STANLEY MOTTA LIMITED

Financial Statements
31 December 2018

Stanley Motta Limited
Index
31 December 2018

Independent auditor's report

To the Members of Stanley Motta Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Stanley Motta Limited (the Company) and its subsidiary (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2018, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Stanley Motta Limited's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2018;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *See notes 2 (i), 5 and 14 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.*	
Investment properties represented $4,689 million or 97.2% of total assets for the Group and $4,021 million or 93.4% for the Company as at 31 December 2018. The determination of the fair value of investment properties requires significant judgement and is inherently subjective due to, among other factors the individual nature of each property, its location and the expected future rental income for each particular property. This combined with the fact that a small percentage difference in individual property valuation assumptions when aggregated, could result in a material	We engaged valuation experts that assisted us in our evaluation of the work of management's expert. We evaluated the competence and objectivity of management's experts. This included confirming that they are appropriately qualified and not affiliated to the Group. With the assistance of our valuation experts, we performed the following procedures: • Met with management's experts and obtained an understanding of the valuation method, including the Key Factors used by management, along with significant developments within the industry.

Key audit matter	How our audit addressed the key audit matter
misstatement, is why we have focused on this area. Management, with the assistance of independent valuation experts, use the income capitalization approach method, which consists of a discounted cash flow forecast (DCF) to value the investment properties. The income capitalization approach considers the following key factors (Key Factors): • rental income • capitalization factor • vacancy factor Changes in these assumptions may have a significant impact on the carrying value of investment property.	• Evaluated the appropriateness of the valuation methodology used and suitability for determining market value in accordance with the financial reporting framework. • Agreed the Key Factors used in the valuation models to supporting documentation, including external market data where available. • Benchmarked rental income and the capitalisation factor to relevant market data, which included comparisons to properties within similar geographical locations. • Reperformed the valuation calculations and compared to management's recorded value. Based on the procedures performed, no material adjustment to management's valuations was considered necessary.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated and stand-alone 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 and stand-alone 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 and stand-alone financial statements

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on other legal and regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leighton McKnight.

PricewaterhouseCoopers
Chartered Accountants
29 March 2019
Kingston, Jamaica

Stanley Motta Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue		269,763	72,257
Other operating income	7	37	1,531
Administrative expenses	8	(113,211)	(56,218)
Operating Profit		156,589	17,570
Finance cost	10	(59,223)	(7,453)
Revaluation gain on investment properties	14	1,901,656	843,554
Profit before Taxation		1,999,022	853,671
Taxation	11	(2,110)	(60)
Net Profit		1,996,912	853,611
Other Comprehensive Income			
Items that may be subsequently reclassified to the profit or loss			
Unrealised losses on securities classified as FVOCI	15	(3,014)	-
Unrealised gains on available-for-sale investments	15	-	212
Currency translation differences on net assets of foreign subsidiary		11,549	(8,275)
		8,535	(8,063)
Total Comprehensive Income		2,005,447	845,548
Earning per stock unit for profit attributable to the equity holders of the Company during the year	12	2.72	1.99

Stanley Motta Limited

Consolidated Statement of Financial Position

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Property, plant and equipment	13	18,947	22,263
Investment properties	14	4,689,316	2,350,068
Investments	15	765	3,779
		4,709,028	2,376,110
Current Assets			
Inventories		544	937
Receivables	18	22,771	43,755
Taxation recoverable		202	202
Cash and cash equivalents	19	92,601	2,234
		116,118	47,128
Current Liabilities			
Payables	20	119,834	66,024
Due to former parent company	25	26,821	31,269
Due to other related parties	25	2,712	6,824
Income tax payable		2,031	-
Current portion of borrowings	27	62,459	39,634
		213,857	143,751
Net Current Liabilities		(97,739)	(96,623)
		4,611,289	2,279,487
Shareholders' Equity			
Share capital	21	811,933	530,809
Fair value reserve	22	762	3,776
Capital reserve	23	238,379	238,379
Cumulative translation reserve	24	3,274	(8,275)
Retained earnings		2,840,449	840,523
		3,894,797	1,605,212
Non-Current Liabilities			
Borrowings	27	716,492	674,275
		4,611,289	2,279,487

Approved for issue by the Board of Directors on 29 March 2019 and signed on its behalf by:

Melanie Subratie Director

Sandra Glasgow Director

Stanley Motta Limited

Consolidated Statement of Changes in Equity
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Fair Value Reserve	Capital Reserve	Cumulative Translation Reserve	Retained Earnings/ (Accumulated Deficit)	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2016		40,349	3,564	-	-	(13,088)	30,825
Net Profit for the year		-	-	-	-	853,611	853,611
Other comprehensive income							
Fair value gains on available-for-sale investments		-	212	-	-	-	212
Currency translation difference on net asset of foreign subsidiary		-	-	-	(8,275)	-	(8,275)
Total comprehensive income		-	212	-	(8,275)	853,611	845,548
Capital reserve transfer	23	-	-	238,379	-	-	238,379
Transactions with owners of the company:							
Issue of shares	21	490,460	-	-	-	-	490,460
Balance at 31 December 2017		530,809	3,776	238,379	(8,275)	840,523	1,605,212
Net profit for the year						1,996,912	1,996,912
Other comprehensive income							
Fair value losses on investments classified as FVOCI		-	(3,014)	-	-	3,014	-
Currency translation difference on net asset of foreign subsidiary		-	-	-	11,549	-	11,549
Total comprehensive income		-	(3,014)	-	11,549	1,999,926	2,008,461
Transactions with owners of the company:							
Issue of shares, net of transaction cost	21	281,124	-	-	-	-	281,124
Balance at 31 December 2018		811,933	762	238,379	3,274	2,840,449	3,894,797

Stanley Motta Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Net profit for the year		1,996,912	853,611
Adjusted for:			
Taxation	11	2,110	60
Depreciation		2,597	1,466
Dividend Income	7	-	(313)
Interest income		(37)	(374)
Interest expense		38,587	7,035
Revaluation gain on investment properties	14	(1,901,656)	(843,554)
Exchange gain/(losses) on foreign currency balances		41,905	(16,191)
		180,418	1,740
Changes in operating assets and liabilities			
Inventories		393	183
Receivables		20,984	(34,265)
Former parent company		(4,448)	(200,852)
Due to other related parties		(4,112)	(22,132)
Payables		53,810	34,164
Cash provided by/(used in) operating activities		247,045	(221,162)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	13	(720)	(10,207)
Additions to investment property	14	(419,966)	(547,748)
Acquisition of subsidiary, net of cash	28	-	(151,765)
Proceeds from sale of equity investment		3,014	-
Dividend received		-	313
Interest received		37	374
Taxation paid		(79)	(107)
Cash used in investing activities		(417,714)	(709,140)
Cash Flows from Financing Activities			
Proceeds from long-term loan (net)		21,741	374,162
Proceeds from the issue of shares	21	281,124	490,460
Interest paid		(41,829)	(1,134)
Cash provided by financing activities		261,036	863,488
Effect of exchange rate changes on cash and cash equivalents		-	59
Increase/(decrease) in net cash and cash equivalents		90,367	(66,755)
Cash and cash equivalents at beginning of year		2,234	68,989
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	92,601	2,234

Reconciliation of movement in borrowings (see note 27 (a))

Stanley Motta Limited

Company Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue		214,217	69,814
Other operating income	7	2,112	1,531
Administrative expenses	8	(99,261)	(54,787)
Operating Profit		117,068	16,558
Finance cost	10	(43,407)	(5,937)
Revaluation gain on investment properties		1,814,278	843,554
Profit before Taxation		1,887,939	854,175
Taxation	11	(60)	(60)
Net Profit		1,887,879	854,115
Other Comprehensive Income			
Items that may be subsequently reclassified to the profit or loss			
Unrealised losses on securities classified as FVOCI	15	(3,014)	-
Unrealised gains on available-for-sale investments		-	212
Total Comprehensive Income		1,884,865	854,327

Stanley Motta Limited

Company Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Property, plant and equipment	13	7,559	8,714
Investment properties	14	4,020,960	1,790,700
Investments	15	765	3,779
Loan and note receivable	16	13,569	28,035
Investment in subsidiary	17	151,765	151,765
		4,194,618	1,982,993
Current Assets			
Inventory		544	937
Receivables	18	20,393	40,647
Taxation recoverable		202	202
Cash and cash equivalents	19	91,419	2,234
		112,558	44,020
Current Liabilities			
Payables	20	113,544	63,343
Due to former parent company	25	26,821	31,269
Current portion of borrowings	27	55,313	35,781
		195,678	130,393
Net Current Liabilities		(83,120)	(86,373)
		4,111,498	1,896,620
Shareholders' Equity			
Share capital	21	811,933	530,809
Fair value reserve	22	762	3,776
Retained earnings		2,731,920	841,027
		3,544,615	1,375,612
Non-Current Liabilities			
Borrowings	27	566,883	521,008
		4,111,498	1,896,620

Approved for issue by the Board of Directors on 29 March 2019 and signed on its behalf by:

Melanie Subratie Director

Sandra Glasgow Director

Stanley Motta Limited

Company Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Fair Value Reserve	(Accumulated Deficit)/ Retained Earnings	Total
		$'000	**$'000**	**$'000**	**$'000**
Balance at 31 December 2016		40,349	3,564	(13,088)	30,825
Net profit for the year		-	-	854,115	854,115
Other comprehensive income					
Fair value gains on available-for-sale investments		-	212	-	212
Total comprehensive income		-	212	854,115	854,327
Transactions with owners of the company:					
Issue of shares	21	490,460	-	-	490,460
Balance at 31 December 2017		530,809	3,776	841,027	1,375,612
Net profit for the year		-	-	1,887,879	1,887,879
Other comprehensive income					
Fair value losses on investments classified as FVOCI		-	(3,014)	3,014	-
Total comprehensive income		-	(3,014)	1,890,893	1,887,879
Transactions with owners of the company:					
Issue of shares, net of transaction cost	21	281,124	-	-	281,124
Balance at 31 December 2018		811,933	762	2,731,920	3,544,615

Stanley Motta Limited

Company Statement of Cash Flows
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Net profit for the year		1,887,879	854,115
Adjusted for:			
Taxation	11	60	60
Depreciation		1,739	1,342
Dividend Income		-	(313)
Interest income		(2,112)	(374)
Interest expense		22,349	5,901
Exchange gain on property revaluation	4	(1,814,278)	(843,554)
Exchange losses/(gains) on foreign currency balances		37,155	(15,198)
		132,792	1,979
Changes in operating assets and liabilities			
Inventories		393	183
Receivables		20,254	(33,189)
Parent company		(4,448)	(200,852)
Payables		50,201	36,630
Cash provided by/(used in) operating activities		199,192	(195,249)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	13	(584)	(9,572)
Additions to investment property	14	(415,982)	(547,748)
Loan receivable		14,466	(28,035)
Proceeds from sale of equity investments		3,014	-
Investment in subsidiary	17	-	(151,765)
Dividend received		-	313
Interest received		2,112	374
Taxation paid		(60)	(107)
Cash used in investing activities		(397,034)	(736,540)
Cash Flows from Financing Activities			
Proceeds from long-term loan (net)		28,252	374,515
Proceeds from the issue of shares	21	281,124	490,460
Interest paid		(22,349)	-
Cash provided by financing activities		287,027	864,975
Effect of exchange rate changes on cash and cash equivalents		-	59
Increase/(decrease) in net cash and cash equivalents		89,185	(66,755)
Cash and cash equivalents at beginning of year		2,234	68,989
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	91,419	2,234

Reconciliation of movement in borrowings (see note 27 (a))

1. Identification and Principal Activity

Stanley Motta Limited, (the Company) is a company limited by shares incorporated and domiciled in Jamaica. The Company is publicly listed on the Jamaica Stock Exchange and its registered office is located at 58 Half Way Tree Road, Kingston 10, Jamaica.

In November 2017, as a part of group capital reorganization exercise by Musson (Jamaica) Limited, the Company acquired 100% of the shares of Unity Capital Incorporated resulting in this fellow subsidiary becoming a wholly owned subsidiary of the Company (Note 17).

These financial statements present the results of operations and financial position of the Company and its subsidiary, which are collectively referred to as “the Group.The principal activity of the Group is property rental.

2. Statement of Compliance

(a) **Statement of compliance**
These financial statements have been prepared in accordance with International Financing Reporting Standards (IFRS) and IFRS interpretation committee applicable to companies reporting under IFRS.

3. Significant Accounting Policies and Basis of Compliance

The consolidated financial statements have been prepared under this historical cost convention, as modified by the revaluation of available-for-sale securities and investment property. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Although these estimates are based on management’s best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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

3. Significant Accounting Policies and Basis of Compliance (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current period (continued)

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes and expected credit losses model that replaces the current incurred loss impairment model.

  IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payment of principal and interest (SPPI). An entity business model is how an entity manages its financial assets in order to generate cash flow and create value for the entity. That is, an entity's business model determines whether the cash flows will result in collecting contractual cash flows, selling financial assets or both.

  If a debt instrument is held to collect contractual cash flow, it is classified as amortized cost if it also meets the SPPI requirement. Debt instruments that meet SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under this new model, FVPL is the residual category -financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a "three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stage dictates how an entity measures impairment losses and applies the effective rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The method includes operational simplification for lease and trade receivables.

  The Group has adopted IFRS 9 and all of its related amendments using a date of initial application of 1 January 2018. The Group did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. No adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Significant Accounting Policies and Basis of Compliance (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current period (continued)

- **FRS 15, 'Revenue from contracts with customers'** – (effective for annual periods beginning on or after 1 January 2018). The standard replaces IAS 18 "Revenue and IAS 11 Construction contracts' and related interpretations. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service; so the notion of control replaces the existing notion of risks and rewards.

  A key change to current practice is the point at which revenue is able to be recognised, which may shift so that some revenue that is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. Other effects of the new standard include variable consideration that involve contracts with customers which provide a right of return, trade discounts or volume rebates which in some cases result in more revenue being deferred. The treatment of customer loyalty programmes is also affected

- In reviewing this standard the company looked at whether the five steps used in recording revenue from contracts with customers applied. The five step process includes (1) identifying contracts with customers (2) identifying the separate performance obligation (3) determining the transaction price of the contract (4) allocating the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied. The standard did have any significant impact on the Group's financial statements.

- **IFRIC 22,' Foreign currency transactions and advance consideration',** (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Group does not expect any significant impact on its financial statements arising from the future adoption of the interpretation.

- **Amendment to IAS 40, 'Investment property'** (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

3. Significant Accounting Policies and Basis of Compliance (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2019, but were not effective at date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- ***IFRS 16 'Leases'*** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15**, '**Revenue from Contracts with Customers', is also applied). This standard replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on the statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The Group is currently assessing the impacts of the future adoption of this standard on its operations.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- **Annual improvements to IFRS 2015 - 2018 Cycle – Amendments to IAS 12 and IAS 23 (effective for** annual periods beginning on or after 1 January 2019). The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect any significant impact from future adoption of these amendments.

  The Group has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective contain inconsequential clarifications that will have no material impact when they come into effect.

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Significant Accounting Policies and Basis of Compliance (Continued)

(b) Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for business combinations involving third parties by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired and liabilities assumed is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss, in the statement of comprehensive income.

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses and gains are also eliminated.

Acquisitions between companies under common control are accounted for using the capital reorganization accounting method. Under the capital reorganization accounting method, the company in acquiring a fellow subsidiary incorporates the assets and liabilities of the acquired fellow subsidiary at their pre-combination carrying amounts without fair value uplift. Any excess or deficiency of purchase consideration over or below net assets acquired results in an adjustment to equity by the creation of a capital reserve.

The Group's subsidiary, country of incorporation, and the Group's percentage interest are as follows:

	Country of incorporation	**Group's Percentage Interest**	
		2018	**2017**
Unity Capital Incorporated	St. Lucia	100	100

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Significant Accounting Policies and Basis of Compliance (Continued)

(c) Revenue recognition

Revenue comprises the invoiced value of rental charges. Revenue is shown net of General Consumption Tax, returns, rebates and discounts. Revenue is recognised as follows:

(i) Rental income is recognised on an accrual basis in the accounting period earned. Investment properties are valued annually by professional valuators and the change in fair value recognized in the income statement.

(d) Foreign currency translations

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the financial period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. At the year end, monetary assets and liabilities denominated in foreign currency are translated using the buying and selling rate of exchange rate of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

(e) Employee benefits

(i) Pension plan

The Company participates in a defined contribution plan operated by a related Company, T. Geddes Grant (Distributors) Limited whereby it pays contributions to a separate trustee-administered fund. Once the contributions have been paid, the Group has no further payment obligations. Contributions to the plan are charged to the statement of comprehensive income in the period to which they relate.

(ii) Leave accrual

The Group does not allow unused vacation leave entitlements to be carried forward into the future.

3. Significant Accounting Policies and Basis of Compliance (Continued)

(f) Income taxes

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

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

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is charged or credited to the statement of comprehensive income, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives.

The annual rates of depreciation are as follows:

Leasehold improvement	Period of lease
Machinery and equipment	10% - 33 1/3%

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

(h) Impairment of non-current assets

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

(i) Investment properties

Investment properties, principally comprise buildings. Investment properties are carried at fair value, representing the open market value determined annually by external valuers. These valuations are done annually by independent valuators. Changes in fair values are recorded in the statement of comprehensive income.

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Significant Accounting Policies and Basis of Compliance (Continued)

(j) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

(k) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Consistent with the transitional arrangements for the implementation of IFRS 9, the group decided not to restate the prior period financial statements for any adjustments arising from IFRS 9's implementation in the current year. Classification, measurement and impairment for financial instruments for the current year were done using IFRS 9 and IAS 39 for the prior year, as discussed below.

Financial assets

IFRS 9 (Current Financial Year)

Trade Receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows. The cash flows of the company's trade receivables are solely payments of principal and interest (SPPI). Subsequent to initial recognition at fair value, the company measures trade receivables at amortised cost using the effective interest method.

Other Financial Assets at Amortised Cost

The group classifies its other financial assets as at amortised cost only if both the asset is held within a business model the objective of which is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Other financial assets at amortised cost include cash and bank balances, balances dues from related parties and other receivables.

3. Significant Accounting Policies and Basis of Compliance (Continued)

(k) Financial instruments (continued)

Impairment

The groups trade receivables and other financial assets at amortised cost are subject to the expected credit loss model in determination of impairment. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates for the ECL at 31 December 2018 and 1 January 2018 are based on the payment profiles for services provided over a period of 36 months respectively and the corresponding historical credit losses experienced within this period. The company has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.
Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

IAS 39 (Prior Financial Year)

Classification

The group classified its financial assets as loans and receivables and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

3. Significant Accounting Policies and Basis of Compliance (Continued)

(k) Financial instruments (continued)

Recognition and measurement
Regular purchases and sales of financial assets were recognised on trade-date – the date on which the company committed to purchase or sell the asset. Loans and receivables were recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables were measured at amortized cost using the effective interest rate method, less any impairment losses. Loans and receivables were derecognised when the rights to receive cash flows from these financial assets had expired or where the company had transferred substantially all risks and rewards of ownership.

Loans and receivables
Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were classified as current assets on the Statement of Financial Position, except for maturities greater than 12 months. These were classified as non-current assets. Loans and receivables comprised receivables and cash and cash equivalents in the statement of financial position. Impairment of receivables under IAS 39 is discussed in Notes 2(e) and 3.

Financial liabilities (*IFRS 9 and IAS 39)*
The group' financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, payables and bank overdraft were classified as financial liabilities.

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, receivables, bank overdraft and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the company's financial instruments is discussed in Note 3(b).

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

3. Significant Accounting Policies and Basis of Compliance (Continued)

(l) Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial re-organisation and default or delinquency in payment are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, ant that amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

(n) Payables

Payables are stated at invoice cost.

(o) Share capital

Ordinary shares and non-redeemable cumulative preference shares where the declaration of dividends is discretionary are classified as equity instruments.

(p) Investment in subsidiary

Investment in subsidiary is stated at cost.

(q) Related parties

A party is related to the Group, if:

(i) Directly, or indirectly through one or more intermediaries, the party:
  (a) is controlled by, or is under common control with the Group;
  (b) has a direct or indirect interest in the Group that gives it significant influence; or
  (c) has joint control over the Group;
(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group;
(iv) the party is a member of the key management personnel of the Group;
(v) the party is a close member of the family of any individual referred to in (i) or (iv)
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv)' or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligated between related parties, regardless of whether a price is charged.

4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's risk management activities set risk limits and controls, and monitor the risks and adherence to limits.
The Board of Directors of the parent is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that a party to a financial instrument will fail to discharge their contractual obligation and cause the other party to incur a loss. Credit exposures arise principally from receivables and cash at bank.

For the current year, under IFRS 9, the company assesses its credit losses, using the expected credit loss model, discussed in Note 2 (e).

For the prior year, under IAS 39, the company established an allowance for impairment that represented its estimate of incurred losses in respect of trade and other receivables. The company addressed impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Cash at bank
Cash is held with high credit quality financial institutions.

Trade receivables
The Group and the company's exposure to this credit risk is low.
The Group and the company's policy is not to give credit. Terms of rental agreement were breached during the year by a related party.

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of trade receivables that are past due but not impaired
As at 31 December 2018, trade receivables of $6,200,000 (2017 – $3,974,000) past due are considered to have a nil loss allowance based on a probability . These are related to two customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

	2018	2017
	$'000	$'000
1 month and over	6,200	3,974

There are no financial assets that were individually impaired.

Maximum exposure to credit risk
The Group's maximum exposure to credit risk equals the carrying value for the items on the statement of financial position that are subject to credit risk.

Incorporation of forward-looking information
Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the subsidiary to settle the receivables. The company has identified indicators such as trends, concentration risk and macroeconomic fundamentals, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Assets written off
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises receivables for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

A summary of the assumptions underpinning the company's expected credit loss model is as follows

Category	Definition	Basis for recognition of expected credit loss provision
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if the arrears is aged beyond 30 days	Lifetime expected losses
Non-performing	Receivables is aged beyond 90 days and management has suspended the ability to conduct transactions	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery.	Asset is written off

Over the term of the financial asset, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of financial assets and adjusts for forward looking macroeconomic data.

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group manages its liquidity risk through monitoring outstanding balances and accessing funding, if necessary, from its parent Company, in advance of amounts becoming due.

Undiscounted cash flows of financial liabilities

The maturity profile of the Group's financial liabilities at year end based on contractual undiscounted payments was as follows:

	The Group				
	2018				
	Within 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Payables	119,834	-	-	-	119,834
Due to former parent company	-	26,821	-	-	26,821
Due to other related parties	2,712	-	-	-	2,712
Borrowings	26,971	80,373	428,657	726,477	1,262,299
	149,337	107,194	428,657	726,477	1,411,665

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)

	The Group				
	2017				
	Within 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables	42,497	-	-	-	42,497
Due to former parent company	-	31,269	-	-	31,269
Due to other related parties	6,824	-	-	-	6,824
Borrowings	12,192	61,086	412,266	645,002	1,130,546
	61,513	92,355	412,266	645,002	1,211,136

	The Company				
	2018				
	Within 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables	113,544	-	-	-	113,544
Due to farmer parent company	-	26,821	-	-	26,821
Borrowing	31,996	63,363	337,937	528,027	950,449
	134,665	90,184	337,937	528,027	1,090,814

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)

	The Company				
	2017				
	Within 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Payables	42,497	-	-	-	42,497
Due to former parent company	-	31,269	-	-	31,269
Borrowing	12,192	56,487	301,262	433,064	803,005
	54,689	87,756	301,262	433,064	876,771

Assets available to meet the payables and long-term loan obligations include cash at bank, receivables and investments. The related party balance is a long term advance and can be settled by the Group, when it has sufficient cash flow.

(c) Market risk

Price risk

The Group is exposed to equity securities price risk because of certain equity investments which it holds. These investments are classified on the statement of financial position as fair value through other comprehensive income (2017 - as available-for-sale).

The table below summarises the impact of increases/decreases in equity prices on the Group equity. The analysis is based on the assumption that the equity prices had increased/decreased by 10% (2017 –15%) with all other variables held constant.

The Group and Company			The Group and Company		
31 December 2018			31 December 2017		
Change in equity prices	Effect on Net Profit	Effect on Equity	Change in equity prices	Effect on Net Profit	Effect on Equity
%	$'000	$'000	%	$'000	$'000
10	-	(77)	15	-	(567)
10	-	77	15	-	567

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial iRisk Management (Continued)

(c) Market risk (continued)

Currency risk
The Group and Company's exposure to foreign currency exchange rate risk at year end was as follows:

	The Group		
	2018		
	Jamaican$	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
Financial Assets			
Investments	765	-	765
Receivables	18,467	103	18,570
Cash and cash equivalents	5,5,36	87,065	92,601
Total financial assets	24,768	87,168	111,936
Financial Liabilities			
Payables	113,536	6,298	119,834
Due to other related parties	-	2,712	2,712
Due to former parent company	26,821	-	26,821
Borrowings	-	778,951	778,951
Total financial liabilities	140,357	787,961	928,318
Net financial position	(115,589)	(700,793)	(816,382)

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Group		
	2017		
	Jamaican$	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
		2017	
Financial Assets			
Investments	3,779	-	3,779
Receivables	6,288	3,955	10,243
Cash and cash equivalents	463	1,771	2,234
Total financial assets	10,530	5,726	16,256
Financial Liabilities			
Payables	28,092	14,405	42,497
Due to former parent company	31,269	-	31,269
Borrowings	-	6,824	6,824
Total financial liabilities	-	713,909	713,909
Net financial position	59,361	735,138	794,499
	(48,831)	(729,412)	(778,243)

	The Company		
	2018		
	Jamaican$	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
Financial Assets			
Investments	765	-	765
Loan receivable	-	13,569	13,569
Receivables	18,472	-	18,472
Cash and cash equivalents	5,537	85,882	91,419
Total financial assets	24,774	99,451	124,225
Financial Liabilities			
Payables	119,834	-	113,544
Due to former parent company	26,821	-	26,821
Borrowings	-	622,196	622,196
Total financial liabilities	(140,365)	(622,196)	(762,561)
Net financial position	(115,591)	(522,745)	(638,336)

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Company		
	2017		
	Jamaican$	US$	Total
	J$'000	J$'000	J$'000
	2017		
Financial Assets			
Investments	3,779	-	3,779
Loan receivable	-	28,035	28,035
Receivables	7,135	-	7,135
Cash and cash equivalents	463	1,771	2,234
Total financial assets	11,377	29,806	41,183
Financial Liabilities			
Payables	28,092	14,405	42,497
Due to parent company	31,269	-	31,269
Borrowings	-	556,789	556,789
Total financial liabilities	59,361	571,194	630,555
Net financial position	(47,984)	(541,388)	(589,372)

The following tables indicate the currencies to which the Group and the Company has significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for 4% devaluation and 2% revaluation (2017: 4% devaluation, 2% revaluation) in foreign currency rates. The sensitivity of the profit is a result of foreign exchange gains/(losses) on translation of US dollar-denominated cash and cash equivalents, payables and borrowings.

The Group			
Change in Currency Rate	Effect on Profit before Tax	Change in Currency Rate	Effect on Loss before Tax
2018	2018	2017	2017
%	$'000	%	$'000
-4	(27,516)	-4	(29,176)
2	13,758	2	14,588

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Company			
	Change in Currency Rate 2018 %	Effect on Profit 2018 $'000	Change in Currency Rate 2017 %	Effect on Loss 2017 $'000
Currency:				
USD	-4	(20,920)	-4%	(21,656)
USD	2	10,460	2%	10,828

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the operation to cash flow interest risk, whereas fixed interest rate instruments expose the operation to fair value interest risk.

The following table summarises the Group's and the Company's exposure to interest rate risk. It includes the operation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group					
	Within 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
	2018					
Assets						
Investments	-	-	-	-	765	765
Receivables	-	-	-	-	18,570	18,570
Cash and cash equivalents	85,882	-	-	-	6,719	92,601
Total financial assets	85,882	-	-	-	26,054	111,936
Liabilities						
Payables	-	-	-	-	119,834	119,834
Due to related parties	-	-	-	-	2,712	2,712
Due to former parent company					26,821	26,821
Borrowings	-	-	-	778,951	-	778,951
Total financial liabilities	-	-	-	778,051	149,367	928,318
Total interest repricing gap	85,882	-	-	(778,951)	(123,313)	(816,382)

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Group					
	Within 3 Months $'000	**4 to 12 Months $'000**	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
				2017		
Assets						
Investments	-	-	-	-	3,779	3,779
Receivables	-	-	-	-	10,243	10,243
Cash and cash equivalents	1,771	-	-	-	463	2,234
Total financial assets	1,771	-	-	-	14,485	16,256
Liabilities						
Payables	-	-	-	-	42,497	42,497
Due to former parent company	-	-	-	-	31,269	31,269
Due to related parties	-	-	-	-	6,824	6,824
Borrowings	-	-	-	713,909	-	713,909
Total financial liabilities	-	-	-	713,909	80,590	794,499
Total interest repricing gap	1,771	-	-	(713,909)	(66,105)	(778,243)

	The Company					
	Within 3 Months $'000	**4 to 12 Months $'000**	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
				2018		
Assets						
Investments	-	-	-	-	765	765
Loans receivable	-	-	13,569	-	-	13,569
Receivables	-	-	-	-	18,472	18,472
Cash and cash equivalents	85,882	-	-	-	5,537	91,419
Total financial assets	85,882	-	13,569	-	24,774	124,225
Liabilities						
Payables	-	-	-	-	113,544	113,544
Due to former parent company	-	-	-	-	26,821	26,821
Borrowing	-	-	-	622,196	-	622,196
Total financial liabilities	-	-	-	622,196	140,365	762,561
Total interest repricing gap	85,882	-	13,569	(622,196)	(115,591)	(638,336)

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Company					
	Within 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
	2017					
Assets						
Investments	-	-	-	-	3,779	3,779
Loans receivable	-	-	27,686	-	349	28,035
Receivables	-	-	-	-	7,135	7,135
Cash and cash equivalents	1,771	-	-	-	463	2,234
Total financial assets	1,771	-	27,686	-	11,726	41,183
Liabilities						
Payables	-	-	-	-	42,497	42,497
Borrowings	-	-	-	-	31,269	31,269
Due to former parent company	-	-	-	556,789	-	556,789
Total financial liabilities	-	-	-	556,789	73,766	630,555
Total interest repricing gap	1,771	-	27,686	(556,789)	(62,040)	(589,372)

(d) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

Stanley Motta Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(d) Fair value of financial instruments

The following table presents the Group's assets that are measured at fair value as at 31 December 2018 and 31 December 2017.

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	2018			
Assets				
Quoted equities	765	-	-	765
Investment property	-	-	4,689,316	4,689,316
	765	-	4,689,316	4,690,081

	The Group			
	2017			
Assets				
Quoted equities	3,779	-	-	3,779
Investment property	-	-	2,350,068	2,350,068
	3,779	-	2,350,068	2,353,847

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(d) Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018.

	Total
	$'000
Opening balance	2,350,068
Additions	419,966
Revaluation gains on investment property	1,901,656
Translation adjustment	17,626
Closing balance	4,689,316

The following table presents the changes in Level 3 instruments for the year ended 31 December 2017.

	Total
	$'000
Opening balance	399,398
Additions	547,748
Revaluation gains on investment property	843,554
Acquired in acquisition of subsidiary (note 28)	571,500
Translation adjustment	(12,132)
Closing balance	2,350,068

The following table presents the Company's assets that are measured at fair value as at 31 December 2018 and 31 December 2017.

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
	2018			
Assets				
Quoted equities	765	-	-	765
Investment property	-	-	4,020,960	4,020,960
	765	-	4,020,960	4,021,725

	The Company			
	2017			
Assets				
Quoted equities	3,779	-	-	3,779
Investment property	-	-	1,790,700	1,790,700
	3,779	-	1,790,700	1,794,479

4. Financial Risk Management (Continued)

(d) Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018.

	Total $'000
Opening balance	1,790,700
Additions	415,982
Revaluation gains on investment property	1,814,278
Closing balance	4,020,960

The following table presents the changes in Level 3 instruments for the year ended 31 December 2017.

	Total $'000
Opening balance	399,398
Additions	547,748
Revaluation gains on investment property	843,554
Closing balance	1,790,700

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange. The amounts included in the financial statements for receivables, due to holding Company, cash and cash equivalents and payables reflect their approximate fair value because of the short term maturity of these instruments.

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total borrowings (Note 27)	778,951	713,909	622,196	556,789
Less: cash and cash equivalents (Note 19)	(92,601)	(2,234)	(91,419)	(2,234)
Net debt	686,350	711,675	530,777	554,555
Total equity	3,894,797	1,605,212	3,544,615	1,375,612
Total capital	4,581,147	2,316,887	4,075,392	1,930,167
Gearing ratio	15%	31%	12%	29%

For details on loan securities, see (Note 27).

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Valuation of investment properties
Investment property for completed buildings is valued at market using the income capitalization approach which takes into consideration a number of factors that require estimation and judgement. Assumptions are made about key factors in particular rental income, capitalization factor and vacancy factor. Any changes in key assumptions will directly impact the carrying value of the asset.

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

6. Segment Financial Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The main activities of the Group comprise the rental of properties in Kingston, Jamaica. These activities are organised and reported on as one main business segment.

7. Other Operating Income

	The Group and the Company	
	2018 $'000	2017 $'000
Dividend income	-	313
Interest income	2,112	374
Exchange gains	-	844
	2,112	1,531

8. Expenses by Nature

Total direct, administration and other operating expenses:

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Auditors' remuneration:				
Current year	4,167	2,719	3,000	1,600
Prior year	-	(994)	-	-
Salaries and related costs (Note 9)	10,609	15,935	10,609	15,935
Directors Expenses	534	-	534	
Depreciation (Note 13)	4,463	1,466	1,739	1,342
Legal and professional fees	3,188	8,652	3,188	7,285
Electricity	1,001	132	1,001	132
Telephone	40	53	40	53
Administration fees	1,346	123	1,346	123
Insurance	5,020	373	5,020	-
Advertisement	1,037	-	1,037	-
Rates and taxes	2,738	1,786	2,738	2,283
Security	16,931	7,797	16,931	7,797
Rental Expenses	2,315	-	2,315	-
Commission	24,197	13,177	24,197	13,177
Property Management Fees	19,718	-	19,718	-
Travelling and entertainment	706	380	706	380
Repair and maintenance	1,765	546	1,506	607
Other	13,436	4,073	3,636	4,073
	113,211	56,218	99,261	54,787

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

9. Salaries and Related Costs

	The Group and The Company	
	2018	**2017**
	$'000	**$'000**
Salaries	9,421	15,653
Payroll taxes – employer portion	1,026	236
Pension cost	136	51
Other	26	(5)
	10,609	15,935

10. Finance Costs

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Exchange losses	17,394	418	21,057	36
Loan interest	41,829	7,035	22,349	5,901
	59,233	7,453	43,406	5,937

11. Taxation

(a) Taxation comprises income tax at 25% on the profit for the year, adjusted for tax purposes:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current income tax at 25%	2,050	-	-	-
Minimum business tax	60	60	60	60
Tax charge	2,110	60	60	60

(b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	1,990,022	853,671	1,887,739	854,175
Tax calculated at 25%	497,506	213,418	471,935	213,544
Income not subject to tax	(481,301)	(212,254)	(459,457)	(213,169)
Unrecognised deferred tax asset	(17,574)	(1,240)	(5,364)	(547)
Expenses not deductible for tax	3,479	136	(7,054)	232
	2,110	60	60	60

Stanley Motta Limited

Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

11. Taxation (Continued)

Subject to agreement with the Tax Administration Jamaica (TAJ), losses of approximately for the Group and Company $15,373,000 (2017 - $22,317,000) are available for set off against future taxable profits of the Group, and can be carried forward indefinitely. As of January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilized in any one year is restricted to 50% of chargeable income for that year (before taking account of the tax loss).
The company was granted free zone status under the Jamaica Export Zones Act effectively 19 November 2015, resulting in income tax being charged on applicable profits at zero. Based on the company's tax status and current activities resulting in uncertainty of its ability to utilize tax losses in the foreseeable future, deferred tax assets resulting therefrom are not recognized.

12. Earnings per Stock Unit

Earning per stock unit ("EPS'') is computed by dividing the profit attributable to stockholders of the Company of $1,996,912,000 (2017: ($853,611,000) by the weighted average number of ordinary stock units in issue during the year, numbering 733,466,864 (2017: 430,314,195).

13. Property, Plant and Equipment

	The Group		
	Leasehold Improvements	**Machinery and Equipment**	**Total**
	$'000	**$'000**	**$'000**
Cost -			
31 December 2016	316	13,067	13,383
Additions	-	10,207	10,207
Acquired on business combination	-	13,462	13,462
Exchange rate adjustment	-	(299)	(299)
31 December 2017	316	36,437	36,753
Additions	-	720	720
Exchange rate adjustment	-	411	411
31 December 2018	316	37,568	37,884
Accumulated Depreciation -			
31 December 2016	316	12,583	12,899
Charge for the year	-	1,466	1,466
Acquired on business combination	-	127	127
Exchange rate adjustment	-	(2)	(2)
31 December 2017	316	14,174	14,490
Charge for the year	-	4,438	4,438
Exchange rate adjustment	-	9	9
31 December 2018	316	18,621	18,937
Net Book Value -			
31 December 2018	-	18,947	18,947
31 December 2017	-	22,263	22,263

Stanley Motta Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

13. Property, Plant and Equipment (Continued)

	The Company		
	Leasehold Improvements	Machinery and Equipment	Total
	$'000	$'000	$'000
Cost -			
31 December 2016	316	13,067	13,383
Additions	-	9,572	9,572
31 December 2017	316	22,639	22,955
Additions	-	584	584
31 December 2018	316	23,223	23,539
Accumulated Depreciation -			
31 December 2016	316	12,583	12,899
Charge for the year	-	1,342	1,342
31 December 2017	316	13,925	14,241
Charge for the year	-	1,739	1,739
31 December 2018	316	15,664	15,980
Net Book Value -			
31 December 2018	-	7,559	7,559
31 December 2017	-	8,714	8,714

Stanley Motta Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

14. Investment Properties

	The Group		
	Land	**Building**	**Total**
	$'000	**$'000**	**$'000**
Cost -			
31 December 2016	243,019	156,379	399,398
Additions	107,950	439,798	547,748
Revaluation gains	282,983	560,671	843,554
Acquired in business combination (note 28)	279,400	292,100	571,500
Exchange rate adjustment	(5,931)	(6,201)	(12,132)
31 December 2017	907,421	1,442,647	2,350,068
Additions	-	419,966	419,966
Revaluation gains	8,370	1,893,286	1,901,656
Exchange rate adjustment	8,601	9,025	17,626
31 December 2018	924,392	3,764,924	4,689,316
Net Book Value			
31 December 2018	924,392	3,764,924	4,689,316
31 December 2017	907,421	1,442,647	2,350,068

	The Company		
	Land	**Building**	**Total**
	$'000	**$'000**	**$'000**
Cost -			
31 December 2016	243,019	156,379	399,398
Additions	107,950	439,798	547,748
Revaluation gains	282,983	560,6571	843,554
31 December 2017	633,952	1,156,748	1,790,700
Additions	-	415,982	415,982
Revaluation gains/(transfers)	(4,483)	1,818,761	1,814,278
31 December 2018	629,469	3,391,491	4,020,960
Net Book Value			
31 December 2018	629,469	3,391,491	4,020,960
31 December 2017	633,952	1,156,748	1,790,700

Investment properties were valued at current market value as at 31 December by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuators. The values of the properties have been established using the direct capitalization approach, which uses as key inputs rental income from existing contracts, a vacancy factor which contemplates decrements in rental cash flows consequent on vacancies and a capitalization rate, reflective of a rate of return.

14. Investment Property (Continued)

The fair values on the investment properties are at level 3 in the fair value hierarchy, as, consistent with the requirements of IFRS 13, certain of the inputs into the valuation process are deemed to be unobservable; those being the vacancy factor and capitalization rate. Management considers the rental rates used in the calculations to be observable as they represent actual rentals which are unadjusted.

The assumption to which the values are most sensitive to is the capitalization factor. Which is 7% (2017 7%). Should the capitalization factor decrease/increase by 0.5%, the value of investment properties would decrease/increase by $307,232,000/$354,497,983 for the group and $262,683,360/$303,095,775 for the company (2017 $154,132,000/$177,845,000 for the group and $116,832,056/$134,806,510 for the company). The vacancy factor used is negligible as all the properties are in one location with long rental contacts which are expected to be renewed based on the level of investments by the tenants with one such tenant rent approximately 80% of the rentable space.

The valuations are done in United States dollars which means the exchange rate for the Jamaican dollar against the United States dollar will affect the valuation proportionately. Any percentage change in the exchange rate will affect the valuations proportionately. The exchange rate used at 31 December, 2018 was 128.53 /1.

15. Investments

	The Group and Company	
	2018 $'000	2017 $000
Quoted equities, at fair value	765	3,779
At the beginning of the year	3,779	3,567
Fair value losses)/gains recognised in other comprehensive income	(3,014)	212
At the end of the year	765	3,779

Stanley Motta Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

16. Loan and Notes Receivables

	The Company	
	2018	**2017**
	$'000	**$000**
Related party	13,569	27,686
Interest receivable	-	349
	13,569	28,035

The above represents loan amount receivable from Unity Capital Incorporated. Interest rate is 10% per annum with a maturity date 17 November 2027.

17. Investment in Subsidiary

	2018	**2017**
	$'000	**$'000**
Unity Capital Incorporated		
Shares, at cost – equity	151,765	151,765
	151,765	151,765

During the previous year, the Company acquired 100% of the shares in Unity Capital Incorporated. 4,000 ordinary shares, were purchased for $151,765,000. Unity Capital Incorporated is incorporated and domiciled in St. Lucia and is a private company for which there is no quoted price for its shares.

18. Receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade	15,937	3,974	15,937	3,974
Other	3,356	5,485	3,258	3,567
Prepayments	4,201	34,702	1,921	33,512
	23,494	44,161	21,116	41,053
Less: provision for impairment	(723)	(406)	(723)	(406)
	22,771	43,755	20,393	40,647

19. Cash and Cash Equivalents

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank	92,581	2,214	91,399	2,214
Cash in hand	20	20	20	20
	92,601	2,234	91,419	2,234

Cash at bank includes United States dollar savings account. Interest is currently 0.15% (2017 - 0.75%) per annum.

20. Payables

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Audit fees	5,506	2,719	2,400	1,600
Rental deposit payable	31,264	15,950	31,264	15,950
Interest payable	-	14,405	-	14,405
Statutory	43	329	43	329
Accruals	21,049	32,621	20,102	2,720
Accrued construction expense	52,577	27,480	52,577	27,480
Other Payables	9,395	859	7,158	859
	119,834	66,024	113,544	63,343

21. Share Capital

	2018 $'000	**2017 $'000**
Authorised -		
11,000 (2017 -11,000) 6% Cumulative Preference shares		
757,870,478 (2017 - 656,381,753) Ordinary shares		
Issued and fully paid -		
10,830 (2017 -10, 830) 6% Cumulative Preference shares	22	22
757,828,490 (2017 – 656,339,765) Ordinary shares	811,911	530,787
	811,933	530,809

On 14 July 2016 the company increased its authorised share capital from 411,000 to 400,000,000 by the creation of an additional 399,589,000 ordinary shares to rank pari passu, in all respects, with the existing ordinary shares. The newly created shares were then issued for a consideration of $39,958,900.

On 17 November 2017 the company increase its authorised ordinary share capital from 399,947,012 to 656,339,765 by the creation of an additional 256,392,753 ordinary shares to rank pari passu, in all respects, with the existing ordinary shares. The newly created shares were then issued for a consideration of $490,450,100.

On 29 March 2018, the Company issued 101,488,725 additional ordinary shares at a value of $281,332,107.

On 20 July 2018 the Company offered for sale 757,818,862 ordinary shares. This offer was fully subscribed.
On 22 August 2018 the Company was listed on the Jamaica Stock Exchange.

22. Fair Value Reserve

This comprises the fair value gains or losses on investments classified as fair value through other comprehensive income (2017 - available-for-sale equity investments).

Stanley Motta Limited
Notes to the Financial Statements
31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

23. Capital Reserve

	The Group	
	2018	**2017**
	$'000	**$'000**
At the beginning of year	238,379	-
Additions	-	238,379
At the ended of the year	238,379	238,379

This represent capital reserve on the acquisition of former fellow subsidiary Unity Capital Incorporated (note 28).

24. Cumulative Translation Reserve

The cumulative translation reserve comprises currency translation differences from the unrealized gains and losses on the translation of the net assets of the subsidiary which has a different functional currency from the company.

25. Related Party Transactions and Balances

(a) Year end balances arising from transactions with related parties:

Loan to Subsidiary:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Unity Capital Incorporated	-	-	13,569	28,035

Payable to related parties

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Other related parties	-	6,824	-	-
Former parent current account	26,821	31,269	26,821	31,269
Former parent company long term loan	-	-	-	-

(b) The statement of comprehensive income includes transactions, in the ordinary course of business, with the parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Rental income:				
Other related parties	-	35,730	-	6,892
Other expenses:				
Other related party	-	1,615	-	-

25. Related Party Transactions and Balances

(c) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Such persons comprise the directors, senior management of the Group and company secretary. The compensation paid or payable to key management for employee services is as shown below:

	The Group and Company	
	2018	**2017**
	$'000	**$'000**
Directors emoluments:		
Fees	534	-
Management remuneration	4,535	6,822
Key management compensation:		
Short-term employee benefits (Note 9)	-	7,095
	5,069	13,917

26. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has tax losses amounting to approximately $22,317,000 (2017 - $22,317,000), which would give rise to a net deferred tax asset. Due to the fact that the Company was granted free zone status, the Group has not recognized the deferred tax asset as there is uncertainty about the probability of future taxable profits being available to fully utlilised these assets.

27. Borrowings

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Development Bank of Jamaica Limited (a)	622,196	556,789	622,196	556,789
Jamaica National Building Society (b)	156,755	157,120	-	-
	778,951	713,909	622,196	556,789
Current portion	(62,459)	(39,634)	(55,313)	(35,781)
	716,492	674,275	566,883	521,008

27. Borrowings (Continued)

(a) Development Bank of Jamaica Limited and is secured by the following:

(i) A first registered mortgage over Lot B1, Lot 6A, Lot 8A of land part of volume 313 and folio 49, situated at 58 Half Way Tree Road;

(ii) First legal mortgage over Lot 2, Lot 4, Lot 6 and Lot 8 situated at 58 Half Way Tree Road;

(iii) Comfort letter from Musson Jamaica Limited (the former Parent Company);

(iv) Assignment of all risk insurance over the Company's buildings and equipment with Development Bank of Jamaica Limited's interest noted as loss payee;

(v) Establishment of a debt Service Reserve Account (DSRA) in which shall be deposited over a period of six (6) months from the date of commencement of the lease an amount equivalent to three (3) month's principal payments and six (6) months interest payments totaling USD 209,026 such (DSRA) to be assigned to Development Bank of Jamaica Limited;

(vi) Assignment of lease agreements concerning those properties owned by the Company;

(vii) Debenture in favour of Development Bank of Jamaica Limited over real property and other fixed assets belonging to the borrower; and

(viii) Security interest in and over equipment and any other personal property purchased with the loan, such interest to be registered under the Security Interest in Personal Property Act by Development Bank of Jamaica Limited.

The original loan amount disbursed was US$4,454,302. This loan is repayable over 12 years and is amortized over 10 years and 6 months with a moratorium of 18 months on interest, (which shall be accrued during the moratorium period and is capitalized at the end of the same period). The interest rate on this loan is 4.5%.

(b) Jamaica National Building Society and is secured by the following:

(i) This is secured by the land and buildings owned by Unity Capital Incorporated.

The original loan amount is J$170,000,000 and is repayable over 202 months and at an interest rate of 11.375%.

Stanley Motta Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

27. Borrowings (Continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	The Group Total $'000
Net debts as at 1 January 2017	
Cash movements -	374,515
Loans received	162,560
Acquired on business combination (note 28)	(353)
Repayment - principal	(2,251)
Non-cash movements -	-
Foreign exchange adjustments	(18,034)
Net debt as at 31 December 2017	713,909
Cash movements -	
Loans received	69,479
Repayment - principal	(47,738)
Repayment - interest	-
Non-cash movements	-
Foreign exchange adjustments	43,308
Net debt as at 31 December 2018	778,958

	The Company $'000
Net debts as at 1 January 2017	
Cash movements -	
Loans received	374,515
Non-cash movements -	-
Foreign exchange adjustments	(15,198)
Net debt as at 31 December 2017	556,789
Cash movements -	
Loans received	69,479
Repayment - principal	(41,227)
Non-cash movements	-
Foreign exchange adjustments	37,155
Net debt as at 31 December 2018	622,196

28. Acquisition of Fellow Subsidiary

In November 2017, as a part of group reorganization exercise by parent Musson (Jamaica) Limited,the Company acquired 100% of the issued share capital of former fellow subsidiary, Unity Capital Incorporated (St. Lucia) from parent Musson Jamaica Limited. The reorganization was deemed a capital reorganization under IFRS. Under the capital reorganization method of accounting, the Company incorporated the assets and liabilities of Unity Capital Incorporated at their pre-combination carrying amounts without fair value uplift and as such reflects the carrying values that are related to that entity. The resulting excess of net assets over the purchase consideration is transferred to equity as capital reserve.

Details of the net assets acquired and purchase consideration were as follows:

	$'000
Purchase consideration	151,765
Book value of net assets acquired	(390,144)
Gain transferred to equity as capital reserve	238,379

(a) Assets and liabilities arising from the acquisition are as follows:

	Value
	$'000
Property, plant and equipment (net)	13,335
Investment property	571,500
Accounts receivable	2,032
Borrowing	(162,560)
Related party	(28,956)
Accounts payable	(5,207)
Net assets	390,144
Cash consideration	151,765
Cash and cash equivalents acquired	-
Net cash outflow on acquisition	151,765

For the one month period ended 31 December 2017, Unity Capital Incorporated contributed revenue of $2,361,000 and net losses of $504,000 to the Group’s results. If the acquisition had occurred on 1 January 2017, management estimates that contributed revenue would have been $28,332,000, and contributed net profit for the year would have been $6,048,000. In determining these amounts, management has assumed that the fair value adjustments, determined previously, that arose on the acquisition date would have been the same if the acquisition had occurred on the 1 January 2017.

29. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue Recognition on the Group's financial statements.

(a) Impact on financial statements

The Group has adopted IFRS 9 for the financial year ending 31 December 2018 which resulted in a change in the Group's accounting policies. As explained in note 3, IFRS 9 was generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018. These were not material.

(b) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2 above. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

There was no material impact on the Group's retained earnings as at 1 January 2018. In addition, there are no changes to the classification of financial assets under IFRS 9.

(c) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected loss credit loss model specifically:

- trade receivables, and
- loan and note receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. There was no material impact to the opening retained earnings and equity associated with this change.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also immaterial.

Trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an immaterial increase of the loss allowance on 1 January 2018.

29. Changes in Accounting Policies (Continued)

(d) IFRS 15 Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15 Revenue Recognition from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

There was no material impact on the Company's retained earnings as at 1 January 2018 or adjustments during the period as a result the adoption of this standard.