premiums are shown before deductible commission.

Claims and loss adjustments expenses are charged to net profit as incurred based on estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group. Statistical analysis is used to estimate claims incurred but not reported, as well as the expected ultimate cost of more complex claims that may be affected by external factors.

2. Material Accounting Policies (Continued)

(t) Insurance business provisions

Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, including claims incurred but not reported (IBNR), less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary on the basis of claims admitted and initiated.

Reinsurance ceded

The insurance subsidiaries cede insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from longer exposures. Reinsurance does not relieve the originating insurer of its liability. Reinsurance assets include balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums.

Amounts receivable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsurance policy. Reinsurance is recorded gross in the statement of financial position unless the right to offset exists.

Insurance reserves

Provision is made for that proportion of premiums written in respect of risks to be borne subsequent to the year-end under contracts of insurance entered into on or before the reporting date. Provision is also made to cover the estimated amounts in excess of unearned premiums required to meet future claims and expenses on business in force.

(u) Borrowings

Borrowings are recognised initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any differences between proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

(v) Leases

As lessee

The Group leases various offices, warehouses, equipment, and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Material Accounting Policies (Continued)

(v) Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and,
- Restoration costs.

As lessee (continued)
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalue its land and buildings that are presented within property, plant, and equipment, it has chosen not to do so for the right-of-use land and buildings held by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

The lease term is determined as the non-cancellable period of the lease and also takes account of extension and termination options if reasonably certain to be exercised. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

As lessor
When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

(w) Revenue recognition
Sales of services
The Group sells insurance and financial services to the general public. These services are provided on a time and fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue is generally recognised at the contractual rates. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

2. Material Accounting Policies (Continued)

(w) Revenue recognition (continued)

Fees and commission income are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

Asset management fees related to investment funds are recognised rateably over the period in which the service is provided.

Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Interest income
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income
Dividend income is recognised when the right to receive payment is established.

(x) Dividends
Dividends are recorded as a deduction from equity in the period in which they are approved.

(y) Financial instruments
Financial instruments carried on the statement of financial position include cash at bank and deposits, investment securities, securities purchased/sold under resale agreements, loans receivable, receivables, other assets, customer deposits, leases, loans payable, and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The fair values of the Group’s financial instruments are discussed in Note 30.

3. Insurance and Financial Risk Management

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

The Group assesses its risks based on the lines of business it operates in, Banking and Investments, Insurance, and Money Services and, through the subsidiaries within these lines of business, it designs its risk management policies to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors for each subsidiary is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Boards of each subsidiary have established committees/departments to appropriately manage and monitor the risks to which each line of business is exposed.

Asset and Liability Committee/Investment Committee
The Asset and Liability Committee (ALCO) and Investment Committee are responsible for monitoring and formulating investment portfolios and investment strategies for the banking and investment subsidiaries. ALCO is also responsible for monitoring adherence to trading limits. Other responsibilities of ALCO include:

- Monitoring management's adherence to policies and procedures that are established to ensure that the respective companies have adequate liquidity at all times;
- Monitoring and measuring capital adequacy for regulatory and business requirements;
- Establishing asset and liability pricing policies to protect the liquidity structure as well as assess the probability of various liquidity shocks and interest rate scenarios;
- Monitoring the statement of financial position and ensuring business strategies are consistent with liquidity requirements;
- Establishing and monitoring relevant liquidity ratios and statement of financial position targets; and,
- Ensuring full compliance with the respective companies' Asset and Liability Manual as it relates to the management of liquidity risk, interest rate risk and foreign exchange risk.

The minutes of the ALCO meetings are submitted to the Board of Directors.

Audit Committees
The Audit Committees oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committees are assisted in their oversight role by the Internal Audit department of GKL. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committees. The Audit Committees are also responsible for monitoring regulatory compliance.

Credit Committee
The Credit Committee of FGBL manages the subsidiary's credit portfolio. The Chairman and members of the committee are charged with the responsibility to approve credit within their designated limits and make recommendations to the Board of Directors.

3. Insurance and Financial Risk Management (Continued)

Risk and Capital Management Committee
The Risk and Capital Management Committee, a sub-committee of GKFGL's Board, oversees the Group's risk and capital management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal policies and guidelines, and external regulatory requirements.

(a) Insurance risk

The Group issues contracts that transfer insurance risk. This section summarises the risk and the way it is managed by the Group.

Insurance risk for the Group attributable to policies sold by its general and life insurance underwriting subsidiaries, is borne by those subsidiaries. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts is, however, concentrated within Jamaica.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, for general insurance contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for other assets and contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

Management sets policy and retention limits based on guidelines set by the Board of Directors of the subsidiaries. The policy limit and maximum net retention of any one risk for each class of general insurance per customer for the year are as follows:

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

	2024		2023	
	Policy Limit $'000	Maximum Net Retention $'000	Policy Limit $'000	Maximum Net Retention $'000
Commercial property:				
Fire and consequential loss	1,556,022	46,681	1,542,681	89,475
Boiler and machinery	933,613	7,002	925,608	6,942
Engineering	1,244,818	9,336	1,234,144	9,256
Burglary, money and goods in transit	46,681	46,681	38,567	37,752
Glass and other	46,681	46,681	38,567	37,752
Liability	840,252	46,681	462,804	46,280
Marine, aviation and transport	93,361	3,112	92,561	2,314
Motor	60,000	15,000	60,000	15,000
Pecuniary loss:				
Fidelity	46,681	46,681	38,567	37,752
Surety/Bonds	2,058,928	411,786	269,969	53,994
Personal accident	46,681	46,681	38,567	37,752
Personal property	1,556,022	46,681	617,072	92,561

Sensitivity analysis of actuarial liabilities

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

Actuarial Assumptions

(i) In applying the noted methodologies, the following assumptions were made:

- Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.

- There is no latent environmental or asbestos exposure embedded in the loss history.

- The case reserving and claim payments rates have and will remain relatively constant.

- The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by:

  - The majority of the reinsurance program consists of proportional reinsurance agreements.
  - The non-proportional reinsurance agreements consist primarily of high attachment points.

- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the insurance regulations.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity analysis of actuarial liabilities (continued)

(ii) Provision for adverse deviation assumptions

The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

Reserves have been calculated on an undiscounted basis as well as on a discounted basis with a risk load added in. Where the undiscounted reserve was larger than the discounted reserve including the calculated provision for adverse deviation, the undiscounted amount was chosen. This assumes that holding reserves at an undiscounted amount includes an implicit risk load.

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below summarises actual claims compared with previous estimates of the undiscounted amount of the claims and illustrates how the Group's estimate of the ultimate claims liability for accident years 2015 - 2023 has changed at successive year-ends, up to 2024. The Group presents information on the claims development for claims incurred 10 years before the reporting period and reconciles the liability for incurred claims presented in the table with the aggregate carrying amount of the groups of insurance contracts.

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Claims development – Insurance liability for incurred claims (continued)

	2015 & prior $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
At the end of accident year	4,562,226	1,630,066	1,833,062	2,642,477	1,865,116	2,818,174	2,982,559	3,784,637	4,383,242	5,023,059	
1 year later	4,427,917	1,669,442	1,994,545	2,948,800	2,766,170	2,367,285	2,748,196	3,019,836	3,963,383		
2 years later	4,309,659	1,676,307	2,257,756	2,757,606	2,477,629	2,391,044	2,781,819	3,491,195			
3 years later	4,232,554	1,729,743	2,253,454	2,610,755	2,510,100	2,385,766	2,970,447				
4 years later	4,183,897	1,724,528	2,159,602	2,677,927	2,515,664	2,452,475					
5 years later	4,078,423	1,656,942	2,148,727	2,678,079	2,603,482						
6 years later	3,939,788	1,650,617	2,175,000	2,740,627							
7 years later	3,943,527	1,672,752	2,191,215								
8 years later	3,948,888	1,686,302									
9 years later	3,986,513										
Estimates of undiscounted net cumulative claims	3,986,513	1,686,302	2,191,215	2,740,627	2,603,482	2,452,475	2,970,447	3,491,195	3,963,383	5,023,059	31,108,698
Cumulative net claims paid	(3,698,593)	(1,584,338)	(2,074,275)	(2,581,511)	(2,338,986)	(2,212,581)	(2,546,486)	(2,885,151)	(2,964,422)	(2,108,324)	(24,994,667)
Undiscounted net claims	287,920	101,964	116,940	159,116	264,496	239,894	423,961	606,044	998,961	2,914,735	6,114,031
Effect of discounting											284,598
Risk adjustment											321,150
Liability for incurred claims											6,719,779

3. **Insurance and Financial Risk Management (Continued)**

(a) **Insurance risk (continued)**

Sensitivity analysis to underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to how underwriting risk variables impact insurance liabilities before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	2024		
	Gross $'000	**Net $'000**	**Profit before taxation $'000**
10% increase in claims development factor	82,143	62,310	(62,310)
1% increase in inflation	73,683	67,895	(67,895)

	2023		
	Gross $'000	**Net $'000**	**Profit before taxation $'000**
10% increase in claims development factor	62,741	56,279	(56,279)
1% increase in inflation	69,863	63,994	(63,994)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Reinsurance risk

To limit its exposure to potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations, and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programmes used by the Group are summarised below:

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $3,112,000 and $411,786,000 (2023: $2,314,000 and $92,561,000).
b) The Group utilises reinsurance treaties to reduce its net retained risk. The risk is spread over several reinsurers all of whom are AM Best or S&P rated at A or better.
c) Excess of loss reinsurance is also purchased to cover the retained risk in the event of a catastrophe as well as for large motor losses.
d) The amount of reinsurance recoveries recognised during the period is as follows:

	Group	
	2024	**2023**
	$'000	**$'000**
Property	818,942	1,002,270
Motor	41,001	23,267
Marine	7,027	754
Liability	2,491	75,440
Pecuniary loss	(963)	902
Accident	(811)	(867)
	867,687	1,101,766

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The Group is primarily exposed to market risks including interest rate risk, price risk, and currency risk, and liquidity and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is an important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in investment and lending activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and industry segments.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit review process

The Group has established a credit quality review process and has credit policies and procedures which require regular analysis of the ability of borrowers and other counterparties to meet interest, capital and other repayment obligations.

(a) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be analysed individually for creditworthiness prior to the Group offering them a credit facility. Customers may be required to provide a banker's guarantee and credit limits are assigned to each customer. These limits are reviewed at least twice per year. The Group has procedures in place to restrict provision of services if credit worthiness criteria are not met. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis.

Customer credit risks are monitored according to credit characteristics such as whether it is an individual or company, geographic location, industry, ageing profile, and previous financial difficulties. Special negotiated arrangements may extend the credit period to a maximum of 3 months. Trade and other receivables relate mainly to the Group's retail and direct customers. The Group's average credit period for services provided is one (1) month.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Credit review process (continued)

(b) Loans and leases receivable

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

Rating	Description	
1	Low risk	– excellent credit history
2	Standard risk	– generally, abides by credit terms
3	Past due but not impaired	– late paying with increased credit risk
4	Credit impaired	– default

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

(c) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The insurance subsidiaries' Risk and Reinsurance Department assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(d) Premium and other receivables

The respective credit committees within the Group examine the payment history of significant contract holders with whom they conduct regular business. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal Audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis is carried out by the insurance subsidiaries' Risk and Reinsurance Department.

(e) Investments

External rating agency credit grades are used to assess credit quality. These published grades are continuously monitored and updated. Default probabilities and recovery rates are assigned as published by the rating agency.

The Group limits its exposure to credit risk arising from investments by adhering to the investment counterparty limits as approved by the ALCOs. Counterparty limits are reviewed and updated periodically.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets
The Group has four types of financial assets that are subject to the expected credit loss model:

- Trade and premium receivables
- Loans and leases receivable
- Debt investments carried at amortised cost, and
- Debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions and the identified impairment loss was immaterial.

Trade and premium receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for these assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it provides its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

	The Group		**The Company**	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Standard risk	5,062,811	7,440,416	370,869	570,140
Past due	2,286,676	2,208,315	-	-
Credit impaired	500,291	389,066	-	-
Gross carrying amount	7,849,778	10,037,797	370,869	570,140
Loss allowance	(538,352)	(368,096)	-	-
Carrying amount	7,311,426	9,669,701	370,869	570,140

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Trade and premium receivables (continued)

Loss allowance
The loss allowance for trade and premium receivables as at 31 December was determined as follows:

	2024			2023		
	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate
Less than 1 month	4,039,196	64,526	1.60%	6,382,205	103,634	1.26%
Within 1 to 3 months	1,557,047	5,157	0.33%	1,902,180	10,296	0.54%
Over 3 months	2,253,535	468,669	20.80%	1,753,412	254,166	14.50%
	7,849,778	538,352		10,037,797	368,096	

The closing loss allowances for trade and premium receivables reconcile to the opening loss allowances as follows:

	The Group	
	2024 $'000	2023 $'000
At 1 January	365,096	276,517
Movement recognised in profit and loss	180,100	97,634
Receivables written off as uncollectible	(9,844)	(6,055)
At 31 December	538,532	368,096

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, failure to make contractual payments for a period greater than two years, and alternative methods of debt collection have been exhausted.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited in other operating income.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees)
The Group applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on loans and leases, and makes estimations about likelihood of defaults occurring, associated loss ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for a portfolio of assets.

- Probability of Default - This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- Exposure at Default - This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.

- Loss Given Default – The LGD represents expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The 'three stage' model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12-month PD, which represents the probability that the financial asset will default within the next 12 months.

- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition but are not credit impaired. The ECL is measured using a lifetime PD.

- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

Transfer between stages
Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment. This assessment is done on a case-by-case basis.

The Group considers forward looking information in determining the PDs of financial assets. Forward looking information having significant impact on the ECL is described in further detail under that heading.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Significant Increase in Credit Risk (SICR)
The Group considers a financial asset to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

Qualitative Criteria
- Deterioration in the Borrower's Risk Rating (BRR) below established threshold
- Material misrepresentation or inaccurate warranty
- Failure to comply with provisions of any statute under which the borrower conducts business
- Borrower enters into a scheme of arrangement
- Actual or expected restructuring
- Previous arrears in excess of 60 days within the last six months
- Early signs of cash flow/liquidity problems
- Expected significant adverse change in operating results of the borrower

However, the assessment of significant increase in credit risk and the above criteria will differ for different types of lending arrangements.

Loan commitments are assessed along with the category of loan the Group is committed to provide.

The assessment of SICR is performed for individual loans, taking into consideration the sector grouping of the individual exposures, and incorporates forward-looking information. This assessment is performed on a quarterly basis.

Backstop
Irrespective of the above qualitative assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has monitoring procedures in place to assess whether the criteria used to identify SICR continues to be appropriate.

The Group utilised the low credit risk exemption for financial assets.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Credit Impaired Assets
The Group defines a financial instrument as credit impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria as outlined below, which indicates the borrower is in significant financial difficulty:

- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Concessions have been made by the lender relating to the borrower's financial difficulty.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of 'credit impaired' used for internal credit risk management purposes.

Measuring the ECL – Inputs, Assumptions and Estimation Techniques
The ECL is determined by projecting the PD, LGD, and EAD, which are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12 month PD is calculated by observing the rate of historical default within the first year of a portfolio of loans and adjusted for the expected impact of forward looking economic information.

The lifetime PD is calculated by observing the rate of historical default over the life of a portfolio of loans and adjusted for the impact of forward-looking economic information.

The EAD for amortising and bullet repayment loans is based on the contractual repayments over a 12 month or lifetime basis.

The EAD for revolving products, such as credit cards, revolving loans and overdrafts is estimated by taking the current drawn balance and the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Measuring the ECL – Inputs, Assumptions and Estimation Techniques (continued)
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.

Forward looking economic information is also included in determining the 12-month and lifetime EAD and LGD.

Forward Looking Information
The assessment of SICR and the calculation of ECL both incorporate forward-looking information that is available without undue cost or effort. The Group uses external information including economic data and forecasts published by governmental bodies and the central bank. The information published however does not cover the Group’s credit risk exposure period and judgement was applied when incorporating these forecasts into our models. The Group started with historical data of approximately 3 years in which a relationship between macro-economic indicators and default rates was developed. Judgement was applied in cases where a strong relationship between these key economic variables and expected credit losses was not identified based on the historical data used.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial asset. Forecasts of these economic variables are reviewed on a quarterly basis. 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 also assesses other possible scenarios along with scenario weightings. The Group uses a total of three scenarios for each portfolio of loans (base, upside, downside). The scenario weightings are determined using judgment. The base case is the single most-likely expected outcome. The Group measures ECL as a probability weighted ECL.

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

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Forward Looking Information (continued)
The most significant period end assumptions used in determining the ECL as at the reporting date are set out below.

Economic factor	Scenarios	Range 2024	Range 2023
Gross Domestic Product (GDP)	Base	2.3% to 0.2%	1.3% to 2.3%
	Upside	4.3% to 2.2%	3.3% to 4.3%
	Downside	0.3% to (1.8%)	(0.7%) to 0.3%
Unemployment Rate	Base	4.5% to 4.2%	6.6% to 4.5%
	Upside	2.5% to 2.2%	4.6% to 2.5%
	Downside	6.5% to 6.2%	8.6% to 6.5%

The underlying models and their calibration, including how they react to forward-looking economic conditions was based on the relationship of the Group's existing portfolio to these variables and remains subject to review and refinement as the Group builds data.

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
Forward looking indicators having the most significant impact on the ECL are GDP growth and unemployment rate. Set out below are the changes to the ECL as at 31 December 2024 and 31 December 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.

Forward Looking Indicator	Change in basis points:	Effect on ECL 2024 $'000	Effect on ECL 2023 $'000
GDP growth	+ 100bp	12,021	13,220
GDP growth	- 100bp	(12,021)	(13,220)
Unemployment rate	+ 100bp	(1,793)	(909)
Unemployment rate	- 100bp	1,793	909

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Portfolio Segmentation

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

Exposures are grouped according to product type (term loans, overdrafts, credit cards, revolvers, guarantees and loan commitments) and industry (for example, manufacturing and distribution, tourism, personal loans).

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

Stage 3 loans are assessed on an individual basis for impairment.

Maximum Exposure to Credit Risk

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which it is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial assets such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group’s exposure to credit losses to the contractual notice period. For such financial assets the Group measures ECL over the period that it is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial assets do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial assets. This is because these financial assets are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL.

The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Maximum Exposure to Credit Risk (continued)
The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	2024			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Standard risk	30,525,739	7,340,635	-	37,866,374
Past due	4,663,209	1,865,181	216,369	6,744,759
Credit impaired	-	-	1,232,997	1,232,997
Guarantees, letters of credit and letters of undertaking	-	2,463,903	-	2,463,903
Gross carrying amount	35,188,948	11,669,719	1,449,366	48,308,033
Loss allowance	(477,427)	(548,319)	(768,907)	(1,794,653)
Carrying amount	34,711,521	11,121,400	680,459	46,513,380

	2023			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Standard risk	28,602,164	7,597,490	31,632	36,231,286
Past due	3,029,739	1,928,040	86,860	5,044,639
Credit impaired	-	-	1,532,188	1,532,188
Guarantees, letters of credit and letters of undertaking	-	2,417,948	-	2,417,948
Gross carrying amount	31,631,903	11,943,478	1,650,680	45,226,061
Loss allowance	(454,311)	(536,061)	(807,111)	(1,797,483)
Carrying amount	31,177,592	11,407,417	843,569	43,428,578

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

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

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

- Mortgages over residential and commercial properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges and hypothecations over deposit balances and financial instruments such as debt securities and equities

The Group also obtains guarantees from parent companies for loans to their subsidiaries and from individual owners for loans to their companies.

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

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held during its annual reviews of individual credit facilities as well as during its review of the adequacy of the provision for credit losses.

As at 31 December 2024, the fair value of collateral held in respect of credit impaired financial assets is $1,718,790,000 (2023 - $1,739,410,000).

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Loss allowance
The loss allowance recognised in the period is impacted by a variety of factors. The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
At 1 January 2024	454,310	536,061	807,111	1,797,483
Movements with profit or loss impact:				
Transfers:				
Transfer from Stage 1 to Stage 2	(6,369)	26,358	-	19,989
Transfer from Stage 1 to Stage 3	(605)	-	11,235	10,630
Transfer from Stage 2 to Stage 1	7,130	(25,925)	-	(18,795)
Transfer from Stage 2 to Stage 3	-	(8,697)	63,090	54,393
New financial assets originated	189,174	10,729	-	199,903
Changes in PDs/LGDs/EADs	(78,916)	30,259	145,451	96,794
Financial assets derecognised during the period	(87,301)	(20,466)	(206,776)	(314,543)
Direct write-offs	-	-	288,129	288,129
Recoveries	-	-	(49,314)	49,314)
Loss allowance recognised in profit or loss	23,113	12,258	251,815	287,186
Other movements:				
Net write-offs against provision	-	-	(290,015)	(290,015)
At 31 December 2024	477,423	548,319	768,912	1,794,654

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Loss allowance (continued)

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
At 1 January 2023				
Movements with profit or loss impact:	396,585	630,596	616,804	1,643,985
Transfers:				
Transfer from Stage 1 to Stage 2	(14,616)	48,588	-	33,972
Transfer from Stage 1 to Stage 3	(330)	-	13,953	13,623
Transfer from Stage 2 to Stage 1	15,869	(61,597)	-	(45,728)
Transfer from Stage 2 to Stage 3	-	(19,627)	40,786	21,159
New financial assets originated	141,262	22,183	-	163,445
Changes in PDs/LGDs/EADs	(12,563)	(37,536)	177,512	127,413
Financial assets derecognised during the period	(71,897)	(46,546)	(41,943)	(160,386)
Direct write-offs	-	-	214,613	214,613
Recoveries	-	-	(36,344)	(36,344)
	57,725	(94,535)	368,577	331,767
Other movements:				
Net write-offs against provision	-	-	(178,269)	(178,269)
At 31 December 2023	454,310	536,061	807,112	1,797,483

Loans and leases are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity, and where the Group's recovery method is foreclosing on collateral, and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off account balances that are still subject to the enforcement activity, based on a reasonable expectation of amounts recoverable. The outstanding contractual amounts of such assets written off during the year ended 31 December 2024 was $288,129,000 (2023 - $214,613,000).

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Impairment of Financial Assets (continued)

Loans and Leases (including loan commitments and guarantees) (continued)

Concentration of credit risk
The following table summarises the Group's credit exposure for loans and leases, premium and trade receivables at their carrying amounts, as categorised by the customer sector:

	2024 $'000	2023 $'000
Public sector	126,063	81,331
Professional & other services	7,380,624	6,064,551
Personal	21,188,775	17,901,879
Agriculture, fishing & mining	1,685,554	1,701,420
Construction & real estate	5,230,618	4,722,960
Electricity, gas and water	955,403	1,387,753
Distribution	3,926,972	3,360,470
Manufacturing	2,631,037	3,392,027
Transportation	1,862,423	1,686,500
Tourism & entertainment	1,758,146	1,879,036
Financial institutions & money services	3,617,338	3,463,244
Brokers and agents	1,709,526	2,189,193
Reinsurers and coinsurers	326,403	2,545,469
Supermarket chains and wholesalers	28,548	17,604
Retail and direct customers	26,709	287,517
Other	1,055,943	918,844
	53,510,082	51,599,798
Loss allowance	(2,333,006)	(2,165,579)
	51,177,076	49,434,219
Interest receivable	270,942	360,703
	51,448,018	49,794,922

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Debt investments
The Group uses external credit ratings as published by established rating agencies in its assessment of the probability of default on debt investments. The PDs and LGDs for government and corporate bonds have been developed by the rating agencies based on statistics on the default, loss and rating transition experience of government and corporate bond issuers. The loss allowance on debt investments carried at amortised cost and FVOCI is measured using lifetime PDs. The credit ratings and associated PDs are reviewed and updated on quarterly basis.

Based on available credit ratings for sovereign and corporate debts, the debt securities were classified in stage 2 as they were below investment grade as defined by reputable rating agencies.

Maximum exposure to and concentration of credit risk
The following table summarises the Group's credit exposure for debt investments at their carrying amounts, as categorised by issuer:

	2024 $'000	2023 $'000
At amortised cost -		
Government of Jamaica	2,929,988	3,232,285
Corporates	8,966,316	7,721,644
Other governments	1,789,933	235,258
Bank of Jamaica	14,709,598	13,370,596
Other	953,272	2,068,131
	29,349,107	26,627,914
At fair value through other comprehensive income -		
Government of Jamaica	3,266,646	4,424,088
Corporates	2,129,026	1,779,587
Other governments	979,572	1,773,968
	6,375,244	7,977,643
	35,724,351	34,605,557

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(i) Credit risk (continued)

Debt securities at amortised cost

The loss allowance for debt securities at amortised cost reconciles from the opening loss allowance on 1 January to the closing loss allowance as at 31 December as follows:

	The Group	
	2024	**2023**
	$'000	**$'000**
At 1 January	219,107	186,136
Loss allowance recognised in profit or loss	89,720	32,971
At 31 December	308,827	219,107

Debt securities at fair value through other comprehensive income

The loss allowance for debt securities at fair value through other comprehensive income is recognised in profit or loss and reduces the fair value movement otherwise recognised in other comprehensive income.

The loss allowance for debt securities at fair value through other comprehensive income reconciles from opening loss allowance on 1 January to the closing loss allowance as at 31 December as follows:

	The Group	
	2024	**2023**
	$'000	**$'000**
At 1 January	48,538	97,527
Loss allowance recognised in profit or loss	(25,919)	(48,991)
At 31 December	22,619	48,538

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury and Investment Departments of the respective companies, includes:

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and,

(vi) Managing the concentration, profile, and maturities of interest-bearing liabilities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Liquidity gap reports are monitored by the Asset and Liability Committees (ALCO) of the Banking and Investment subsidiaries on a monthly basis to ensure there are no breaches of the established gap limits.

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

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

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows
The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial liabilities based on contractual repayment obligations, and contractual maturity dates.

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2024		
Customer deposits	56,748,849	12,023,893	813,644	-	69,586,386
Securities sold under repurchase agreements	76,327	-	-	-	76,327
Borrowings and leases	82,593	1,084,001	4,468,973	1,356,924	6,992,491
Customer guarantees	223,297	-	-	-	223,297
Insurance Contract liabilities	1,821,406	3,780,142	5,050,777	994,820	11,647,145
Other liabilities	5,686,625	4,785,022	-	-	10,471,647
Total financial liabilities	64,639,097	21,673,058	10,333,394	2,351,744	98,997,293

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2023		
Customer deposits	52,215,972	9,571,666	191,153	-	61,978,791
Securities sold under repurchase agreements	324,278	411,293	-	-	735,571
Borrowings and leases	1,006,690	1,205,845	3,965,861	1,625,966	7,804,362
Customer guarantees	177,342	-	-	-	177,342
Insurance Contract liabilities	781,588	2,344,764	7,216,267	601,479	10,944,098
Other liabilities	6,215,342	3,165,813	-	-	9,381,156
Total financial liabilities	60,721,212	16,699,382	11,373,281	2,227,445	91,021,320

The Company's financial liabilities comprise payables which are all due within 3 months of the year end.

Assets available to meet all of the liabilities include cash at bank and deposits, investment securities, securities purchased under agreements to resell and loans to customers. In the normal course of business, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from related parties and other financing institutions.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates and are monitored by ALCO. Extensive research is carried out by the Treasury and Finance departments of the subsidiaries on the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

Currency risk

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

The Group manages its foreign exchange risk by establishing foreign currency position limits which are monitored by management committees in the respective subsidiaries. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

The tables below summarise the currencies in which the Group's financial assets and liabilities are denominated as at 31 December:

	The Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**$'000**
	2024						
Financial Assets							
Cash at bank and deposits	20,228,579	7,633,309	156,205	94,661	61,917	5,365,029	33,539,700
Securities purchased under agreements to resell	1,774,412	2,186,844	-	-	-	-	3,961,256
Receivables and other assets	4,092,833	2,649,624	1,664	2,620	1,543	1,281,420	8,029,704
Investment securities	11,696,862	23,344,251	-	-	-	1,904,000	36,945,113
Loans, net of provision for credit losses	40,977,619	4,056,108	-	-	-	9,956	45,043,683
Customer liability under guarantees	223,297	-	-	-	-	-	223,297
Total financial assets	78,993,602	39,870,136	157,869	97,281	63,460	8,560,405	127,742,753
Financial Liabilities							
Customer deposits	40,150,674	28,560,336	308,293	155,310	59,609	-	69,234,222
Securities sold under repurchase agreements	75,000	-	-	-	-	-	75,000
Loans payable and finance lease	5,442,596	1,124,072	-	-	-	73,233	6,639,901
Customer guarantees	223,297	-	-	-	-	-	223,297
Insurance Contract liabilities	9,403,762	1,868,488	-	-	-	374,895	11,647,145
Other liabilities	6,648,641	2,773,549	(36,436)	44,326	78,661	494,438	10,003,179
Total financial liabilities	61,943,970	34,326,445	271,857	199,636	138,270	942,566	97,822,743
Net financial position	17,049,632	5,543,691	(113,988)	(102,355)	(74,810)	7,617,839	29,920,010

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

	The Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**$'000**
				2023			
Financial Assets							
Cash at bank and short-term investments	12,835,457	8,504,527	612,429	299,591	162,944	5,401,456	27,816,405
Securities purchased under agreements to resell	1,497,183	3,145,245	-	-	-	-	4,642,428
Receivables and other assets	4,435,030	2,411,971	3,307	856	878	1,328,504	8,180,546
Investment securities	17,245,855	19,266,865	(1,745)	(2,869)	-	2,040,402	38,548,508
Loans, net of provision for credit losses	37,519,324	3,963,071	-	-	-	9,869	41,492,264
Customer guarantees	141,308	36,034	-	-	-	-	177,342
Total financial assets	73,674,157	37,327,714	613,991	297,578	163,822	8,780,231	120,857,493
Financial Liabilities							
Customer deposits	32,188,781	28,946,397	311,658	160,920	109,909	-	61,717,666
Securities sold under repurchase agreements	735,571	-	-	-	-	-	735,571
Borrowings and leases	6,616,582	1,070,690	276	-	-	116,814	7,804,362
Customer guarantees	141,308	36,034	-	-	-	-	177,342
Insurance Contract liabilities	10,041,938	456,481	-	-	-	445,679	10,944,098
Bank overdraft	-	-	-	-	-	-	-
Other liabilities	5,326,981	3,035,718	192,223	58,078	147,519	990,676	9,347,171
Total financial liabilities	55,051,161	33,545,320	504,156	218,998	257,428	1,553,170	90,726,209
Net financial position	18,622,996	3,782,394	109,835	78,580	(93,606)	7,227,061	30,131,283

The Company had no exposure to foreign currency risk in current and prior year.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The above tables indicate the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and the corresponding impact on income and other comprehensive income (OCI) resulting from a 4% (2023 - 4%) depreciation and a 1% (2023 – 1%) appreciation of the Jamaican dollar against the US dollar. The effects on profit before tax shown are the totals of the changes to the values for each foreign currency denominated monetary item. Sensitivity analysis was performed on an individual basis for each category.

	2024		2023	
	Change in Currency Rate	Effect on Profit before Tax $'000	Change in Currency Rate	Effect on Profit before Tax $'000
Currency:				
US$				
Depreciation	4%	221,748	4%	141,296
Appreciation	-1%	(55,437)	-1%	(37,824)
GBP				
Depreciation	4%	4,560	4%	4,393
Appreciation	-1%	(1,140)	-1%	(1,098)
CAD				
Depreciation	4%	4,094	4%	3,143
Appreciation	-1%	(1,024)	-1%	(786)
EURO				
Depreciation	4%	(2,992)	4%	(3,744)
Appreciation	-1%	748	-1%	936

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

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

The Group takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on their financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored by ALCOs.

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

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

	The Group				
	Within 3 Months $'000	3 to 12 Months $'000	Greater than 12 months $'000	Non rate sensitive $'000	Total $'000
			2024		
Financial Assets					
Cash at bank and deposits	20,992,297	-	-	12,547,403	33,539,700
Receivables	-	-	-	8,029,704	8,029,704
Investment securities	7,933,340	13,346,465	14,811,945	853,363	36,945,113
Securities purchased under resale agreements	3,961,256	-	-	-	3,961,256
Loans, net of provision for credit losses	5,491,227	4,758,861	34,775,096	18,499	45,043,683
Guarantees, letters of credit and letters of undertaking	-	-	-	223,297	223,297
Total financial assets	38,378,120	18,105,326	49,587,041	21,672,266	127,742,753
Financial Liabilities					
Customer deposits	56,318,268	12,103,157	812,795	-	69,234,220
Securities sold under repurchase agreements	75,000	-	-	-	75,000
Customer guarantees	-	-	-	223,297	223,297
Loans payable and finance lease	699,612	447,762	5,492,527	-	6,639,901
Insurance contract liabilities	-	-	-	11,647,146	11,647,146
Other liabilities	-	-	-	10,471,647	10,471,647
Total financial liabilities	57,092,880	12,550,919	6,305,322	22,342,090	98,291,211
Total interest repricing gap	(18,714,760)	5,554,407	43,281,719	(669,824)	29,451,542
Cumulative gap	(18,714,760)	(13,160,353)	30,121,366	29,451,542	

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3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	The Group				
	Within 3 Months $'000	**3 to 12 Months $'000**	**Greater than 12 months $'000**	**Non rate sensitive $'000**	**Total $'000**
			2023		
Financial Assets					
Cash at bank and short-term investments	9,093,259	-	-	18,723,146	27,816,405
Other assets	15,626,935	6,753,873	16,401,353	(3,233,653)	35,548,508
Investment securities	4,642,428	-	-	-	4,642,428
Securities purchased under resale agreements	-	-	-	7,774,653	7,774,653
Loans, net of provision for credit losses	4,844,693	4,924,739	31,704,479	18,352	41,492,264
Guarantees, letters of credit and letters of undertaking	-	-	-	177,342	177,342
Total financial assets	34,207,315	11,678,613	48,105,832	23,459,840	117,451,600
Financial Liabilities					
Customer deposits	51,917,607	10,064,786	(264,727)	-	61,717,666
Securities sold under repurchase agreements	735,571	-	-	-	735,571
Borrowings and leases	930,454	431,513	6,295,895	146,500	7,804,362
Customer guarantees	-	-	-	177,342	177,342
Claims outstanding	-	-	-	10,944,098	10,944,098
Other liabilities	-	-	-	9,381,158	9,381,158
Total financial liabilities	53,583,632	10,496,299	6,031,168	20,649,098	90,760,197
Total interest repricing gap	(19,376,317)	1,182,314	42,074,664	28,810,742	26,691,403
Cumulative gap	(19,376,317)	(18,194,003)	23,880,660	26,691,403	

The Company is not significantly exposed to interest rate risk.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity
The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's income and shareholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of shareholders' equity is calculated by remeasuring fixed rate investments held and classified on the statement of financial position as fair value through profit and loss or fair value through other comprehensive income for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be tested on an individual basis. It should be noted that movements in these variables are non-linear.

	2024			2023	
Change in basis points	**Net effect on Income $'000**	**Net effect on Equity $'000**	**Change in basis points**	**Net effect on Income $'000**	**Net effect on Equity $'000**
JMD/Other			**JMD/ Other**		
-50 / -50	120,064	(85,382)	-25 / -25	55,637	(37,975)
+25 / +25	(60,032)	42,727	+25 / +25	(55,637)	37,975

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of equity investments held and classified on the statement of financial position as fair value through profit and loss or fair value through other comprehensive income. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact of a +6%/-2% (2023 – +6%/-3%) change in the quoted prices for these equities would be an increase or decrease in the carrying value of +$40,700,000/ -$13,600,000 (2023 – +$30,600,000 / -$30,600,000) in other comprehensive income.

The Company is not exposed to price risk.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iv) Capital management

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

(i) To comply with the capital requirements set by the regulators in the markets within which the Group entities operate;

(ii) To safeguard the ability of each of the Group entities to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and,

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

Group entities are subject to the following requirements:

Banking and investment subsidiaries
Capital adequacy and the use of regulatory capital are monitored by management and the required information is filed regularly with the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC).

The BOJ requires the banking subsidiary to:

(i) Hold the minimum level of regulatory capital as a percentage of total assets of 8%; and,
(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The FSC requires the investment services subsidiary to:

(i) Hold the minimum level of regulatory capital as a percentage of total assets of 6%; and,
(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The regulatory capital as managed by the subsidiaries' ALCOs is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and negative fair value reserves are deducted in arriving at Tier 1 capital; and,
(ii) Tier 2 capital: general provisions for loan losses on assets limited to 1.25% of risk-weighted assets.

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

The various entities in the banking and investment line of business met the regulatory requirements which they were subject to.

3. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

(iv) Capital management

Insurance subsidiaries

The insurance subsidiaries' objectives when managing capital are:

(i) To comply with the capital requirements set by the regulators in the insurance markets within which the insurance subsidiaries operate;
(ii) To safeguard their ability to continue as a going concern so that they can continue to provide returns for stockholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of business.

Capital adequacy is managed by the subsidiaries' management. The Group seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT) which is used by the FSC to determine the solvency of the insurance subsidiaries in Jamaica.

A revised calculation of the MCT came into effect on 22 December 2023 as prescribed by Insurance (Amendment) Regulations, 2023. The revised calculation stipulated a required MCT of 150%. The MCT disclosed below was calculated using the revised test.

	The Group	
	2024	**2023**
Actual MCT- GK General Insurance Company Limited (GKGIC)	186.01%	166.57%
Minimum Required MCT percentage - GKGIC	150%	150%
Actual MCT - Key Insurance Company Limited (KICL)	197.54%	186.88%
Minimum Required MCT percentage - KICL	150%	150%

In relation to the Eastern Caribbean general insurance subsidiary. The subsidiary manages its capital on the basis of 150% of its minimum regulatory capital position. Management considers the quantitative threshold of 150% sufficient to maximise shareholders' return and to support the capital required. The minimum required regulatory capital held by the subsidiary is XCD 750,000 (2023: XCD 750,000).

All insurance subsidiaries were in compliance with the minimum capital requirements as at 31 December 2024 and 2023.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). A number of significant judgments are also required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate assumptions for the measurement of expected credit losses;
- Developing a range of unbiased future economic scenarios and relative weightings; and,
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses is further detailed in note 3(b), which also sets out key sensitivities of the expected credit losses to changes in these elements.

General Insurance

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the Group based on contracts for the insurance business in force at the reporting date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amounts that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Life Insurance
The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made regarding the expected number of claims for each of the years in which the Group is exposed to risk. These estimates are based on standard industry and international mortality and morbidity tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the insurance subsidiary's own experience. The estimated number of claims determines the value of the benefit payments and the value of the valuation premiums.

Fair value of land and buildings
The fair values of freehold properties were derived using the sales comparison approach, which references market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The most significant input into this valuation approach is price per square foot. Significant increases (decreases) in estimated price per square foot in isolation would result in a significantly higher (lower) fair value.

Investment properties
Investment properties are carried in the statement of financial position at market value. The Group uses independent qualified property appraisers to value its investment properties annually, generally using the income approach and sales comparison approach. The income approach takes into consideration various assumptions and factors including the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. The sales comparison approach considers recent comparable sales and adjusts for differences in time of sale, size, age, location, and condition of the property. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

Pension and post–employment benefits
The cost of post-employment benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for post-employment benefits include the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for post-employment benefits. The appropriate discount rate is determined at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligations. In determining the appropriate discount rate, the interest rate of government bonds that are denominated in the currency in which the benefits will be paid are considered, and that have terms to maturity approximating the terms of the related liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Other key assumptions for the post-employment benefits cost and credits are based in part on current market conditions.

Critical judgement in determining the lease term
Extension and termination options are included in the property leases (office buildings). The extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (extension option) or not terminated (termination option). The assessment of whether the Bank is reasonably certain to exercise an extension option, or not to exercise a termination option is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Bank.

The management has applied judgment for office buildings, extension options were included as it was reasonably certain that the Group will continue the lease beyond the stated lease term.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised deferred tax assets on tax losses carried forward as it anticipates making future taxable income to offset these losses.

5. Cash at Bank and Short-Term Investments

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash at bank	15,698,853	12,904,477	816,036	529,912
Cash with courier	2,769,652	3,311,519	-	-
Short term investments	7,005,297	2,386,330	-	-
	25,473,802	18,602,326	816,036	529,912
Statutory reserves with Bank of Jamaica	6,936,152	6,502,294	-	-
Cash held as collateral and other restricted cash accounts	1,129,746	2,711,785	-	-
	33,539,700	27,816,405	816,036	529,912

Statutory reserves with the Bank of Jamaica are held in compliance with Sections 43 and 44 of The Banking Services Act, 2014, which requires that every licensee maintains a cash reserve with the Bank of Jamaica.

A prescribed minimum of 6% (2023 - 6%) of Jamaica dollar currency deposit liabilities and 14% (2023 - 14%) of foreign currency deposit liabilities is required to be maintained as cash reserves by the Company's bank subsidiary in liquid assets of which 5% (2023 – 5%) must be maintained as cash reserves for Jamaican dollar currency and 13% (2023 – 13%) for foreign currency cash reserves. No portion of the cash reserve is available for investment, lending or other use by the Group or the banking subsidiary.

6. Securities Purchased under Agreements to Resell

The Group enters into reverse repurchase agreements collateralised by Government of Jamaica securities and BOJ certificates of deposit. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations.

	The Group	
	2024	**2023**
	$'000	**$'000**
Reverse repurchase agreements	3,921,165	4,553,363
Interest receivable	40,091	89,065
	3,961,256	4,642,428

The balance above pertains to securities purchased under agreements to resell with original maturities of 90 days or less. These are regarded as cash and cash equivalents for the purposes of the statement of cash flows.

The balance of the account matures within the next 12 months.

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7. Receivables and Other Assets

	Group		Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables, less provision for impairment	4,449,351	4,864,873	-	-
Due from insurance agents and brokers	1,003,580	1,255,785	-	-
Reinsurance contract assets (a)	255,601	95,179	-	-
Receivable from related partes (Note 34)	437,618	1,571,290	370,869	570,140
Items in the course of collection	75,223	219,431	-	-
Prepayments	689,690	498,960	-	-
Other receivables	1,808,331	500,515	621,375	772,664
	8,719,394	8,637,937	992,244	1,342,804

The fair values of trade and other receivables approximate carrying values. All receivable balances are due within the next 12 months.

(a) Reinsurance contract assets/(liabilities):

	Group	
	2024	**2023**
	$'000	**$'000**
Reinsurance held asset for remaining coverage		
Brought forward	(1,722,935)	(1,096,604)
Reinsurance expenses	(6,561,193)	(5,904,513)
Premiums and other directly attributable expenses paid	5,071,869	5,279,998
Exchange difference	243	(1,816)
Carried forward	(3,212,016)	(1,722,935)
Reinsurance held asset for incurred claims - Present value of future cash flows		
Brought forward	1,680,080	1,621,869
Claims outstanding	1,905,459	1,774,985
Actuarial claims adjustment	(127,550)	-
Discount	(97,829)	(153,116)
Incurred claims recovery	970,016	1,037,175
Recoveries from reinsurance	(39,284)	(1,034,408)
Finance income recognised in P&L	(10,873)	55,321
Exchange difference	58	123
Carried forward	2,599,997	1,680,080
Claims outstanding	2,836,249	1,905,485
Claims adjustment	(127,550)	(127,550)
Discount	(108,702)	(97,855)
Reinsurance held asset for incurred claims - Risk adjustment		
Brought forward	138,034	72,968
Incurred claims recovery - risk adjustment	(11,403)	65,060
Exchange difference	9	6
Carried forward	126,640	138,034
Total Reinsurance contract (liabilities)/assets (net)	(485,379)	95,179
Reinsurance contract assets (gross)	255,601	95,179
Reinsurance contract liabilities (gross) (Note 19)	(740,980)	-
	(485,379)	95,179

8. Investment Securities

	The Group	
	2024	**2023**
	$'000	**$'000**
At amortised cost:		
Issued by the Government of Jamaica	2,929,988	3,232,285
Bank of Jamaica certificates of deposits	14,709,598	13,370,596
Corporate bonds	8,966,316	7,721,644
Other Caricom countries' securities	1,789,933	235,258
Other instruments	953,272	2,068,131
	29,349,107	26,627,914
At fair value through other comprehensive income:		
Issued by the Government of Jamaica	3,266,646	4,424,088
Issued by other governments	2,129,026	1,773,968
Other debt securities	979,572	1,779,587
Quoted equities	678,670	510,000
Unquoted equities	4,003	305
	7,057,917	8,487,948
At fair value through profit and loss:		
Quoted equities	616,866	432,646
	37,023,890	35,548,508
Less: Pledged assets (Note 9)	(78,777)	-
	36,945,113	35,548,508

Included in investment securities is $23,342,000,000 (2023 - $9,161,617,000) which matures within the next 12 months and interest receivable of $553,300,000 (2023 - $524,700,000).

9. Pledged Assets

This represents the investment securities and securities purchased under agreements to resell pledged as collateral for repurchase agreements with customers and for facilities with other financial institutions and with the Bank of Jamaica. The transferee has the right by contract or custom to resell or repledge the collateral.

	The Group			
	Asset		Liability	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities (Note 8)	78,777	-	78,777	-

10. Loans, Net of Provisions for Credit Losses

	The Group	
	2024 $'000	2023 $'000
Gross loans receivable	46,567,394	42,929,044
Less: Provision for credit losses	(1,794,653)	(1,797,483)
	44,772,741	41,131,561
Interest receivable	270,942	360,703
	45,043,683	41,492,264

The current portion of the loans amounted to $9,383,338,000 (2023 - $9,153,674,000).

11. Investment in Associated Companies and Joint Ventures

Associated companies are accounted for using the equity method as follows:

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Balance at 1 January	2,588,072	2,429,414	545,000	545,000
Additional investment	110,000	-	110,000	-
Share of current year results	391,817	304,559	-	-
Dividends received	(146,868)	(185,324)	-	-
Share of other comprehensive income	16,057	39,423	-	-
Balance at 31 December	2,959,078	2,588,072	655,000	545,000

The Group's associated companies are private companies and there are no quoted prices available for the shares.

There are no contingent liabilities relating to the Group's interest in associates.

11. Investment in Associated Companies and Joint Ventures (Continued)

CSGK Finance Holdings Limited

CSGK Finance Holdings Limited (CSGK), in the opinion of the directors, is material to the Group. CSGK has share capital consisting solely of ordinary shares, which are held indirectly by GKFGL through a banking and investment subsidiary. The Group owns 50% of the share capital in CSGK. CSGK is a finance company whose principal activities, through its wholly owned subsidiary SigniaGlobe Financial Group Inc., are the provision of term finance, motor vehicle leasing, acceptance of deposits, foreign exchange dealing and stock broking.

The summarised financial information for CSGK is as follows:

	2024 $'000	2023 $'000
Summarised consolidated statement of financial position:		
Total current assets	10,686,216	8,431,856
Total non-current assets	23,328,635	22,149,375
Total current liabilities	(18,944,832)	(13,691,568)
Total non-current liabilities	(10,096,982)	(12,220,086)
Net assets	4,973,037	4,669,577

	2024 $'000	2023 $'000
Summarised consolidated statement of comprehensive income:		
Revenue	2,256,997	2,173,083
Interest expense	(427,630)	(389,808)
Depreciation & other expenses	(1,206,992)	(1,179,382)
Profit before tax	622,375	603,893
Taxation	(57,272)	(38,007)
Profit after tax	565,103	565,886
Other comprehensive income	32,114	78,846
Total comprehensive income	597,217	644,732
Dividends received by the Group	146,868	185,324

Reconciliation of the summarised financial information presented to the carrying amount of its interest in CSGK:

	2024 $'000	2023 $'000
Opening net assets	4,669,577	4,395,493
Profit for the year	565,103	565,886
Dividends paid	(293,736)	(370,648)
Other comprehensive income	32,093	78,846
Closing net assets	4,973,037	4,669,577
Interest in associate (%)	50	50
Interest in associate - carrying value	2,486,518	2,334,788

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11. Investment in Associated Companies and Joint Ventures (Continued)

Canopy Insurance Limited

Canopy Insurance Limited (Canopy), in the opinion of the directors, is material to the Group. Canopy Insurance Limited has share capital consisting solely of ordinary shares, which are held by GKFG. The Group owns 50% of the share capital in Canopy Insurance Limited. Canopy's principal activities are the provision of group life and health insurance services.

The summarised financial information for Canopy is as follows:

	2024 $'000	2023 $'000
Summarised consolidated statement of financial position:		
Total current assets	1,038,216	480,843
Total non-current assets	195,283	243,409
Total current liabilities	(288,399)	(217,682)
Net assets	945,100	506,570

	2024 $'000	2023 $'000
Summarised consolidated statement of comprehensive income:		
Revenue	3,962,510	3,158,334
Profit before income tax	283,805	55,163
Taxation	(65,275)	(11,930)
Profit after tax, being total comprehensive income	218,530	43,233

No dividends were received by the Group from Canopy in 2024 and 2023.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Canopy:

	2024 $'000	2023 $'000
Opening net assets	506,570	463,337
Additional investment	220,000	-
Profit for the year	218,530	43,233
Closing net assets	945,100	506,570
Interest in associate (%)	50	50
Interest in associate - carrying value	472,550	253,284

11. Investment in Associated Companies and Joint Ventures (Continued)

The amounts recognised in the total comprehensive income in respect of immaterial associates are as follows:

	2024 $'000	2023 $'000
Profit	8,055	-
Other comprehensive income	-	-
Total comprehensive income	8,055	-

12. Intangible Assets

	The Group					The Company
	Goodwill, Brands, Bancassurance Agreements, and Customer Lists $'000	Computer Software $'000	Policy Contracts $'000	Customer Relationships $'000	Total $'000	Computer Software $'000
Cost -						
At 1 January 2023	2,123,083	3,545,782	47,000	46,083	5,761,948	700,193
Additions	-	425,893	-	-	425,893	238,669
Acquisition of subsidiary	1,794,974	-	-	-	1,794,974	-
Translation adjustment	68,720	1,118	-	823	70,661	-
At 31 December 2023	3,986,777	3,972,793	47,000	46,906	8,053,476	938,862
Additions	-	784,404	-	-	784,404	294,882
Disposal	-	(11,602)	-	-	(11,602)	-
Translation adjustment	27,187	1,253	-	321	28,760	-
At 31 December 2024	4,013,964	4,746,848	47,000	47,227	8,855,039	1,233,744
Accumulated Amortisation -						
At 1 January 2023	771,065	2,362,452	5,037	46,083	3,184,637	76,515
Amortisation charge for the year	137,880	342,223	-	-	480,103	142,088
Translation adjustment	16,250	324	-	823	17,397	-
At 31 December 2023	925,195	2,704,999	5,037	46,906	3,682,137	218,603
Amortisation charge for the year	-	312,407	-	-	312,407	191,428
Disposal	-	(11,602)	-	-	(11,602)	-
Translation adjustment	7,640	289	-	321	8,249	-
At 31 December 2024	932,835	3,006,093	5,037	47,227	3,991,192	410,031
Net Book Value -						
31 December 2024	3,081,129	1,740,755	41,963	-	4,863,847	823,713
31 December 2023	3,061,582	1,267,794	41,963	-	4,371,339	720,259

The Group balance for computer software includes software with a carrying value of $220,152,000 (2023 - $364,353,000) which is in development. This software is not yet available for use and has not been amortised.

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13. Property, Plant and Equipment

	The Group					
	Leasehold Improvements $'000	**Land & Buildings $'000**	**Equipment, Fixtures & Motor Vehicles $'000**	**Work in Progress $'000**	**Leased Assets $'000**	**Total $'000**
Cost -						
At 1 January 2023	1,171,047	5,132,134	3,258,401	412,657	1,258,803	11,233,042
Additions	59,951	16,542	358,946	172,416	242,827	850,682
Revaluation	-	(305,241)	-	-	-	(305,241)
Disposal	-	-	(52,473)	(22,980)	(47,872)	(123,325)
Transfers	110,166	-	181,164	(291,330)	-	-
Translation adjustment	1,407	-	5,013	68	4,084	10,572
At 31 December 2023	1,342,571	4,843,435	3,751,051	270,831	1,457,842	11,665,730
Additions	36,178	52,035	186,211	190,298	299,669	764,391
Revaluation	-	811,566	-	-	-	811,566
Disposal	-	-	(95,291)	-	(89,041)	(184,332)
Transfers	17,220	-	202,791	(220,011)	-	-
Translation adjustment	-	-	1,610	2,850	-	4,460
At 31 December 2024	1,395,969	5,707,036	4,046,373	243,968	1,668,470	13,061,815
Depreciation -						
At 1 January 2023	783,781	120,411	2,360,994	-	543,834	3,809,020
Charge for the year	96,397	81,400	342,854	-	219,791	740,442
Relieved on disposals	-	(10)	(49,275)	-	(33,265)	(82,550)
Translation adjustment	1,211	-	2,297	-	2,046	5,554
At 31 December 2023	881,389	201,801	2,656,870	-	732,406	4,472,466
Charge for the year	104,764	82,018	345,998	-	232,854	765,633
Relieved on disposals	-	-	(93,198)	-	(89,041)	(182,239)
Revaluation adjustment	-	(163,408)	-	-	-	(163,408)
Translation adjustment	1,055	-	3,535	-	1,726	6,316
At 31 December 2024	987,208	120,411	2,913,203	-	877,946	4,898,769
Net Book Value -						
31 December 2024	408,761	5,586,625	1,133,169	244,454	790,524	8,163,046
31 December 2023	461,182	4,641,634	1,094,181	270,831	725,436	7,193,264

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13. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Right of Use Assets $'000	Total $'000
Cost -				
At 1 January 2023	57,415	156,537	325,798	539,750
Additions	-	19,790	6,224	26,014
Disposals	-	(9,715)	-	(9,715)
At 31 December 2023	57,415	166,612	332,022	556,049
Additions	-	10,020	201,277	211,297
Disposals	-	(3,140)	(99,269)	(102,409)
At 31 December 2024	57,415	173,492	434,030	664,937
Accumulated Depreciation -				
At 31 December 2022	30,961	68,044	126,202	225,207
Charge for the year	6,732	30,021	32,721	69,474
Disposals	-	(8,675)	(2,886)	(11,561)
At 31 December 2023	37,693	89,390	156,037	283,120
Charge for the year	6,725	25,836	42,940	75,501
Disposals	-	(3,140)	(99,269)	(102,409)
At 31 December 2024	44,418	112,086	99,708	256,212
Net Book Value -				
31 December 2024	12,997	61,406	334,322	408,725
31 December 2023	19,772	77,222	175,985	272,929

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	The Group	
	2024 $'000	2023 $'000
Cost	3,985,885	3,935,850
Accumulated depreciation	(439,983)	(368,425)
Net book value	3,545,902	3,567,425

14. Investment Properties

	The Group	
	2024	2023
	$'000	$'000
At 1 January	938,000	839,400
Addition	551,455	-
Fair value gains (Note 27)	104,140	98,600
At 31 December	1,593,595	938,000

The following amounts have been recognised in income:

	The Group	
	2024	2023
	$'000	$'000
Rental income arising from investment properties (Note 25)	107,947	54,264

Valuation of investment properties are discussed in Note 30.

15. Deferred Income Taxes

	The Group		The Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Deferred tax assets	1,687,086	1,409,894	95,757	73,800
Deferred tax liabilities	(900,431)	(370,766)	-	-
	786,655	1,039,128	95,757	73,800

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 ⅓% for regulated entities and 25% for unregulated entities. The movement in the deferred income tax balance is as follows:

	The Group		The Company	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
At 1 January	1,039,128	523,665	73,800	50,310
Deferred tax (charged)/credited to profit or loss (Note 29)	(415)	174,106	13,754	5,980
Deferred tax (charged)/credited to statement of comprehensive income	(252,178)	341,230	8,203	17,510
Exchange differences	120	127	-	-
At 31 December	786,655	1,039,128	95,757	73,800

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15. Deferred Income Taxes (Continued)

The deferred tax balance at year end is analysed as follows:

	The Group		The Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets:				
Post-employment benefit obligations	623,066	641,271	94,207	72,250
Decelerated tax depreciation	331,478	292,105	1,537	1,537
Tax losses	415,560	401,150	-	-
Unrealised foreign exchange losses	3,674	2,981	-	-
Fair value losses	50,167	28,364	-	-
Other	263,141	44,023	13	13
	1,687,086	1,409,894	95,757	73,800
Deferred tax liabilities:				
Accelerated tax depreciation - Property plant and equipment	(163,309)	(53)	-	-
Investment securities at fair value through other comprehensive income	(221,100)	(114,884)	-	-
Investment properties	(253,141)	(226,505)	-	-
Interest receivable	-	(23,792)	-	-
Building revaluation	(262,231)	(54)	-	-
Unrealised foreign exchange gains	-	(2,353)	-	-
Other	(650)	(3,125)	-	-
	(900,431)	(370,766)	-	-
	786,655	1,039,128	95,757	73,800

Deferred income tax liabilities of $840,000 (2023 - $751,000) have not been established for the withholding taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $3,361,000 (2023 - $3,005,000).

The amounts shown in the statement of financial position include the following amounts to be recovered/(settled) after more than 12 months:

	The Group		The Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	1,370,104	1,470,419	95,757	73,800
Deferred tax liabilities	(678,681)	(590,037)	-	-

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15. Deferred Income Taxes (Continued)

The deferred tax credited/(charged) in profit or loss comprises the following temporary differences:

	The Group		The Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Investment properties	(29,163)	1,532		-
Post-employment benefit obligations	(86,803)	(61,911)	13,754	5,980
Decelerated tax depreciation - Property, plant and equipment	41,974	(76,675)	-	-
Interest receivable	(12,618)	22,399	-	-
tax losses	(3,305)	41,051	-	-
Unrealised foreign exchange gains	-	(28,552)	-	-
Fair value losses	26,441	25,070	-	-
Other	63,889	(97,020)	-	-
	415	174,106	13,754	5,980

Subject to agreement with the taxation administration in the relevant jurisdictions, the Group has tax losses of $1,391,586,000 (2023 - $1,353,956,000) to carry forward indefinitely against future taxable income. The company has tax losses of $205,294,000 (2023 – $180,626,000) to carry forward indefinitely against future taxable income.

The deferred tax credited/(charged) to other comprehensive income is attributable to the following temporary differences:

	The Group	
	2024	**2023**
	$'000	**$'000**
Unrealised gains on investments at fair value through other comprehensive income	23,379	99,450
Realised losses on investments at fair value through other comprehensive income	(57,818)	(60,259)
Revaluation of land and buildings	(261,613)	109,744
Remeasurements of post-employment benefit obligations	43,874	192,295
	(252,178)	341,230

	The Company	
	2024	**2023**
	$'000	**$'000**
Remeasurements of post-employment benefit obligations	8,203	17,509
	8,203	17,509

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16. Loans Payable

(a) Analysis of loans payable:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Borrowings which expire less than 1 year -				
Bank borrowings	213,000	831,437	-	-
Other loans and advances	-	257,195	-	-
Borrowings which expire greater than 1 year -				
Bank borrowings	496,523	1,471,935	-	-
Other loans and advances	4,979,727	4,377,515	2,160,181	2,629,260
	5,689,250	6,938,082	2,160,181	2,629,260

Included in borrowings is interest payable of $1,704,000 (2023 - $40,415,000).

Borrowings which expire within less than one year, and with original maturity of 90 days or less amount to $Nil (2023 - $Nil) and are regarded as cash and cash equivalents for the purposes of the statement of cash flows.

The current portion of borrowings which expire in more than one year is $922,699,000 (2023 - $964,301,000).

Other loans and advances include loans taken out by the Group's banking subsidiary primarily for the purpose of on-lending to customers in the amount of $1,827,236 (2023 - $1,675,539,000). These loans have maturity dates ranging from January 2025 to December 2030 and attract interest at rates ranging from 1% –5%.

Bank borrowing amounting to $2,263,344,000 (2023 – $1,675,539,000) is secured by mortgage over commercial property owned by the Group.

In May 2023, GraceKennedy Financial Group Limited obtained a $3,015,518,000 loan at 8.5% per annum from the ultimate parent GraceKennedy Limited to fund the acquisition of Scotia Insurance Caribbean Limited. The maturity date of the loan is April 2028.

All other borrowings are unsecured.

(b) Reconciliation of changes in financing liabilities:

	The Group	
	2024 $'000	**2023 $'000**
At 1 January	4,484,885	2,173,584
Loans received	1,894,097	3,629,476
Loan repayments	(2,132,884)	(1,318,175)
At 31 December	4,246,098	4,484,885

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17. Leases

(a) Amounts recognised in the statement of financial position:

	The Group		The Company	
	2024 $'000	**2024 $'000**	**2024 $'000**	**2023 $'000**
Right-of-use assets				
Properties	793,856	737,430	337,250	178,914
Current	281,693	369,023	27,553	27,823
Non-current	668,958	490,199	329,615	174,695
Total lease liabilities	950,651	859,222	357,168	202,518

Additions to the right-of-use assets during 2024 were $299,669,000 (2023 - $242,827,000) for the Group and $201,277,000 (2023 - $ Nil) for the Company.

(b) Amounts recognised in the statement of comprehensive income:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Depreciation charge of right-of-use assets				
Properties	232,854	218,013	42,940	17,966
Equipment	-	4,381	-	-
	232,854	222,394	42,940	17,966
Interest expense	42,806	48,813	14,657	5,860

(c) Reconciliation of lease liabilities arising from financing activities

The table below details the movement in lease liabilities for each of the periods presented.

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
At 1 January	859,222	806,029	202,518	243,372
Cash movements from financing activities -				
Lease additions	299,669	243,322	201,277	10,732
Principal repayments	(203,268)	(190,295)	(41,664)	(42,752)
Non-cash movements	(4,972)	166	(4,963)	166
At 31 December	950,651	859,222	357,168	202,518

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18. Insurance Contract Liabilities

	General 2024 $'000	Life 2024 $'000	Total 2024 $'000	General 2023 $'000	Life 2023 $'000	Total 2023 $'000
Insurance Liability for remaining coverage						
Brought forward	4,508,692	198,701	4,707,393	3,622,799	54,341	3,677,140
On acquisition	-	-	-	-	221,914	221,914
Premium balances	5,476,275	255,353	5,731,628	4,442,867	314,065	4,756,932
Deferred commissions	(594,274)	(56,652)	(650,926)	(494,790)	(37,810)	(532,600)
Deferred overhead costs	(498,391)	-	(498,391)	(476,291)	-	(476,291)
Expense balances	125,082	-	125,082	151,013	-	151,013
Insurance revenue	(13,892,249)	(1,492,904)	(15,385,153)	(13,083,259)	(1,336,977)	(14,420,236)
Insurance acquisition costs amortisation	2,622,781	430,069	3,052,850	2,303,928	266,702	2,570,630
Premiums received	14,169,877	1,408,046	15,577,923	14,110,560	1,278,422	15,388,982
Insurance acquisition costs paid	(2,772,079)	(381,546)	(3,153,625)	(2,444,736)	(285,573)	(2,730,309)
Exchange differences	2,953	5,218	8,171	(600)	(128)	(728)
Carried forward	4,639,975	167,584	4,807,559	4,508,692	198,701	4,707,393
Premium balances	5,753,903	170,494	5,924,397	5,476,276	255,352	5,731,628
Deferred commissions	(635,960)	(2,910)	(638,870)	(594,274)	(56,651)	(650,925)
Deferred overhead costs	(636,058)	-	(636,058)	(498,391)	-	(498,391)
Expense balances	158,090	-	158,090	125,081	-	125,081
Insurance Liability for incurred claims - Present value of future cash flows						
Brought forward	5,824,559	109,744	5,934,303	5,728,934	40,557	5,769,491
On acquisition	-	-	-	-	58,585	58,585
Claims outstanding	6,317,056	109,744	6,426,800	6,209,040	99,142	6,308,182
Claims adjustment	2,120	-	2,120	-	-	-
Discount	(597,750)	-	(597,750)	(575,058)	-	(575,058)
Expense balances	103,133	-	103,133	94,952	-	94,952
Incurred claims and other directly attributable expenses	6,082,513	443,715	6,526,228	5,427,134	72,043	5,499,177
Claims and other directly attributable expenses paid	(5,368,690)	(384,135)	(5,752,825)	(5,311,716)	(62,262)	(5,373,978)
Finance expenses recognised in P&L	(136,795)	-	(136,795)	(22,450)	-	(22,450)
Exchange differences	(2,957)	(1,765)	(4,722)	2,657	821	3,478
Carried forward	6,398,630	167,559	6,566,189	5,824,559	109,744	5,934,303
Claims outstanding	7,146,497	167,559	7,314,056	6,317,056	109,744	6,426,800
Claims adjustment	(25,439)	-	(25,439)	2,121	-	2,121
Discount	(844,159)	-	(844,159)	(597,750)	-	(597,750)
Expense balances	121,731	-	121,731	103,132	-	103,132
Insurance Liability for incurred claims - Risk adjustment						
Brought forward	247,598	-	247,598	253,479	-	253,479
Incurred claims and expenses	73,530	-	73,530	(6,005)	-	(6,005)
Exchange differences	23	-	23	124	-	124
Carried forward	321,151	-	321,151	247,598	-	247,598
Insurance acquisition cash flows assets						
Brought forward	(23,661)	-	(23,661)	(18,062)	-	(18,062)
Acquisition cash flows assets derecognised and other changes	(5,294)	-	(5,294)	(5,599)	-	(5,599)
Carried forward	(28,955)	-	(28,955)	(23,661)	-	(23,661)
Other pre-recognition cash flows assets						
Brought forward	(15,684)	94,149	78,465	(10,034)	44,036	34,002
Pre-recognition cash flows derecognised and other changes	(3,114)	(94,149)	(97,263)	(5,650)	50,113	44,463
Carried forward	(18,798)	-	(18,798)	(15,684)	94,149	78,465
Total Insurance contract liabilities	11,312,003	335,143	11,647,146	10,541,504	402,594	10,944,098

19. Other Liabilities

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Payables and accruals	5,113,161	5,656,515	363,187	630,230
Reinsurance contract liabilities (Note 7(a))	740,980	-	-	-
Related parties (Note 34)	1,647,529	1,892,835	259,360	213,750
Items in the course of payment	311,235	370,037	-	-
Client funds	820,801	700,943	-	-
Staff vacation and bonus accruals	964,627	724,638	331,463	231,927
Other	1,184,549	564,761	-	-
	10,782,882	9,909,729	954,010	1,075,730

20. Pensions and Other Post-Employment Obligations

(a) Pension plans

The Group participates in a defined benefit pension plan which is funded by employees' contributions at 5% of salary with the option to contribute an additional 5% and employer's contributions at 0.02%, as recommended by independent actuaries. The last funding valuation was carried out as at 31 December 2019. Pension at normal retirement age is based on 2% per year of pensionable service of the average of the highest three years' annual salary during the last ten years of service. This scheme was closed to new members as at 31 March 2010.

The Board of Trustees of the pension fund comprises representatives from both the employer and members of the plan. The Board of Trustees of the pension fund is required by law to act in the interest of the fund and all relevant stakeholders. The Board of Trustees of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by Proven Fund Managers Limited.

During 2014, GKL assumed the defined benefit pension obligations of all companies within the GraceKennedy Group participating in this scheme. As a result, GKL recognises the total pension assets and obligations in respect of this plan. The obligation of other participating companies is limited to regular monthly pension contributions.

The Group also participates in the following defined contribution plans:

- A defined contribution pension scheme operated by GraceKennedy (Trinidad and Tobago) Limited (GKTT). GKTT's employees are members of a defined contribution pension plan established on 1 January 2003. Retirement benefits for employees are provided by the plan, which is funded by contributions of GKTT and its employees;

- A defined contribution pension scheme also operated by GKL. The scheme is open to Jamaican-based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributes 10%; and,

- A defined contribution pension scheme operated by GraceKennedy Remittance Services Guyana Limited (GKRS Guyana). GKRS Guyana's employees are members of a defined contribution pension plan established on 1 January 2013. Retirement benefits for employees are provided by the plan which is funded by contributions of GKRS Guyana and its employees.

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20. Pensions and Other Post-Employment Obligations (Continued)

(a) Pension plans (continued)

The Group's contribution to these plans for the year was as follows:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Defined benefit plan (Note 28)	1,035	1,017	31	28
Defined contribution plans (Note 28)	352,247	289,091	77,942	60,326

(b) Other post-employment obligations

The Group participates in a number of post-employment benefit schemes, operated by GKL, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The obligation is calculated annually by independent actuaries using the projected unit credit method.

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
At 1 January	2,017,203	1,229,228	289,000	195,041
Movements recognised in profit and loss, included in staff costs (Note 28)				
Current service cost	129,456	75,463	21,513	18,210
Interest cost	210,772	154,135	28,075	22,112
Past service cost - vested	4,221	88	7,453	(16,142)
	344,449	229,686	57,041	24,180
Movements recognised in other comprehensive income -				
(Gains)/losses from change in demographic assumptions	(72,487)	56,983	(9,924)	6,876
Losses from change in financial assumptions	224,450	593,963	37,976	79,097
Experience (gains)/losses	(11,761)	(55,041)	4,761	(15,934)
Other post-employment obligations	140,202	595,905	32,813	70,039
Benefits paid	(69,659)	(37,616)	(2,025)	(260)
At 31 December	2,432,195	2,017,203	376,829	289,000

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20. Pensions and Other Post-Employment Obligations (Continued)

(b) Other post-employment obligations (continued)
The composition of the liability recognised in relation to the other post-employment obligations in the statement of financial position is as follows:

	The Group		The Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Gratuity Plan	328,353	314,275	112,358	98,558
Group Life	694,598	498,330	118,587	79,060
Insured Group Health	1,148,881	954,942	145,884	11,382
Self-Insured Health	252,721	242,442	-	-
Superannuation Plan	7,642	7,214	-	-
	2,432,195	2,017,203	376,829	289,000

(c) Principal actuarial assumptions used in valuing post-employment benefits
The principal actuarial assumptions used were as follows:

	2024	**2023**
Discount rate	9.00%	10.00%
Long term inflation rate	5.00%	6.00%
Future salary increases	6.50%	7.50%
Health costs inflation	6.50%	7.50%
Future pension increases	5.00%	6.00%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average post-retirement life expectancy in years of a pensioner retiring at age 60 on the statement of financial position date is as follows:

	2024	**2023**
Male	25.40	25.30
Female	27.70	27.60

The sensitivity of the post-employment medical benefits to changes in the principal assumptions impacting post-employment obligations is:

	The Group		
	Impact on post-employment obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	1%	(306,161)	441,616
Medical inflation rate	1%	284,736	(222,731)

20. Pensions and Other Post-Employment Obligations (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits (continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the post-employment obligation recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(d) Risks associated with pension plans and post-employment plans

Through its post-employment benefits, the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields

A decrease in Government of Jamaica yields will increase plan liabilities.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

Funding levels are monitored on an annual basis and the current agreed contribution rate by the Group is 0.02% of pensionable salaries. The next triennial funding valuation is due to be completed as at 31 December 2025. The Group considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit. Regular contributions, which are based on service costs, will be assessed following the upcoming valuation to determine if any increase is required.

The average duration of the post-employment obligations is as follows:

	Years
Gratuity Plan	6.10
Group Life Plan	18.00
Insured Group Health	19.10
Self-Insured Health	11.20
Superannuation Plan	6.30

21. Share Capital

	2024 $'000	2023 $'000
Authorised -		
5,000,000,000 Ordinary shares of no par value		
Issued and fully paid – 1,689,755,000 (2023 – 1,689,645,000)		
Ordinary shares of no par value	9,910,391	9,800,391

In 2024, the Company raised $110,000,000 by issuing an additional 110,000 (2023: NIL) ordinary shares to its parent company, GraceKennedy Limited.

22. Share Option Reserves

The Group participates in the 2003 Stock Option Plan for the Managers of GKL (Senior Managers Plan) and the 2009 Stock Offer Plan for the Directors, Managers and Employees of GKL (Long Term Incentive Scheme, LTI), operated by the ultimate parent company in which management and key employees may participate. A total of 10,000,000 shares have been allocated under the 2003 Stock Option Plan at inception, whereas the allocation under the 2009 Stock Offer Plan can be up to a maximum of 7½% of the total number of issued shares at no par value. Allocations were approved at Annual General Meetings of the ultimate parent company. The plans provide for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issues, and reclassifications or similar corporate changes in the ultimate parent company.

The options granted under the Senior Managers Plan will vest on each anniversary of the grant and are exercisable over a period of six years. The options granted under the LTI Scheme will fully vest on the third anniversary of the grant and are exercisable over a period of five years.

The LTI Scheme also includes the offer of restricted stock grants. Participating executives are eligible to receive awards of restricted stock grants once certain predetermined Group performance objectives are met. These awards are earned annually following achievement of the performance objectives and are subject to a two-year holding period from the end of the performance year after which the stock grants will vest, and the executive will be entitled to receive the stock units.

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22. Share Option Reserves (Continued)

The movement in the number of stock options outstanding for the year and their related weighted average exercise prices were as follows:

	The Group			
	2024		2023	
	Average exercise price in $ per share	Options '000	Average exercise price in $ per share	Options '000
At 1 January	80.81	3,358	73.15	2,448
Granted	74.32	1,064	78.07	847
Forfeited	42.09	(59)	-	-
Exercised	42.09	(27)	28.00	(37)
At 31 December	79.95	4,236	80.81	3,258

	The Company			
	2024		2023	
	Average exercise price in $ per share	Options '000	Average exercise price in $ per share	Options '000
At 1 January	83.10	2,072	84.87	1,500
Granted	74.32	688	78.07	572
At 31 December	80.82	2,760	83.10	2,072

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

		The Group		The Company	
Year of expiry	Exercise price in $ per share	2024 '000	2023 '000	2024 '000	2023 '000
2024	42.09	-	86	-	-
2025	47.77	86	86	-	-
2026	61.72	134	134	999	999
2027	67.79	546	546	338	338
2028	79.52	719	719	490	490
2029	103.52	840	840	573	573
2030	78.07	847	847	572	572
2031	74.32	1,064	-	688	-
		4,236	3,258	2,760	2,072

23. Other Reserves

	The Group					
	Fair Value Reserve (a) $'000	**Loan Loss Reserve (b) $'000**	**Reserve Fund (c) $'000**	**Retained Earnings Reserve (d) $'000**	**Other Reserves (e) $'000**	**Total $'000**
At 1 January 2023	940,833	235,034	2,326,078	1,894,630	(515,116)	4,881,459
Equity holders' share of other comprehensive income	(465,094)	-	-	-	(190,672)	(655,766)
Transfer from retained earnings	-	-	300,000	-	-	300,000
At 31 December 2023	475,739	235,034	2,626,078	1,894,630	(705,788)	4,525,693
Equity holders' share of other comprehensive income	848,699	-	-	-	(371,870)	476,829
Transfer from retained earnings	-	-	300,000	-	-	300,000
At 31 December 2024	1,324,438	235,034	2,926,078	1,894,630	(1,077,658)	5,302,522

(a) This balance represents the unrealised surplus or deficit on the revaluation of securities designated at fair value through other comprehensive income net of deferred taxes.

(b) This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

(c) Under Section 41 of the Banking Services Act 2014, First Global Bank Limited (FGBL) is required to transfer 15% or more of its net profit each year to a reserve fund until the amount in the fund equals 50% of its paid up capital, and thereafter 10% of the net profits until the amount in the Fund is equal to the paid up capital. FGBL's paid up capital is $3,564,181,000 (2023 - $3,564,181,000).

(d) Section 42 of the Banking Services Act 2014 permits the transfer of any portion of FGBL's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. The deposit liabilities of FGBL and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

(e) Other reserves:

	2024 $'000	**2023 $'000**
(i) Adjustment on application of pooling of interest	(2,854,780)	(2,854,780)
(ii) Foreign exchange translation adjustment	757,575	1,137,254
(iii) Revaluation reserve, net of deferred tax	349,245	341,436
(iv) Preference shares	654,675	654,675
(v) Catastrophe reserve	13,261	13,261
(vi) Dilution of non-controlling interests	2,366	2,366
	(1,077,658)	(705,788)

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23. Other Reserves (Continued)

(i) *Adjustment on application of pooling of interest*
Between 2006 to 2009, GKL completed a scheme of internal reorganisation whereby it transferred the ownership of its interest in several of its subsidiaries and associates to GKFGL and its subsidiaries.

Consequent on the utilisation of the pooling of interest method, the excess of the equity acquired by the Group over the purchase consideration for the Group's acquisition of these subsidiaries and associate has been included in other reserves.

(ii) *Foreign exchange translation adjustment*
This represents foreign exchange gains on translation of the Group's interest in Group companies to the presentation currency, Jamaican dollars.

(iii) *Revaluation reserve, net of deferred tax*
This represents the unrealised surplus on the revaluation of the land and buildings.

(iv) *Preference shares*
This represents 2,500 preference shares issued by FGBL for a consideration of $300,000,000 and 3,131,900 preference shares issued by GKGIC for a consideration of $429,675,000 to fellow subsidiary, GraceKennedy (St. Lucia) Limited. The preference shares carry no voting rights for the holder and may not be redeemed at the request of the holder. The Group has no obligation to redeem the shares. Dividends for the preference shares are paid at the discretion of the Board of Directors and are not cumulative.

(v) *Catastrophe reserve*
This reserve will normally only be available to meet future losses arising from catastrophic events which give rise to losses unforeseen under the risks insured by a subsidiary.

(vi) *Dilution of non-controlling interests*
In 2016, the Group increased its shareholdings in EC Global Insurance Company Limited from 80% to 89.3% through the purchase of additional shares issued by that company. This resulted in the dilution of non-controlling interests by $2,366,000.

24. Non-Controlling Interests

	2024 $'000	2023 $'000
At 1 January	7,323,302	6,905,693
Share of comprehensive income of subsidiaries	890,236	829,395
Dividends paid	(399,021)	(391,659)
Share option reserves	(4,107)	(20,127)
At 31 December	7,810,410	7,323,302

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

The total non-controlling interest is mainly attributable in respect of the following:

	2024 $'000	2023 $'000
First Global Holdings Limited	3,691,652	3,402,571
Key Insurance Company Limited	400,606	358,254
GraceKennedy Money Services Caribbean SRL	3,648,202	3,482,094
	7,740,460	7,242,919

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	First Global Holdings Limited		GraceKennedy Money Services Caribbean SRL	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Total assets	96,723,704	89,882,113	20,476,267	18,055,114
Total liabilities	(81,930,563)	(76,271,827)	(5,870,258)	(4,126,739)
Net assets	14,793,141	13,610,286	14,606,009	13,928,375

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24. Non-Controlling Interests (Continued)

Summarised statement of comprehensive income

	First Global Holdings Limited		GraceKennedy Money Services Caribbean SRL	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Income	9,276,451	8,324,382	8,624,096	8,847,441
Profit before tax	1,603,059	1,363,124	2,726,672	3,011,176
Taxation	(377,310)	(296,604)	(1,103,351)	(730,855)
Profit for the year	1,225,749	1,066,520	1,623,321	2,280,321
Other comprehensive income/(loss)	125,424	(277,573)	27,396	(73,025)
Total comprehensive income	1,351,173	788,947	1,650,717	2,207,296
Total comprehensive income allocated to non-controlling interest	337,793	197,238	412,679	551,824
Dividends paid to non-controlling interest	(45,395)	(37,500)	(351,396)	(346,058)

Summarised cash flows

	First Global Holdings Limited		GraceKennedy Money Services Caribbean SRL	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash flows from operating activities –				
Cash (used in)/generated from operations	(1,638,829)	(806,908)	4,518,727	2,529,623
Interest received	6,967,637	5,895,778	-	-
Interest paid	(2,050,354)	(842,335)	(150,746)	(131,5450)
Income tax paid	(429,765)	(213,758)	(884,331)	(971,650)
Net cash provided by operating activities	2,848,689	4,032,777	3,483,650	1,426,428
Net cash provided by / (used in) investing activities	1,031,138	916,342	(1,405,072)	(337,352)
Net cash provided by/(used in) financing activities	57,956	226,132	(1,564,709)	(1,533,497)
Net increase in cash and cash equivalents	(3,937,783)	5,175,251	513,869	444,421
Cash and cash equivalents at 1 January	11,547,794	8,263,060	8,460,058	8,867,057
Effect of exchange gains/(losses) on cash and cash equivalents	623,127	(307,060)	31,141	37,442
Cash and cash equivalents at 31 December	16,108,704	13,131,251	9,005,068	8,460,058

The information above represents amounts before intercompany eliminations.

25. Income

	The Group	
	2024 $'000	2023 $'000
Interest income	6,811,986	5,908,161
Insurance contract revenue	15,385,053	13,755,921
Gains on foreign exchange trading	981,195	925,347
Commission and fees	4,525,520	3,728,896
Money services income	8,581,581	8,810,879
Rental income	107,947	54,264
	36,393,282	33,183,468

26. Expenses by Nature

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Direct expenses -				
Insurance service expense	6,699,271	6,037,633	-	-
Interest expense	1,821,263	1,290,242	-	-
Net expense from reinsurance contracts	4,656,531	4,178,684	-	-
Commission expense	2,073,737	1,422,938	-	-
Other direct expenses	111,759	898,621	-	-
	15,362,561	13,828,118	-	-
Administration and other operating expenses -				
Advertising and public relations	700,713	587,666	56,130	37,466
Amortisation (Note 12)	312,407	480,103	191,428	142,088
Auditors' remuneration	316,457	203,141	2,819	2,410
Depreciation (Note 13)	765,633	740,442	75,501	69,474
Impairment charge on receivables	412,039	456,874	-	-
IT related expenses	1,384,758	1,249,504	101,363	85,719
Legal and professional fees	2,143,138	1,853,371	7,571	13,438
Occupancy	942,633	858,865	10,410	8,415
Other operating expenses	2,078,196	1,596,208	321,305	284,988
Shared services	194,158	623,267	61,957	55,217
Staff costs (Note 28)	8,172,336	7,202,799	1,531,989	1,268,609
	17,422,468	15,852,240	2,360,473	1,967,824
Total direct expenses, administration and other operating expenses	32,785,029	29,680,358	2,360,473	1,967,824

27. Other Operating Income

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Interest income	1,069,421	1,106,625	6,622	14,749
Rental income	243,349	294,237	37,557	36,174
Gains on foreign exchange translation	388,214	320,112	4,329	45,238
(Losses)/gains on disposal of investments	(19,396)	1,454	-	-
Fees and other commission income	260,933	375,653	35,130	38,141
Revaluation gains on investment properties	104,140	98,600	-	-
Finance income from insurance contracts issued	136,795	22,468	-	-
Finance (expense)/income from reinsurance contracts held	(10,873)	55,346	-	-
Recovery of bad debts	41,014	36,344	-	-
Fair value gains/(losses) on investment activities	12,846	(22,556)	-	-
Other	73,757	146,424	351,439	304,938
	2,300,200	2,434,707	435,077	439,240

28. Staff Costs

	The Group		The Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Salaries and wages	5,724,272	5,227,058	1,057,143	903,638
Statutory contributions	615,410	528,648	123,500	101,147
Pension – defined benefit (Note 20)	1,035	1,017	31	28
Pension – defined contribution (Note 20)	352,247	289,091	77,942	60,326
Other post-employment benefits (Note 20)	274,790	192,070	57,041	24,182
Other	1,204,582	964,915	216,332	179,288
	8,172,336	7,202,799	1,531,989	1,268,609

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29. Taxation

Taxation charged in these financial statements is based on the profit for the year adjusted for taxation purposes and comprises income tax, mainly at 33⅓% for the Company's subsidiaries and 25% for the Company:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Current taxation	1,723,255	1,585,386	-	-
Deferred tax (Note 15)	415	(174,106)	13,754	5,980
	1,723,670	1,411,280	13,754	5,980

The tax on the Group's and Company's profit differs from the theoretical amount that would arise using the tax rate of the home country of the Group entities as follows:

	The Group		The Company	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Profit before tax	6,227,202	6,304,416	1,044,393	2,230,547
Tax calculated at a tax rate of 33⅓% / 25%	1,305,410	1,461,706	261,098	557,637
Adjusted for the effects of:				
Effect of different tax rates	247,378	162,543	-	-
Income not subject to tax	(77,513)	(199,560)	(247,344)	(551,657)
Expenses not deductible for tax purposes and other allowances	104,525	(13,409)	-	-
Other	143,870	-	-	-
Tax charge	1,723,670	1,411,280	13,754	5,980

The tax (charged)/credited to components of other comprehensive income is as follows:

	The Group		
	Before tax $'000	**Tax credit/ (charge) $'000**	**After tax $'000**
		2024	
Items that may be subsequently reclassified to profit or loss:			
Unrealised gains on investments at fair value through other comprehensive income	(70,137)	23,379	(46,758)
Realised losses on investments at fair value through other comprehensive income	223,971	(57,818)	166,153
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	966,365	(261,613)	704,752
Remeasurements of post-employment benefit obligations	(140,203)	43,874	(96,329)
	979,996	(252,178)	727,818

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29. Taxation (Continued)

	The Group		
	Before tax $'000	**Tax credit/ (charge) $'000**	**After tax $'000**
		2023	
Items that may be subsequently reclassified to profit or loss:			
Realised gains on investments at fair value through other comprehensive income	(443,679)	99,450	(344,229)
Unrealised losses on investments at fair value through other comprehensive income	224,975	(60,259)	164,716
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	(644,469)	109,744	(534,725)
Remeasurements of post-employment benefit obligations	(418,312)	192,295	(226,017)
	(1,281,485)	341,230	(940,255)

	The Company		
	Before tax $'000	**Tax credit/ (charge) $'000**	**After tax $'000**
		2024	
Item that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(32,810)	8,203	(24,607)

	The Company		
	Before tax $'000	**Tax credit/ (charge) $'000**	**After tax $'000**
		2023	
Item that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(70,039)	17,509	(52,530)

30. Fair Value Estimates

Financial instruments

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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at the reporting period.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) The fair value of liquid assets and other assets maturing within 90 days is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and,

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and,

(iv) the fair value of fixed rate borrowings is assumed to approximate to their carrying amounts, due to the short-term maturity on these instruments.

The following table provides an analysis of financial instruments held as at year end that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

30. Fair Value Estimates (Continued)

Financial instruments (continued)

	2024		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Assets			
Financial assets at fair value through other comprehensive income:			
Government of Jamaica securities	-	3,266,646	3,266,646
Corporate bonds and other securities	-	3,108,598	3,108,598
Quoted equities	678,670	-	678,670
Financial assets at fair value through profit or loss			
Quoted equities	616,866	-	616,866
	1,295,536	6,375,244	7,670,780

	2023		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Assets			
Financial assets at fair value through other comprehensive income:			
Government of Jamaica securities	-	4,424,088	4,424,088
Corporate bonds and other securities	-	3,553,554	3,553,554
Quoted equities	510,000	-	510,000
Financial assets at fair value through profit or loss			
Quoted equities	432,647	-	432,647
	942,647	7,977,642	8,920,289

There were no transfers between levels during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

30. Fair Value Estimates (Continued)

Investment properties/Land and buildings

On an annual basis, the Group engages external, independent, qualified valuers to determine the fair value of the Group's investment properties. Valuations for other land and buildings are performed biannually. The most recent valuations were performed as at December 2024 by independent valuers, DC Tavares Finson Realty Company Limited and NAI Jamaica Langford and Brown. The changes in fair value of the investment properties were credited to profit or loss and included in 'other operating income' in the statement of comprehensive income.

Sales Comparison Approach

There have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs which in the valuator's judgement reflect suitable adjustments regarding size, age, condition, time of sale, quality of land and buildings and improvements. The most significant input to this valuation is the price per square foot. The higher the price per square foot the higher the fair value.

Income Approach

The projected net income of the subject properties is discounted using an appropriate capitalisation rate. The most significant inputs to this valuation are the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher the rental rate per square foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between $1,200 to $1,780 and the capitalisation rate ranges between 8% - 9%.

Investment properties and land and buildings are classified as level 3 non-financial assets.

There were no transfers between levels during the year.

31. Financial Instruments by Category

	The Group			
	Amortised cost $'000	**Assets at fair value through profit and loss $'000**	**Assets at fair value through OCI $'000**	**Total $'000**
	2024			
Cash and deposits	33,539,700	-	-	33,539,700
Securities purchased under agreements to resell	3,961,256	-	-	3,961,256
Receivables and other assets	8,719,394	-	-	8,719,394
Investment securities	29,349,107	616,866	7,057,917	37,023,890
Loans receivable	45,043,683	-	-	45,043,683
Guarantees, letters of credit and letters of undertaking	223,297	-	-	223,297
Total financial assets	120,836,437	616,866	7,057,917	128,511,220

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31. Financial Instruments by Category (Continued)

	The Group			
	Amortised cost $'000	Assets at fair value through profit and loss $'000	Assets at fair value through OCI $'000	Total $'000
	2023			
Cash and deposits	29,399,862	-	-	29,399,862
Securities purchased under agreements to resell	4,642,428	-	-	4,642,428
Receivables and other assets	10,471,342	-	-	10,471,342
Investment securities	26,627,914	432,647	8,487,948	35,548,508
Loans receivable	41,492,264	-	-	41,492,264
Guarantees, letters of credit and letters of undertaking	177,342	-	-	177,342
Total financial assets	112,811,152	432,647	8,487,948	121,731,747

Financial assets for the Company are all classified as 'financial assets at amortised cost'.

Financial liabilities for the Group and Company are all classified as 'other financial liabilities at amortised cost'.

32. Contingent Liabilities

(a) By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ("GKRS Guyana") was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS Guyana had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS Guyana's tax liability for the period 2010 to 2016 was assessed by the GRA to be the equivalent of J$253,718,000, excluding penalties and interest if applicable (the "Retroactive Sum").

GKRS Guyana lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS Guyana as a commercial company and that GKRS Guyana had filed (and the GRA had accepted), returns for a period of over 20 years as a non- commercial company. By letter dated 26 September 2018, received on 4 October 2018, the GRA indicated that it would maintain its assessments despite the objection.

GKRS Guyana filed an appeal on 26 October 2018 and defence in response was filed by the GRA on 21 December 2018. Oral submissions were heard in chambers before the Judge on 27 March 2019 and on 8 July 2019, the court ruled in favour of GKRS Guyana; setting aside the decision by the GRA to reclassify the company as a commercial company and therefore reversing the decision by GRA to impose corporation tax at the commercial rate.

The GRA was granted permission to file an appeal at a hearing held on 27 November 2019. The appeal was filed to the Full Court of the Supreme Court of Guyana and a cross-appeal was filed on behalf of GKRS Guyana. Submissions were filed by both parties and the matter was adjourned to 7 July 2020 for a ruling.

On 20 July 2020, the Full Court delivered its ruling, finding in favour of the GRA in respect of years of income 2010 to 2016. The effect of this ruling was to reverse the earlier decision of the single judge of the Supreme Court and affirm the GRA's stance that GRKS Guyana is liable to pay the Retroactive Sum.

32. Contingent Liabilities (Continued)

(a) (continued)
GKRS Guyana, has on the advice of local counsel, appealed the judgment of the Full Court to the Court of Appeal of Guyana (the "Substantive Appeal"). The grounds for Substantive Appeal include a specific failure of the GRA to explain why it departed from the customary treatment of GKRS Guyana and why it should be stripped of its legitimate expectation to be treated as a non-commercial company for the purposes of Guyanese tax assessment. Counsel for GKRS Guyana has advised that the appeal has significant merit and a date for the hearing of the appeal is being awaited, notwithstanding that GKRS Guyana is considered to have a strong basis for appeal, having regard to the present ruling, a provision for the assessment was recorded by the Group in 2020.

By letter dated 6 September 2022, the GRA raised additional assessments in relation to GKRS Guyana for the period 2017 to 2021. GKRS Guyana's tax liability for the period 2017 to 2022 was assessed by the GRA to be the equivalent of $653,022,000 excluding penalties and interest, if applicable. GKRS Guyana secured a bond in the amount of the assessment as a pre-requisite to appealing the decision, lodged objections to the GRA's assessments, and filed an appeal to the 2017 to 2022 reclassifications in the High Court, which was heard on 9 February 2023. The High Court granted a stay of the appeal pending the hearing and determination of the Substantive Appeal before the Court of Appeal. No provision was made in relation to this assessment.

(b) On 20 December 2022, the Board of Inland Revenue in Trinidad and Tobago (Board) raised an assessment on a subsidiary in Trinidad & Tobago for additional corporation tax for income year 2015 for an equivalent of J$418,478,0000, inclusive of interest, if applicable. Subsequent to the year-end, the subsidiary and the Board of Inland Revenue reached a settlement, and the subsidiary is entitled to a refund of 90% of the amount assessed, which was previously paid.

(c) Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings, individually or in aggregate, will have a material effect on the Group.

33. Commitments

Loan commitments
Loans approved but not disbursed at year end amounted to $1,436,719,000 (2023 - $2,040,839,000).

Capital commitments
At the date of authorisation of the financial statements, the Group had capital commitments for which it had established contracts $689,034,000 (2023 – $Nil).

Guarantees and letters of credit
Guarantees and letters of credit for which the Group has an indirect obligation at year end amounted to $802,059,000 (2023- $197,767,000).

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34. Related Party Transactions and Balances

(a) The statement of financial position includes the following balances with group companies, which are unsecured:

	The Group		The Company	
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank -				
Fellow subsidiary	-	-	816,036	529,912
Investment securities -				
Ultimate parent company	2,803	-	-	-
Fellow subsidiaries	359,485	258,158	-	-
	362,288	258,158	-	-
Receivables and other assets -				
Ultimate parent company	272,502	419,597	125,465	254,097
Fellow subsidiaries	122,958	1,124,791	239,100	316,262
Key management personnel	42,158	26,902	-	-
	437,618	1,571,290	364,565	570,359
Payables -				
Ultimate parent company	(479,897)	(628,766)	(252,075)	(163,887)
Fellow subsidiaries	(1,167,632)	(1,264,069)	(7,285)	(49,864)
	(1,647,529)	(1,892,835)	(259,360)	(213,751)
Loans payable -				
Ultimate parent company	(2,251,282)	(2,886,455)	(2,160,181)	(2,629,260)
Fellow subsidiaries	-	-	-	-
	(2,251,282)	(2,886,455)	(2,160,181)	(2,629,260)
Deposits -				
Ultimate parent company	(956,484)	(1,108,214)	-	-
Fellow subsidiaries	(964,711)	(939,452)	-	-
Key management personnel	(312,745)	(295,378)	-	-
	(2,233,940)	(2,343,044)	-	-
Claims outstanding -				
Ultimate parent company	(20,467)	(27,012)	-	-
Fellow subsidiaries	(12,727)	(53,867)	-	-
	(33,194)	(80,879)	-	-

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34. Related Party Transactions and Balances (Continued)

(b) The statement of comprehensive income includes the following transactions with group companies:

	The Group		The Company	
	2024 **$'000**	**2023** **$'000**	**2024** **$'000**	**2023** **$'000**
Gross written premiums	950,413	859,145	-	-
Fees and commissions	361,936	294,947	1,859,198	1,662,263
Commissions paid	(6,031)	(6,834)	-	-
Claims expense	(7,797)	(10,142)	-	-
Dividend income	-	-	1,497,029	2,436,806
Interest earned	13,365	11,232	6,623	14,749
Interest expense	(247,356)	(209,207)	(202,419)	(192,832)
Rental income	1,581	1,581	37,557	36,174
Other operating expenses	(1,407,903)	(1,314,283)	(128,360)	(113,158)

During the year, the Company paid a dividend of $500,000,000 (2023 - $1,000,000,000) to its parent company, GKL as reported in the statement of changes in equity.

(c) Key management compensation

	The Group and Company	
	2024 **$'000**	**2023** **$'000**
Salaries and other short-term employee benefits	262,297	227,983
Directors' fees	3,160	2,732
Post-employment benefits	13,054	11,213
Share-based payments	33,026	33,413
	311,537	275,341

35. Business Combination

In the prior year, the Group acquired 100% of the share capital of Scotia Insurance Caribbean Limited (SICL). SICL is a licensed life insurance company, which offers credit protection to customers on personal loans, residential mortgages, personal lines of credit, personal and small business credit cards. The company currently operates in Barbados, Belize, British Virgin Islands, Cayman Islands and Turks & Caicos Islands. The company subsequently changed its name to GK Life Insurance Caribbean Limited.

35. Business Combination (Continued)

The following table summarises the purchase consideration, net assets acquired, goodwill and the non-controlling interest at the acquisition dates:

	Scotia Insurance Caribbean Limited $'000
Purchase consideration:	
Cash paid on date of acquisition	3,023,490
Balance due on contingent consideration	563,549
Total purchase consideration	3,587,039
Assets and liabilities arising from the acquisition:	
Cash and cash equivalents	1,200,573
Licences (included in intangibles) (Note 12)	106,096
Bancassurance agreements (included in intangibles) (Note 12)	1,303,462
Investment securities	787,595
Receivables	76,746
Payables and insurance contract liabilities	(257,889)
Taxation payable	(14,960)
Fair value of net assets acquired	3,201,623
Goodwill (Note 12)	385,416
Purchase consideration settled in cash	3,023,490
Cash and cash equivalents in business acquired	(1,200,573)
Cash outflow on acquisition	1,822,917

36. Subsequent Event

On March 20, 2025, GraceKennedy Financial Group Limited announced a $403.71 million takeover bid to acquire the 26.87% of the ordinary shares of Key Insurance Company Limited held by the minority shareholders of that company. GKFG, currently holds 73.2% of Key Insurance Company Limited's shares, and is offering $2.70 per share. The offer opens on March 24, 2025, and closes on April 22, 2025.

37. Fiduciary Activities

The Company provides custody, investment management and advisory services to third parties which involve the Company making allocation, purchases, and sales decisions in relation to a wide range of financial instruments. Those assets are held in a fiduciary capacity and are not included in these financial statements.