

STERLING INVESTMENTS LIMITED

ANNUAL REPORT

2024



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The background of the page is an underwater scene. In the lower-left corner, there is a large, textured rock formation with some yellowish-green coral or anemones growing on it. The rest of the background is a deep blue water filled with many small, dark fish swimming in various directions.

Vision

To be the most profitable value investing fund in the region.

Mission

To create sustainable wealth for investors.

Investment Philosophy

SIL's investment philosophy is focused on generating higher risk adjusted returns through the active purchase and sale of financial instruments in the international capital markets. The company invests primarily in hard currencies and in developed markets to provide local and regional investors with sustainable growth and diversification.

Investment Mandate

Sterling Investments Limited (SIL)
provides investors with long term growth,
value and US dollar income. Since
2012, SIL shareholders have enjoyed:

1

Consistent and
growing US\$
dividends

2

Attractive Growth
in the intrinsic
US\$ value of
their investment

3

Lower risk
levels

4

Diversification – insulation
from local risk and exposure
to the growth and value
in the global markets



Directors' Report

The Directors are pleased to present their report for the year ended December 31, 2024. The report enclosed presents the results for Sterling Investments Limited..

FINANCIAL SUMMARY

J\$	31-Dec-24
Net interest Income	J\$101,882,086
Profit for the Period	J\$61,930,311
Total Assets	J\$1,829,152,820
Total Equity	J\$1,485,067,476

The Directors wish to thank the management team for their performance during the year under review. As always, we express our deep and sincere appreciation to the stockholders for their continued support and partnership.

By Order of the Board



Dated this March 2025

Corporate Profile

Sterling Investments Limited (SIL) is an investment holding company that was formed in 2012. At the time, J\$92 Jamaican dollars purchased US\$1. The company exists to protect and grow the capital of its stockholders by investing in bonds and equities in the global markets. Early investors in SIL avoided the National Debt Exchange and 68% devaluation since its inception. SIL listed its ordinary shares on the Main Market of the Jamaica Stock Exchange in October 2014. The company has helped local pension funds and astute investors to preserve and grow the value of their savings and investments.

The company invests primarily in an array of fixed income securities denominated in United States dollars. The company generates income in two ways: (a) through interest income earned on the securities in the portfolio; (b) through capital gains as a result of increases in the price of the securities. It offers investors the opportunity to enjoy:

- US dollar income
- Growth
- A hedge against devaluation and inflation
- Diversification
- Access to the global capital markets
- Access to experienced and successful investment managers

Sterling Investments Limited has no employees. The operations of Sterling Investments Limited are managed by the Investment Manager - Sterling Asset Management Limited (SAM). As a result, SIL has one of the highest net profit margins and lowest efficiency ratios of any company on the Jamaica Stock Exchange. SAM's team ensures that SIL's portfolio is optimized and executes the directives of the Board. SAM also ensures SIL's compliance with the applicable regulatory regimes.





The relationship between SAM and SIL is governed by an investment management agreement. The agreement stipulates payment of a management fee and performance dividend as follows:

- **Management Fee:** During the life of the company the Manager receives a management fee of 0.5% of the value of the assets under management each quarter.
- **Performance Fee:** 25% of profits in excess of the hurdle rate are paid to preference shareholders. The hurdle rate is the 10 Year UST plus a margin of 300 basis points.

Investment Manager Overview

Sterling Asset Management Limited (SAM) is a licensed securities dealer registered with the Financial Services Commission in Jamaica. SAM is a full-service financial planner, fund manager and global securities trader specializing in, but not limited to, US Dollar investments. Sterling boasts a high capital adequacy ratio and was one of the first local institutions to bring high quality, US dollar fixed income investments to Jamaican investors. For 25 years, SAM has provided a source of consistent growth and a safe haven to sophisticated investors locally and internationally. Sterling's hallmark product is an offshore US dollar mutual fund which has delivered returns of over 10% per annum between as at December 2024. US\$10,000 invested in the fund in 2003 would have been worth over US\$86,679 in December 2024. SIL's investment strategy has been modelled in a similar way. SAM is involved with several charitable projects which include Crime Stop, Maxfield Park Children's home, Calabar High School and a wide variety of educational and social upliftment programs.

Chairman's Message

2024 started with optimism and ended with uncertainty

Major Central Banks across the developed world commenced a cycle of reducing interest rates. The Federal Reserve reduced rates by 100 basis points in 2024 as did the European Central Bank. This helped drive interest expense lower, though the full impact will be realized in the 2025/6 financial year. The reduction in interest rates also drove a significant improvement in asset prices as evidenced by the improvement in the revaluation reserve. The U.S. economy remained robust, and this helped to drive stock markets higher in 2024. However, the results of the U.S. election in November 2024 led to more ambiguity around economic growth projections and inflation expectations. The prospect of trade wars, new geopolitical alliances and a shift in U.S. fiscal policy left investors cautious and perplexed at the end of the 2024 calendar year.

Patience and Liquidity continue to frame the investment strategy

The 2024 financial year was characterized by an anomaly - market prices improved (yields declined) and credit spreads tightened while interest expense and political uncertainty remained elevated. In other words- the market did not appear to be pricing in the impact of the new U.S. Administration's policies. As a result, the investment manager intentionally refrained from new asset purchases in anticipation of a deterioration in market conditions. This may have reduced profit in the 2024 financial year. However, with the market softening that has already been observed in 2025, the company is likely to be able to capture better and more attractive opportunities.

Long term growth in focus

We are proud of how the portfolios have navigated the challenges of the last two years. The company produced commendable profits and intrinsic value growth. The liquid nature of the securities traded also means that the company retains higher degrees of financial flexibility.

On behalf of the board of directors, I would like to thank all the shareholders for their continued confidence in SIL and look forward to providing growth and consistent US dollar income for another financial year.

Derek Jones
Chairman



The four most dangerous words in investing are: 'this time it's different.'

Sir John Templeton

A warning against believing that current market conditions defy historical precedent.



Board of Directors

Sterling Investments Limited (SIL)

SIL's Board consists of well-respected and experienced professionals who hold the investment manager accountable on behalf of the shareholders.

Derek Jones, Chairman, QBE // **Charles Ross**, BSc. (Hons), MSc. // **Marian Ross-Ammar**, BA (Hons), MBA
Maxim Rochester, BSc. (Accounting) Hons. FCA, FCCA // **Michael Bernard**, BA, BSc., MBA, FJIM



Derek Jones
Chairman QBE



Charles Ross
BSc. (Hons), MSc.



Michael Bernard
BA, BSc., MBA, FJIM

Sterling Asset Management (SAM)

SAM's Board consists of well-respected and experienced professionals who hold the investment manager accountable on behalf of the shareholders.

Charles Ross, BSc. (Hons), MSc. // **Maxim Rochester**, BSc. (Accounting) Hons. FCA, FCCA // **Marian Ross-Ammar**, BA (Hons), MBA // **Robert Taylor** BSc., MBA, LLB, L.E.C.



Maxim Rochester
BSc. (Accounting) Hons. FCA, FCCA



Marian Ross-Ammar
BA (Hons), MBA



Robert Taylor
BSc. MBA, LLB, L.E.C.

Board of Directors Biographies

Sterling Investments Limited (SIL)

Derek Jones, Chairman, QBE

Admitted to several Bars in the Caribbean and as a Solicitor of the United Kingdom, Derek is a former Managing Partner of Myers, Fletcher & Gordon in Jamaica. He is also a former Founding Partner of HSM Cayman. Under Derek's tenure, both firms were ranked by the authoritative guide of Chambers and Partners. Derek chairs the Cable and Wireless Jamaica Pension Fund, the Red Stripe Pension Fund and the Jamaica College Trust. He is a Director of the JN Cayman, formerly known as the National Building Society of the Cayman Islands.

Other Appointments:

- LIME Pension Fund (Chairman)
- Red Stripe Pension Fund (Chairman)
- Jamaica College Trust (Chairman)
- Jamaica National Building Society, Cayman (Director)

Charles Ross, BSc. (Hons), MSc.

Charles is a founding director of Sterling Asset Management Limited. In his role as President for the past 22 years, the company has generated a return on equity in excess of 20% per annum. Charles is a qualified engineer with over 15 years' experience in the field. Since its inception, Charles has guided Sterling's investment and portfolio management functions and maintained the company's focus on delivering higher risk adjusted returns for the medium to long term. He holds a Postgraduate Diploma in Business Administration from the University of Manchester, a BSc (Hons) in Civil Engineering from the University of Edinburgh and an MSc. in Construction Engineering and Management from the University of the West Indies.

Other Appointments:

- Sterling Asset Management
- The National Crime Prevention Fund (Crime Stop)

Michael Bernard, BA, BSc, MBA, FJIM

Michael has more than 20 years of executive management experience and is a retired Managing Director of Carreras Group Limited. During his tenure as the Chief Executive at Carreras, he successfully led the company to deliver commendable and continuous growth in shareholder returns, which earned the company awards for being the best performing company listed on the Jamaica Stock Exchange, including "Best Performing Company for 2010". In addition to his extensive local and international business experience, Michael holds a B.A. and BSc. in Business Administration and Forest Management respectively, and an MBA from the Harvard Graduate School of Business Administration. He is the Chairman of the Asset-Liability (ALCO) Committee.

Other Appointments:

- Salada Foods Jamaica Ltd.
- Carreras Ltd.
- Jamaica College (Chairman)
- GK General Insurance Co. Ltd.
- Hardware & Lumber Ltd.
- Jamaica College Foundation
- Spike Industries Limited (Chairman)
- Peak Bottling Company Ltd.
- New Transport Group Ltd.
- One on One Educational Services limited (Chairman)
- Pioneer Manufacturing and Distribution Limited
- Catherine's Peak Bottling Company

Maxim Rochester, B.Sc. (Accounting) Hons. FCA, FCCA
(see bio under SAM Ltd.)

Marian Ross-Ammar, BA (hons), MBA
(see bio under SAM Ltd.)

Board of Directors Biographies

Sterling Asset Management Limited (SAM)

Maxim Rochester BSc (Accounting) Hons. FCA, FCCA

Max, a former Territory Senior Partner of PriceWaterhouseCoopers, has over thirty (30) years' experience in the auditing of Jamaica's largest banking and insurance corporations. Max is intimately familiar with the operations, financial systems, regulatory environment and reporting requirements of the local financial sector. He has a BSc in Accounting with honours from the University of the West Indies, is a Member of the Chartered Association of Certified Accountants (UK) and a Member of the Institute of Chartered Accountants of Jamaica. Maxim is the Chairman of the company's Audit Committee..

Other Appointments:

- Sterling Asset Management
- Eppley Limited

Charles Ross, BSc. (Hons), MSc.
(see bio under SIL Ltd.)

Marian Ross-Ammar, BA (Hons), MBA

Marian has thirteen years of experience in the financial sector and has worked in credit analysis and investment research in both the regional and international capital markets. Her work has covered fixed income, publicly traded equities and private equity. Her work experience has taken her through the Caribbean and to North America and South-East Asia. She is the Vice President, Trading & Investments, and executive director of Sterling Asset Management.

Other Appointments:

- Sterling Asset Management
- Franciscan Ministries
- Can-Cara Limited

Robert Taylor BSc, MBA, LLB, L.E.C.

Robert possesses extensive experience in risk management, corporate banking, real estate development and commercial and real estate law. Robert spent 11 years at Citibank and left as the Resident Vice President, Financial Institutions & Public Sector Unit where he helped to structure credit and capital market transactions and also managed the Bank's relationships with the Government of Jamaica and Financial Institutions. He subsequently launched Taylor Law -a full time law practice specializing in Real Estate and Commercial law. Robert has a Bachelor of Laws from the University of London, an MBA, and a certificate in Legal Education from Norman Manley Law School. Robert is an independent director on the Board of Sterling Asset Management Limited and is the Chairman of the company's Asset Liability Management Committee.

A full-page underwater photograph serves as the background. It features a large sea turtle swimming towards the left in the center of the frame. The turtle has a brown and green patterned shell and flippers. Below it, a diverse coral reef is visible with various types of coral in shades of orange, brown, and red. Numerous small, dark fish are scattered throughout the water, and the surface of the ocean is visible at the top with sunlight filtering through.

Risk comes from not knowing what you're doing.

Warren Buffett

A blunt truth emphasizing the value of education and understanding in wealth management.

Directors & Connected Parties

Top Ten Shareholders as at December 31, 2024

Name	Number of shares	Percentage
ATL Group Pension Fund Trustees Nominee Limited	47,856,608	11.0277%
PAM - Pooled Equity Fund	41,938,638	9.6640%
Gracekennedy Pension Fund Custodian Ltd For Gracekennedy Pension Scheme	34,848,550	8.0302%
VMWealth Equity Fund	30,287,362	6.9792%
Claudine Murphy	24,511,394	5.6482%
Charles A. Ross	15,533,311	3.5794%
Cable and Wireless Jamaica Pension Fund	14,492,015	3.3394%
Satyanarayana Parvataneni	13,351,430	3.0766%
Everton Lloyd McDonald	13,331,584	3.0720%
National Insurance Fund	10,080,645	2.3229%

Shareholdings of Directors & Connected Parties as at December 31, 2024

Directors	Shareholdings	Percentage
Derek Jones	0	0%
Michael Bernard	0	0%
Maxim Rochester	0	0%
Charles Ross	15,533,311	3.5794%
Marian Ross	1,634,747	0.38%

Connected Parties	Number of shares	Percentage
Charles Andrew Ross	790,752	0.18221
Natalie A. Farrell-Ross	109,573	0.02525
Charles Ross	15,533,311	3.5794%
Marian Ross	1,634,747	0.38%



Risk Management

Effective risk management and optimization is essential to sustaining and furthering the success of our business. Risk is continuously analysed with the objective of maximizing profits while also avoiding and minimizing potential losses arising from downside risks (the risk of losses arising from adverse movements in the market).

Risk Management is incorporated as part of the company's culture and is an on-going, consultative, forward-looking, and dynamic process. Risk is analysed within a well-defined framework shaped by the Company's risk appetite, strategic objectives, competitive advantages and the prevailing regulatory and macroeconomic environment. The Asset Liability Management Committee oversees the formation of and adherence to the Company's general risk guidelines

Corporate Governance

The Board of Directors of SIL has the following responsibilities:

- Oversee and monitor the performance of the investment manager
- Periodically review the investment strategy and risk criteria to ensure that return on equity is being optimized
- Enforce good corporate and risk governance and ethical codes of conduct
- Enforce the code of ethics
- Oversee the company's adherence to and observation of the relevant global and local regulatory regimes

The company's corporate governance guidelines can be found at www.sterlinginvestmentsltd.com.

The company reviewed its corporate governance guidelines in 2024 and concluded that they remain appropriate, applicable, and relevant in the current environment.

The company's code of ethics can be found at the company's website www.sterlinginvestmentsltd.com

BOARD SUB-COMMITTEES

Audit Committee Charter

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring and assessing critical areas of the Company's operations and regularly reporting to the Board of Directors on same. The key focus areas consist of, but are not limited to: the integrity of financial record keeping and reporting, the risk and control environment, the Internal Audit, the External Audit, AML/CFT Regulatory Compliance internationally and locally and the Company's Codes of ethical and business conduct. Maxim Rochester serves as the Chairman of the Audit Committee.

Principal Activities of Audit Committee

Assess and Approve:

- The integrity of financial record keeping and reporting
- Quarterly in-house management accounts and explanations for divergence from budget
- The system of internal controls and procedures
- Stability and security of IT Infrastructure
- Internal audit report & findings and implementation of recommendations
- Internal audit focus & budget for the financial year
- Appointment of internal auditors
- Annual audited financial statements with a view to ensuring they are complete, utilizing the appropriate accounting principles and consistent with information known to committee members.

- Appointment of external auditors
- Local and international regulatory submissions
- Codes of ethics and business conduct
- AML / CFT local and international regulations

Meet privately with:

- Internal auditors as deemed necessary
- External auditors as deemed necessary

Audit Committee Report

PriceWaterhouseCoopers was appointed by the Board of the Investment Manager to perform the internal audit of its operations. The audit areas at the investment manager reviewed in 2023 included reconciliations, client payables, securities trading and information technology. All issues identified were addressed satisfactorily.

MEETINGS AND ATTENDANCE

Members of the Audit Committee	Meetings	% Attended
Maxim Rochester (Chairman)	4	100%
Derek Jones	4	100%
Michael Bernard	4	100%
Charles Ross	4	100%
Marian Ross	4	100%

Asset Liability Committee (ALCO) Charter

The Asset Liability Committee aims to ensure that the assets and liabilities of Sterling Investments Limited are effectively managed to maximize return on equity, bolster the capital base and to safeguard the company against adverse consequences of changes in interest rate and liquidity risk. These objectives are pursued in the context of a framework of strong risk management, investment and liquidity policy guidelines, which are outlined in the investment policy. The committee's mandate is to oversee the management of the company's assets and liabilities in the context of these objectives and budgeted targets.

This committee meets quarterly and consists of four members. It is chaired by Michael Bernard. Additional meetings may be scheduled as needed. The purpose of this committee is to maximize net interest income and capital gains over both the short and long term while managing within acceptable board approved risk tolerances for credit risk, liquidity risk, interest rate risk and capital. Other issues such as credit trends, credit concentrations and other credit-related metrics that may impact strategy development; especially as it relates to capacity for growth are discussed in this forum.

Principal Activities of Asset Liability Committee

Assess:

- Local and international macro-economic conditions and the implications for the company's investment strategy
- Management of market, liquidity and credit risk
- Investment strategies employed to maximize risk adjusted return on equity
- Quality and structure of funding and asset base
- Adherence to liquidity, capital and trading policy limits
- Achievement of budgeted profitability targets

ALCO Committee Report

The ALCO Committee consistently reviews the portfolio's composition and performance relative to Board-approved benchmarks and the portfolio's compliance with a variety of Board approved risk metrics and limits. The Committee acknowledges that the rapid rise in interest rates has presented both challenges and opportunities for the portfolio. The manager has conducted a variety of stress tests and simulations to ensure that it is prepared and positioned for a series of different outcomes. The company is equipped to withstand and optimize further volatility and interest rate hikes as they occur.

MEETINGS AND ATTENDANCE

Members of the ALCO Committee	Meetings	% Attended
Maxim Rochester	4	100%
Derek Jones	4	100%
Michael Bernard (Chairman)	4	100%
Charles Ross	4	100%
Marian Ross-Ammar	4	100%

Composition & Frequency of Meetings

The Audit and all other Committees of the board meet at least quarterly and consist of Five (5) members. The Committee members are Mr. Maxim Rochester (Chairman), Mr. Michael Bernard (Director), Mr. Derek Jones (Director) and Mr. Charles Ross (Director) and Mrs Marian Ross-Ammar (Director).

Directors' Compensation

SIL compensates its Directors responsibly and aligns remuneration with the company's strategy. For the financial year ending December 31, 2024, a total of JS\$5,159,275 was paid to the five Directors. Each director gets the same amount in fees.

Independent Directors

SIL recognizes the important role that independent directors play in the company's governance. Of the five non-executive Directors serving during the year, 60% of them were deemed to be independent, including the chairman. The Board considers a director to have met the criteria for independence if he or she: is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the board and to act in the best

interest of the entity and its shareholders generally, does not hold cross-directorships or has significant links with other directors through involvement in other companies or bodies; does not represent a substantial shareholding; is not a close relative of a significant shareholder; does not have an employment relationship with the SIL or Sterling Asset Management. The independence of directors is kept under constant review and all independent directors are required to disclose whether they have any interests or relationships that could impact on their ability to act in the best interests of the company.

The Board, having undertaken an assessment in the period under review, has determined that the following nonexecutive directors met the criteria for independence during the period under review:

- Derek Jones – Chairman
- Michael Bernard
- Maxim Rochester

Cybersecurity

Cybersecurity is a key reporting area for internal and external auditors. The manager of SIL, Sterling Asset Management, has engaged a leading Cybersecurity Firm in Israel for advice on the strongest and most relevant defensive and offensive forms of protection for the company’s data and environment. The Directors receive regular reports from the manager confirming the security and robustness of the IT environment.

Shareholder & Stakeholder relations

With the onset of the pandemic, SIL turned to virtual platforms to host its Annual General Meeting. The company was pleased to be able to provide insight, direction and clarity into the business at the AGM and EGM held in St. Lucia in November 2024. All directors participated in the AGM and EGM. The virtual AGM resulted in a broader range of participation from stakeholders and members of the audience were able to receive answers to their questions.

The DRIP (dividend reinvestment program) and the CSP (complementary share purchase) programs offered by the company have resulted in enhanced and increased shareholder value and interaction.

Human Development Policies & Practices

Sterling Investments Limited optimizes efficiency by outsourcing its operations to an investment manager – Sterling Asset Management (SAM). SAM’s human development policies and practices are documented in its Human Resources Manual. The company’s core values and behaviours are reinforced through periodic training, professional coaching and on the job feedback mechanisms.

Core values:

- Integrity
- Accountability
- Professionalism
- Client centricity
- Confidentiality
- Innovation

Employees and Option Scheme

SIL does not have any employees and there are therefore no option schemes or any other incentives in place for the company.

Corporate Data

Investor Relations Contact:

Marian Ross-Ammar

✉ sil@sterlinginvestmentsltd.com

☎ +1 (876) 754-2225

Registered Address:

20 Micoud Street

P.O. Box 189

Castries, St. Lucia

🌐 www.sterlinginvestmentsltd.com

✉ sil@sterlinginvestmentsltd.com

External Auditors:

Sterling Investments Limited is
audited by KPMG, Barbados

Internal Auditors:

PricewaterhouseCoopers Jamaica,
serves as the internal auditor
for Sterling Asset Management
Limited (the Investment Manager
for Sterling Investments Limited)



Corporate Social Responsibility 2024

Sponsorships

Sterling was the title sponsor for the Rangers Gun Club Sporting Clay Shooting tournament for the third consecutive year.



Main sponsor of the 61st Port Antonio International Marlin Tournament 2024

Sterling is proud to support an event that not only fosters camaraderie but also promotes environmental sustainability and strengthens the local community.



Corporate Social Responsibility 2024

Sterling continued Crime Stop sponsorship

Sterling's partnership and support of Crime Stop reflects our unwavering dedication to making a tangible difference in the fight against crime. Our contribution enables Crime Stop to enhance its programs, expand its reach, and implement innovative strategies to combat crime more effectively.



Maxfield Park children's home

Sterling Asset Management has once again demonstrated its commitment to supporting education and community development by donating \$400,000 to the Maxfield Park Children's Home. The donation was to assist the home in preparing its residents for the upcoming school year.

Sterling donates JMD 1 Million to support hurricane recovery efforts at Hampton School and Munro College

Sterling has stepped in to support Hampton School and Munro College, two historic educational institutions in Malvern, St. Elizabeth, affected by the devastating impact of Category 4 Hurricane Beryl. Their timely donation of JMD 1 million was deeply appreciated by these two institutions.



Corporate Social Responsibility 2024

Client events

Estate planning Seminar

Breakfast with Sterling: Bruce Levy of Levy Cheeks and Toni-Ann Neita Elliott of Sterling shared with their clients the principles, relevance, and importance of estate planning, shedding light on its intricate components and showcasing investment management as a pivotal aspect of this process.



Tracks & Records Olympic mingle

Sterling invited our clients to us for a Special Olympic luncheon at Tracks & Records and watch and cheer on our Jamaica team during the finals.



Annual Investor Briefing

The theme: Rate cuts, Recession, Market Correction: What's Next For Investors?

Our esteemed panelists: Charles Ross: President & CEO Sterling Asset Management Ltd, Keith Collister: Executive Chairman ATL Pension fund, Chair of the Economic Affairs and Taxation committee of the Jamaica Chamber of commerce, Jamaica Observer Columnist and Henry Mooney, Principal Economist and Senior Advisor within the Caribbean Country Department (CCB) at the Inter-American Development Bank's (IDB), discussed the response of local and global markets to economic pressures, the key decisions investors face amid uncertainty and the strategies to safeguard investments and seize opportunities during challenging times.



Corporate Social Responsibility 2024



Uncorked Too mingle "Investing Uncorked!"

Sterling invited clients and investors to an exclusive evening of insights, to mingle with fellow investors, enjoy fine wine, and delicious hors d'oeuvres, while gaining valuable perspectives from our team at Sterling.



Customer Appreciation 2024

Sterling clients were treated to a magical evening of fun and entertainment.



Review of the 2024 Economic Environment

International

The European Central Bank and the US Federal Reserve commenced interest rate reduction cycles in 2024. Despite the Federal Reserve's 100 basis point reduction in its benchmark rate, longer term Treasury bond yields also increased in 2024, reflecting a resilient U.S. economy, a widening fiscal deficit, and growing government debt. In summary, stock indices improved on the year, bond yields rose, and gold continued its ascent. The new political administration in the US introduced a new element of uncertainty and risk in the final quarter of the year.

The 10-year US Treasury rose by 69 basis points in 2024 and ended the year at 4.62% while the 30-year yield ended the year at 4.85% and rose 75 basis points on the year. WTI increased by 0.1% in 2024 to US\$74.6 per barrel and Brent declined by 3.1% to close the year at US\$78.50. Equities were higher on the year. For 2024, the S&P recorded a 23% increase, the Dow Jones Index recorded a 12.9% increase, and the Euro Stoxx 600 recorded a 6% increase.

Local Economy

The Bank of Jamaica reduced its policy rate four times to 6%. Yields on BOJ CD's declined on the year with the 30-day CD yield falling 409 basis points on the year to 6.34% as at December 31, 2024. The Jamaican dollar depreciated by 0.95% in 2024 and closed the year at a weighted average sell rate of J\$156.42. In 2024, the Bank of Jamaica sold US\$1.1 billion into the Foreign Exchange Market. Inflation, year on year, was recorded at 5% in 2024 (vs. Central Bank target range of 4% - 6%). The Main Index of the Jamaica Stock Exchange ended 2024 with a gain of 3.1%.

Impact of macro-economic movements on company performance

The pause in interest rate reductions by the Fed and the new political regime in the US have created both headwinds and tailwinds for the company. The company's history has been defined by its ability to navigate and profit from market volatility and uncertainty. The company retains ample liquidity to take advantage of any market movements. Dividends are paid from realized cash flow, and as such, we do not anticipate the movements in the JMD/USD exchange rate to be material to the company's ability to continue to pay US\$ dividends to shareholders.



**An investment in
knowledge pays
the best interest.**

Benjamin Franklin

Even though Franklin predates the modern market, this line is gold for financial literacy.

Management Discussion & Analysis

Total revenue increased 9.8% from J\$133.9 million in 2023 to J\$147 million in 2024. This was the result of net gains on the sale of debt investment securities held at FVOCI which moved from (J\$42.6) million in 2023 to J\$7.8 million in 2024. Interest income declined by 9% as the company patiently remained liquid and refrained from buying new assets amidst the tight credit spreads and elevated interest rate regime that prevailed during the year. Interest expense declined from J\$30.6 million in 2023 to J\$26.7 million in 2024, – the direct result of lower U.S interest rates which reduced the cost of margin funding. Total expenses increased from J\$26.7 million in 2023 to J\$84.9 million in 2024. This was due to the year-on-year change in unrealized revaluation losses and expected credit losses on the portfolio which moved from J\$34 million in 2023 to J\$(5.9) million in 2024. The 2023 figure was distorted by the sale of an asset which triggered the reversal of unrealized losses. Net profit totaled J\$61.9 million in 2024 compared to J\$102.9 million in 2023, primarily a result of the higher unrealized losses on financial instruments year on year. Total comprehensive income totaled J\$148.4 million for 2024 compared to J\$149.2 million in 2023.

SIL recorded total assets as at December 31, 2024 of J\$1.8 billion, roughly the same as at the end of 2023. Total equity increased from J\$1.4 billion to J\$1.5 billion thanks to an improvement in the market prices of the assets in the portfolio. As market prices continue to recover, we expect the fair value reserve to improve. Margin loans payable declined from J\$430.2 million in 2023 to J\$321 million in 2024, as the company paid down higher cost funding with cash on hand.

YEAR ON YEAR PERFORMANCE HIGHLIGHTS

\$147M  TOTAL REVENUE

\$61.9M  PROFIT

\$1.5B  TOTAL EQUITY

Outlook

SIL's objective is to deliver growth and value for stockholders. The company plans to continue to take advantage of the current volatility in the global market. Management anticipates future opportunities for the company to include:

- Reduction in interest rates in the US that will lead to further asset price appreciation and will improve the net interest margin
- Continued volatility in the financial markets that will provide trading opportunities
- Increased liquidity coming from calls or maturities within the portfolio

Audited Financial Statements

December 31, 2024





KPMG in Barbados and the Eastern Caribbean
Suite No. 2
Rodney Bayside Building
Rodney Bay, Gros Islet
Saint Lucia

Telephone: 246-434-3900
Email: ecinfo@kpmg.lc

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
STERLING INVESTMENTS LIMITED

Opinion

We have audited the consolidated financial statements of Sterling Investments Limited ("the Company") and its subsidiary ("the Group"), set out on pages 33 to 75, which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
STERLING INVESTMENTS LIMITED

Key Audit Matters

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

Expected credit losses on investment securities	
Key audit matter [see notes 6 and 19(a)(v)]	How the matter was addressed in our audit
Debt investment securities are required to be tested for impairment. One of the key elements in the impairment test is the selection of forward-looking information that reflects a range of possible future economic conditions. Significant management judgement is used in determining the forward-looking information.	Our procedures included, but were not limited to: • Updating our understanding of the group's model for the calculation of expected credit losses and how the forward-looking information is reflected in the models. • Involving our own specialists to assist us in assessing the methodology used to determine appropriate forward-looking information; and the relevance and reliability of the Forward Looking Information (FLI) used by reference to industry benchmarks. • Assessing the adequacy of the disclosures required by the accounting standards

Other Information

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
STERLING INVESTMENTS LIMITED

Other Information (continued)

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
STERLING INVESTMENTS LIMITED

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
STERLING INVESTMENTS LIMITED

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Damion D. Reid.

A handwritten signature in grey ink that reads 'KPMG' in a stylized, cursive-like font.

Chartered Accountants
Gros Islet, Saint Lucia

March 24, 2025

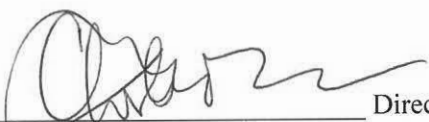
STERLING INVESTMENTS LIMITED

Statement of Financial Position

December 31, 2024 (Expressed in Jamaican Dollars)

	Notes	2024 \$	2023 \$
Assets			
Cash and cash equivalents	4	1,232,534	2,837,517
Accounts receivable and prepayments	5	33,866,505	45,251,950
Due from related company	9(c)(i)	101,599,951	-
Investment securities	6	1,692,453,830	1,774,723,514
Total assets		<u>1,829,152,820</u>	<u>1,822,812,981</u>
Liabilities			
Margin loans payable	7	320,995,961	430,148,792
Other payables	8	18,079,108	17,281,716
Due to related company	9(c)(i)	5,000,275	7,163,482
Manager's preference shares	10	10,000	10,000
Total liabilities		<u>344,085,344</u>	<u>454,603,990</u>
Equity			
Share capital	11(ii)	1,078,200,924	1,072,990,211
Prepaid share reserve	12	1,093,578	2,030,463
Fair value reserve	13	(89,189,730)	(175,612,742)
Retained earnings		<u>494,962,704</u>	<u>468,801,059</u>
Total equity		<u>1,485,067,476</u>	<u>1,368,208,991</u>
Total liabilities and equity		<u>1,829,152,820</u>	<u>1,822,812,981</u>

The financial statements on pages 33 to 75 were approved for issue by the Board of Directors on March 24, 2025 and signed on its behalf by:


 _____ Director
 Charles Ross


 _____ Director
 Maxim Rochester

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

STERLING INVESTMENTS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2024 (Expressed in Jamaican Dollars)

	Notes	2024 \$	2023 \$
Income	14		
Interest income calculated using the effective interest method		128,565,498	146,468,374
Foreign exchange gain		10,623,468	30,030,360
Net gain/(loss) on sale of debt investment securities at FVOCI		<u>7,816,085</u>	<u>(42,647,291)</u>
		<u>147,005,051</u>	<u>133,851,443</u>
Expenses			
Interest expense calculated using the effective interest method		(26,683,412)	(30,582,761)
Impairment (loss)/gain on financial instruments	19(a)(v)	(5,919,003)	33,995,452
Fair value gain on securities at FVTPL		4,760,565	14,830,223
Other operating expenses	15	<u>(57,150,732)</u>	<u>(44,867,070)</u>
		<u>(84,992,582)</u>	<u>(26,624,156)</u>
		62,012,469	107,227,287
Other income		(82,158)	183,613
Manager's preference share dividend	9(c)(ii)	<u>-</u>	<u>(4,499,486)</u>
Profit before taxation		61,930,311	102,911,414
Taxation	16	<u>-</u>	<u>-</u>
Profit for the year		<u>61,930,311</u>	<u>102,911,414</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Change in fair value of FVOCI equity investments, net	20	<u>777,718</u>	<u>2,130,554</u>
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movements in fair value reserve realised (gain)/loss on sale of FVOCI debt investment securities reclassified to profit or loss		(7,050,124)	46,464,461
Change in fair value of FVOCI debt investment securities, net of expected credit loss		<u>92,695,418</u>	<u>(2,326,573)</u>
Total other comprehensive income for the year		<u>86,423,012</u>	<u>46,268,442</u>
Total comprehensive income for the year		<u>148,353,323</u>	<u>149,179,856</u>
Earnings per stock unit			
Basic and diluted earnings per stock unit	17	<u>0.14</u>	<u>0.24</u>

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

STERLING INVESTMENTS LIMITED

Statement of Changes in Equity

Year ended December 31, 2024 (Expressed in Jamaican Dollars)

	Share capital [note 11(ii)] \$	Prepaid share reserve (note 12) \$	Fair value reserve (note 13) \$	Retained earnings \$	Total \$
Balances at December 31, 2022	<u>1,066,915,011</u>	<u>997,970</u>	<u>(221,881,184)</u>	<u>426,953,461</u>	<u>1,272,985,258</u>
Comprehensive income:					
Profit for the year	-	-	-	102,911,414	102,911,414
Other comprehensive income:					
Fair value change on equity investment, net	-	-	2,130,554	-	2,130,554
Realised loss on sale of FVOCI debt instrument securities reclassified to profit or loss	-	-	46,464,461	-	46,464,461
Change in fair value of FVOCI debt instrument securities, net of expected credit loss	-	-	(2,326,573)	-	(2,326,573)
Total other comprehensive income	-	-	46,268,442	-	46,268,442
Total comprehensive income	-	-	<u>46,268,442</u>	<u>102,911,414</u>	<u>149,179,856</u>
Transactions with owners:					
Shares issued during the year	5,077,230	-	-	-	5,077,230
Transfer of prepayment of shares	997,970	(997,970)	-	-	-
Prepayments for share	-	2,030,463	-	-	2,030,463
Dividends (note 18)	-	-	-	(61,063,816)	(61,063,816)
Total transactions with owners	<u>6,075,200</u>	<u>1,032,493</u>	<u>-</u>	<u>(61,063,816)</u>	<u>(53,956,123)</u>
Balances at December 31, 2023	<u>1,072,990,211</u>	<u>2,030,463</u>	<u>(175,612,742)</u>	<u>468,801,059</u>	<u>1,368,208,991</u>
Comprehensive income:					
Profit for the year	-	-	-	61,930,311	61,930,311
Other comprehensive income:					
Fair value change on equity investment, net	-	-	777,718	-	777,718
Realised gain on sale of FVOCI debt instrument securities reclassified to profit or loss	-	-	(7,050,124)	-	(7,050,124)
Change in fair value of FVOCI debt instrument securities, net of expected credit loss	-	-	92,695,418	-	92,695,418
Total other comprehensive income	-	-	86,423,012	-	86,423,012
Total comprehensive income	-	-	<u>86,423,012</u>	<u>61,930,311</u>	<u>148,353,323</u>
Transactions with owners:					
Shares issued during the year	5,210,713	-	-	-	5,210,713
Transfer of prepayment of shares	-	(2,030,463)	-	-	(2,030,463)
Prepayments for share	-	1,093,578	-	-	1,093,578
Dividends (note 18)	-	-	-	(35,768,666)	(35,768,666)
Total transactions with owners	<u>5,210,713</u>	<u>(936,885)</u>	<u>-</u>	<u>(35,768,666)</u>	<u>(31,494,838)</u>
Balances at December 31, 2024	<u>1,078,200,924</u>	<u>1,093,578</u>	<u>(89,189,730)</u>	<u>494,962,704</u>	<u>1,485,067,476</u>

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

STERLING INVESTMENTS LIMITED

Statement of Cash Flows

Year ended December 31, 2024 (Expressed in Jamaican Dollars)

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Cash flows from operating activities			
Profit for the year		61,930,311	102,911,414
Adjustments for:			
Interest income		(129,983,407)	(146,554,201)
Interest expense		26,683,412	30,582,761
Impairment loss/(gain) on investment securities	19(a)(v)	5,919,003	(33,995,452)
Net (gain)/loss on sale of debt investment securities at FVOCI		(7,816,085)	42,647,291
Unrealised fair value gain on securities at FVTPL		(4,760,565)	(14,830,223)
Manager's preference share dividend	9(c)(ii)	(4,499,486)	4,499,486
		(52,526,817)	(14,738,924)
Changes in:			
Accounts receivable and prepayments		(89,098)	(570,883)
Margin loans payable		(109,152,831)	(30,050,557)
Due from related company		(101,599,951)	-
Other payables		5,296,878	3,751,314
Due to related company		(2,163,207)	2,685,771
Acquisition of investment securities		(296,684,360)	(282,248,610)
Proceeds from sale of investment securities		<u>472,034,702</u>	<u>268,003,243</u>
		(84,884,684)	(53,168,646)
Interest received		141,457,951	139,909,760
Interest paid		(26,683,412)	(30,582,761)
Net cash provided by operating activities		<u>29,889,855</u>	<u>56,158,353</u>
Cash flows from financing activities			
Issue of ordinary shares	11(ii)	5,210,713	6,075,200
Complementary share purchase programme		(936,885)	1,032,494
Dividends paid	18	(35,768,666)	(61,063,816)
Net cash used in financing activities		(31,494,838)	(53,956,122)
(Decrease)/increase in cash and cash equivalents		(1,604,983)	2,202,231
Cash and cash equivalents at beginning of year		<u>2,837,517</u>	<u>635,286</u>
Cash and cash equivalents at end of year	4	<u>1,232,534</u>	<u>2,837,517</u>

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2024 (Expressed in Jamaican Dollars)

1. Incorporation and principal activities

Sterling Investments Limited (“the Company”) is incorporated in Saint Lucia under the International Business Companies Act. Its registered office is located at 20 Micoud Street, Castries, Saint Lucia. The principal activities of the Company are holding and trading of securities and other investments. The Company is listed on the Jamaica Stock Exchange.

These consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Sterling Investments (Cayman) Limited (together referred to as “the Group”).

Sterling Investments (Cayman) Limited is incorporated in Cayman as an Exempted Company incorporated in the Cayman Islands with Limited Liability. Sterling Investments (Cayman) Limited is a registered member of International Corporation Services in Grand Cayman. The principal activities of Sterling Investments (Cayman) Limited are holding and trading of securities and other investments.

The Company’s activities are administered by related party, Sterling Asset Management Limited to which investment manager’s fees are paid [note 9(c)(ii)].

2. Basis of accounting and basis of preparation

(a) Basis of accounting

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

(b) Functional and presentation currency

The consolidated financial statements are presented in Jamaican dollars, which is the functional currency of the Company, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates, based on assumptions, and judgements. The estimates and judgements affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

2. Basis of accounting and basis of preparation (continued)

(c) Use of estimates and judgements (continued)

Judgements and estimates made by management in the application of IFRS Accounting Standards that have a significant effect on these consolidated financial statements and/or have a significant risk of material adjustment in the next financial year are set out below:

Critical accounting judgements and key sources of estimation uncertainty

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

(1) Impairment of financial assets [see note 19(a)(v)]:

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

In determining amounts recorded for impairment of debt investment securities, management makes assumptions in determining the inputs to be used in the ECL measurement model, including the incorporation of forward-looking information. The use of assumptions make uncertainty inherent in such estimates.

(2) Fair value of financial instruments (see note 6):

There is no quoted market price for a portion of the Group financial assets. Accordingly, fair value of this financial asset is determined using the net asset valuation techniques that includes the use of valuation model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair value. The fair value determined in this way is classified as Level 3 in the fair value hierarchy (see notes 20).

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the inclusion of investment securities at fair value.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents, accounts receivable (excluding prepayments), due from related company and investment securities. Financial liabilities comprise margin loans payable, other payables, due to related company and manager's preference shares.

- (i) Recognition

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

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

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

- (ii) Derecognition

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

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

(iii) Classification and measurement

Financial assets

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

(iii) Classification and measurement (continued)

Financial assets (continued)

Fair value gains and losses on equity instruments at FVOCI are never reclassified to profit or loss or other component of equity. Cumulative gains and losses on debt securities recognised in other comprehensive income (OCI) are transferred to retained earnings on disposal of the investment.

Business model assessments:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

- (iii) Classification and measurement (continued)

Financial assets (continued)

Business model assessments (continued):

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVOCI because they are held to collect contractual cash flows and selling the financial assets or were elected by the Group. Financial assets at FVTPL are not held for trading.

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

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

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

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

- (iii) Classification and measurement (continued)

Financial liabilities

The Group classifies non-derivative financial liabilities into the “other financial liabilities” category. These are measured at amortised cost.

Reclassifications

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

- (iv) Identification and measurement of impairment

The Group recognises loss allowances for ECL on financial instruments that are not measured at FVTPL, i.e. financial assets that are debt instruments. No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to 12-month ECL on the debt investment securities that are determined to have low credit risk at the reporting date and other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

3. Material accounting policies (continued)

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

(iv) Identification and measurement of impairment (continued)

Measurement of ECL

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

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

Credit-impaired financial assets

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

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

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

(iv) Identification and measurement of impairment (continued)

Credit-impaired financial assets (continued)

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

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

Presentation of allowance for ECL in the consolidated statement of financial position

For financial assets measured at amortised cost, the ECL is presented as a deduction from the gross carrying amount of the assets

Debt instrument measured at FVOCI; no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is fair value. However, the loss allowance is disclosed and is recognized in retained earnings.

Write off

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

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

(b) Fair value measurement

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

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

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

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured and classified at amortised cost, less impairment losses.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

(d) Accounts receivable

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

(e) Margin loans payable and other payables

Margin loans payable and other payables are measured at amortised cost.

(f) Interest

- (i) Interest income and expense are recognised in profit or loss by using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to its gross carrying amount of the financial asset or amortised cost of the financial liability.

Effective interest rate

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

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

Amortised cost and gross carrying amount

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

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

(f) Interest (continued)

(i) (Continued)

Calculation of interest income and interest expense

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

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

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

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes interest on debt instruments measured at FVOCI.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

(ii) Gain or loss on holding and trading securities

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

(g) Foreign currencies

Foreign currency balances at the reporting date are translated at the foreign exchange rates ruling at that date. Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

(h) Share capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

(i) Ordinary stock units

The Company's ordinary stock units are not redeemable by holders and dividends are paid at the sole discretion of the Board of Directors. Accordingly, they are presented within equity and dividends thereon are also recognised in equity when declared.

Incremental costs directly attributable to the issue of ordinary stock units are recognised as deduction from equity.

(ii) Preference shares

Preference share capital is classified as:

- Equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as equity distributions.
- Liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case, dividends thereon are recognised as interest in profit or loss as accrued.

The Company's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as a financial liability.

(i) Income tax

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

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

(j) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

(j) Segment reporting (continued)

The Group's activities are limited to revenue earned from investment securities, operating in a single segment, therefore no additional segment information is provided.

(k) Amended standards effective during the year

Certain amended standards were effective as at January 1, 2024, which did not have any impact on the Group's financial statements.

(l) New and amended standards issued but not yet effective

At the date of authorisation of these financial statements, certain new and amended standards have been issued which were not effective for the current year and which the Group has not early adopted.

- Amendments to IAS 21 *Lack of Exchangeability* for periods beginning on or after January 1, 2025. The amendments provide clarification for situations where market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets. The amendments contain no specific requirements for estimating a spot rate.

The Group is assessing the impact the amendments will have on its future financial statements.

- IFRS 18 *Presentation and Disclosure in Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2027. Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a Group's main business activities.

All companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a Group's operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a 'useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a Group provides more detailed disclosures about their nature.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

3. Material accounting policies (continued)

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

• IFRS 18 *Presentation and Disclosure in Financial Statements* (continued)

IFRS 18 requires some ‘non-GAAP’ measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management’s view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Companies are discouraged from labelling items as ‘other’ and will now be required to disclose more information if they continue to do so.

The Group is assessing the impact that the standard will have on its future financial statements.

4. Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
	\$	\$
Cash	-	3,000
Demand deposit accounts	<u>1,232,534</u>	<u>2,834,517</u>
	<u>1,232,534</u>	<u>2,837,517</u>

Demand deposit accounts include \$119,471 (2023: \$73,525) [notes 11(v)(a) and 12] received from stockholders as prepayments for the purchase of the Company’s stock units.

5. Accounts receivable and prepayments

	<u>2024</u>	<u>2023</u>
	\$	\$
Interest receivable	32,844,280	44,318,823
Prepayments	<u>1,022,225</u>	<u>933,127</u>
	<u>33,866,505</u>	<u>45,251,950</u>

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

5. Accounts receivable and prepayments (continued)

Accounts receivable is stated net of impairment provision of \$Nil (2023: \$Nil) and is due as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Due within twelve (12) months	32,844,280	44,318,823
No specific maturity	<u>1,022,225</u>	<u>933,127</u>
	<u>33,866,505</u>	<u>45,251,950</u>

6. Investment securities

	<u>2024</u>	<u>2023</u>
	\$	\$
Debt investment securities measured at FVOCI:		
(i) Corporate bonds US\$7,911,951 (2023: US\$7,365,930)	1,229,991,897	1,136,342,081
(ii) Municipal bonds US\$1,285,720 (2023: US\$1,304,237)	199,877,993	201,204,601
(iii) Sovereign bonds US\$1,526,822 (2023: US\$1,397,710)	<u>237,359,747</u>	<u>215,624,721</u>
	<u>1,667,229,637</u>	<u>1,553,171,403</u>
Equity investment securities measured at FVOCI:		
(iv) Unquoted ordinary shares US\$Nil		
(2023: US\$653,544)	<u>-</u>	<u>100,822,233</u>
Investment securities designated as at FVTPL:		
Structured notes US\$NIL (2023: US\$746,510)	-	115,164,098
Quoted ordinary equities	<u>25,224,193</u>	<u>5,565,780</u>
	<u>25,224,193</u>	<u>120,729,878</u>
	<u>1,692,453,830</u>	<u>1,774,723,514</u>

- (i) Corporate bonds earn interest at rates ranging from 5.95% to 10.35 (2023: 5.95% to 10.60%) per annum and mature over the period 2029 to 2049 (2023: 2024 to 2049).
- (ii) Municipal bonds earn interest at rates ranging from 6.050% to 7.625% (2023: 6.050% to 7.625%) per annum and mature over the period 2029 to 2040 (2023: 2029 to 2040).
- (iii) Sovereign bonds earn interest at rates ranging from 7.125% to 8.950% (2023: 7.125% to 8.950%) per annum and mature on 2032 and 2038 (2023: 2032 and 2038).
- (iv) The Company holds 0% (2023: 4.93%) of ordinary shares in Sterling Development (SKN) Limited ("SDL"), a related party [note 9(c)(i)].

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

6. Investment securities (continued)

- (v) Investment securities are used to collateralise margin loans with brokers (note 7).
(vi) The maturity profile of investments, in relation to the reporting date are shown as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Due after twelve (12) months	1,667,229,637	1,668,335,501
No specific maturity	<u>25,224,193</u>	<u>106,388,013</u>
	<u>1,692,453,830</u>	<u>1,774,723,514</u>

7. Margin loans payable

These are margin loans due to overseas brokers of \$320,995,961 (US\$2,064,814) [2023: \$430,148,792 (US\$2,788,285)]. The loans bear interest at rates ranging 6.635% to 7.750% (2023: 2.430% to 7.750%) per annum, have no set repayment date and are collateralised by securities purchased from the brokers with the loan proceeds [note 6(v)]. At the reporting date under the terms of the arrangement securities in the amount of US\$2,064,814 (2023: US\$2,788,285) have been pledged in this regard. The amount pledged varies in line with the value of outstanding loans from time to time. The margin loans would be classified as current.

8. Other payables

	<u>2024</u>	<u>2023</u>
	\$	\$
Manager's preference shares dividend payable [US\$Nil (2023: US\$29,166)] [note 9(c)(i)]	-	4,499,486
Other payables and accruals	<u>18,079,108</u>	<u>12,782,230</u>
	<u>18,079,108</u>	<u>17,281,716</u>

Other payables are due to be settled within twelve (12) months of the reporting date.

9. Related party balances and transactions

- (a) Definition of related party

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

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

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

9. Related party balances and transactions (continued)

(a) Definition of related party (continued)

- (i) A person or a close member of that person's family is related to the Group if that person (continued):
 - (3) is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled, or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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

(b) Identity of related parties

The Group has related party relationships with its directors, investment manager and other entities under the common control and/or significant influence of its investment manager.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

9. Related party balances and transactions (continued)

(c) Related party amounts

- (i) The consolidated statement of financial position includes balances with related parties with common directors and/or significant influence, arising in the ordinary course of business, as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Entity with common stockholders and directors:		
Unquoted ordinary shares	-	<u>100,822,233</u>
Investment manager:		
Dividend payable on Manager's preference shares (note 8)	-	4,499,486
Due to related company	<u>5,000,275</u>	<u>7,163,482</u>
Entity with common director and significant influence:		
Due from related company	<u>101,599,951</u>	<u>-</u>

The amounts due to/from related companies are unsecured, interest-free and are repayable within twelve (12) months from reporting date.

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Entity with common stockholders:		
Investment manager:		
Dividend on Manager's preference shares (note 8)	-	4,499,486
Management fees (note 15)	(29,338,547)	(25,652,182)
Dividend paid to Directors	1,377,965	2,256,051
Directors' fees (note 15)	<u>5,159,275</u>	<u>5,896,428</u>

- (iii) At the reporting date, 18,167,676 (2023:17,447,691) stock units were held by directors and connected parties.

10. Manager's preference shares

- (a) This represents 10,000 manager's cumulative preference shares [see note 11(i)]. The terms and conditions of these shares include the following:

- (i) The block of manager's cumulative preference shares, at all times, regardless of the number of ordinary stock units issued and held, enjoy voting control to the extent of 51% of such votes as may be cast by stockholders of the Group with respect to any and all decisions by such stockholders;

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

10. Manager's preference shares (continued)

- (a) This represents 10,000 manager's cumulative preference shares [see note 11(i)]. The terms and conditions of these shares include the following (continued):
- (ii) The manager's cumulative preference shares rank *pari passu* as between and among themselves;
 - (iii) The manager's cumulative preference shares are entitled to a cumulative annual preference dividend of twenty-five per cent (25%) of the Group's return on equity earned in excess of the hurdle rate (computed in accordance with the formula set out in the terms and conditions of issue) applied to the United States dollar value of the Group's profit and equity. The return on equity is calculated as the profit for the year of the Group divided by the value of the Group's average equity as at the end of the financial year, expressed in United States dollars and substantiated by the audited financial statements;
 - (iv) Apart from the right to the cumulative annual preference dividend, the manager's cumulative preference shares have no economic rights or entitlements save for the right in a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units; and
 - (v) In the event that an entity which is (or becomes) the investment manager subsequently ceases to be the investment manager in accordance with the relevant provisions of the Group's Articles of Association, each of the manager's cumulative preference shares held by that entity shall thereupon automatically be converted into a fully paid ordinary stock units in the Group.
- (b) The dividend payment is recorded as dividend on manager's preference shares in the consolidated statement of profit or loss and other comprehensive income.

11. Share capital

	Number of units	
	<u>2024</u>	<u>2023</u>
(i) Authorised:		
Ordinary stock units of no par value	2,000,000,000	2,000,000,000
Manager's cumulative preference shares of no par value (note 10)	<u>10,000</u>	<u>10,000</u>
	<u>2,000,010,000</u>	<u>2,000,010,000</u>

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

11. Share capital (continued)

(ii) Issued and fully paid:

	Number of units		Total	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
			\$	\$
Ordinary stock units				
Balance at beginning of year	431,824,190	429,615,038	1,072,990,211	1,066,915,010
Issued during the year:				
Dividend reinvestment				
Programme [note 11(v)(a) and 18]	1,328,564	1,851,842	3,185,238	5,096,559
Complementary Share				
Purchase Programme				
[note 11(v)(b)]	<u>815,626</u>	<u>357,310</u>	<u>2,025,475</u>	<u>978,641</u>
Net proceeds from issuance	2,144,190	2,209,152	5,210,713	6,075,200
Balance at end of year	433,968,380	431,824,190	1,078,200,924	1,072,990,211
Manager's cumulative				
preference shares	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	433,978,380	431,834,190	1,078,210,924	1,073,000,211
Less: Manager's preference				
shares reclassified to				
liability (note 10)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
	<u>433,968,380</u>	<u>431,824,190</u>	<u>1,078,200,924</u>	<u>1,072,990,211</u>

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

(iv) The rights and entitlements of the holders of the preference shares are set out in note 10.

(v) Dividend Reinvestment and Complementary Share Purchase Programme

The Company operates two (2) share incentive programmes as follows:

(a) Dividend Reinvestment Programme

Under the Dividend Reinvestment Programme (DRIP), the stockholders of the Company may elect to reinvest their dividend in new ordinary stock units, rounded down to the nearest stock unit at the closing price applicable on the record date and without incurring fees. Residual unallocated dividends as at December 31, 2024 amounted to \$119,471 (2023: \$73,525) (note 4) and are included in other payables and accruals.

During the year, 1,328,564 (2023: 1,851,842) stock units were issued to the stockholders, under this programme.

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

11. Share capital (continued)

(v) (Continued)

(b) Complementary Share Purchase Programme

Under the Complementary Share Purchase Programme (CSPP), the stockholders of the Company may purchase new ordinary stock units at the closing price applicable for the last day of the relevant quarter and without incurring fees.

Funds received are recorded as prepaid share reserve (note 12) and transferred to share capital when the stocks are issued.

During the year, 815,626 (2023:357,310) stock units were issued to the stockholders, under this programme.

12. Prepaid share reserve

This represents funds received from stockholders during the last quarter of the previous financial year to purchase the Company's stock units under the CSPP [note 11(v)(b)]. Subsequently, stock units were issued on January 17, 2024 (2023: January 24, 2023) at a stock unit price of \$2.74 (2023: \$2.72).

13. Fair value reserve

This represents the cumulative net change in the fair value of investment securities measured at FVOCI until assets are derecognised or reclassified, net of expected credit loss.

14. Income

This represents income from foreign exchange gain, interest income from debt securities and net realized gains/loss from holding and trading debt investment securities.

15. Expenses by Nature

	<u>2024</u> \$	<u>2023</u> \$
Management fees [note 9(c)(ii)]	29,338,547	25,652,182
Auditors' remuneration	15,126,154	6,061,159
Directors' fees [note 9(c)(ii)]	5,159,275	5,896,428
Stock exchange listing fees	3,649,865	3,223,586
Professional fees	1,085,474	1,098,734
Other	<u>2,791,417</u>	<u>2,934,981</u>
	<u>57,150,732</u>	<u>44,867,070</u>

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16. Taxation

The Group had elected to be charged at the rate of 1% under the International Business Companies Act (“Act”). Under the amendments to the Act, the Group continued to benefit from the pre-amendment provisions until June 30, 2021. After the grandfathering period ended, all companies in Saint Lucia are subject to tax at 30%. However, notwithstanding, the income earned outside of Saint Lucia is not subject to income tax. All the income earned by the Group is outside of Saint Lucia, thus the Group is exempt from paying income tax. The effective tax rate is Nil% (2023: Nil %).

	<u>2024</u>	<u>2023</u>
	\$	\$
Profit before taxation	<u>61,930,311</u>	<u>102,911,414</u>
Computed “expected” tax charge 30% (2023: 30%)	18,579,093	30,873,424
Tax effect of differences between profit for financial exempt income	<u>(18,579,093)</u>	<u>(30,873,424)</u>
Current tax charge, being total taxation charge	<u>-</u>	<u>-</u>

17. Earnings per stock unit

(a) Basic earnings per stock unit

Basic earnings per stock unit is calculated by dividing the profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	<u>2024</u>	<u>2023</u>
Profit attributable to ordinary stockholders	<u>61,930,311</u>	<u>102,911,414</u>
Weighted average number of ordinary stock units in issue	<u>433,229,803</u>	<u>430,784,747</u>
Basic earnings per stock unit	\$ <u>0.14</u>	\$ <u>0.24</u>

(b) Diluted earnings per stock unit

Diluted earnings per stock unit is calculated by dividing the profit attributable to ordinary stockholders by the weighted average number of ordinary stock units outstanding after adjustment for the effects of all dilutive potential ordinary stock units. The effect of conversion of convertible preference shares, the only potential ordinary stock units, is excluded from the computation as it is antidilutive; thus, the diluted earnings per stock unit is equal to the basic earnings per stock unit of \$0.14 (2023: \$0.24).

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

18. Dividends

	<u>2024</u>	<u>2023</u>
	\$	\$
Distribution to ordinary stockholders at \$0.000533 (2023: \$0.014193) per stock unit	<u>35,768,666</u>	<u>61,063,816</u>

During the year, certain stockholders elected to reinvest their dividends earned of \$3,185,238 (2023: \$5,096,559) [note 11(ii) and (v)(a)].

19. Financial risk management

The Group has exposure to credit, liquidity and market risks from its use of financial instruments. The Group's affairs are administered by the Investment Manager, a related company, which, together with the Board of Directors, has overall responsibility for the establishment and oversight of the Group's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered.

(a) Credit risk

Credit risk is the risk of financial loss to the Group that one party to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Group's investment securities. The Board of Directors is responsible for oversight of the Group's credit risk, including formulating policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties. Additionally, the Investment Manager reports to the Board of Directors on a regular basis about credit quality, and the appropriate action is taken.

(i) Investments in debt securities:

The Group manages the exposure to credit risk in the following way:

It maintains cash and cash equivalents with financial institutions which are regulated. The financial performance of these financial institutions are continually reviewed by the Investment Manager. Investments are held substantially in the United States of America Government Agency and corporate securities.

Total credit exposure is the total of receivables and investment securities recognised in the consolidated statement of financial position, as there are no other significant credit exposures.

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Notes to the Consolidated Financial Statements (Continued)
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19. Financial risk management (continued)

(a) Credit risk (continued)

(i) Investments in debt securities (continued):

Credit quality

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

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

The following table sets out the credit quality of debt investment securities based on Standard and Poor's and Moody's ratings as follows:

	2024			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$	\$	\$	\$
Debt investment securities at FVOCI				
BBB+	34,900,179	-	-	34,900,179
BBB	202,102,617	-	-	202,102,617
BBB-	473,210,939	-	-	473,210,939
BB+	120,497,637	-	-	120,497,637
BB	-	296,882,058	-	296,882,058
BB-	234,581,989	-	-	234,581,989
B+	237,359,748	-	-	237,359,748
B	-	38,107,133	-	38,107,133
CCC	-	28,988,812	-	28,988,812
D	-	-	598,525	598,525
Total carrying amount	<u>1,302,653,109</u>	<u>363,978,003</u>	<u>598,525</u>	<u>1,667,229,637</u>
Loss allowance	<u>(1,832,156)</u>	<u>(6,274,524)</u>	<u>(598,525)</u>	<u>(8,705,205)</u>

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Notes to the Consolidated Financial Statements (Continued)
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19. Financial risk management (continued)

(a) Credit risk (continued)

(i) Investments in debt securities (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
Debt investment securities at FVOCI				
AAA	194,231,211	-	-	194,231,211
A+	60,270,204	-	-	60,270,204
BBB+	6,973,390	-	-	6,973,390
BBB	145,097,260	46,331,909	-	191,429,169
BBB-	54,488,164	-	-	54,488,164
BB+	251,197,070	-	-	251,197,070
BB	220,937,781	168,333,253	-	389,271,034
BB-	-	107,790,763	-	107,790,763
B+	215,624,722	-	-	215,624,722
B	48,723,094	-	-	48,723,094
CCC	30,683,685	-	-	30,683,685
D	-	-	2,488,897	2,488,897
Total carrying amount	<u>1,228,226,581</u>	<u>322,455,925</u>	<u>2,488,897</u>	<u>1,553,171,403</u>
Loss allowance	<u>(5,099,881)</u>	<u>(264,073)</u>	<u>(42,327,227)</u>	<u>(47,691,181)</u>

(ii) Cash resources and related party receivables

Cash resources:

Cash resources are held with regulated banks and other financial institutions counterparties. No expected credit loss has been recognised.

Related party receivables:

Amounts due from related company is considered low risk and is approved by the Board of Directors. No expected credit loss has been recognised.

(iii) Concentration of credit risk

The Group monitors concentration of credit risk by issuer and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	2024	2023
	\$	\$
Issuer:		
Corporate - unrelated parties	1,254,597,117	1,287,264,453
Municipal bonds	203,788,110	205,469,375
Bahamas	241,688,690	219,920,498
Banks	<u>1,232,534</u>	<u>2,837,517</u>
	<u>1,701,306,451</u>	<u>1,715,491,843</u>

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Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Concentration of credit risk (continued)

	<u>2024</u>	<u>2023</u>
	\$	\$
Location:		
Europe	348,835,211	407,801,422
North America	563,252,397	588,551,817
Caribbean	468,850,619	409,682,941
South America	<u>320,368,224</u>	<u>309,455,663</u>
	<u>1,701,306,451</u>	<u>1,715,491,843</u>

(iv) Settlement risk

The Group's activities may give rise to settlement risk at the time of settlement of trades and other transactions. Settlement risk is the risk of loss due to the failure of a party to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through its broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(v) Impairment

Inputs, assumptions and techniques used for estimating impairment.

See accounting policy at note 3(a)(iv).

Significant increase in credit risk

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

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

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Significant increase in credit risk (continued)

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

- quantitative test based on movement in PD;
- qualitative indicators; and
- the 30 day past due backstop indicator.

Credit risk grades

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

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

- Data from credit reference agencies such as standards and Poor and Moody's, press articles, changes in external credit ratings.
- External data from credit reference agencies, including industry-standard credit scores.
- Existing and forecast changes in business, financial and economic conditions.

Definition of default

The Group considers a financial asset to be in default when:

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

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Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Definition of default (continued)

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

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

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

Incorporation of forward-looking information

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

For 2024, forward-looking information was incorporated in the ECL computation by use of a management overlay. Based on the economic factors a proxy of 1.05 (2023: 1.07) times ECL was determined to be appropriate.

The economic scenarios used as at December 31, 2024 assumed no significant changes in key indicators within the next year.

Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD. They are calculated on a discounted cash flow basis using the effective interest rate.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

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Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Incorporation of forward-looking information (continued)

The LGD model consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are based on published reports of the major rating agencies: S&P Global and Moody's.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period.

Loss allowance

The loss allowance recognised is analysed as follow:

	2024			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Debt investment securities:				
Balance at January 1, 2024	<u>5,099,881</u>	<u>264,073</u>	<u>42,327,227</u>	<u>47,691,181</u>
Exchange losses/(gains)	(4,180,211)	7,004,687	(35,891,449)	(33,066,973)
Net remeasurement of loss allowance	<u>912,486</u>	<u>(994,236)</u>	<u>(5,837,253)</u>	<u>(5,919,003)</u>
	<u>(3,267,725)</u>	<u>6,010,451</u>	<u>(41,728,702)</u>	<u>(38,985,976)</u>
Balance at December 31, 2024	<u>1,832,156</u>	<u>6,274,524</u>	<u>598,525</u>	<u>8,705,205</u>
	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Debt investment securities:				
Balance at January 1, 2023	<u>4,388,216</u>	<u>1,815,152</u>	<u>74,684,058</u>	<u>80,887,426</u>
Exchange losses/(gains)	999,491	(1,484,175)	1,283,891	799,207
Net remeasurement of loss allowance	<u>(287,826)</u>	<u>(66,904)</u>	<u>(33,640,722)</u>	<u>(33,995,452)</u>
	<u>771,665</u>	<u>(1,551,079)</u>	<u>(32,356,831)</u>	<u>(33,196,245)</u>
Balance at December 31, 2023	<u>5,099,881</u>	<u>264,073</u>	<u>42,327,227</u>	<u>47,691,181</u>

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

STERLING INVESTMENTS LIMITED
Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed facilities.

Management of liquidity risk

Due to the dynamic nature of the underlying business, the Group manages this risk by monitoring its cash needs and obtaining liquidity support from custodian brokers and related companies.

The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The daily liquidity position is monitored and regular liquidity testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The Group maintains the daily balances from the bank and broker accounts in order to ensure that sufficient funds are available to meet the liability demands.

The following table presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations:

	2024				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
	\$	\$	\$	\$	\$
Margin loans payable	320,995,961	-	-	320,995,961	320,995,961
Other payables	18,079,108	-	-	18,079,108	18,079,108
Due to related company	-	5,000,275	-	5,000,275	5,000,275
Manager's preference shares	-	-	10,000	10,000	10,000
	<u>339,075,069</u>	<u>5,000,275</u>	<u>10,000</u>	<u>344,085,344</u>	<u>344,085,344</u>

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19. Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

The following table presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations (continued):

	2023				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
	\$	\$	\$	\$	\$
Margin loans payable	430,148,792	-	-	430,148,792	430,148,792
Other payables	17,281,717	-	-	17,281,717	17,281,717
Due to related company	-	7,163,482	-	7,163,482	7,163,482
Manager's preference shares	-	-	10,000	10,000	10,000
	<u>447,430,509</u>	<u>7,163,482</u>	<u>10,000</u>	<u>454,603,991</u>	<u>454,603,991</u>

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

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns for the given level of risk accepted.

Market risk relevant to the Group includes interest rate risk and foreign currency risk and the manner in which it measures and manages them are as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to change in interest rates.

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Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following table summarises the carrying amounts of financial assets and financial liabilities to arrive at the Group's interest rate sensitivity gap, based on the earlier of contractual repricing and maturity dates:

	2024					
	Within 1 year \$	1 - 5 years \$	Over 5 years \$	No specific maturity \$	Non-rate sensitive \$	Total \$
Financial assets						
Cash and cash equivalents	1,232,534	-	-	-	-	1,232,534
Accounts receivable	-	-	-	-	33,866,505	33,866,505
Due from related party	-	-	-	-	101,599,951	101,599,951
Investment securities	-	393,199,755	1,274,029,882	-	25,224,193	1,692,453,830
	<u>1,232,534</u>	<u>393,199,755</u>	<u>1,274,029,882</u>	<u>-</u>	<u>160,690,649</u>	<u>1,829,152,820</u>
Financial liabilities						
Margin loans payable	320,995,961	-	-	-	-	320,995,961
Other payables	-	-	-	-	18,079,108	18,079,108
Due to related company	-	-	-	-	5,000,275	5,000,275
Manager's preference - shares	-	-	-	10,000	-	10,000
	<u>320,995,961</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>23,079,383</u>	<u>344,085,344</u>
Total interest rate sensitivity gap	<u>(319,763,427)</u>	<u>393,199,755</u>	<u>1,274,029,882</u>	<u>(10,000)</u>	<u>137,611,266</u>	<u>1,485,067,476</u>
Cumulative gap	<u>(319,763,427)</u>	<u>73,436,328</u>	<u>1,347,466,210</u>	<u>1,347,456,210</u>	<u>1,485,067,476</u>	<u>-</u>
	2023					
	Within 1 year \$	1 - 5 years \$	Over 5 years \$	No specific maturity \$	Non-rate sensitive \$	Total \$
Financial assets						
Cash and cash equivalents	2,837,517	-	-	-	-	2,837,517
Accounts receivable	-	-	-	-	45,251,950	45,251,950
Investment securities	83,782,494	248,665,653	1,335,887,355	-	106,388,012	1,774,723,514
	<u>86,620,011</u>	<u>248,665,653</u>	<u>1,335,887,355</u>	<u>-</u>	<u>151,639,962</u>	<u>1,822,812,981</u>
Financial liabilities						
Margin loans payable	430,148,792	-	-	-	-	430,148,792
Other payables	-	-	-	-	17,281,716	17,281,716
Due to related company	-	-	-	-	7,163,482	7,163,482
Manager's preference - shares	-	-	-	10,000	-	10,000
	<u>430,148,792</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>24,445,198</u>	<u>454,603,990</u>
Total interest rate sensitivity gap	<u>(343,528,781)</u>	<u>248,665,653</u>	<u>1,335,887,355</u>	<u>(10,000)</u>	<u>127,194,764</u>	<u>1,368,208,991</u>
Cumulative gap	<u>(343,528,781)</u>	<u>(94,863,128)</u>	<u>1,241,024,227</u>	<u>1,241,014,227</u>	<u>1,368,208,991</u>	<u>-</u>

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Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Profile

At year-end, the interest rate profile of the Group's interest-earning financial instruments, are as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Fixed interest rates		
Financial assets		
Corporate bonds	1,229,991,897	1,136,342,081
Municipal bonds	199,877,993	201,204,601
Structured notes	-	115,164,098
Sovereign bonds	<u>237,359,747</u>	<u>215,624,721</u>
	1,667,229,637	1,668,335,501
Financial liability		
Margin loans payable	(<u>77,660,278</u>)	(<u>247,359,195</u>)
	<u>1,589,569,359</u>	<u>1,420,976,306</u>
Variable interest rates		
Financial liability		
Margin loans payable	(<u>243,335,683</u>)	(<u>182,789,597</u>)

Sensitivity analysis

The following table indicates the sensitivity to interest rate movements at the reporting date, in terms of the effect on the Group's profit and stockholders' equity of a reasonably probable change in interest rates at the reporting date. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

	<u>2024</u>		<u>2023</u>	
	Effect on <u>profit</u> \$	Effect on <u>equity</u> \$	Effect on <u>profit</u> \$	Effect on <u>equity</u> \$
Change in basis points:				
-50bps (2023: -25bps)	(1,604,980)	67,885,531	1,127,626	20,068,653
+25bps (2023: +25bps)	<u>802,490</u>	<u>(32,120,395)</u>	<u>(1,402,238)</u>	<u>(19,711,564)</u>

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign currency risk on transactions that it undertakes, or balances denominated, in foreign currencies.

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Notes to the Consolidated Financial Statements (Continued)
Year ended December 31, 2024 (Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

The main foreign currencies giving rise to this risk is the United States dollar (US\$). The Group ensures that the risk is kept to an acceptable level by monitoring its foreign currency exposure and, when necessary, adjusting its foreign currency positions in response to fluctuations in exchange rates.

At the reporting date, exposure to foreign currency risk was as follows:

	<u>2024</u>	<u>2023</u>
	US\$	US\$
Assets:		
Cash and cash equivalents	6,894	15,813
Accounts receivable	217,847	293,330
Due from related company	653,544	-
Investment securities	<u>10,724,493</u>	<u>10,527,749</u>
	<u>11,602,778</u>	<u>10,836,892</u>
Liabilities:		
Margin loans payable	(2,064,557)	(2,788,285)
Other payables	<u>(116,294)</u>	<u>(82,856)</u>
	<u>(2,180,851)</u>	<u>(2,871,141)</u>
Net foreign currency assets	<u>9,421,927</u>	<u>7,965,751</u>

The foreign exchange rates as at the reporting date was as follows: US\$1: J\$155.46 (2023: US\$1: J\$154.27).

Sensitivity to foreign exchange rate movements

This sensitivity is computed by simulating the effect on profit and equity of a different but reasonably probable rate at the reporting date.

A weakening or strengthening of the Jamaica dollar against the United States dollar at the reporting date would, respectively, increase or decrease profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

		<u>2024</u>	
	<u>% Change in</u>	<u>Effect on</u>	<u>Effect on</u>
	<u>Currency rate</u>	<u>profit</u>	<u>equity</u>
		\$	\$
Currency:			
USD	1% Revaluation	(14,647,327)	(14,647,327)
USD	4% Devaluation	<u>58,589,310</u>	<u>58,589,310</u>

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19. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements (continued)

	% Change in <u>Currency rate</u>	2023	
		Effect on <u>profit</u>	Effect on <u>equity</u>
		\$	\$
Currency:			
USD	1% Revaluation	(12,288,764)	(12,288,764)
USD	4% Devaluation	<u>49,155,056</u>	<u>49,155,056</u>

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

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to equity price risk arising from its equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns while managing risk.

The Group's exposure to equity price risk is represented by the total carrying value of equity investments in the consolidated statement of financial position of \$25,224,193 (2023: \$5,565,780), excluding unquoted preference shares.

Sensitivity to equity price movements

A 6% (2023: 6%) increase in stock prices at December 31, 2024, would have increased profit by \$1,513,452 (2023: \$333,947). A 2% (2023: 3%) decrease in stock prices at December 31, 2024, would have decreased profit by \$504,484 (2023: \$166,973).

20. Fair value of financial instruments

(a) Definition and measurement of fair values

The definition of fair value is described in note 3(b).

Fair values are categorised into three different levels in a fair value hierarchy, based on the extent to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques includes the net asset approach, which was based on the valuation of underlying assets using the discounted cash flows. The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets in an ordinary transaction between market participants at the measurement date.

In the absence of quoted market prices, the fair value of a significant proportion of the Group's assets was determined using discounted cash flow technique. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

- (b) The techniques used to estimate fair values, together with the input used, are described below. The use of assumptions and estimates means that the estimates arrived at may vary from the actual price of the instrument in an arm's length transaction.

Basis of valuation

<u>Financial instrument</u>	<u>Method of estimating fair value</u>
(i) Municipal, corporate, sovereign bonds, structured notes	Estimated using bid-prices published by major overseas brokers/dealers or reputable pricing services such as Bloomberg.
(ii) Unquoted ordinary shares	The net asset approach, which was based on the valuation of underlying assets using the discounted cash flows.
(iii) Quoted shares	Obtain bid price published by the stock exchange.

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20. Fair value of financial instruments (continued)

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

	2024			2024			
	Carrying amount			Fair value			
	Fair value through other comprehensive income	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$
Financial assets measured at fair value							
Corporate bonds	1,229,991,897	-	1,229,991,897	516,863,832	713,128,065	-	1,229,991,897
Municipal bonds	199,877,993	-	199,877,993	-	199,877,993	-	199,877,993
Sovereign bonds	237,359,747	-	237,359,747	-	237,359,747	-	237,359,747
Quoted ordinary shares	-	25,224,193	25,224,193	25,224,193	-	-	25,224,193
	<u>1,667,229,637</u>	<u>25,224,193</u>	<u>1,692,453,830</u>	<u>542,088,025</u>	<u>1,150,365,805</u>	<u>-</u>	<u>1,692,453,830</u>
	2023			2023			
	Carrying amount			Fair value			
	Fair value through other comprehensive income	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$
Financial assets measured at fair value							
Corporate bonds	1,136,342,081	-	1,136,342,081	630,940,851	505,401,230	-	1,136,342,081
Municipal bonds	201,204,601	-	201,204,601	-	201,204,601	-	201,204,601
Sovereign bonds	215,624,721	-	215,624,721	-	215,624,721	-	215,624,721
Quoted ordinary shares	-	5,565,780	5,565,780	5,565,780	-	-	5,565,780
Structured notes	-	115,164,098	115,164,098	-	115,164,098	-	115,164,098
Unquoted ordinary shares	<u>100,822,233</u>	<u>-</u>	<u>100,822,233</u>	<u>-</u>	<u>-</u>	<u>100,822,233</u>	<u>100,822,233</u>
	<u>1,653,993,636</u>	<u>120,729,878</u>	<u>1,774,723,514</u>	<u>636,506,631</u>	<u>1,037,394,650</u>	<u>100,822,233</u>	<u>1,774,723,514</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Unquoted ordinary shares	
	2024	2023
	\$	\$
Balance at January 1	100,822,233	98,691,679
Change in fair value recognised in OCI	777,718	2,130,554
Transfer to related company	(101,599,951)	-
Balance at December 31	<u>-</u>	<u>100,822,233</u>

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20. Fair value of financial instruments (continued)

The Group has not disclosed the fair values of financial instruments such as cash and cash equivalents, accounts receivable (excluding prepayments), due from related company, margin loans payable, other payables and due to related company, because their carrying amounts are a reasonable approximation of fair values as they are expected to mature/settle within 12 months. There is no immediate intention to settle preference shares; there is no available price for this or similar instruments.

No items were transferred from one level to another.

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