



# TOWARDS A SUSTAINABLE FUTURE

ANNUAL REPORT 2018



STANLEY MOTTA LIMITED

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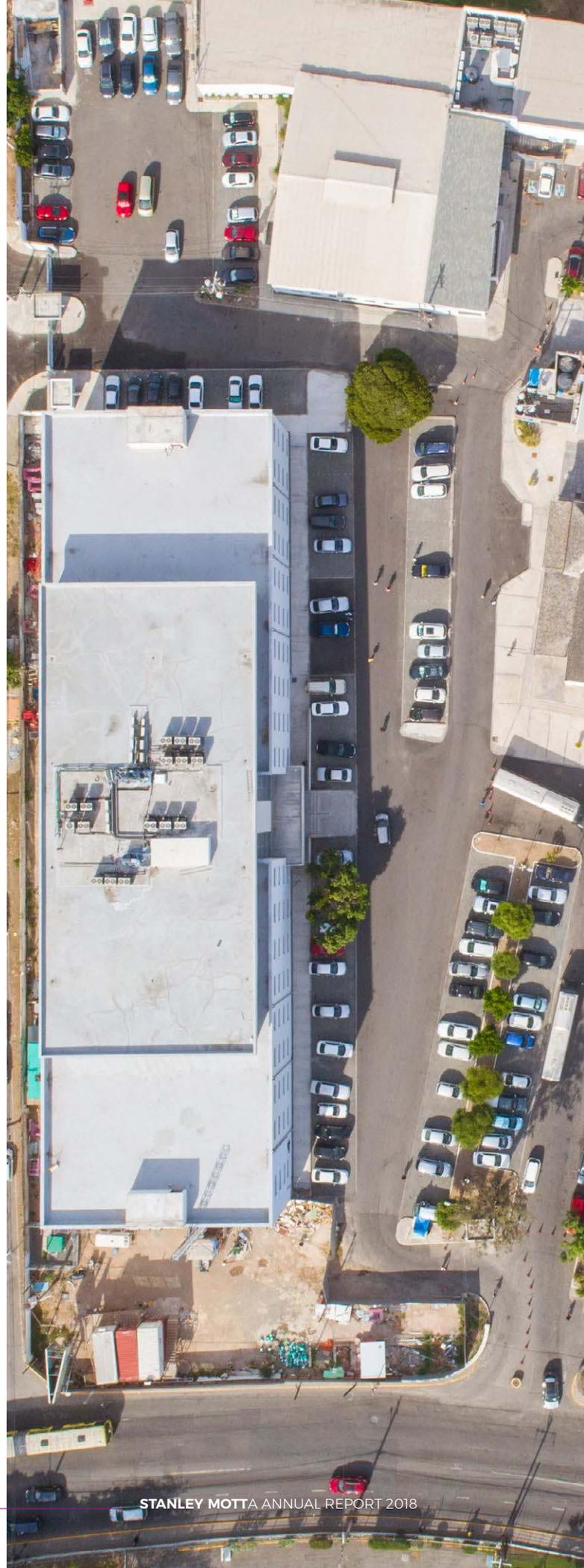


STANLEY MOTTA LIMITED

# About Us

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Stanley Motta Limited owns 58 HWT, a major business process outsourcing and technology park in the English-speaking Caribbean. 58 HWT sits on approx. six (6) acres of prime land at the nexus of Half Way Tree and New Kingston and constitutes over 200,000 square feet of recently constructed commercial office space. Most of 58 HWT's rental space is leased to tenants under triple-net leases denominated in United States dollars.





# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FIRST ANNUAL GENERAL MEETING of Stanley Motta Limited will be held at Unit 5 General Accident Building, 58 Half Way Tree Road, Kingston 5 on September 10th at 10:00 a.m., for the purpose of transacting the following business:

## **1. TO RECEIVE THE AUDITED ACCOUNTS AND THE REPORTS OF THE DIRECTORS AND AUDITORS**

To consider and if thought fit pass the following resolution:

“That the Directors’ Report, the Auditors’ Report and the Audited Accounts for the year-ended December 31, 2018 be and are hereby adopted.”

## **2. TO ELECT DIRECTORS**

The Directors retiring from office by rotation pursuant to Articles (111) of the company’s Articles of Association are Jennifer Scott and Minna Israel, who being eligible, offer themselves for re-election.

To consider and if thought fit pass the following resolutions:

I. That Jennifer Scott and Minna Israel be re-elected en bloc.

## **3. TO FIX THE REMUNERATION OF DIRECTORS**

To consider and if thought fit pass the following resolution:

“That the amount shown in the Audited Accounts for the year ended December 31, 2018 be and is hereby approved.”

## **4. TO APPOINT AUDITORS AND AUTHORIZE THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS**

To consider and if thought fit pass the following resolutions.

I. “That Pricewaterhouse Coopers having indicated their willingness to continue in office as Auditors be re-appointed Auditors for the ensuing year.”

II. “That the Directors be authorized to agree on the remuneration of the auditors.”

**5. TO TRANSACT ANY OTHER BUSINESS WHICH MAY PROPERLY BE TRANSACTED  
AT AN ANNUAL GENERAL MEETING**

DATED this 24th day of April, 2019

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Sharpn Donaldson', written over a horizontal line.

**Sharpn Donaldson**

Secretary

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member. Proxy forms must be lodged at the Company's registered office, 58 Half Way Tree Road, Kingston, not less than 48 hours before time of meeting.



# Unit 1



# Corporate Data

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**REGISTERED OFFICE:**

58 Half Way Tree Road, Kingston 5  
Tel: 1-876-968-2569  
Fax: 1-876-960-5530  
Email: info@stanleymotta.com;  
stanleymotta@mussongroup.com

**AUDITORS:**

PricewaterhouseCoopers  
Scotiabank Centre,  
Corner of Duke & Port Royal Streets,  
Kingston, Jamaica

**ATTORNEYS:**

DunnCox  
48 Duke Street,  
Kingston, Jamaica

**BANKERS:**

National Commercial Bank Jamaica Ltd.  
1-7 Knutsford Boulevard,  
Kingston 5, Jamaica

**REGISTRAR AND TRANSFER AGENTS:**

Jamaica Central Securities Depository Ltd.  
40 Harbour Street,  
Kingston, Jamaica

# Contact Information

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**Unity Capital Inc**

Pointe Seraphine,  
Castries, St Lucia

**Stanley Motta Limited**

58 Half Way Tree Road,  
Kingston, Jamaica



# Unit 2



# Shareholders' Profile

## SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2018

Ten Largest Shareholders	No. of Shares
1. Stony Hill Capital Limited	113,844,873
2. NCB Capital Markets Limited A/C 2231	97,157,354
3. Caona Investments Limited	75,782,849
4. General Accident Insurance Company Limited	73,590,920
5. Prime Asset Management JPS Employees Superannuation Limited	65,913,300
6. Lascelles deMercado Defined Contribution Fund	47,080,900
7. Perseverance Limited	37,891,425
8. VM Wealth Property Fund	33,898,200
9. NCB Insurance Company Limited – A/C WT161	28,248,000
10. Pooled Equity Fund	18,832,300

Shareholding of Directors, along with their connected persons	No. of Shares
1. Melanie Subratie	Nil
Shareholding of connected person	75,782,849
2. Sandra Glasgow	100,000
3. Sharon Donaldson	100,000
4. Minna Israel	100,000
5. Patricia Sutherland	Nil
6. Jennifer Scott	Nil
Shareholding of connected person	37,891,425
7. Andrea Kinach	100,000

Shareholding of Management	No. of Shares
1. Melanie Subratie	Nil
Shareholding of connected person	75,782,849

The company is managed by a property management company of which one senior manager, Tina Smart owns 94,000 shares purchased during the IPO.

A professional portrait of Melanie Subratie, a woman with long brown hair, wearing a black blazer over a light-colored top. She is smiling and has her arms crossed. The background is a modern building with large windows. A white diagonal graphic element is on the right side of the page.

**Melanie Subratie**  
Chairman / CEO



# Message from the Chairman

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Dear Fellow Shareholders,

2018 has been an incredible year for Stanley Motta Ltd, with a 100% occupancy rate, completion of our construction, a Jamaica Stock Exchange (JSE) listing, our Special Economic Zone (“SEZ”) submission. We also achieved our objectives of full rental by the year end of all space, and consistently collecting rent on time and in United States (US\$) currency, and the final valuation on the occupied properties.

Let’s start with construction. As you know Units 1,2 and 3 were constructed in 2017, Unit 5 was purchased, and Unit 4 was completed in April 2018, with the tenant moving in on May 1st 2018.

Units 1,2,3 & 4 are owned directly by Stanley Motta Ltd, and Unit 5 is owned by Unity Capital Ltd, a St Lucian based company, which is wholly owned by Stanley Motta Ltd.

We successfully listed on the JSE in July 2018 and look forward to ensuring that our corporate governance and our compliance matches and exceeds the standards set by the JSE. Listing with an all-female board was an important watershed both for the JSE and Jamaica as a whole. With such an accomplished set of board members, we look forward to the sustainable income that this investment is will generate through its rental business.

In 2018 we submitted our application to the SEZ to transition from a Freezone space to a Special Economic Zone. The date for completion of this is set for December 2019 and we are confident we will have everything in place well in advance of that deadline.

Again, the most important objective with the investment in Stanley Motta Ltd, is that we are collecting the rent on time, in US\$; keeping the property safe and clean and making it the best place to work. We will continue working in this way.

Valuation on the properties were completed in 2018 and the profit of the company has benefited from this valuation. What this figure really shows is the realization of value for all our shareholders.



# Management Discussion and Analysis

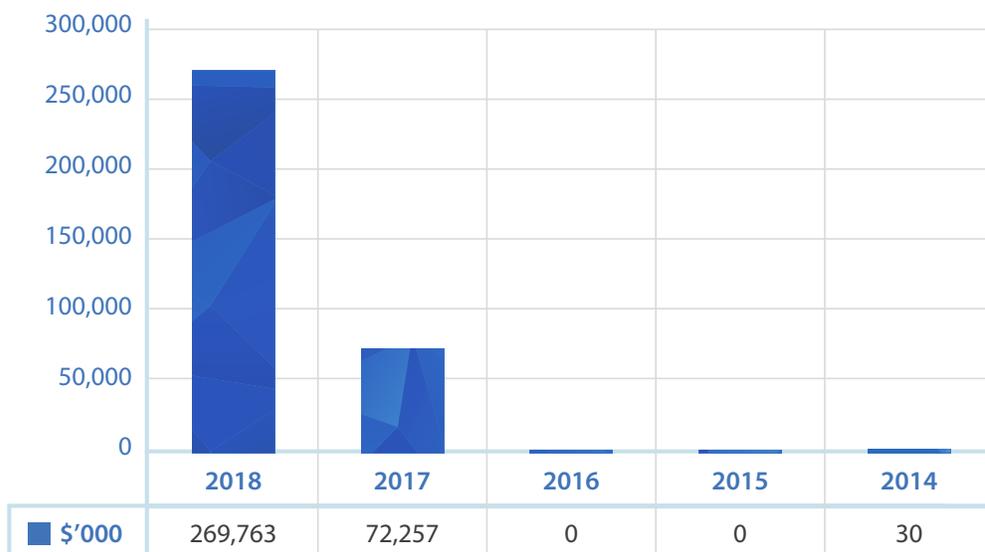
In 2018 the company reflected a revenue of \$269m compared to revenue of \$72m for 2017. This was an increase of 273%. Net Operating Income (“NOI”) increased 791% from \$17m to \$156m. This is a very important metric as it considers expenses and income without the one-off transaction of the revaluation gain on the property which will not recur. Net profit for the period was J\$1.999bn compared to J\$853m for 2017, an increase of 133.9%, bolstered by the revaluation gain on the property of J\$1.901bn.

Earnings per stock increased from \$1.99 to \$2.72 buoyed by the additional profit from the revaluation gain.

The increase in revenue for the year and the quarter was due to income from Unit 4 which was completed in 2018, and the acquisition of Unity Capital which owns what is now called Unit 5, and therefore, increased the square footage available for rent. As mentioned earlier, construction of Unit 4 was completed in Q1 of 2018, and the lease with the tenant began at the start of Q2 2018.

Administrative expenses for the year were J\$113m as compared to \$56m for 2017. This was due mainly to one-off \$24m in commission payments regarding the lease for Unit 4 and legal expenses, advertising and consulting expenses which will not be necessary going forward. Finance costs increased over prior year as the entire DBJ loan was subject to payment whereas a moratorium on interest and principal payments existed in 2017. Additionally, the figures include the finance cost for the mortgage on Unit 5, the Unity Capital building.

**SML: REVENUE**

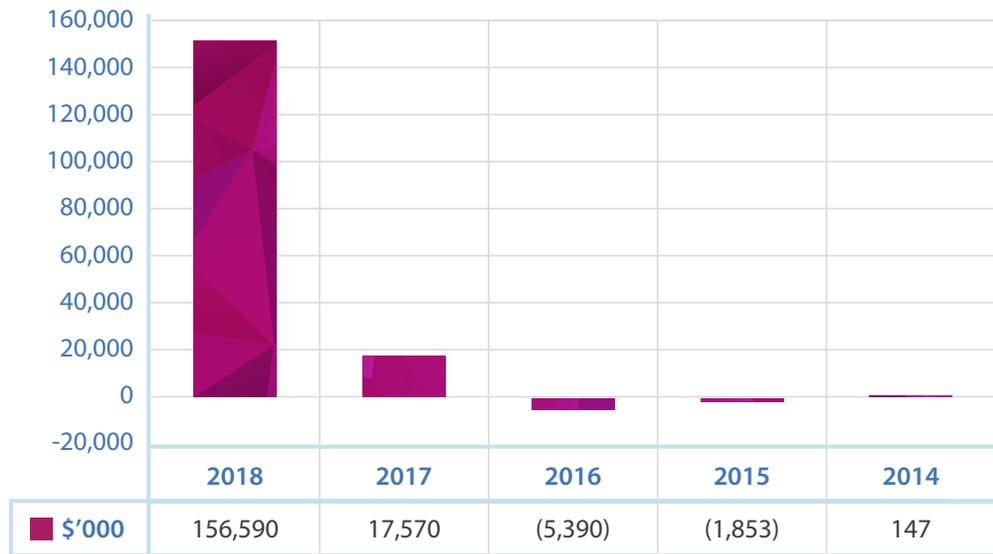




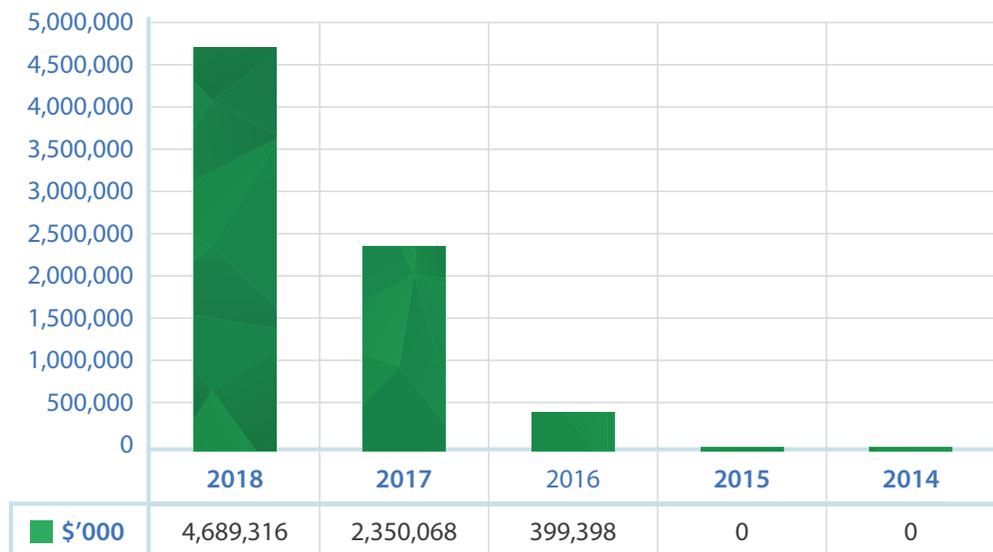
# \$269m

in revenue  
for 2018

## SML: NET OPERATING INCOME



## SML: INVESTMENT PROPERTIES





# \$156m

## Net Operating Income (NOI) for 2018

### HIGHLIGHT: INCREASE IN INVESTMENT PROPERTY

From the perspective of the balance sheet, the investment property has continued to increase in value over the past three years since we started construction, moving from \$399m in 2016, to \$2.3bn in 2017 and approximately \$4.7bn at the end of 2018, an increase of 100% between 2017 and 2018. These properties are recorded at their fair value as determined by independent appraisers.

Total assets have also doubled in value from \$2.4bn in 2017 to \$4.8bn in 2018. Shareholders Equity has increased from \$1.6bn in 2017 to \$4.2bn in 2018.

### GENERAL PERFORMANCE

It is our objective to provide a safe, secure, convenient, accessible, and clean space that is both environmentally and customer conscious. We aim for robust and reactive property management on a daily basis. Twenty Four (24) hour shifts occur in the space and so often some services have to be carried out at night.

We have 24 hour security on campus and a live camera system onsite monitoring what is going on. Each building has its own electronic security and internal security personnel. We continue to monitor this important aspect of our activity, and will continue to enhance it in as many areas as possible.

In 2018 a new food option opened within the compound and initial responses have been good. We continue to look at tenants and "Pop Up" experiences in order to give our tenants and their staff a good experience onsite.

During 2018 the tenant for Unit 4, Alorica has continued to invest in the property.

100% Occupancy is a goal for any property investment, and having delivered this in 2018, the signed leases should ensure that this will continue for the next five years. We are constantly getting requests for further space so we know that demand is still there.

### CREATING A SUSTAINABLE DEVELOPMENT FOR THE FUTURE – 2019 PLANS

- With the construction out of the way, 2019 looks to be an interesting year. We are still waiting for the Unit 4 tenant to complete their full internal build out, and they currently occupy part of the car park at the front by Half Way Tree Road to facilitate that.



**Increase in  
Shareholder Equity to**

**\$4.2bn**

- BPO continues to grow in Jamaica. Government research shows that growth of the BPO sector for 2018/2019 will be around 20% year on year, and the majority of that growth is in Kingston. Kingston itself won the Nearshore City of the Year Award in 2018.
- We know of no risks to our tenant's business. Our largest tenant, Alorica, occupies 75% of the space. From information available in the public domain, we believe their business continues to grow. 70% of Alorica's business is with Fortune 500 companies, and they work in 14 countries with 130 sites.
- Further environmental investments are being made, for instance we will have a number of recycling bins placed across the complex with recycling pick-ups being scheduled.
- Revenue – revenue will increase next year as each month every square foot of rentable space will be income producing for the entire year. This was not the case in 2018. Net Operating Income will also increase as a result.

**Melanie Subratie**

Chairman/CEO

# Board of Directors



## **Melanie Subratie** Chairman / CEO

Melanie Subratie is Chairman and CEO of Stanley Motta Ltd, a company listed on the Jamaica Stock Exchange, responsible for developing over 230k sq ft of real estate from concept to completed construction, to a fully tenanted technology park.

She is Vice Chairman of Musson (Ja) Ltd, a director of all its subsidiaries, in addition to being Vice Chairman of General Accident, Eppley Ltd, and T. Geddes Grant. She is Chairman of Transaction E-Pins Ltd. and sits on the executive of Seprod Group of Companies and all of its subsidiary boards. Melanie chairs the Audit Committee for both Productive Business Solutions Ltd and Seprod Ltd.

She is Chairman of Seprod Foundation, Musson Foundation, a founder and Chairperson of Jamaican Girls Coding, and Chairman of RISE Life Management. A number of her foundation projects have included a major focus on developing technology and coding skills for Jamaican youth. Melanie is a keen Angel investor and sits on the Boards of LoanCIRRUS, Bookfusion, and is a board member of First Angels itself. She sits on the Boards of Bustamante Children's Hospital and the National Museum of Jamaica. She is currently working to set up Jamaica's first large scale skatepark.

Melanie is fourth Vice President of the Jamaica Chamber of Commerce, and is the current Chair of the Legislation, Regulation and Process Improvement Committee.

Melanie is an honors graduate of the London School of Economics, and worked for a political newswire start up and as a consultant in the Financial Services Division of Deloitte and Touche in London before returning to Jamaica. Melanie is mother to three girls.

## **Sandra Glasgow** Director

Sandra Glasgow, Founder and Managing Director of BizTactics Ltd., is a member of the Boards of Directors of NCB Financial Group Limited, National Commercial Bank Jamaica Limited, Medical Disposables and Supplies Limited, The MultiCare Youth Foundation, DRT Communications Limited and LoanCIRRUS Limited. She chairs the Boards of eMedia Interactive Group Limited, iCreate Limited, the National Crime Prevention Fund (Crime Stop), the SMART Retirement Fund and SiFi Jamaica Limited. She is a Co-Founder of FirstAngelsJA.

Sandra spent 20 years at the University of Technology, Jamaica, where, among other achievements, she was Director of the Entrepreneurial Centre and the Founder of the Technology Innovation Centre, Jamaica's first technology business incubator. She is a former CEO of the Private Sector Organisation of Jamaica.

She has a Bachelor of Science Degree in Applied Zoology and Applied Botany and a MBA from The UWI, Mona. She is certified as a Director; a Trainer of Trainers in Corporate Governance Board Leadership and a Trainer of Trainers in Business Ethics. She was Jamaica's Eisenhower Fellow in 2000.



## **Jennifer Scott** Director

Jennifer Scott is a Non-Executive Director of the Board of Stanley Motta Ltd. She holds a B.Sc. (Hons.) in Psychology from the Newcastle University, United Kingdom. She later gained a Graduate Diploma in Legal Studies from Keele University and the Certificate of Legal Practice from the College of Law London. She was an admitted Solicitor of the Supreme Court of England and Wales.

Jennifer graduated from The Norman Manley Law School in 2003 and was admitted as an Attorney-at-Law in Jamaica. She practices Law at Clinton Hart & Co. Attorneys-at-law where she works in the areas of Securities, Trusts, Commercial and Corporate law Estates.

Currently, she serves as a Non-Executive Director and Member of the Conduct Committee at General Accident Insurance Company Limited, Director and Member of the Investment Committee at Eppley Limited as well as Director and Chair of Human Resources and Compliance Committee for Environmental Foundation of Jamaica (EFJ)

She has held directorship for Jamaica Protected Areas Trust and Silver Star Motors Limited.

## **Patricia Sutherland** Director

Patricia Sutherland has over 25 years of experience in management, operations and strategic planning in financial services and manufacturing.

She joined JMMB in 1994 as Operations and Human Resources Manager, and in 1999, transitioned to the role of Consultant with JMMB as Project Manager for various initiatives, including JMMB Initial Public Offering and the acquisition for several of its subsidiaries. She currently chairs the JMMB Joan Suncan Foundation and sits on the JMMB Bank Board.

Patricia has worked with the now ICD Group Limited as Operations Manager at Butterkist Limited and as General Manager at HoFAB Limited.

As an active nation builder, she has served as chair of the PSQJ Education Committee, and as a director on the Boards of several Public Bodies, including the Jamaica Social Investment, EGov Ltd. and the Adoption Board of Jamaica. She is a Past President of the Guild of Graduates (UWI Mona) and former member of the University Council and several other management committees of the University.

She has Level 1 of the Chartered Financial Analyst course and core competencies courses with the Society for Organization Learning.

She speaks French and holds a B.Sc in Pure and Applied Chemistry from The UWI.

# Board of Directors



## **Andrea Kinach** Director

Andrea Kinach was first admitted to practise as a Solicitor in the United Kingdom in 2000 and in 2008 she migrated to Jamaica, re-qualified as an Attorney-at-Law and joined Patterson, Mair and Hamilton. She was admitted as a Partner in 2011.

Andrea holds a B.A in Economics from Trinity College, University of Toronto as well as an LL.B (First Class), from the University of Kent, Canterbury, England.

In Jamaica, Andrea maintains a diverse practice with focus on financial services, corporate finance, and general commercial work.



## **Minna Israel** Director

Minna Israel, a former banker with over thirty years of corporate, commercial and retail banking experience, is a Special Advisor to the Vice-Chancellor of the University of the West Indies, on Resource Development, with focus on philanthropy.

Having served as the President & Country Head of RBC Royal Bank Jamaica for 4 years, as the Managing Director of Scotiabank (Bahamas) Limited for 3 years, and a past-President of the Jamaica Bankers' Association, her performance and contribution to banking and the wider society made her the recipient of a number of local, regional and international awards, including the UWI Honorary Doctor of Laws degree, in November, 2011.

She currently serves as Director on a number of Boards including First Global, Cari-Med Ltd, RJRGleaner Communication Group, and JPSCo Ltd.

Minna holds an MBS from the Richard Ivey School of Business at the Western University, Ontario, Canada, and a BSc Degree in Management Studies from the University of the West Indies.



## Sharon Donaldson Director

Sharon Donaldson ACCA, MBA (Finance)  
LLB (Hons.) Attorney-at-Law  
Managing Director – General Accident Insurance Company (Ja) Limited

Ms. Donaldson has been responsible for driving the recent growth and overseeing the prudent underwriting and risk management strategy of General Accident. She has been with the company for over 20 years, first as Financial Controller before becoming Managing Director in 2001. In addition to her responsibilities at the company Ms. Donaldson serves as a Director of Musson (Ja.) Ltd, Eppley Limited, and Stanley Motta Ltd.

She is a Director and mentor of 138 Student Living Limited, Jamaica Environment Trust, and Paramount Trading Jamaica Limited and a member of the Jamaica Anti-Doping Commission. Ms. Donaldson holds the position of Treasurer on the Council of the Institute of Chartered Accountants of Jamaica (ICA) and heads the committee of Professional Accountants in Business (PAIB)

Sharon is an avid sports fan, plays tennis and is a past president of Netball Jamaica.





# Unit 3



# Directors' Attendance

The Board met once during the year subsequent to the public listing. All members attended the meeting.

# Board of Sub-Committees



**THE BOARD**

## AUDIT COMMITTEE

- Chairman - Sharon Donaldson
- Member - Andrea Kinach
- Member - Minna Israel
- Member - Sandra Glasgow

## COMPENSATION COMMITTEE

- Chairman - Minna Israel
- Member - Andrea Kinach
- Member - Sandra Glasgow
- Member - Sharon Donaldson

## CORPORATE GOVERNANCE COMMITTEE

- Chairman - Sandra Glasgow
- Member - Andrea Kinach
- Member - Jennifer Scott



# Unit 4



# Corporate Governance

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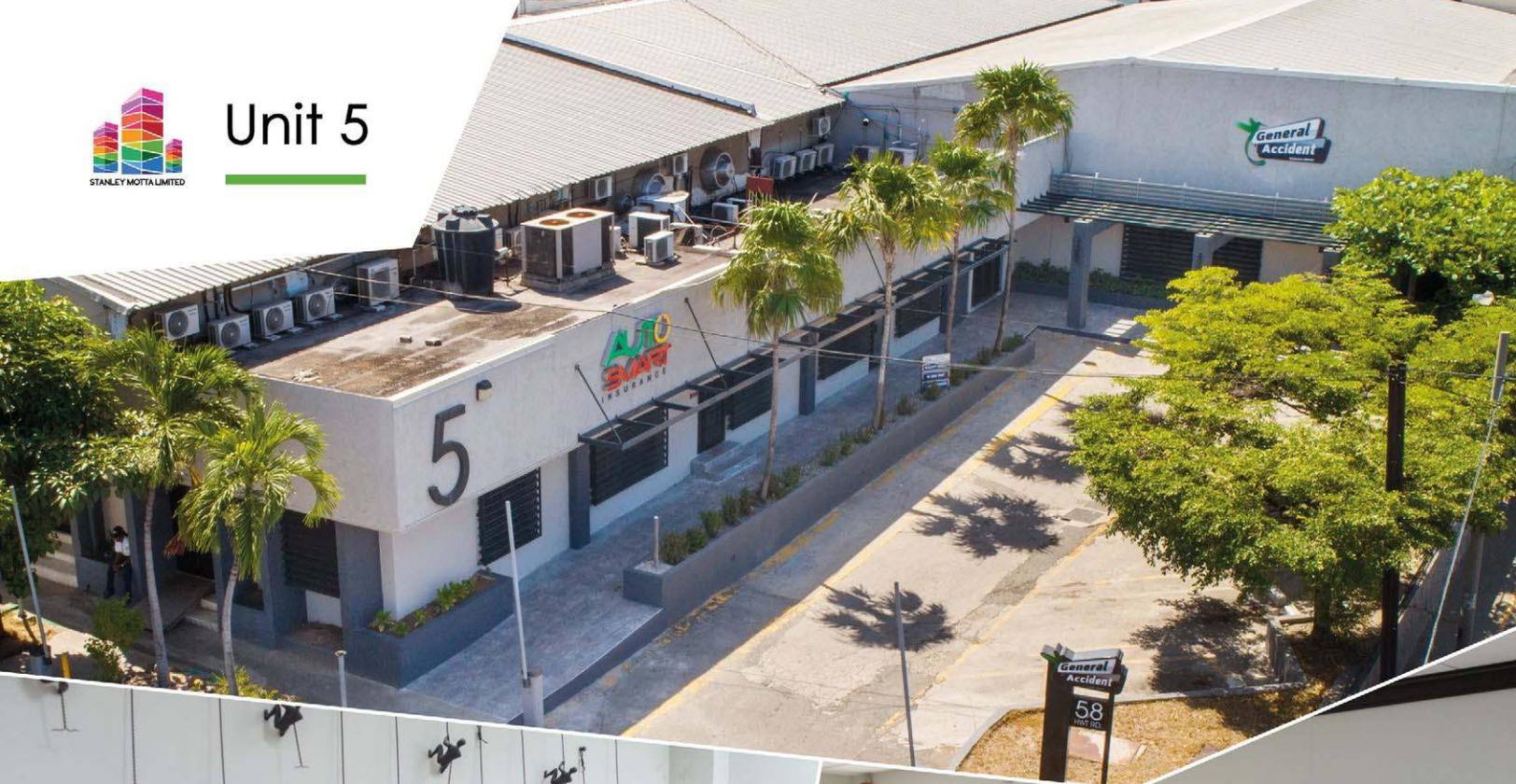
Stanley Motta Limited Corporate Governance Charter ensures the continued compliance of the company to sound ethical and governance standards.

The intent is to ensure the highest standards of transparency, oversight, and independence, to serve the best interest of all our stakeholders. Our practices are consistent with world best practices and adhere to the relevant legal and regulatory framework.

The members of the Audit and Risk Committees include a majority of the independent non-executive Directors. The members of the Audit and Risk Committee are Sharon Donaldson, Minna Israel, and Andrea Kinach.



# Unit 5





# Green Initiatives

## at 58 HWTR

In line with Stanley Motta's commitment for sustainable development, the 58 HWTR facility incorporates several 'green' features, designed to limit the impact of its development on the natural environment.

To this end, the facility's outdoor surfaces (car parks and driveways) have all been created using permeable paving technology that allows for the safe filtration of surface fluid, such as rainwater, before its re-entry into the water table. This measure serves to limit flooding and to reduce the volume of pollutants that are absorbed into the water table.

The buildings at 58 HWTR also feature a locally manufactured insulation system which helps to regulate the buildings' internal temperature, therefore reducing the amount of fossil fuel used for ventilation and cooling purposes.



Other state of the art, environmentally friendly features at 58 HWTR include a rainwater collection tank in Unit 4 of the facility, as well as the re-appropriation of material from the original structures to the new development.

In Q2 of 2019 there will be recycling bins across the complex to encourage users to recycle their plastic.

# alorica



STANLEY MOTTA LIMITED





# Financial **Statements**

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## *Independent auditor's report*

To the Members of Stanley Motta Limited

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

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#### *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.

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#### *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.

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### *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.

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#### **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.

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Key audit matter	How our audit addressed the key audit matter
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#### 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
<p>misstatement, is why we have focused on this area.</p> <p>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):</p> <ul style="list-style-type: none"><li>• rental income</li><li>• capitalization factor</li><li>• vacancy factor</li></ul> <p>Changes in these assumptions may have a significant impact on the carrying value of investment property.</p>	<ul style="list-style-type: none"><li>• Evaluated the appropriateness of the valuation methodology used and suitability for determining market value in accordance with the financial reporting framework.</li><li>• Agreed the Key Factors used in the valuation models to supporting documentation, including external market data where available.</li><li>• Benchmarked rental income and the capitalisation factor to relevant market data, which included comparisons to properties within similar geographical locations.</li><li>• Reperformed the valuation calculations and compared to management’s recorded value.</li></ul> <p>Based on the procedures performed, no material adjustment to management’s valuations was considered necessary.</p>

### *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.



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### *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.

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### *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.

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### *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.

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

  
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)

	<b>Note</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Revenue</b>		269,763	72,257
Other operating income	7	37	1,531
Administrative expenses	8	(113,211)	(56,218)
<b>Operating Profit</b>		<u>156,589</u>	<u>17,570</u>
Finance cost	10	(59,223)	(7,453)
Revaluation gain on investment properties	14	1,901,656	843,554
<b>Profit before Taxation</b>		<u>1,999,022</u>	<u>853,671</u>
Taxation	11	(2,110)	(60)
<b>Net Profit</b>		<u>1,996,912</u>	<u>853,611</u>
<b>Other Comprehensive Income</b>			
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)
		<u>8,535</u>	<u>(8,063)</u>
<b>Total Comprehensive Income</b>		<u><u>2,005,447</u></u>	<u><u>845,548</u></u>
Earning per stock unit for profit attributable to the equity holders of the Company during the year			
	12	<u>2.72</u>	<u>1.99</u>

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
<b>Non-Current Assets</b>			
Property, plant and equipment	13	18,947	22,263
Investment properties	14	4,689,316	2,350,068
Investments	15	765	3,779
		<u>4,709,028</u>	<u>2,376,110</u>
<b>Current Assets</b>			
Inventories		544	937
Receivables	18	22,771	43,755
Taxation recoverable		202	202
Cash and cash equivalents	19	92,601	2,234
		<u>116,118</u>	<u>47,128</u>
<b>Current Liabilities</b>			
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
		<u>213,857</u>	<u>143,751</u>
<b>Net Current Liabilities</b>			
		<u>(97,739)</u>	<u>(96,623)</u>
		<u>4,611,289</u>	<u>2,279,487</u>
<b>Shareholders' Equity</b>			
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
		<u>3,894,797</u>	<u>1,605,212</u>
<b>Non-Current Liabilities</b>			
Borrowings	27	716,492	674,275
		<u>4,611,289</u>	<u>2,279,487</u>

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)

		Share Capital	Fair Value Reserve	Capital Reserve	Cumulative Translation Reserve	Retained Earnings/ (Accumulated Deficit)	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 December 2016</b>		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
<b>Balance at 31 December 2017</b>		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
<b>Balance at 31 December 2018</b>		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
<b>Cash Flows from Operating Activities</b>			
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)
		<u>180,418</u>	<u>1,740</u>
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		<u>247,045</u>	<u>(221,162)</u>
<b>Cash Flows from Investing Activities</b>			
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		<u>(417,714)</u>	<u>(709,140)</u>
<b>Cash Flows from Financing Activities</b>			
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		<u>261,036</u>	<u>863,488</u>
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
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	19	<u><u>92,601</u></u>	<u><u>2,234</u></u>
Reconciliation of movement in borrowings (see note 27 (a))			

Stanley Motta Limited  
**Company Statement of Comprehensive Income**  
**Year ended 31 December 2018**

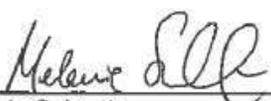
(expressed in Jamaican dollars unless otherwise indicated)

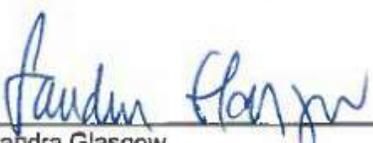
	<b>Note</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Revenue</b>		214,217	69,814
Other operating income	7	2,112	1,531
Administrative expenses	8	<u>(99,261)</u>	<u>(54,787)</u>
<b>Operating Profit</b>		117,068	16,558
Finance cost	10	(43,407)	(5,937)
Revaluation gain on investment properties		<u>1,814,278</u>	<u>843,554</u>
<b>Profit before Taxation</b>		1,887,939	854,175
Taxation	11	<u>(60)</u>	<u>(60)</u>
<b>Net Profit</b>		<u>1,887,879</u>	<u>854,115</u>
<b>Other Comprehensive Income</b>			
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		<u>-</u>	<u>212</u>
<b>Total Comprehensive Income</b>		<u><u>1,884,865</u></u>	<u><u>854,327</u></u>

Stanley Motta Limited  
**Company Statement of Financial Position**  
**Year ended 31 December 2018**  
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 \$'000	2017 \$'000
<b>Non-Current Assets</b>			
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
<b>Current Assets</b>			
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
<b>Current Liabilities</b>			
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
<b>Net Current Liabilities</b>			
		(83,120)	(86,373)
		4,111,498	1,896,620
<b>Shareholders' Equity</b>			
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
<b>Non-Current Liabilities</b>			
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)

		Share Capital	Fair Value Reserve	(Accumulated Deficit)/ Retained Earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 31 December 2016</b>		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
<b>Balance at 31 December 2017</b>		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
<b>Balance at 31 December 2018</b>		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
<b>Cash Flows from Operating Activities</b>			
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)
		<u>132,792</u>	<u>1,979</u>
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		<u>199,192</u>	<u>(195,249)</u>
<b>Cash Flows from Investing Activities</b>			
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		<u>(397,034)</u>	<u>(736,540)</u>
<b>Cash Flows from Financing Activities</b>			
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		<u>287,027</u>	<u>864,975</u>
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
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	19	<u><u>91,419</u></u>	<u><u>2,234</u></u>



# Stanley Motta Limited

## Notes to the Financial Statements

### 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

#### 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.

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)***

- **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.

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 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**  
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**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 valuers 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.

Stanley Motta Limited  
**Notes to the Financial Statements**  
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**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 valuers. Changes in fair values are recorded in the statement of comprehensive income.

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**Notes to the Financial Statements**  
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**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.

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**Notes to the Financial Statements**  
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**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.

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**Notes to the Financial Statements**  
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**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, and 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 obligations between related parties, regardless of whether a price is charged.

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**Notes to the Financial Statements**  
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#### 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.

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**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:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
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.

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**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				Total
	2018				
	Within 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	
	\$'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

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**Notes to the Financial Statements**  
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**4. Financial Risk Management (Continued)**

**(b) Liquidity risk (continued)**

*Undiscounted cash flows of financial liabilities (continued)*

	<b>The Group</b>				
	<b>2017</b>				
	<b>Within 3 Months \$'000</b>	<b>4 to 12 Months \$'000</b>	<b>2 to 5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>
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
	<b>61,513</b>	<b>92,355</b>	<b>412,266</b>	<b>645,002</b>	<b>1,211,136</b>

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

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**4. Financial Risk Management (Continued)**

**(b) Liquidity risk (continued)**

*Undiscounted cash flows of financial liabilities (continued)*

	<b>The Company</b>				
	<b>2017</b>				
	<b>Within 3 Months \$'000</b>	<b>4 to 12 Months \$'000</b>	<b>2 to 5 Years \$'000</b>	<b>Over 5 Years \$'000</b>	<b>Total \$'000</b>
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.

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

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**Notes to the Financial Statements**  
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**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:

	<b>The Group</b>		
	<b>2018</b>		
	<b>Jamaican\$</b>	<b>US\$</b>	<b>Total</b>
	<b>J\$'000</b>	<b>J\$'000</b>	<b>J\$'000</b>
<b>Financial Assets</b>			
Investments	765	-	765
Receivables	18,467	103	18,570
Cash and cash equivalents	5,536	87,065	92,601
<b>Total financial assets</b>	<b>24,768</b>	<b>87,168</b>	<b>111,936</b>
<b>Financial Liabilities</b>			
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
<b>Total financial liabilities</b>	<b>140,357</b>	<b>787,961</b>	<b>928,318</b>
<b>Net financial position</b>	<b>(115,589)</b>	<b>(700,793)</b>	<b>(816,382)</b>

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**4. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

*Currency risk (continued)*

	<b>The Group</b>		
	<b>2017</b>		
	<b>Jamaican\$ J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
			<b>2017</b>
<b>Financial Assets</b>			
Investments	3,779	-	3,779
Receivables	6,288	3,955	10,243
Cash and cash equivalents	463	1,771	2,234
<b>Total financial assets</b>	<b>10,530</b>	<b>5,726</b>	<b>16,256</b>
<b>Financial Liabilities</b>			
Payables	28,092	14,405	42,497
Due to former parent company	31,269	-	31,269
Borrowings	-	6,824	6,824
<b>Total financial liabilities</b>	<b>-</b>	<b>713,909</b>	<b>713,909</b>
<b>Net financial position</b>	<b>59,361</b>	<b>735,138</b>	<b>794,499</b>
	<b>(48,831)</b>	<b>(729,412)</b>	<b>(778,243)</b>
	<b>The Company</b>		
	<b>2018</b>		
	<b>Jamaican\$ J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
<b>Financial Assets</b>			
Investments	765	-	765
Loan receivable	-	13,569	13,569
Receivables	18,472	-	18,472
Cash and cash equivalents	5,537	85,882	91,419
<b>Total financial assets</b>	<b>24,774</b>	<b>99,451</b>	<b>124,225</b>
<b>Financial Liabilities</b>			
Payables	119,834	-	113,544
Due to former parent company	26,821	-	26,821
Borrowings	-	622,196	622,196
<b>Total financial liabilities</b>	<b>(140,365)</b>	<b>(622,196)</b>	<b>(762,561)</b>
<b>Net financial position</b>	<b>(115,591)</b>	<b>(522,745)</b>	<b>(638,336)</b>

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**4. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

*Currency risk (continued)*

	<b>The Company</b>		
	<b>2017</b>		
	<b>Jamaican\$ J\$'000</b>	<b>US\$ J\$'000</b>	<b>Total J\$'000</b>
	<b>2017</b>		
<b>Financial Assets</b>			
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
<b>Total financial assets</b>	<b>11,377</b>	<b>29,806</b>	<b>41,183</b>
<b>Financial Liabilities</b>			
Payables	28,092	14,405	42,497
Due to parent company	31,269	-	31,269
Borrowings	-	556,789	556,789
<b>Total financial liabilities</b>	<b>59,361</b>	<b>571,194</b>	<b>630,555</b>
<b>Net financial position</b>	<b>(47,984)</b>	<b>(541,388)</b>	<b>(589,372)</b>

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.

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

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**4. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

***Currency risk (continued)***

	The Company			
	Change in Currency Rate	Effect on Profit	Change in Currency Rate	Effect on Loss
	2018	2018	2017	2017
	%	\$'000	%	\$'000
<b>Currency:</b>				
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					Total \$'000
	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
	2018					
<b>Assets</b>						
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
<b>Liabilities</b>						
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
<b>Total interest repricing gap</b>	85,882	-	-	(778,951)	(123,313)	(816,382)

Stanley Motta Limited  
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**4. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

*Interest rate risk (continued)*

	The Group					Total \$'000
	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
	2017					
<b>Assets</b>						
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
<b>Liabilities</b>						
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
<b>Total interest repricing gap</b>	1,771	-	-	(713,909)	(66,105)	(778,243)

	The Company					Total \$'000
	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
	2018					
<b>Assets</b>						
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
<b>Liabilities</b>						
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
<b>Total interest repricing gap</b>	85,882	-	13,569	(622,196)	(115,591)	(638,336)

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4. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

*Interest rate risk (continued)*

	The Company					Total \$'000
	Within 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	<b>2017</b>					
<b>Assets</b>						
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
<b>Total financial assets</b>	<b>1,771</b>	<b>-</b>	<b>27,686</b>	<b>-</b>	<b>11,726</b>	<b>41,183</b>
<b>Liabilities</b>						
Payables	-	-	-	-	42,497	42,497
Borrowings	-	-	-	-	31,269	31,269
Due to former parent company	-	-	-	556,789	-	556,789
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>556,789</b>	<b>73,766</b>	<b>630,555</b>
<b>Total interest repricing gap</b>	<b>1,771</b>	<b>-</b>	<b>27,686</b>	<b>(556,789)</b>	<b>(62,040)</b>	<b>(589,372)</b>

(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).

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**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.

	<b>The Group</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
	<b>2018</b>			
<b>Assets</b>				
Quoted equities	765	-	-	765
Investment property	-	-	4,689,316	4,689,316
	<u>765</u>	<u>-</u>	<u>4,689,316</u>	<u>4,690,081</u>
	<b>2017</b>			
<b>Assets</b>				
Quoted equities	3,779	-	-	3,779
Investment property	-	-	2,350,068	2,350,068
	<u>3,779</u>	<u>-</u>	<u>2,350,068</u>	<u>2,353,847</u>

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**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.

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

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

	<b>Total \$'000</b>
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	<u>2,350,068</u>

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

	<b>The Company</b>			<b>Total \$'000</b>
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	
	<b>2018</b>			
<b>Assets</b>				
Quoted equities	765	-	-	765
Investment property	-	-	4,020,960	4,020,960
	<u>765</u>	<u>-</u>	<u>4,020,960</u>	<u>4,021,725</u>
	<b>2017</b>			
<b>Assets</b>				
Quoted equities	3,779	-	-	3,779
Investment property	-	-	1,790,700	1,790,700
	<u>3,779</u>	<u>-</u>	<u>1,790,700</u>	<u>1,794,479</u>

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**Notes to the Financial Statements**  
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**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.

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

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

	<b>Total \$'000</b>
Opening balance	399,398
Additions	547,748
Revaluation gains on investment property	843,554
Closing balance	<u>1,790,700</u>

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.

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#### 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 \$'000	2017 \$'000	2018 \$'000	2017 \$'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

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#### 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

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

#### 8. Expenses by Nature

Total direct, administration and other operating expenses:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<b>113,211</b>	<b>56,218</b>	<b>99,261</b>	<b>54,787</b>

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**9. Salaries and Related Costs**

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

**10. Finance Costs**

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

**11. Taxation**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current income tax at 25%	2,050	-	-	-
Minimum business tax	60	60	60	60
Tax charge	<u>2,110</u>	<u>60</u>	<u>60</u>	<u>60</u>

(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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	<u>1,990,022</u>	<u>853,671</u>	<u>1,887,739</u>	<u>854,175</u>
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
	<u>2,110</u>	<u>60</u>	<u>60</u>	<u>60</u>

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**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**

	<b>The Group</b>		
	<b>Leasehold Improvements</b>	<b>Machinery and Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost -</b>			
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
<b>Accumulated Depreciation -</b>			
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
<b>Net Book Value -</b>			
31 December 2018	-	18,947	18,947
31 December 2017	-	22,263	22,263

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**13. Property, Plant and Equipment (Continued)**

	<b>The Company</b>		
	<b>Leasehold Improvements</b>	<b>Machinery and Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost -</b>			
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
<b>Accumulated Depreciation -</b>			
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
<b>Net Book Value -</b>			
31 December 2018	-	7,559	7,559
31 December 2017	-	8,714	8,714

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**14. Investment Properties**

	<b>The Group</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost -</b>			
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
<b>Net Book Value</b>			
31 December 2018	924,392	3,764,924	4,689,316
31 December 2017	907,421	1,442,647	2,350,068

	<b>The Company</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost -</b>			
31 December 2016	243,019	156,379	399,398
Additions	107,950	439,798	547,748
Revaluation gains	282,983	560,657	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
<b>Net Book Value</b>			
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 valuers. 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.

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**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 contracts 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**

	<b>The Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$000</b>
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

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**16. Loan and Notes Receivables**

	<b>The Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$000</b>
Related party	13,569	27,686
Interest receivable	-	349
	<u>13,569</u>	<u>28,035</u>

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**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Unity Capital Incorporated</b>		
Shares, at cost – equity	151,765	151,765
	<u>151,765</u>	<u>151,765</u>

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**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<u>23,494</u>	<u>44,161</u>	<u>21,116</u>	<u>41,053</u>
Less: provision for impairment	(723)	(406)	(723)	(406)
	<u>22,771</u>	<u>43,755</u>	<u>20,393</u>	<u>40,647</u>

**19. Cash and Cash Equivalents**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	92,581	2,214	91,399	2,214
Cash in hand	20	20	20	20
	<u>92,601</u>	<u>2,234</u>	<u>91,419</u>	<u>2,234</u>

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

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**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
	<u>119,834</u>	<u>66,024</u>	<u>113,544</u>	<u>63,343</u>

**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
	<u>811,933</u>	<u>530,809</u>

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).

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**23. Capital Reserve**

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
At the beginning of year	238,379	-
Additions	-	238,379
At the ended of the year	<u>238,379</u>	<u>238,379</u>

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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Unity Capital Incorporated	<u>-</u>	<u>-</u>	<u>13,569</u>	<u>28,035</u>

Payable to related parties

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Other related parties	-	6,824	-	-
Former parent current account	26,821	31,269	26,821	31,269
Former parent company long term loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rental income:				
Other related parties	<u>-</u>	<u>35,730</u>	<u>-</u>	<u>6,892</u>
Other expenses:				
Other related party	<u>-</u>	<u>1,615</u>	<u>-</u>	<u>-</u>

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**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:

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

**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 utilised these assets.

**27. Borrowings**

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



# Stanley Motta Limited

## Notes to the Financial Statements

### 31 December 2018

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#### 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%.

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**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.

	<b>The Group</b>
	<b>Total</b>
	<b>\$'000</b>
<b>Net debts as at 1 January 2017</b>	
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)
<b>Net debt as at 31 December 2017</b>	<b>713,909</b>
Cash movements -	
Loans received	69,479
Repayment - principal	(47,738)
Repayment - interest	-
Non-cash movements	-
Foreign exchange adjustments	43,308
<b>Net debt as at 31 December 2018</b>	<b>778,958</b>
	<b>The Company</b>
	<b>\$'000</b>
<b>Net debts as at 1 January 2017</b>	
Cash movements -	
Loans received	374,515
Non-cash movements -	-
Foreign exchange adjustments	(15,198)
<b>Net debt as at 31 December 2017</b>	<b>556,789</b>
Cash movements -	
Loans received	69,479
Repayment - principal	(41,227)
Non-cash movements	-
Foreign exchange adjustments	37,155
<b>Net debt as at 31 December 2018</b>	<b>622,196</b>

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**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:

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

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

	<b>Value</b>
	<b>\$'000</b>
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	<u>390,144</u>
Cash consideration	151,765
Cash and cash equivalents acquired	<u>-</u>
Net cash outflow on acquisition	<u>151,765</u>

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.

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**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.



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**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.

# Proxy From

I..... of .....  
 ..... being a member of Stanley Motta Limited, hereby  
 appoint ..... of .....  
 or failing him ..... of .....  
 as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held  
 on the 10th day of September, 2019, and at any adjournment thereof.

.....  
 Signature

- Note:**
- 1) If the appointer is a corporation, this form must be under its common seal and under the hand of an officer or attorney duly authorised.
  - 2) To be valid, this proxy must be lodged with the Secretary of the Company, 58 Half Way Tree Road, Kingston 5, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

**\$100.00  
 stamp  
 to be  
 affixed**







STANLEY MOTTA LIMITED