THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARIES

YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

CONTENTS

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.

Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Members of The Jamaica Stock Exchange Limited

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of The Jamaica Stock Exchange Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2019, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at December 31, 2019 and of the separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Audit of the Separate and Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses	
IFRS 9 introduced an expected credit loss ("ECL") model (Notes 2(e)) to record allowances for losses for trade receivables, corporate and sovereign bonds and other financial assets at amortized cost and at fair value through other comprehensive income. This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Further, models used to determine credit impairment for corporate and sovereign bonds could be complex. Under the general approach, judgment was used in determining the criteria for significant increases in credit risk, the probability of default (PD) and loss given default (LGD). This approach was used for investment securities. The Group utilised the simplified approach for trade receivables. Under the simplified approach, the historical loss rate and forward-looking factors were the judgements considered.	We evaluated the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9. We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining the 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and staging. We assessed external source data and assumptions, particularly with respect to forward looking information (FLI) by referencing independent sources. We also assessed the adequacy of disclosures in the consolidated financial statements and concluded they were adequate.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Audit of the Separate and Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments and fair value hierarchy	
As detailed in Note 8 Investment in Securities, the Group's investments are classified as fair value through profit and loss (FVPL), fair value through other comprehensive income (FVOCI) and at amortised cost. Valuation techniques may be subjective and involve assumptions about pricing factors. Changes in these assumptions could result in significantly different values. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: - Level 1 categorized investment valuations are based on quoted prices (unadjusted) in active markets. - Level 2 categorized investment valuations are based on other than quoted prices included within Level 1, that are observable either directly or indirectly. - Level 3 categorized investment valuations are based on unobservable inputs for the asset. Given the inherent subjectivity in the valuation of Level 2 and Level 3 debt investments, we determined this to be a key area for our audit. The Level 2 investments at FVOCI and FVTPL as at December 31, 2019 amounted to $229.07 million. The Group has no Level 3 fair value investments.	Our audit procedures comprised, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments classified as FVPL and FVOCI. Our audit procedures included: • Obtaining an understanding of the design and implementation of the Group's controls over the measurement and management of valuation risk including independent price verification. • Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly inputted into pricing models. • Reperforming an independent valuation of the Group's securities with the assistance of our internal Transaction Advisory Services team. • Assessing the completeness and accuracy of the disclosures relating to investments to assess compliance with the disclosure requirements of IFRS. • Based on our tests, we concluded that financial instruments were fairly valued and properly categorized in the fair value hierarchy.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Audit of the Separate and Consolidated Financial Statements (Continued)

Other information included in the Group's Annual Report

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and the Board of Directors for the Separate and Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company's and the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Audit of the Separate and Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Audit of the Separate and Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements (Continued)

- 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 the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on additional requirements of 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 maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

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

Ernst & Young

Ernst & Young
Kingston, Jamaica

February 27, 2020

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Non-current assets			
Property and equipment	4	590,999	491,222
Intangible assets	5	142,296	49,162
Post employment benefit asset	7(b)	130,110	89,812
Investment in securities	8(a)	204,159	141,856
Long-term receivables	9	14,982	15,564
Total non-current assets		1,082,546	787,616
Current assets			
Income tax recoverable			-
Due from related party	10(b)	682	2,684
Trade and other receivables	11	270,218	247,773
Investment in securities	8(b)	24,906	18,422
Government securities purchased under resale agreements	12	320,168	214,390
Cash and cash equivalents	13	107,112	240,943
Total current assets		723,086	724,212
Total assets		1,805,632	1,511,828
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	29,838	11,065
Property revaluation reserve	4	237,377	176,422
Revenue reserve non-distributable	16	48,367	48,367
Revenue reserve	17	916,525	651,367
Total equity		1,470,253	1,125,367
Non-current liabilities			
Deferred tax liabilities	18	103,874	54,158
Total non-current liabilities		103,874	54,158
Current liabilities			
Income tax payable		43,847	52,315
Contract liabilities	32	24,217	20,448
Payables and accruals	19	163,441	259,540
Total current liabilities		231,505	332,303
Total equity and liabilities		1,805,632	1,511,828

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

The financial statements were approved for issue by the Board of Directors on February 27, 2020 and signed on its behalf by:

_____ Chairman
Julian Mair

_____ Managing Director
Marlene J. Street Forrest

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS)
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Revenue			
Cess		697,321	494,711
Fee income		1,045,070	808,148
E-campus		48,305	15,063
Other operating income	20	83,676	72,926
		1,874,372	1,390,848
Expenses			
Staff costs	21	450,093	353,065
Property expenses		179,512	136,285
Depreciation and amortization	4,5	59,408	50,384
Advertising and promotion		139,326	59,332
Professional fees		49,979	55,483
Securities commission fees		103,041	74,362
Net impairment losses on financial assets	29(d)	7,051	15,365
E-campus		41,656	19,407
Other operating expenses		63,281	53,522
		1,093,347	817,205
Investment income	22(a)	22,048	18,859
Profit before taxation	23	803,073	592,502
Taxation	24	(283,195)	(179,439)
Profit for the year	25	519,878	413,063
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	38,671	(44,402)
Deferred income tax on item that will never be reclassified to profit or loss	18	(12,891)	14,801
Revaluation surplus on land	4	28,200	2,800
Revaluation surplus on property and equipment	4	49,134	44,978
Deferred income tax on revaluation surplus	18	(16,379)	(14,993)
		86,735	3,184
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt investments at fair value through other comprehensive income	15	26,939	(7,962)
Net impairment gain/(loss)	15	814	(305)
Realised gains on sales of debt investments	15	-	(642)
Deferred income tax on items that may be reclassified to profit or loss	18	(8,980)	2,765
		18,773	(6,144)
Other comprehensive income/(loss) for the year, net of taxes		105,508	(2,960)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		625,386	410,103
Earnings per stock unit	26	$0.74	$0.59

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Share Capital $'000 (Note 14)	Fair Value Reserve $'000 (Note 15)	Property Revaluation Reserve $'000 (Note 4)	Revenue Reserve Non-Distributable $'000 (Note 16)	Revenue Reserve $'000 (Note 17)	Total $'000
Balance at January 1, 2018	238,146	17,209	143,637	48,367	477,929	925,288
Profit for the year	-	-	-	-	413,063	413,063
Other comprehensive income:						
Depreciation in fair value of investments, net of taxes	-	(6,144)	-	-	-	(6,144)
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	(29,601)	(29,601)
Revaluation surplus of property, plant and equipment, net of taxes	-	-	32,785	-	-	32,785
Total comprehensive income for the year	-	(6,144)	32,785	-	383,462	410,103
Dividend (Note 30)	-	-	-	-	(210,024)	(210,024)
Balance at December 31, 2018	238,146	11,065	176,422	48,367	651,367	1,125,367
Profit for the year	-	-	-	-	519,878	519,878
Other comprehensive income:						
Appreciation in fair value of investments, net of taxes	-	18,773	-	-	-	18,773
Re-measurement of employees benefit assets, net of taxes	-		-	-	25,780	25,780
Revaluation surplus of property, plant and equipmentc, net of taxes	-	-	60,955	-	-	60,955
Total comprehensive income for the year	-	18,773	60,955	-	545,658	625,386
Dividend (Note 30)	-	-	-	-	(280,500)	(280,500)
Balance at December 31, 2019	238,146	29,838	237,377	48,367	916,525	1,470,253

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		519,878	413,063
Adjustments for:			
Depreciation of property and equipment	4	31,384	28,950
Amortisation of intangible assets	5	28,023	21,434
Gain on sale of debt investments	15	-	(642)
Net impairment on investment	15	814	(305)
Loss on disposal of property and equipment		129	145
Write off of intangible assets		128	-
(Gain)/loss on investment through profit and loss	22	(1,420)	899
Investment premium/discount	22	750	596
Foreign exchange (gains)/losses on investments		(5,108)	(3,786)
Employee benefits expense	7(c)	13,980	4,814
Net impairment on financial assets	29(d)	7,051	15,365
Income tax charge	24	283,195	179,439
Interest income	22(a)	(16,271)	(16,174)
Operating cash flows before movements in working capital		862,533	643,798
Increase in trade and other receivables		(22,447)	(92,939)
Increase contract liabilities		3,769	20,448
Decrease in payables and accruals		(96,096)	34,604
Post employment benefit contributions	7(d)	(15,607)	(12,467)
Cash provided by operations		732,152	593,444
Income tax paid		(280,198)	(135,047)
Cash provided by operating activities		451,954	458,397
Cash flows from investing activities			
Investment securities, net		(45,000)	(18,053)
Proceeds from disposal of property and equipment		-	208
Government securities purchased under resale agreements		(105,854)	(47,501)
Receipts from related parties		2,001	(3,439)
Proceeds from sale of debt investments		9,135	44,200
Acquisition of property and equipment	4	(53,837)	(129,221)
Acquisition of intangible assets	5	(127,085)	(11,050)
Long-term receivables		580	(4,409)
Interest received		13,632	17,796
Cash used in investing activities		(306,428)	(151,469)
Cash flows from financing activity			
Dividends paid		(280,500)	(210,024)
Cash used in financing activity		(280,500)	(210,024)
Net (decrease) increase in cash and cash equivalents		(134,974)	96,904
Cash and cash equivalents at the beginning of the year		240,943	143,164
Effect of foreign exchange rate changes		1,143	875
Cash and cash equivalents at the end of the year	13	107,112	240,943

The accompanying notes form an integral part of these financial statements

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Non-current assets			
Property and equipment	4	566,874	460,250
Intangible assets	5	115,497	27,490
Investment in subsidiary	6	61,000	61,000
Post employment benefit asset	7(b)	94,674	63,570
Investment in securities	8(a)	110,327	96,437
Long-term receivables	9	10,794	10,374
Total non-current assets		959,166	719,121
Current assets			
Income tax recoverable		6,802	-
Due from related party	10(b)	682	2,684
Trade and other receivables	11	91,651	128,817
Investment in securities	8(b)	12,487	16,202
Government securities purchased under resale agreements	12	62,164	38,916
Cash and cash equivalents	13	19,374	81,678
Total current assets		193,160	268,297
Total assets		1,152,326	987,418
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	19,058	8,261
Property revaluation reserve	4	237,377	176,422
Revenue reserve	17	395,706	322,852
Total equity		890,287	745,681
Non-current liabilities			
Deferred tax liabilities	18	83,188	43,160
Total non-current liabilities		83,188	43,160
Current liabilities			
Due to related party	10(b)	56,552	79,584
Income tax payable		-	25,890
Contract liabilities	32	14,429	12,406
Payables and accruals	19	107,870	80,697
Total current liabilities		178,851	198,577
Total equity and liabilities		1,152,326	987,418

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

The financial statements were approved for issue by the Board of Directors on February 27, 2020 and signed on its behalf by:

_____ Chairman
Julian Mair

_____ Managing Director
Marlene J. Street Forrest

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Revenue			
Cess		610,156	432,870
Fee income		181,414	158,598
E-campus		48,305	15,063
Other operating income	20	262,570	231,254
		1,102,445	837,785
Expenses			
Staff costs	21	241,916	196,136
Property expenses		98,007	75,345
Depreciation and amortization	4,5	43,567	34,447
Advertising and promotion		129,476	55,054
Professional fees		30,934	30,857
Securities commission fees		92,948	68,772
Net impairment loss (gains) on financial assets	29(d)	2,606	(3,236)
E-campus expenses		41,656	19,407
Other operating expenses		13,899	11,968
		695,009	488,750
Investment income	22(a)	11,336	10,125
Profit before taxation	23	418,772	359,160
Taxation	24	(86,297)	(43,003)
Profit for the year	25	332,475	316,157
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement gain/ (loss) of employee benefits asset	7(c)	31,319	(31,082)
Deferred income tax on item that will never be reclassified to profit or loss	18	(10,440)	10,361
Revaluation surplus on land	4	28,200	2,800
Revaluation surplus on property and equipment	4	49,134	44,978
Deferred income tax on revaluation surplus	18	(16,379)	(14,993)
		81,834	12,064
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt investments of fair value through other comprehensive income	15	16,155	(4,485)
Net impairment loss	15	27	(253)
Realised gains on sale of debt instrument financial assets	15	-	(642)
Deferred income tax on items that may be reclassified to profit or loss	15,18	(5,385)	1,709
		10,797	(3,671)
Other comprehensive income for the year, net of taxes		92,631	8,393
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		425,106	324,550

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

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Share Capital $'000 (Note 14)	Fair Value Reserve $'000 (Note 15)	Property Revaluation Reserve $'000 (Note 4)	Revenue Reserve $'000 (Note 17)	Total $'000
Balances at January 1, 2018	238,146	11,932	143,637	237,440	631,155
Profit for the year	-	-	-	316,157	316,157
Other comprehensive income:					
Depreciation in fair value of investments, net of taxes	-	(3,671)	-	-	(3,671)
Remeasurement of employee benefits assets, net of taxes	-	-	-	(20,721)	(20,721)
Revaluation of land & building, net of taxes	-	-	32,785	-	32,785
Total comprehensive income for the year	-	(3,671)	32,785	295,436	324,550
Dividend (Note 30)	-	-	-	(210,024)	(210,024)
Balance at December 31, 2018	238,146	8,261	176,422	322,852	745,681
Profit for the year	-	-	-	332,475	332,475
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	10,797	-	-	10,797
Remeasurement of employee benefits assets, net of taxes	-	-	-	20,879	20,879
Revaluation of land and building, net of taxes	-	-	60,955	-	60,955
Total comprehensive income for the year	-	10,797	60,955	353,354	425,106
Dividend (Note 30)	-	-	-	(280,500)	(280,500)
Balance at December 31, 2019	238,146	19,058	237,377	395,706	890,287

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

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(Expressed in Jamaican Dollars)

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		332,475	316,157
Adjustments for:			
Depreciation of property and equipment	4	22,030	19,478
Amortisation of intangible assets	5	21,537	14,969
Loss on disposal of property and equipment		129	15
Net impairment on investments		-	52
Net (gain)/loss on investment through profit and loss	22(a)	(1,149)	999
Foreign exchange gain		(3,091)	(2,203)
Investment premium/discount		596	-
Post employment benefit expense	7(c)	10,033	4,093
Impairment loss on financial assets recognized/(reversed)	29(d)	2,606	(3,236)
Gain on sale of debt investments financial assets	15	(27)	(253)
Net gain reclassified to profit on sale of investment		-	(642)
Income tax charge	24	86,297	43,003
Interest income	22(a)	(7,693)	(8,973)
Dividend income	20	(178,000)	(159,000)
Operating cash flows before movements in working capital		285,743	224,459
Decrease/(Increase) in trade and other receivables		33,960	(64,645)
Increase in contract liabilities		2,023	12,406
Increase in trade and other payables		28,108	14,602
Post employment benefit contributions	7(d)	(9,819)	(7,688)
Cash provided by operations		340,015	179,134
Income tax paid		(111,165)	(9,344)
Cash provided by operating activities		228,850	169,790
Cash flows from investing activities			
Net acquisition of investments in securities		-	(31,733)
Proceeds from sale of investments in debts			
- financial assets		9,135	20,000
Government securities purchased under resale agreements		(23,248)	(874)
Receipts from/(advances to) related parties		(21,032)	84,776
Acquisition of property and equipment	4	(51,330)	(121,746)
Acquisition of intangible assets	5	(109,663)	(4,486)
Long-term receivable		(420)	(3,448)
Dividend received		178,000	159,000
Interest received		7,770	10,022
Cash (used in)/provided by investing activities		(10,788)	111,511
Cash flows from financing activities			
Dividend paid	30	(280,500)	(210,024)
Cash used in financing activities		(280,500)	(210,024)
Net (decrease)/increase in cash and cash equivalents		(62,438)	71,277
Cash and cash equivalents at the beginning of the year		81,678	10,293
Effect of foreign exchange rate changes		134	108
Cash and cash equivalents at the end of the year	13	19,374	81,678

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

1. Identification and principal activities

The Jamaica Stock Exchange Limited (the Company) is incorporated in Jamaica as a public limited liability company. The main activities of the Company are the regulation and operation of a stock exchange and the development of the stock market in Jamaica. The Company performs the twin role of regulating participants in the stock market, and operating an efficient platform on which that market trades. The Company is domiciled in Jamaica with registered office at 40 Harbour Street, Kingston, Jamaica and is listed on the Main Market of the Jamaica Stock Exchange.

The Group comprises the Company and its wholly-owned subsidiary as detailed below:

Subsidiaries	Principal Activity
Jamaica Central Securities Depository Limited (JCSD) and its wholly-owned subsidiary, JCSD Trustee Services Limited (Incorporated July 21, 2008)	To establish and maintain a Central Securities Depository (CSD) in Jamaica to facilitate the transfer of ownership of securities by book entry, including shares, stocks, bonds or debentures of companies and other eligible securities. Its subsidiary JCSD Trustee Services Limited provides trustee custodianship and related services.

Both the JCSD and its subsidiary are incorporated and domiciled in Jamaica. The Company and its subsidiaries are herein referred to as the Group.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

(b) Adoption of new and revised International Financial Reporting Standards:

Standards and interpretations adopted during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, the nature and the impact of each new standard or amendment is described below:

The Group applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

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

(b) Adoption of new and revised International Financial Reporting Standards (continued):

Standards and interpretations adopted during the year (continued)

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

A right of use asset and lease obligation has been recognised on the statement of financial position for each operating lease of the subsidaries. In addition, depreciation and interest expense has been recognised in the statement of profit or loss and comprehensive income. The operating leases throughout the Group relate to intercompany leases and have been eliminated upon consolidation of the Group. As such adoption of the standard has not impacted the Group's and the Company's consolidated and separate financial statements, respectively.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).
- The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

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

(b) Adoption of new and revised International Financial Reporting Standards (continued):

Standards and interpretations adopted during the year (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)
An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments did not have an impact on the consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments did not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 9 - ***Prepayment Features with Negative Compensation***
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

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

(b) Adoption of new and revised International Financial Reporting Standards (continued):

Standards and interpretations adopted during the year (continued)

Amendments to IFRS 9 - *Prepayment Features with Negative Compensation* (continued)
The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019. These amendments had no impact on the Group's consolidated financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. These amendments had no impact on the Group's consolidated financial statements.

Annual Improvements 2015 - 2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. The amendments had no impact on the Group's consolidated financial statements.

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

(b) Adoption of new and revised International Financial Reporting Standards (Continued)

Standards and interpretations adopted during the year (continued)

Annual Improvements 2015 - 2017 Cycle (issued in December 2017) (continued)

These improvements include (continued):

- IFRS 11 Joint Arrangements
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. The amendments had no impact on the Group's consolidated financial statements.

- IAS 12 Income Taxes
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These amendments had no impact on the Group's consolidated financial statements.

- IAS 23 Borrowing Costs
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the Group's consolidated financial statements.

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

(b) Adoption of new and revised International Financial Reporting Standards (Continued)

Standards and interpretations adopted during the year (continued)

Annual Improvements 2015 - 2017 Cycle (issued in December 2017) (continued)

IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. The amendments had no impact on the consolidated financial statements of the Group.

New revised and amended standards and interpretations that are not yet effective

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020 and are not expected to have any impact on the consolidated financial statements of the Group.

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

(b) Adoption of new and revised International Financial Reporting Standards (Continued)

New revised and amended standards and interpretations that are not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective but will not have an impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group does not have insurance contracts therefore the amendments are not expected to have an impact on its consolidated financial statements.

2. **Statement of compliance and basis of preparation (Continued)**

(b) Adoption of new and revised International Financial Reporting Standards (Continued)

New revised and amended standards and interpretations that are not yet effective (continued)

The Conceptual Framework for Financial Reporting
Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts. provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The directors and management have not yet assessed the impact of the application of this Framework on the consolidated Group's financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

2. **Statement of compliance and basis of preparation (Continued)**

(b) Adoption of new and revised International Financial Reporting Standards (Continued)

New revised and amended standards and interpretations that are not yet effective (continued)

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)

The amendments to IFRS 9
The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessment when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedging items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39
The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

2. **Statement of compliance and basis of preparation (Continued)**

(b) Adoption of new and revised International Financial Reporting Standards (continued)

New revised and amended standards and interpretations that are not yet effective (continued)

Interest Rate Benchmark Reform- Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)

The amendments to IAS 39 (continued)

- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are effective for annual periods beginning on or after 1 January 2020. Management has not yet assessed the impact of these amendments.

(c) Basis of measurement and functional currency

The Group's consolidated financial statements have been prepared on the historical cost basis, except for financial assets classified as fair value through profit and loss and fair value through other comprehensive income and freehold land and buildings that are measured at revalued amounts or fair values as set out in the accounting policies at Notes 3(h) and 3(d), respectively. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Unless otherwise stated, the financial statements are presented in thousands of Jamaica dollars ($'000). The Jamaican dollar is the functional and presentation currency of the Group and Company.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. **Statement of compliance and basis of preparation (Continued)**

(d) Basis of consolidation (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value at each reporting date and changes in fair value shall be recognised in the profit and loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(e) Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ from these estimates.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

2. **Statement of compliance and basis of preparation (Continued)**

(e) Accounting estimates and judgements (continued)

- Allowance for credit losses

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held, if any, or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the general approach for calculating the ECL considers changes to the borrower and credit risk related variables such as changes in the probability of default (PD) and loss given default (GD), exposure amounts, collateral values, migration of default probabilities and internal credit risk ratings and supportable forward, looking information, including macroeconomic factors. It is the Group's policy to measure ECLs on such financial instruments at FVOCI and amortised cost on a 12-month basis.

At year end, the loss allowance provision recognised in respect of trade receivables of the Group amounted to $43.04 million (2018: $37.84 million) and for the Company $10.32 million (2018: $7.75 million), in respect of repurchase agreements, $1.23 million (2018: $0.34 million) for the Group and $0.051 million (2018: $0.044 milion) for Company (2018: $0.19 million) and in relation to bonds measured at FVOCI, $0.79 million for the Group and $nil million (2018: $nil) for the Company.

- Fair value of financial instruments

As described in Note 29, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to $229.07 million (2018: $160.28 million) and $122.81 million for the Company (2018: $112.64 million) (Note 8).

2. **Statement of compliance and basis of preparation (Continued)**

(e) Accounting estimates and judgements (Continued)

- Fair value of financial instruments (continued)

  Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by $4.58 million (2017: $3.21 million) and $2.46 million for the Company (2018: $2.53 million).

- Employee benefits

  As disclosed in Note 7, the Group operates a defined benefit pension plan. The retirement benefit asset disclosed in the statement of financial position for the Group is $130.11 million (2018: $89.81 million) and Company $94.68 million (2018: $63.57 million). The defined benefits plan, is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

  The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement benefit obligations. Actuaries are contracted in this regard.

  To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities was considered.

  Note 7(i) gives details of sensitivity analysis in respect of the above.

- Fair value of land and buildings

  Included in the statement of financial position are land and buildings with a carrying value of $516 million at fair value as determined by an external valuator less accumulated depreciation (Note 4).

  The Group engaged an external valuation specialist to determine the appropriate valuation techniques and inputs for fair value measurements.

- Residual value and expected useful life of property and equipment

  The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

- Taxes
  Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.

2. **Statement of compliance and basis of preparation (Continued)**

(e) Accounting estimates and judgements (Continued)

- Leases

The Group cannot readily determine the interest rate explicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as subsidiary's stand-alone credit rating).

3. **Significant accounting policies**

(a) Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items, are recognised in profit or loss in the period in which they arise. The gain or loss on the change in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item; i.e. translation differences on items whose fair value gain or loss is recognized in OCI or profit and loss are also recognized in OCI or profit or loss respectively.

3. **Significant accounting policies**

(b) Current vs. non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group's Board of Directors determines the policies and procedures for recurring fair value measurement, such as property, plant and equipment (specifically land and buildings).

3. **Significant accounting policies (Continued)**

(c) Fair value measurement (Continued)

External valuers are involved for valuation of significant assets, such as property, plant and equipment (specifically land and buildings). Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. **Significant accounting policies (Continued)**

(d) Property and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is recognised in profit or loss. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in property revaluation reserve is transferred directly to revenue reserve.

Furniture and fixtures, office equipment, computer hardware and motor vehicles held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less accumulated depreciation and impairment losses.

Properties in the course of construction for supply of goods and services or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land and capital work-in-progress are not depreciated.

Depreciation is recognised so as to write off the cost of property and equipment (other than freehold land, land improvements and work-in-progress) less residual values, over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. **Significant accounting policies (Continued)**

(e) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(f) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit and loss.

3. **Significant accounting policies (Continued)**

(f) Impairment of tangible and intangible assets (Continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Employee benefit costs

Pension obligations

The Group operates a defined benefit pension plan. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each reporting period.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of profit or loss and other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under expenses in consolidated statement of profit or loss and other comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

(h) Financial assets and liabilities

Financial assets comprise cash and cash equivalents, government securities purchased under resale agreements, investment securities, due from related parties and receivables. Financial liabilities comprise payables, contract liabilities and due to related parties.

(i) **Recognition**

The Group initially recognises financial instruments on the date at which the Group becomes a party to the contractual provisions of the instrument, i.e., the date that they are originated.

3. **Significant accounting policies (Continued)**

(h) Financial assets and liabilities (Continued)

(ii) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

(iii) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments
The initial recognition and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

3. **Significant accounting policies (Continued)**

(h) Financial assets and liabilities (continued)

(iii) **Measurement (Continued)**

Debt instruments (Continued)

- Fair Value through other comprehensive Income (FVOCI) - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

- Fair value through profit and loss (FVPL) - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in Note 3(h)(iv) below.

Financial liabilities are measured at amortised cost after initial recognition, using the effective interest rate method, with interest expense recognised on an effective yield basis except where the recognition of interest would be immaterial.

(iv) **Classification**

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

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

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

3. **Significant accounting policies (Continued)**

(h) Financial assets and liabilities (continued)

(iv) **Classification (continued)**

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

(v) **Identification and measurement of impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 29(d) for further details.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Impairment losses on debt instrument securities measured at FVOCI are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired FVOCI security is recognised in other comprehensive income.

3. **Significant accounting policies (Continued)**

(i) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the asset at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognized in the Group's consolidated financial statements; in the case of repurchase agreements the underlying collateral is not derecognized from the Group's consolidated financial statements but is segregated as pledged assets. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

(j) Investment in subsidiary

Investment in subsidiary is stated at cost in the separate financial statements of the Company.

(k) Taxation

Income tax expense represents the sum of tax current and deferred tax.

(i) Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. **Significant accounting policies (Continued)**

(k) Taxation (Continued)

(ii) Deferred tax (continued)

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Related party transactions and balances

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”, that is, the company).

(a) A person or a close member of that person’s family is related to the Company if that person:

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

3. **Significant accounting policies (Continued)**

(l) Related party transactions and balances (Continued)

(b) An entity is related to the Company if any of the following conditions applies:

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

(c) A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) Revenue recognition

(i) Cess income

Cess income which is based on a percentage of the volume of business done through brokers of the Group and derived from levies on investors, is accounted for on the accruals basis and is recognized at a point in time. There are no expected significant revenue reversals associated with this revenue stream.

(ii) Fee income

Fee income derived from annual listing fees charged to listed companies is accounted for on the accruals basis and is recognized over time. Fee income also includes initial listing fees paid by entities wishing to be listed on the Stock Exchange. These are accounted for when they become due. The annual listing fee is paid by entity listed on the stock exchange which gives them the privilege of their shares being traded on the exchange to provide them with capital.

Fee income of the subsidiaries include:

Membership fees
These are annual fees charged to the brokers and institutional investors who participate in the Jamaica Central Securities Depository (JCSD), and are accounted for on the accrual basis and recognized over time.

Account maintenance fees
These are monthly fees charged to the brokers and institutional investors who participate in the JCSD, and are accounted for on the accrual basis and are recognized over time.

User fees
These include charges per transaction for deposits, withdrawals and delivery orders (trades), and are accounted for on the accrual basis and are recognized at a point time.

3. **Significant accounting policies (Continued)**

(m) Revenue recognition (Continued)

(ii) Fee income (continued)

Trustee service fee
These include service fees charged for the provision of trustee services, company management, custodianship and related services and are accounted for on the accrual basis. Trustee services and company management are recognised over time. Retail repurchase fees are at a point in time. There are no expected significant revenue reversals associated with this revenue stream.

(iii) E-campus income

This represents revenue generated from JSE offering of post graduate certificate and diploma courses, to professionals and is accounted for on the accrual basis. The recognition pattern for E-campus income includes income recognised at a point in time and also over time.

(iv) Members/dealers license fee

These are fees levied on members/dealers annually. Additionally, an initial fee determined on the basis of a bid is payable by new dealers subject to approval by the Board of Directors. The recognition pattern for this income stream is over time.

(v) Other operating income:

This includes income related to other services and events of the Group such as website charges and conferences and is accounted for on the accrual basis.

(vi) Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis and is recognised in the statement of comprehensive income, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(n) Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

4. Property and equipment

The Group

	Freehold land $'000	Freehold buildings $'000	Furniture & fixtures $'000	Office equipment $'000	Computer hardware $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Cost								
January 1, 2018	95,000	160,000	17,570	66,208	85,137	3,678	1,070	428,663
Transfers to intangible assets	-	1,070	268	438	-	-	(1,070)	706
Additions	31,000	57,555	2,502	9,134	3,576	-	25,454	129,221
Disposals	-	-	(386)	(1,281)	(455)	-	-	(2,122)
Revaluation	2,800	40,975	-	-	-	-	-	43,775
December 31, 2018	128,800	259,600	19,954	74,499	88,258	3,678	25,454	600,243
Transfers to intangible assets	8,000	16,999	455	-	-	-	(25,454)	-
Reclassification	-	-	119	-	-	-	-	119
Additions	-	32,531	1,942	7,918	5,064		6,382	53,837
Disposals	-	-	-	(287)	-	-	-	(287)
Revaluation	28,200	41,870	-	-	-	-	-	70,070
December 31, 2019	165,000	351,000	22,470	82,130	93,322	3,678	6,382	723,982
Depreciation								
January 1, 2018	-	-	10,245	36,209	36,018	3,372	-	85,844
Charge for the year	-	4,003	1,124	11,040	12,476	306	-	28,949
Eliminated on disposals	-	-	(353)	(1,276)	(140)	-	-	(1,769)
Revaluation adjustment	-	(4,003)	-	-	-	-	-	(4,003)
December 31, 2018	-	-	11,016	45,973	48,354	3,678	-	109,021
Charge for year (Note 23)		7,264	1,328	10,114	12,678	-	-	31,384
Eliminated on disposals		-	-	(158)	-	-	-	(158)
Revaluation		(7,264)	-	-	-	-	-	(7,264)
December 31, 2019	-	-	12,344	55,929	61,032	3,678	-	132,983
Carrying amounts								
December 31, 2019	165,000	351,000	10,126	26,201	32,290	-	6,382	590,999
December 31, 2018	128,800	259,600	8,938	28,526	39,904	-	25,454	491,222

4. Property and equipment (Continued)

The Company

	Freehold land $'000	Freehold buildings $'000	Furniture & fixtures $'000	Office equipment $'000	Computer hardware $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Cost								
January 1, 2018	95,000	160,000	12,368	47,793	46,012	3,678	1,070	365,921
Transfers to intangible assets	-	1,070	268	438	-	-	(1,070)	706
Additions	31,000	57,555	2,230	3,108	2,399	-	25,454	121,746
Disposal	-	-	(365)	(649)	6	-	-	(1,008)
Revaluation	2,800	40,975	-	-	-	-	-	43,775
December 31, 2018	128,800	259,600	14,501	50,690	48,417	3,678	25,454	531,140
Transfers to intangible assets	8,000	16,999	455	-	-	-	(25,454)	-
Reclassfication	-	-	119	-	-	-	-	119
Additions		32,531	1,385	7,743	3,289		6,382	51,330
Disposal	-	-	-	(287)	-	-	-	(287)
Revaluation	28,200	41,870	-	-	-	-	-	70,070
December 31, 2019	165,000	351,000	16,460	58,146	51,706	3,678	6,382	652,372
Depreciation								
January 1, 2018	-	-	7,364	25,231	20,441	3,372	-	56,408
Charge for year (Note 23)	-	4,003	811	7,755	6,603	306	-	19,478
Eliminated on disposals	-	-	(351)	(644)	2	-	-	(993)
Revaluation adjustment	-	(4,003)	-	-	-	-	-	(4,003)
December 31, 2018	-	-	7,824	32,342	27,046	3,678	-	70,890
Charge for year (Note 23)	-	7,264	976	6,967	6,823	-	-	22,030
Eliminated on disposals		-	-	(158)	-	-	-	(158)
Revaluation adjustment	-	(7,264)	-	-	-	-	-	(7,264)
December 31, 2019	-	-	8,800	39,151	33,869	3,678	-	85,498
Carrying amounts								
December 31, 2019	165,000	351,000	7,660	18,995	17,837	-	6,382	566,874
December 31, 2018	128,800	259,600	6,677	18,348	21,371	-	25,454	460,250

4. **Property and equipment (Continued)**

The Group's policy is to record its land and building at fair value. Consequently freehold land and buildings are included at valuation based on fair market value (See Note 3(d)) as expressed by external professional valuators, Easton Douglas Consultants Limited on December 2019.

The fair value was determined based on the cost approach that reflects the prices of properties comparable in quality and location.

Had the land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	2019 $'000	2018 $'000
Freehold land	43,997	35,997
Freehold buildings	174,881	137,362

The following useful lives are used in the calculation of depreciation of property and equipment:

Buildings	-	40 years
Furniture and fixtures	-	10 years
Office equipment	-	5 years
Computer hardware	-	5 years
Motor vehicles	-	5 years

No depreciation is provided on freehold land, land improvements and work-in-progress.

Property revaluation reserve

The property revaluation reserve represents the fair value gains and losses arising on the revaluation of land and buildings that have been recognised in other comprehensive income.

	The Group and the Company	
	2019 $'000	2018 $'000
Balance at January 1	176,422	143,637
Net gain arising on revaluation of land and buildings	77,334	47,778
Deferred tax adjustments on buildings	(16,379)	(14,993)
Balance at December 31	237,377	176,422

5. Intangible assets

	The Group			The Company		
	Computer Software $'000	Computer Software Development Project $'000	Total $'000	Computer Software $'000	Computer Software Development Projects $'000	Total $'000
Cost						
January 1, 2018	75,957	21,719	97,676	51,490	9,852	61,342
Transfers to property and equipment	4,592	(5,298)	(706)	4,592	(5,298)	(706)
Additions	3,751	7,299	11,050	2,996	1,490	4,486
Transfer to subsidiary	4,554	(4,554)	-	-	(4,554)	(4,554)
December 31, 2018	88,854	19,166	108,020	59,078	1,490	60,568
Transfers to property and equipment	1,327	(7,136)	(5,809)	1,327	(1,327)	-
Additions	115,552	11,533	127,085	98,710	10,953	109,663
Reclassification	-	(119)	(119)	-	(119)	(119)
December 31, 2019	205,733	23,444	229,177	159,115	10,997	170,112
Amortisation						
January 1, 2018	37,424	-	37,424	18,109	-	18,109
Charge for the year	21,434	-	21,434	14,969	-	14,969
December 31, 2018	58,858	-	58,858	33,078	-	33,078
Charge for the year	28,023	-	28,023	21,537	-	21,537
December 31, 2019	86,881	-	86,881	54,615	-	54,615
Carrying amounts						
December 31, 2019	118,852	23,444	142,296	104,500	10,997	115,497
December 31, 2018	25,442	23,720	49,162	26,000	1,490	27,490

Amortisation of the computer software is calculated based on an estimated useful life of 3 - 5 years. Amortisation is not calculated on computer software in development.

During 2018, computer software amounting to $4.55 million was transferred at cost to JCSD Trustee Services Limited (a subsidiary).

6. Investment in subsidiary

	The Company 2019 $'000	2018 $'000
Shares at cost in Jamaica Central Securities Depository Limited	61,000	61,000

7. Employee benefits

The Group operates a defined benefit pension plan for its employees. The plan is open to all permanent employees and is administered by Victoria Mutual Pensions Management Limited. The plan is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 8.4% of pensionable salary. The companies in the Group contribute to the plan at rates determined periodically by external actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the plan.

7. **Employee benefits (Continued)**

Pension benefits are determined on the basis of 2% of final annual pensionable salary times pensionable years of service.

The Trustees administer an irrevocable trust for providing pensions and other benefits to employees of The Jamaica Stock Exchange Limited and Jamaica Central Securities Depository Limited (the employers). The benefits are provided in accordance with the provisions of the rules of The Jamaica Stock Exchange Superannuation Pension Plan (the Plan) (formerly Jamaica Stock Exchange Pension Scheme) and funding as recommended by the actuaries to meet past and future liabilities of the Plan.

Contributions are received from The Jamaica Stock Exchange Limited and Jamaica Central Securities Depository Limited on behalf of the employees who are eligible for membership. Management determines the level of contribution required to the Plan on the recommendation of the Trustees. The Trustees make and approve changes by the Investment Manager, Custodian/Trustee, Actuary, Plan Administrator and Investment Consultant; monitor and review performance of the Investment Manager at least quarterly; review the Plan's performance on a quarterly basis and approve any deviation from investment policy; review the actuarial valuation, changes in methods and assumptions and their impact upon the Plan; and review investment policies and principles at least annually.

Performance targets are set to achieve appropriate investment asset mix and diversification, rate of return above inflation and rate of return above a benchmark portfolio constructed on specified market indices and Government instruments. The primary objective of the Plan is to maximize the benefit paid to members at retirement through optimisation of returns on investments within constraint of risk exposure in the asset mix strategy. The asset mix of the Plan consists of long-term asset mix strategy with average equity content providing that the equity component is well diversified. The Plan is exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 7(g) details the Plan's exposure in respect of various financial assets.

The most recent triennial actuarial valuation was carried out at December 31, 2018, by Duggan Consulting Limited, a qualified actuary. The valuation indicated that the Plan was adequately funded with funding ration of 103% to finance past service liabilities. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

(a) Principal assumptions used for the purpose of the actuarial valuations:

Financial Assumptions

	2019	**2018**
Discount rate	7.5%	7.0%
Expected rate of future salary increases	5.0%	4.0%
Future pension increases	-%	-%
Administrative expenses	1.6%	1.5%

The weighted average duration of the defined benefit obligation as at December 31, 2019 is 17.9 years (2018: 18.2 years) for the Group and 16.9 years (2018: 17.1 years) for the Company.

Mortality
American 1994 Group Annuitant Mortality (GAM94) table with 5 year mortality improvement.

7. **Employee benefits (Continued)**

(b) Amount included in the separate and consolidated statement of financial position in respect of the Plan:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fair value of plan assets	660,742	525,156	480,789	371,707
Present value of defined benefit obligations	(530,632)	(435,344)	(386,115)	(308,137)
Net asset in the statement of financial position	130,110	89,812	94,674	63,570

(c) Amounts recognised in profit or loss and other comprehensive income in respect of the plan:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Items in profit or loss				
Current service costs	19,136	13,995	13,659	10,635
Interest costs	32,191	29,220	23,084	20,490
Return on plan assets	(37,347)	(38,401)	(26,709)	(27,032)
Net expense for year recognised in profit or loss	13,980	4,814	10,034	4,093
Items in Other Comprehensive Income (OCI):				
Re-measurements loss on obligation for OCI	42,816	36,162	31,354	34,528
Re-measurements loss (gain) on assets for OCI	(81,487)	8,240	(62,673)	(3,446)
Total re-measurements for OCI	(38,671)	44,402	(31,319)	31,082
	(24,691)	49,216	(21,285)	35,175

(d) Movement in the net asset recognised in the separate and consolidated statement of financial position:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net asset at start of year	89,812	126,561	63,570	91,057
Net income/(loss) from profit or loss and OCI	24,691	(49,216)	21,285	(35,175)
Contributions by Company	15,607	12,467	9,819	7,688
Net asset at end of year	130,110	89,812	94,674	63,570

7. **Employee benefits (Continued)**

(e) Changes on the present value of the defined benefit obligations:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Opening defined benefit obligations	435,344	338,474	308,137	243,520
Service cost	30,984	23,439	21,098	16,459
Interest cost	32,191	29,220	23,084	20,490
Members' contributions	9,915	7,856	6,005	5,006
Benefits paid/deferred benefits (net)	(20,618)	193	(3,563)	(11,866)
Re-measurement loss	42,816	36,162	31,354	34,528
Closing defined benefit obligations	530,632	435,344	386,115	308,137

(f) Changes in fair value of Plan assets:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Opening fair value of Plan assets	525,156	465,035	371,707	334,577
Members' contributions	21,763	17,300	13,444	10,830
Employer's contributions	15,607	12,467	9,819	7,688
Interest income on plan assets	37,347	38,401	26,709	27,032
Benefits paid/deferred benefits (net)	(20,618)	193	(3,563)	(11,866)
Re-measurement gain on asset for OCI	81,487	(8,240)	62,673	3,446
Closing fair value of plan assets	660,742	525,156	480,789	371,707

(g) The fair value of Plan assets is analysed as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Corporate bonds	127,165	158,398	92,532	112,114
Equity investments	333,314	230,994	242,536	163,498
Foreign currency bonds		-		-
Government of Jamaica securities	103,688	48,859	75,449	34,582
Real estate		-		-
Repurchase agreements	35,505	3,216	25,835	2,276
Unit trust	10,294	7,415	7,490	5,248
Certificate of deposit	22,238	33,526	16,181	23,730
VMWM Deferred Shares	16,450	16,450	11,970	11,643
Others	12,088	26,298	8,796	18,616
Fair value of Plan assets	660,742	525,156	480,789	371,707

7. **Employee benefits (Continued)**

(h) The history of experience adjustments is as follows:

	The Group and The Company Defined Benefit Pension Plan				
	2019 $'000	**2018 $'000**	**2017 $'000**	**2016 $'000**	**2015 $'000**
Present value of defined benefit obligation	(530,632)	(435,344)	(338,474)	(262,999)	(208,767)
Fair value of plan assets	660,742	525,157	465,036	395,454	327,556
Surplus in the plan	130,110	89,813	126,562	132,455	118,789
Re-measurement loss on obligation for OCI	42,816	36,162	31,154	26,412	21,065
Re-measurement gain/(loss) on assets for OCI	(81,487)	8,240	(16,722)	33,799	67,890

	The Company Defined Benefit Pension Plan				
	2019 $'000	**2018 $'000**	**2017 $'000**	**2016 $'000**	**2015 $'000**
Present value of defined benefit obligation	(386,115)	(308,137)	(243,520)	(183,804)	(138,081)
Fair value of plan assets	480,789	371,707	334,577	276,374	216,649
Surplus in the plan	94,674	63,570	91,057	92,570	78,568
Re-measurement loss on obligation for OCI	31,354	34,528	31,589	23,311	7,826
Re-measurement gain/(loss) on assets for OCI	(62,673)	(3,446)	(24,428)	33,371	36,974

(i) Sensitivity analyses

1. Discount rate

	2019			
	Group		Company	
	1% decrease in Discount rate Assumption $'000	**1% increase in Discount rate Assumption $'000**	**1% decrease in Discount rate Assumption $'000**	**1% increase in Discount rate Assumption $'000**
Defined benefit obligation	572,534	(493,806)	414,334	(361,131)

7. **Employee benefits (Continued)**

(i) Sensitivity analyses (continued)

1. Discount rate (continued)

	2018			
	Group		Company	
	1% decrease in Discount rate Assumption $'000	1% increase in Discount rate Assumption $'000	1% decrease in Discount rate Assumption $'000	1% increase in Discount rate Assumption $'000
Defined benefit obligation	470,045	(404,907)	331,326	(287,697)

2. Salary Assumption

	2019			
	Group		Company	
	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
Defined benefit obligation	(514,153)	548,111	(375,476)	397,364

	2018			
	Group		Company	
	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
Defined benefit obligation	(422,483)	449,203	(299,780)	317,088

3. Actuarial losses on defined benefit obligation arising from:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assumptions	6,153	(8,267)	5,184	(6,802)
Experience adjustments	(48,970)	(27,895)	(36,539)	(27,726)
Total actuarial losses	(42,817)	(36,162)	(31,355)	(34,528)

The Group and the Company expect to make contributions of $22.5 million and $10.7 million, respectively, (2018: $18.70 million and $9.30 million, respectively) to the defined benefit plan during the next financial year.

7. Employee benefits (Continued)

The Plan assets do not include any of the Group's own financial instruments, nor any property occupied by or other assets used by the Group.

8. Investment in securities

(a) Non-current:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investment in securities at FVOCI:				
GOJ Variable Rates Benchmark Investment Notes 2.12% (2023) 2.03% (2018: 2020-2023)	4,022	18,359		4,415
Victoria Mutual Building Society FR 7% Note 2024	50,976	-	-	-
GOJ US$ 8% Global Bond 2039 (nominal value US$540,000)	110,327	92,022	110,327	92,022
GOJ US$ 8% Global Bond 2039 (nominal value US$190,000)	38,834	31,475	-	-
	204,159	141,856	110,327	96,437

Included in the investment balances above is interest receivable in the amount of $4.05 million for the Group and $1.63 million for the Company (2018: $2.23 million for the Group and $1.64 million for the Company).

(b) Current:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Investment in securities at FVOCI:				
GOJ VR 1.99% Benchmark Investments 2020	14,345	-	4,417	-
GOJ FR 8.5% Benchmark Investments 2019	-	9,767	-	9,767
	14,345	9,767	4,417	9,767
Investment in securities at FVPL:				
Investment in Unit Trust	10,561	8,655	8,070	6,435
	24,906	18,422	12,487	16,202

Included in the investment balances above is interest receivable in the amount for the Group and $0.021 million for the Company (2018: $0.39 million for the Group and the Company).

8. **Investment in securities (Continued)**

(c) Movement in investment in securities:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
The movement for the year in debt instrument financial assets is as follows:				
Balance at January 1	160,278	218,545	112,639	143,641
Additions	45,000	-	-	-
Foreign exchange gain/(loss)	10,304	(5,846)	7,961	(1,643)
Investment premium/discount	(751)	(892)	(597)	(875)
Fair value gains/losses through profit and loss	1,420	(1,443)	1,149	(1,543)
Movement in fair value of debt instrument financial assets	21,949	(5,886)	10,797	(6,941)
Disposal of investments	(9,135)	(44,200)	(9,135)	(20,000)
Balance at December 31	229,065	160,278	122,814	112,639

9. **Long-term receivables**

These represent loans granted to employees predominantly for motor vehicle purchases. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounting to $7.23 million (2018: $7.24 million) for the Group and $4.78 million (2018: $4.34 million) for the Company is included in other receivables (Note 11). Management has determined that any ECL on these loans would be immaterial to the consolidated financial statements.

10. Related party transactions/balances

(a) During the year, the Group and the Company had the following transactions with related parties in the normal course of business.

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Subsidiary				
Jamaica Central Securities Depository Limited				
Lease payments/(2018 Rental Income)	-	-	4,109	2,163
Professional fees	-	-	1,409	1,058
Related party				
JSE Compensation Fund Administrative fee	24,360	30,915	24,360	30,915

(b) Amount due from/(to) related parties

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Jamaica Central Securities Depository Limited	-	-	(56,552)	(79,584)
Amount owed by related party:				
JSE Compensation Fund	682	2,684	682	2,684

(c) Dividend received during the year

During the year, dividend of $178 million (2018: $159 million) was received from the Company's subsidiary (Note 20).

(d) Compensation of key management personnel

The remuneration of management during the year were as follows:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Short-term benefits	90,132	66,502	47,923	33,324
Post employment benefits	4,547	3,393	2,352	1,630
	94,679	69,895	50,275	34,954

10. **Related party transactions/balances (Continued)**

(e) Loans to related parties

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Loans to key management personnel	4,680	2,707	3,708	2,160

11. **Trade and other receivables**

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Cess receivable	58,253	99,651	50,644	86,690
Fees receivable	140,561	93,336	-	-
E-campus	13,332	5,765	13,332	5,765
Registrar service fee	32,032	25,093	-	-
Other	22,810	31,606	22,446	26,791
	266,988	255,451	86,422	119,246
Less: Loss allowance (Note 29(d))	(43,037)	(37,836)	(10,320)	(7,749)
	223,951	217,615	76,102	111,497
Prepayments	46,267	30,158	15,549	17,320
	270,218	247,773	91,651	128,817

The average credit period on services is 30 days. No interest is charged on the trade and other receivables in accordance with the Group's policy.

12. **Government securities purchased under resale agreements**

The Group entered into repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties of these transactions are unable to fulfill their contractual obligations.The fair value of collateral pursuant to repurchase agreements is $320.17 million for the Group and $214.39 million for the Company (2018: $214.39 million for the Group and $38.92 million for the Company).

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Jamaican dollar denominated	265,122	178,866	47,275	27,603
United States dollar denominated Group US$ 426,496 (2018:282,070 Company (US$112,462) (2018: US$89,505)	55,354	35,524	14,597	11,268
Interest receivable	1,063	335	344	89
Less: loss allowances (Note 29(d))	(1,371)	(335)	(52)	(44)
	320,168	214,390	62,164	38,916

12. Government securities purchased under resale agreements (Continued)

The weighted average effective interest rates on repurchase agreements held during the year were:

	The Group		The Company	
	2019	2018	2019	2018
	%	%	%	%
Jamaican dollar denominated	2.26	2.00	2.08	2.17
United States dollar denominated	2.64	1.94	1.67	1.94

13. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

Cash and cash equivalents at the reporting date as shown in the statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash on hand and in banks	107,112	240,943	19,374	81,678

Cash at bank earns interest at floating rates based on daily bank deposit rates. Of the $107.11 million (2018: $240.94 million) for the Group and $19.37 million (2018: $81.77 million) for the Company, $10.35 million for the Group (2018: $186.02 million) and $6.27 million for the Company (2018: 76.60 million) are held in USD, with an interest rate of 0.10% (2018: 0.10%) for the Group and 0.10% (2018:0.10%) for the Company, while $13.10 million (2018: 54.92 million) for the Group and $13.11 million (2018: $158.28 million) for the Company are held in JMD, and are non-interest bearing.

14. Share capital

	2019	2018
	$'000	$'000
Authorised:		
2,400,000,000 ordinary shares of no par value (2018: 2,400,000,000)		
100,000,000 preference shares of no par value (2018: 100,000,000)		
Issued capital:		
701,250,000 ordinary stocks of no par value (2018: 701,250,000)		
Nil preference shares of no par value		
Issued capital:		
At January 1 and December 31 - ordinary stocks	238,146	238,146

15. Fair value reserve

The reserve represents the fair value adjustment relating to investment in securities (Note 8).

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at January 1	11,065	17,209	8,261	12,554
Net gain arising on revaluation of FVOCI	26,939	(7,962)	16,155	(4,485)
Net gain reclassified to profit on sale of investment	-	(642)	-	(642)
Deferred tax adjustments on FVOCI: financial assets (Note 18)	(8,980)	2,765	(5,385)	1,709
Net impairment investments	814	(305)	27	(253)
	18,773	(6,144)	10,797	(3,671)
Balance at December 31	29,838	11,065	19,058	8,261

The fair value reserve represents the cumulative gains and losses arising on the revaluation of FVOCI financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

16. Revenue reserve – Non Distributable

In order to provide custody services to its clients, JCSD Trustee Services Limited (the "subsidiary") is required by the Financial Services Commission to have a minimum of $50 million as Non-Distributable Capital. Consequently during the year ended December 31, 2015, in order to meet this requirement, the subsidiary received approval from the Board of Directors to transfer $48.37 million from Revenue Reserves to Revenue Reserves – Non-Distributable.

17. Revenue reserve

Reflected in the financial statements of the Group:

	2019 $'000	2018 $'000
Parent company	395,706	322,852
Subsidiaries	520,819	328,515
	916,525	651,367

18. Deferred tax

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets	3,969	2,879	2,999	2,024
Deferred tax liabilities	(107,843)	(57,037)	(86,187)	(45,184)
Net position at the end of the year	(103,874)	(54,158)	(83,188)	(43,160)

The movement in the net deferred tax position was as follows:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At January 1	(54,158)	(79,813)	(43,160)	(67,342)
Credited/(Charged) to income for the year (Note 24)	(11,466)	23,082	(7,824)	27,105
Charged to equity	(29,270)	(192)	(26,819)	(4,632)
Credited/(Charged) to fair value reserve for the year (Note 15)	(8,980)	2,765	(5,385)	1,709
At December 31	(103,874)	(54,158)	(83,188)	(43,160)

The following are the deferred tax assets and deferred tax liabilities recognised by the Group during the year:

Deferred tax assets

	The Group	
	Accrued Vacation $'000	Total $'000
At January 1, 2018	1,773	1,773
Credited to income for the year	1,106	1,106
At December 31, 2018	2,879	2,879
Credited to income for the year	1,090	1,090
At December 31, 2019	3,969	3,969

18. **Deferred tax (Continued)**

Deferred tax assets (continued)

	The Company	
	Accrued Vacation $'000	**Total $'000**
At January 1, 2018	1,151	1,151
Credited to income for the year	873	873
At December 31, 2018	2,024	2,024
Credited to income for the year	975	975
At December 31, 2019	2,999	2,999

Deferred tax liabilities

	The Group					
	Capital Allowance in excess of Depreciation $'000	**Interest receivable $'000**	**Unrealised gains in investment in securities $'000**	**Retirement Benefit Asset $'000**	**Property Revaluation Reserve $'000**	**Total $'000**
January 1, 2018	(2,073)	(1,522)	(8,986)	(42,188)	(26,817)	(81,586)
Credited/(Charged) to income for the year	23,988	539	-	(2,551)	-	21,976
Credited/(Charged) to equity for the year	-	-	-	14,801	(14,993)	(192)
Charged to fair value reserve (Note 15)	-	-	2,765	-	-	2,765
At December 31, 2018	21,915	(983)	(6,221)	(29,938)	(41,810)	(57,037)
Credited/(Charged) to income for the year	(11,253)	(760)	-	(543)	-	(12,556)
Credited/(Charged) to equity for the year	-	-	-	(12,891)	(16,379)	(29,270)
Credited to fair value reserve (Note 15)	-	-	(8,980)	-	-	(8,980)
December 31, 2019	10,662	(1,743)	(15,201)	(43,372)	(58,189)	(107,843)

18. Deferred tax (Continued)

Deferred tax assets (continued)

	The Company					
	Capital Allowance in excess of Depreciation $'000	Interest receivable $'000	Unrealised gains in investment in securities $'000	Retirement Benefit Asset $'000	Property Revaluation Surplus $'000	Total $'000
January 1, 2018	(3,676)	(1,039)	(6,608)	(30,353)	(26,817)	(68,493)
Credited/(Charged) to income for the year	27,081	350	-	(1,199)	-	26,232
Credited/(Charged) to equity for the year	-	-		10,361	(14,993)	(4,632)
Charged to fair value reserve (Note 15)	-	-	1,709	-	-	1,709
At December 31, 2018	23,405	(689)	(4,899)	(21,191)	(41,810)	(35,290)
Credited/(Charged) to income for the year	(8,895)	25	-	71	-	(8,799)
Credited/(Charged) to equity for the year	-	-	-	(10,440)	(16,379)	(26,819)
Credited to fair value reserve (Note 15)	-	-	(5,385)	-	-	(5,385)
December 31, 2019	14,510	(664)	(10,284)	(31,560)	(58,189)	(76,293)

19. Payables and accruals

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	102,273	223,893	65,144	58,239
Accruals	47,158	26,867	42,726	22,458
Other payables	14,010	8,870	-	-
Payables and accruals	163,441	259,540	107,870	80,697

No interest is charged on the payables balance. The Group has financial risk management policies to ensure that all payables are paid within the agreed credit terms.

20. Other operating income

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Regional conference	26,368	19,406	26,368	19,406
Administrative fee	24,353	30,914	24,353	30,914
Dividend income	-	-	178,000	159,000
Other	32,955	22,606	33,849	21,934
	83,676	72,926	262,570	231,254

Included in other income of the Company in an amount of $178 million (2018: $159 million) representing dividend income received from its subsidiary during the year.

21. Staff costs

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries and other employee benefits	401,754	323,107	216,381	179,312
Statutory contributions	34,360	25,144	15,202	12,731
Charge on pension plan (Note 7(c))	13,979	4,814	10,033	4,093
	450,093	353,065	241,916	196,136

22. Investment income

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Investment income includes:				
Interest income	16,271	16,174	7,693	8,973
Foreign exchange (loss)/gain	5,107	3,786	3,090	2,203
Investment premium/discount	(750)	-	(596)	-
Net impairment loss on investments reversed(recognized)	-	(202)	-	(52)
Fair value gain/(loss) through profit and loss	1,420	(899)	1,149	(999)
	22,048	18,859	11,336	10,125
(b) Investment income earned, analysed by category of financial asset is as follows:				
Receivables at amortised cost (Loans and receivables)	8,335	7,521	1,972	2,307
Debt instruments at FVOCI	13,713	11,332	9,364	7,818
	22,048	18,859	11,336	10,125

23. Profit before taxation

Profit before taxation is stated after taking account of the following:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Income:				
Interest	16,271	16,174	7,693	8,973
Expenses:				
Directors' fees	13,721	12,626	11,048	10,030
Management	27,822	23,784	25,258	21,624
Audit fees	5,111	4,646	3,081	2,801
Depreciation of property and equipment	31,384	28,950	22,030	19,478
Amortisation of intangible assets	28,023	21,434	21,537	14,969

24. Taxation

Recognised in profit or loss

(i) The charge for the year represents

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax	271,729	202,521	78,473	70,108
Deferred tax (Note 18)	11,466	(23,082)	7,824	(27,105)
	283,195	179,439	86,297	43,003

(ii) The charge for the year is reconciled to the profit as per the statement of comprehensive income as follows:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit before tax	803,072	592,502	418,772	359,160
Tax at the domestic income tax rate of 33⅓%	267,691	197,501	139,591	119,720
Tax effect of items that are not deductible in determining taxable profits	4,611	18,851	4,304	690
Effect of income not taxable	-	-	(59,333)	(53,000)
Other	10,893	(36,913)	1,735	(24,407)
	283,195	179,439	86,297	43,003

25. Profit of the Group for the year

Reflected in the financial statements of the:

	The Group	
	2019 $'000	2018 $'000
Parent company	332,474	316,157
Subsidiaries	365,404	255,906
Less Dividend paid to parent company	(178,000)	(159,000)
	519,878	413,063

26. Earnings per stock unit

The basic earnings per stock units is calculated by dividing the profit by the weighted average number of ordinary stock unit.

	The Group	
	2019	**2018**
Profit ($'000)	519,878	413,063
Weighted average number of ordinary stock units	701,250,000	701,250,000
Basic earnings per stock unit	$0.74	$0.59

27. Segment reporting

The Group's operations are organized into four main business segments as follows:

(a) Exchange operations – The operation and regulation of the stock exchange.
(b) JCSD services – Services in connection with transferring and holding of securities, shares, stocks, bonds, debentures and registrar services.
(c) Investments – Income derived from investing activities of the Group.
(d) Trustee, custodianship, company management and other activities.

The Group's operations are located solely in Jamaica.

	2019					
	Exchange operations $'000	**JCSD Services $'000**	**Investment other $'000**	**Trustees Services $'000**	**Eliminations $'000**	**Group $'000**
Over time	207,346	33,590	-	175,612	-	416,548
Point in time	895,099	550,971	22,049	325,665	(313,903)	1,479,872
Revenue - external	1,102,445	584,561	22,049	501,277	(313,903)	1,896,421
Segment result/ Profit before taxation	418,772	350,053		322,248	(288,000)	803,073
Taxation						(283,195)
Profit for the year						519,878
Other information						
Depreciation and amortisation	43,567	9,554		6,287	-	59,408
Assets						
Segment assets	1,152,326	430,154		398,757	(175,605)	1,805,632
Liabilities						
Segment liabilities	262,041	123,221		63,092	(112,971)	335,382
Capital expenditure	161,128	19,182		457		180,767

27. Segment reporting (Continued)

	2018					
	Exchange operations $'000	JCSD Services $'000	Investment other $'000	Trustees Services $'000	Eliminations $'000	Group $'000
Over time	159,215	27,765	-	125,356	-	312,336
Point in time	678,570	390,531	18,859	264,754	(255,343)	1,097,371
Revenue - external	837,785	418,296	18,859	390,110	(255,343)	1,409,707
Segment result/ Profit before taxation	359,160	223,192	18,944	243,150	(251,859)	592,502
Taxation						(179,439)
Profit for the year						413,063
Other information						
Depreciation and amortisation	34,447	9,237	-	6,700	-	50,384
Assets						
Segment assets	987,418	395,975	-	278,141	(149,706)	1,511,828
Liabilities						
Segment liabilities	241,737	187,452	-	44,347	(87,075)	386,461
Capital expenditure	122,432	6,592	-	883	-	129,927

28. Commitments

Capital commitments:

Capital commitments which were authorized and contracted for as at December 31, 2019, amounted to nil for the Group and Company in relation to a website development project and trading platform (2018: $65.20 million for the Group and Company – in relation to a website development project).

29. Financial instruments

(a) Capital risk management:

The capital structure of the Group consists of equity attributable to the shareholders of the parent company comprising issued capital, reserves, and retained earnings.

The Group's objectives when managing its capital structure, which is a broader concept than the equity on the face of the separate and consolidated statement of financial position are:

i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
ii) To maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2018.

The subsidiary is subject to externally imposed capital requirements (capital in excess of $50 million). The subsidiary has complied with this requirement (Note 16).

29. **Financial instruments (Continued)**

(b) Financial risk management objectives

The Group's Investment Management Committee is responsible for recommending to the Board of Directors, through the Audit Committee, uniform investment decisions, policies and procedures for the operations of the Group. The specific duties of the Investment Management Committee are to receive and review data on current market conditions and economic outlook; review various risk reports submitted including fair value, credit risk, liquidity risk, market risk, and review monthly report on portfolios and establish quarterly investment portfolio strategies. The Group does not enter into or trade financial investments, including derivative financial instruments for speculative purposes.

(c) Market risk

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

There has been no change to the manner in which the Group manages and measures this risk.

Foreign currency risk management

The Group undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

The following balances held in United States dollars are included in these financial statements:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Investment in securities	149,161	129,932	110,327	98,457
Government securities purchased under resale agreements	55,354	35,524	14,597	11,268
Cash and cash equivalents	10,350	186,020	6,272	76,599
	214,865	351,476	131,196	186,338

Sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 6% increase or 4% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

29. **Financial instruments (Continued)**

(c) Market risk (Continued)

Sensitivity analysis (continued)

The sensitivity of the 4% (2018: 2%) decrease or 6% (2018: 4%) increase in the Jamaican dollar against the United States dollar exposure would be an increase in profit of the Group by $8.59 million (2018: $14.06 million) million or a decrease of $12.89 million (2018: $21.09 million) respectively; and for the Company, $2.63 million (2018: J$3.73 million) increase or $7.87 million (2018: $7.45 million) decrease.

The analysis is done on the same basis as 2018 and assumes that all other variables, in particular interest rate, remain constant.

Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate sensitivity analysis has been determined based on the exposure to interest rates for the Group's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 (2018: 100) basis points increase or 100 (2018: 100) basis points decrease for local currency and 100 (2018: 100) basis points increase or 100 (2018: 50) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

Net effect on profit if market interest rates had been 100 or 100 basis points higher or lower for investment denominated in local currency and 100 or 50 basis points higher or lower for investments denominated in United States currency and all other variables were held constant is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Effect on profit increase 100 (2018: 100) basis points (J$)	2,431	548	516	410
Effect on profit decrease 100 (2018: 100) basis points (J$)	(2,431)	(548)	(516)	(410)
Effect on profit increase 100 (2018: 100) basis points (US$)	1,609	1,209	953	900
Effect on profit decrease 100 (2018: 50) basis points (US$)	(1,609)	(1,209)	(953)	(900)

The Group's and the Company's sensitivity to interest rates has increased during the current year as the Group had an increase in the number of variable rate financial instruments.

29. **Financial instruments (Continued)**

(d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is guided by the investment policies and procedures of the Company. In relation to bank accounts and investment securities, the Group, as a policy, deals only with credit worthy counterparties, to minimise credit risk exposures. In addition, limits are assigned to various counterparties by the Group.

Trade receivables consist of broker members of the Group and accordingly mitigates against credit risk in relation to such receivables. In the case of other receivables, ongoing credit evaluation is performed on the financial condition of those receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Debt investment financial assets	229,065	160,278	122,814	112,639
Long-term receivables	14,982	15,563	10,794	10,375
Trade and other receivables	223,951	217,615	76,102	111,497
Due from related parties	682	2,684	682	2,684
Government securities purchased under resale agreements	320,168	214,390	62,164	38,916
Cash and bank balances	107,112	240,943	19,374	81,678
	895,960	851,473	291,930	357,789

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

While cash and cash equivalents, due from related parties and long-term receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was 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.

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

Trade receivables (continued)

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

On this basis, the loss allowance as at December 31, 2018 and December 31, 2019 was determined as follows for trade receivables:

	The Group		The Company	
December 31, 2019	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**
Current	0.05	158,224	0.03	70,325
30 - 60 days past due	0.04	43,192	0.03	5,528
61 - 90 days past due	0.11	22,465	0.10	1,564
91 – 180 days past due	0.21	14,308	0.24	2,030
More than 180 days past due	1.05	28,799	1.09	6,975
Total		266,988		86,422
Loss allowance (Note 11)		43,037		10,320

	The Group		The Company	
December 31, 2018	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**
Current	0.024	174,044	0.017	99,334
30 - 60 days past due	0.030	27,568	0.040	12,737
61 - 90 days past due	0.090	11,138	0.140	1,364
91 – 180 days past due	0.140	12,642	0.390	728
More than 180 days past due	1.00	30,059	1.00	5,083
Total		255,451		119,246
Loss allowance		37,836		7,749

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

The closing loss allowances for trade receivables as at December 31, 2018 reconcile to the opening loss allowance as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Opening loss allowance as at 1 January – calculated under IFRS 9	37,836	34,177	7,749	16,568
Increase/(Decrease) in loss allowance recognised in income statement	5,201	15,599	2,571	(3,482)
Receivables written off during the year as uncollectible	-	(11,940)	-	(5,337)
At 31 December 2019 (Note 11)	43,037	37,836	10,320	7,749

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group recognises the expected credit losses on the debt investments in the net impairment losses in the statement of profit and loss and OCI. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Debt investments
The following table summarises the credit exposure of the Group and Company to businesses and government by sectors in respect of debt investments:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Government of Jamaica	345,174	153,843	114,744	106,204
Corporate	204,059	220,825	62,164	45,351
	549,233	374,668	176,908	151,555

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

The closing loss allowances for debt investment at amortised cost as at 31 December 2019 is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Opening loss allowance as at 1 January	335	806	44	35
(Decrease)/Increase in loss allowance recognised in statement of profit or loss	1,036	(471)	8	9
At 31 December 2019	1,371	335	52	44

Debt investments carried at FVOCI

The loss allowances for the financial assets at FVOCI of $814,000 for the Group and $27,000 for the Company.

Change in loss allowance recorded in the statement of profit or loss

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Trade receivables	5,201	15,599	2,571	(3,482)
Debt securities at amortised cost	1,036	(471)	8	9
Debt securities at FVOCI	814	237	27	237
	7,051	15,365	2,606	(3,236)

29. Financial instruments (Continued)

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash resources, banking facilities, and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's and the Company's contractual maturity for its non-derivative financial assets and financial liabilities. The tables below have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those except where the Group and the Company anticipates that the cash flows will occur in a different period, and in the case of financial liabilities, based on the earliest date on which the Group and the Company can be required to pay.

	The Group						
	Weighted Average effective Interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019							
Financial assets		105,861	277,568	-	-	-	383,429
Non-interest bearing							
Interest bearing	5.05	6,159	387	7,727	17,797	-	32,070
Variable interest rate Instruments	1.99	9,075	165,743	41,422	29,408	-	245,648
Fixed interest rate Instruments	3.64	27,600	4,004	50,062	59,114	202,418	343,198
		148,695	447,702	99,211	106,319	202,418	1,004,345
Financial liabilities							
Non-interest bearing		145,945	24,217	-	-		170,162

	The Group						
	Weighted Average effective Interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2018							
Financial assets							
Non-interest bearing		83,995	276,238	-	-	-	360,233
Interest bearing	5.05	76,800	363	5,323	10,390	-	92,876
Variable interest rate Instruments	2.0	67,859	44,513	54,261	46,563	-	213,196
Fixed interest rate Instruments	4.19	27,648	6,831	24,709	57,442	208,005	324,635
		256,302	327,945	84,293	114,395	208,005	990,940
Financial liabilities							
Non-interest bearing		231,533	20,488	-	-	-	252,021

29. Financial instruments (Continued)

(e) Liquidity risk management (Continued)

	The Company						
	Weighted Average effective Interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019							
Financial assets							
Non-interest bearing		22,197	78,468	-	-		100,665
Interest bearing		5,386	387	5,828	10,936	-	22,537
Variable interest rate instruments		2	-	4,461	-	-	4,463
Fixed interest rate instruments		16,917	3,256	48,034	22,427	149,714	240,348
		89,004	82,111	58,323	33,363	149,791	368,013
Financial liabilities							
Non-interest bearing		108,816	14,429	-	-	-	123,245

	The Company						
	Weighted Average effective Interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2018							
Financial assets							
Non-interest bearing		11,462	127,952	-	-	-	139,414
Interest bearing	5.05	76,800	363	5,323	10,390	-	92,876
Variable interest rate instruments	1.96	1	-	84	4,461	-	4,546
Fixed interest rate instruments	4.36	27,648	4,611	22,554	25,217	174,734	254,764
		115,911	132,926	27,961	40,068	174,734	491,600
Financial liabilities							
Non-interest bearing		58,231	12,406	-	-	-	70,637

(f) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions have been used to measure the Group's financial instruments that are carried at fair value:

(i) Financial assets classified as debt instrument at FVOCI are measured at fair value using interpolated yields derived from quoted prices of similar instruments or broker quotes from market makers.

29. **Financial instruments (Continued)**

(f) Fair value of financial instruments (Continued)

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

No significant unobservable inputs were applied in the valuation of the Group's financial instruments classified as FVOCI and amortised cost.

(g) Fair value measurement recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, 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 asset or liability that are not based on observable market data (unobservable inputs). There were no Level 3 fair value investments.

	The Group			
	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Property and equipment (land and building)			516,000	516,000
Debt securities at fair value through other comprehensive income	-	229,065	-	229,065
	-	229,065	516,000	745,065

	The Group			
	2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Property and equipment (land and building)	-	-	388,400	388,400
Debt securities at fair value through other comprehensive income	-	160,278	-	160,278
	-	160,278	388,400	548,678

29. **Financial instruments (Continued)**

(g) Fair value measurement recognised in the separate statement of financial position (Continued)

	The Company			
	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Property and equipment (land and building)	-	-	516,000	516,000
Debt securities at fair value through other comprehensive income	-	122,814	-	122,814
	-	122,814	516,000	638,814

	The Company			
	2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Property and equipment (land and building)	-		388,400	388,400
Debt securities at fair value through other comprehensive income	-	112,639	-	112,639
	-	112,639	388,400	501,039

30. **Dividends**

During the year ended December 31, 2019, two dividend payments were declared by the Board of Directors.

- On March 29, 2019, a dividend of $ 0.25 per ordinary share was paid to shareholders. The total dividend paid was $175.31 million. (2018: On April 20, 2018 a dividend of $0.14 per ordinary share was paid to shareholders. The total dividend paid was $95.01 million.)

- On August 9, 2019, a dividend of $0.15 per ordinary share was paid to shareholders. The total dividend paid was $105.19 million. (2018: On August 20, 2018 a dividend of $0.16 per ordinary share was paid to shareholders. The total dividend paid was $115.01 million.)

31. **Compensation Fund**

The Jamaica Stock Exchange Limited Compensation Fund ("the Fund") was created by contributions of the Exchange's member-dealers for the purpose of compensating investors who may have suffered pecuniary loss as a result of a defalcation or fraudulent misuse of securities or document of title to securities. The Exchange fulfils its obligations under Sections 27 through 35 of the Securities Act by its administration of the Fund.

Section 27(2) of the Securities Act stipulates that "The assets of the Compensation Fund are the property of the recognised stock exchange but shall be –

(a) Kept separate from all other property; and
(b) Held in trust for the purposes specified in this part."

31. **Compensation Fund (Continued)**

Accordingly, the assets and liabilities of the Fund are segregated from those of the Exchange and separate audited financial statements are produced for the Fund.

(a) Compensation Fund financial position

(i) Compensation Fund receipts
These are contributions by member dealers of the Stock Exchange, based on a percentage of the volume of business done by them through the Exchange, for maintaining the Contingency Reserve Fund. However, during the year there were no contributions by the member dealers as the Board was of the view that the reserve was adequate for the specific purpose.

(ii) Contingency reserve
This Fund is created out of surpluses for the purpose of providing some protection to the investing public should they suffer pecuniary loss as a result of defalcation or fraudulent misuse of securities or documents of titles to securities. Provisions in respect of the fund are in accordance with Sections 27 to 35 of The Securities Act.

At December 31, 2019, the Fund had total assets of $893.49 million (2018: $859.33 million) and net equity of $853.77 million (2018: $822.23 million).

32. **IFRS 15 Revenue from contracts with customers**

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cess fee	697,321	494,711	610,156	432,870
Fee income	1,045,070	808,148	181,414	158,598
E-campus	48,305	15,063	48,305	15,063
Other operating income	83,676	72,926	262,570	231,254
	1,874,372	1,390,848	1,102,445	837,785

32. **IFRS 15 Revenue from contracts with customers (Continued)**

Reconciliation of contract liabilities

Set out below us the reconciliation of contract liabilities with customers:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	20,448	-	12,406	-
Additions during the year	420,317	332,784	209,369	171,621
Amount recognized as revenue	(416,548)	(312,336)	(207,346)	(159,215)
Ending balance	24,217	20,448	14,429	12,406

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognized that was included in the contract liability balance				
Fee income	386,936	309,839	177,734	156,718
E-campus	29,284	2,122	29,284	2,122
Other operating income	328	375	328	375
	416,548	312,336	207,346	159,215

Balance – Contract liabilities

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
	24,217	20,448	14,429	12,406

32. **IFRS 15 Revenue from contracts with customers (Continued)**

Reconciliation of contract liabilities (Continued)

Timing of revenue recognition:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At a point in time	1,457,824	1,078,512	895,099	678,570
Over time	416,548	312,336	207,346	159,215
	1,874,372	1,390,848	1,102,445	837,785

Unsatisfied performance obligation
The following table shows unsatisfied performance obligations resulting from (178 contracts for the Group 109 for the Company (2018:143 contracts for the Group, 62 for the Company).

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Aggregate amount of the transaction price allocated to (2018:143) contracts that are partially or fully unsatisfied as at Dec 31	51,135	40,834	23,079	20,317

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2019 will be recognised as revenue during the next reporting period $51.14 million for the Group and $23.1 million for the Company (2018 : $40.8 million for the Group and $20.3 million for the Company). The Group/Company amount disclosed above does not include variable consideration which is constrained.