tTECH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

(Expressed in Jamaican dollars unless otherwise indicated)

tTECH LIMITED

YEAR ENDED 31 DECEMBER 2019

CONTENTS

	Page
Independent Auditor's Report - To the Members	1 - 6

FINANCIAL STATEMENTS

Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 57

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INDEPENDENT AUDITOR'S REPORT

To the Members of tTech Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of tTech Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 financial statements.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Allowance for expected credit losses	
As described in Note 2 (d) (i), and in accordance with IFRS 9 – 'Financial Instruments', the Company applies the simplified approach to computing expected credit losses ('ECLs') on trade receivables and the general approach for debt instruments. The measurement of ECLs requires Management to consider its historical credit loss experience and current business conditions, adjusted for forward-looking factors such as economic indicators, which may impact a debtor's ability to pay. Where the general approach is applied, judgment is used in determining whether there has been a significant increase in credit risk and estimating the probability of default and the loss given default. The ECLs being recorded are therefore considered to be highly subjective.	Our procedures amongst others included the following: We evaluated the techniques and methodologies developed by the Company in order to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9. We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates, which are integral to the provision matrix used in determining the ECLs for trade receivables. For financial assets classified as debt instruments and cash and cash equivalents, we corroborated management's assumptions with data from external sources, particularly with respect to the determination of whether there has been a significant increase in credit risk, probabilities of default and loss given default rates. We also assessed the adequacy of disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition under IFRS 15 - Revenue from Contracts with Customers	
Note 2 (d) ii) Use of estimates and judgements under the section "*Revenue recognition under IFRS 15*", details Management's judgements, when applying the five (5) step approach outlined by the standard, to contracts with their customers, as follows: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation. The standard also requires management to identify the performance obligations in a bundled sale of equipment and installation services and determine the timing of satisfaction of the performance obligations. It also requires management to determine whether it acts as a principal or agent in executing the contracts and if there are significant financing components included in the promised payment amounts.	We have obtained and reviewed management's assessment and understood the underlying assumptions used to support the calculations as regards IFRS 15. We also evaluated the appropriateness of the Company's revenue recognition policy in comparison to the requirements of the standard. We reviewed management's computations and independently reviewed a sample of contracts and evaluated them in accordance with the five (5) step approach as follows: 1. We obtained and reviewed established signed contacts to validate that legitimate contracts exist with customers, 2. We identified the relevant performance obligations as stipulated by the contracts. 3. We verified the transaction prices that are explicitly stated in the contracts associated with the relevant performance obligations. 4. We obtained and reviewed invoices on a sample basis, along with supporting reports confirming evidence of work carried out and performance obligations met. Additionally, where bundled services were offered, we assessed whether the transaction price should be allocated to each performance obligation. 5. Based on the above, we verified that revenue was properly recognized in the correct period. We also assessed management's assertion that the Company acts as a principal for the equipment sold as they exercise control over the related assets including warranties and software licenses purchased from third parties and resold to customers.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition under IFRS 15 - Revenue from Contracts with Customers (continued)	
	Short-term advances received from customers were tested to determine whether any significant financing components were identified. These advances were generally settled within one year. We also reviewed the disclosures for appropriateness in accordance with IFRS 15.

Other information included in the Annual Report

Management is responsible for the other information. The other information comprises of the information included in the Annual Report for the year ended 31 December 2019 but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the 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 Winston Robinson.

Ernst & Young

Ernst & Young
Kingston, Jamaica

February 28, 2020

tTECH LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2019 $'000	2018 $'000
Current assets			
Cash and bank balances	3	40,636	35,886
Government securities purchased under resale agreements	4	81,843	102,866
Accounts receivable	5	43,136	51,389
Other receivables	6	38,546	14,231
Inventories	7	16,156	7,457
		220,317	211,829
Current liabilities			
Accounts payable	8	41,725	36,611
Contract liabilities	9	3,670	14,772
Lease liability (current portion)	10	1,163	-
		46,558	51,383
Net current assets		173,759	160,446
Non-current assets			
Investments	11	29,995	27,781
Right-of-use asset	10	28,369	-
Property and equipment	12	13,102	10,333
Intangibles	13	954	315
		72,420	38,429
Non-current liabilities			
Long-term lease liability	10	29,436	-
Net non-current assets		42,984	38,429
Total net assets		216,743	198,875
Shareholders' equity			
Share capital	14	51,727	51,727
Unappropriated profit		165,016	147,148
		216,743	198,875

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

The financial statements were approved and authorised for issue by the Board of Directors on February 28, 2020 and are signed on its behalf by:

Edward Alexander – Chairman

Gordon Christopher Reckord - Director

tTECH LIMITED
STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	15	340,365	283,923
Cost of sales	16	(95,171)	(63,085)
Gross profit		245,194	220,838
Other income, gains and losses	17	6,294	2,734
Administrative expenses	16	(184,882)	(165,863)
Other operating expenses	16	(40,931)	(32,185)
Operating profit		25,675	25,524
Finance income	19	1,554	2,013
Finance cost	20	(2,471)	-
		24,758	27,537
NET PROFIT BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21	24,758	27,537
Net profit attributable to owners		24,758	27,537
Earnings per share	25	0.23	0.26

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

tTECH LIMITED
STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019
(Expressed in Jamaican dollar unless otherwise indicated)

	Note	Share Capital $'000 (Note 14)	Unappropriated Profit $'000	Total $'000
Balance at 1 January 2018		51,727	119,611	171,338
Net profit being total comprehensive income for the year		-	27,537	27,537
Balance at 31 December 2018		51,727	147,148	198,875
Net profit being total comprehensive income for the year		-	24,758	24,758
Dividends	26	-	(6,890)	(6,890)
Balance at 31 December 2019		51,727	165,016	216,743

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

tTECH LIMITED
STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Net profit for the year		24,758	27,537
Adjustments for:			
Allowance for expected credit losses		205	(3,968)
Reversal of prior year impact of IFRS 15 adoption		-	(3,072)
Depreciation – Right-of-use asset	10	3,067	-
Depreciation	12	4,271	4,229
Amortization	13	403	-
Loss on disposal of equipment	17	113	-
Dividend income	17	(158)	(96)
Foreign exchange gain	17	(4,971)	(1,152)
Appreciation in fair value of equity investments	17	(778)	(1,042)
Interest income	19	(1,554)	(2,013)
Interest expense	20	2,471	-
Operating cash flows before movements in working capital		27,827	20,423
Accounts receivable		8,192	(21,549)
Other receivables		(24,315)	1,094
Inventories		(8,699)	(7,457)
Accounts payable		5,114	6,233
Contract liabilities		(11,102)	14,772
		(2,983)	13,516
Dividend received		158	96
Interest received		1,554	1,974
Interest paid - lease liability		(2,471)	-
Net cash flows (used in)/provided by operating activities		(3,742)	15,586
Cash flows from investing activities			
Additions to property and equipment	12	(7,153)	(2,726)
Additions to intangibles	13	(1,042)	-
Government securities purchased under resale agreements		21,046	(2,117)
Investments		(1,443)	(738)
Cash provided by/(used in) investing activities		11,408	(5,581)
Cash flows from financing activity			
Payment of lease liability- principal portion	10	(837)	-
Dividends paid		(6,855)	(11)
Cash used in financing activities		(7,692)	(11)
(Decrease)/Increase in cash and cash equivalents carried forward		(26)	9,994

tTECH LIMITED
STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2019 $'000	2018 $'000
(Decrease)/Increase in cash and cash equivalents brought forward		(26)	9,994
Effect of exchange rate on cash and cash equivalents		4,567	1,152
Cash and cash equivalents at beginning of the year		110,653	99,507
Net cash and cash equivalents at end of the year		115,194	110,653
Comprised of:			
Cash and bank balances	3	40,636	35,886
Short term investments	4	74,558	74,767
Net cash and cash equivalents at end of the year		115,194	110,653

Non-cash transactions

The following are the non- cash transactions which are not reflected in the statement of cash flows:

	2019 $'000	2018 $'000
Investing activities		
Right of Use Asset	31,436	-
Financing activities		
Long term lease liability	31,436	-

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

1. IDENTIFICATION

tTech Limited (the "Company") is a limited liability company, which is incorporated under the Jamaican Companies Act and is domiciled in Jamaica with registered office located at 69½ Harbour Street, Kingston, Jamaica.

The principal activity of the Company is that of information technology service providers and consultants.

The Company increased the number of the authorized ordinary shares (shares) from 1,000 to 106,000,000 on 11 November 2015 and on that date the 274 shares, then in issue, were split to 80,348,000 shares. The Company made an Initial Public Offering (IPO) under which 25,652,000 additional shares were issued on 28 December 2015.

On 7 January 2016, the Company's ordinary shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance:

These 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 (“the Act”).

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

Standards and interpretations adopted during the year

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

IFRS 16 *Leases*
IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ along with three Interpretations (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 adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating lease.

The new standard has been applied using the modified retrospective approach. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

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 (continued)*
The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether the lease was onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liability recognised under IFRS 16 was 7.95%. The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases. Refer to Note 2(d) (iv)).

The change in accounting policy had the following impact on the statement of financial position on 1 January 2019 for the Company. Right-of-use assets – increased by $31,436,000 and Lease liability – increased by $31,436,000.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	2019 **$'000**
Operating lease commitments as at 31 December 2018	2,133
Weighted average incremental borrowing rate as at 1 January 2019	7.95%
Discounted operating lease commitments as at 1 January 2019	1,964
Recognition of additional lease liability in respect of options to extend lease	29,472
Lease liability as at 1 January 2019	31,436

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

Annual Improvements 2015-2017 cycle (issued in December 2017)
Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

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 1 January 2019.

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 1 January 2019.

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 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

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 1 January 2019.

These amendments are not applicable to the Company.

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)

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 and 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 must 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 1 January 2019, but certain transition reliefs are available. This amendment is not applicable to the entity. The Company is listed the Junior Market of the Jamaica Stock Exchange and therefore benefits from tax remission currently in place.

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.

The amendments are effective for annual periods beginning on or after 1 January 2019 and are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

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)
Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement. The adoption of this amendment did not result in any impact on the Company's financial statements.

Amendments to IAS 28 - *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 Financial Instruments 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 Board 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. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard. The amendments are effective for annual periods beginning on or after 1 January 2019. This amendment is not applicable to the Company.

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.

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)*
This amount is recognised in profit or loss. 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 1 January 2019, with early application permitted.

These amendments did not have an impact on the financial statements of the Company on adoption.

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

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 1 January 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. This standard is not applicable to the Company.

The IASB is expected to issue the IFRS amendments for the 2018-2020 cycle in April 2020.

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 IAS 1 and IAS 8 - Definition of Material
In October 2018, 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.
Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 3 - Definition of a Business
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. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)). The standard is effective for annual periods beginning on or after 1 January 2020). This amendment is not applicable to the Company.

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. These amendments are not applicable to the Company.

(c) Basis of preparation:

The Company's financial statements have been prepared on the historical cost basis, except for revaluation of financial assets classified as fair value through profit or loss that are measured at revalued amounts or fair values as explained in the accounting policy at Note 2(f).

Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented Jamaican dollars ($), which is the functional currency of the Company.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued):

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

(i) Allowance for expected credit losses:

The Company uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are based on days past due for various ageing buckets and the related loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the technology sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 5.

The Company recognises an allowance for 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 Company 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 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).

As described above, for trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued):

(i) Allowance for expected credit losses (continued):

At year end cash and cash equivalents had a gross carrying value of $41.05 million (2018: $36.14 million) with an impairment provision of $0.41 million (2018: $0.25 million) (Note 3). Government securities purchased under resale agreements had a gross carrying amount of $82.74 million (2018: $103.79 million) with an impairment provision of $0.90 million (2018: $0.92 million) (Note 4). Accounts receivable had a gross carrying amount of $45.81 million (2018: $54.00 million) for which an impairment provision of $2.68 million (2018: $2.62 million) was recognised (Note 5).

(ii) Revenue recognition under IFRS 15- Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled sale of equipment and installation services*
  The Company determined that both the equipment and installation are combined and not sold separately except on rare occasions where a customer only requires either the equipment or installation services alone. The Company also determined that the promises to transfer the equipment and to provide installation are grouped within the context of the contract. The equipment and installation are inputs to a combined item in the contract. The Company is providing a significant integration service because the presence of the equipment and installation together in this contract result in additional or combined functionality. In addition, the equipment and installation are highly interdependent or highly interrelated, because the Company would not be able to transfer the equipment if the customer declined installation.

- *Determining the timing of satisfaction of installation and maintaining equipment services*
  The Company concluded that revenue for installation, maintaining the equipment and information technology system services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company.

The fact that another entity would not need to re-perform the installation that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs. The Company determined that the input method is the best method in measuring progress of the installation services because there is a direct relationship between the Company's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Company recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service, and the number of equipment units serviced.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued):

(ii) Revenue recognition under IFRS 15- Revenue from contracts with customers

- *Principal versus agent considerations*
  The Company enters into contracts with its customers to acquire, on their behalf, equipment produced by foreign suppliers. Under these contracts, the Company provides procurement services (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported equipment).

  The Company determined that it controls the goods before they are transferred to customers, and has the ability to direct the use of the equipment or obtain benefits from the equipment. The following factors indicate that the Company controls the goods before they are being transferred to customers. Therefore, the Company determined that it is the principal in these contracts.

  - The Company is primarily responsible for fulfilling the promise to provide the specified equipment. i.e., is responsible for ensuring the equipment is acceptable and meets the customers' specification.
  - The Company has inventory risk before the specified equipment has been transferred to the customer.
  - The Company has discretion in establishing the price for the specified equipment or service.

(iii) Fair value of financial instruments:

As described in Note 24(b), 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 Company. The financial assets of the Company at the end of the reporting period stated at fair value determined in this manner amounted to $5.35 million (2018: $4.20 million) (Note 11).

Had the fair value of these securities been 10% (2018: 10%) higher or lower the profit or loss for the Company would increase/decrease by $0.53 million (2018: $0.42 million).

(iv) Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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. Therefore, the IBR used by the Company is the lending rate offered by its banker for similar secured borrowing.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(e) Current vs. non-current classification:

The Company presents assets and liabilities in the 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 Company classifies all other liabilities as non-current.

(f) 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 by the Company.

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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(f) Fair value measurement: (continued)

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 Company 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 Company 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.

(g) Financial instruments:

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the Company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 24(b). Listed below are the Company's financial assets and liabilities and the specific accounting policies relating to each:

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by regulation or convention in the market place.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (continued)

Financial assets (continued)

(i) *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis: or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset and liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income', if any. Fair value is based on realisable prices derived by valuation techniques that are quoted by the financial institution at the end of the reporting period.

The Company's portfolio of financial assets FVTPL is comprised of investments in quoted shares.

(ii) Loans and receivables

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (continued)

Financial assets (continued)

(ii) *Loans and receivables (continued)*

The Company reclassifies debt instruments only when its business model for managing those assets changes.

(iii) *Impairment of financial assets*

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

The Company 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 Company 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 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

(iv) *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (continued)

Financial assets (continued)

(iv) *Derecognition of financial assets (continued)*

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (continued)

Financial liabilities and equity instruments (continued)

(ii) Equity instruments (continued)

These are classified as "other financial liabilities".

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company's financial liabilities comprise accounts payable balances and contract liabilities.

(iii) Derecognition of financial liabilities:

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and highly liquid financial assets with original maturities of 90 days or less, which are subject to an insignificant risk of changes in value.

(i) Government securities purchased under resale agreements:

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specific price. Title to the security is not actually transferred unless the counter-party fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralized lending, classified as debt instruments at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over basis over the period of the transaction and is included in interest income.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(j) Provisions:

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(k) Property and equipment:

Property and equipment held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of property and equipment 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.

(l) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost and carried at cost less any accumulated amortisation and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

(m) Impairment of non-current assets:

At the end of each reporting period, the Company 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 Company 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(m) Impairment of non-current assets (continued):

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset maybe 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 immediately in profit or loss.

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-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) 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
(iv) is a member of the key management personnel of the company or of a parent of the Company.

(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 for the benefit of employees of either the company or an entity related to the Company.
  (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).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(n) Related party transactions and balances: (continued)

(B) An entity is related to the company if any of the following conditions applies (continued):

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

(o) Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company performs under the contract.

(p) Inventories:

Inventories are valued at the lower of cost and net realisable value.

Costs comprise expenses incurred in bringing the equipment to its present location and condition.

(q) Revenue recognition:

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2(d)(ii). Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes.

Sale of equipment
Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally due within 10 days from delivery of the equipment. The transaction price is specified in the contract.

Installation services
The Company provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. These are recognized upon delivery of equipment to the customer.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(q) Revenue recognition (continued):

Contracts for bundled sales of equipment and installation
Installation services are in instances bundled together with the sale of equipment to a customer. The Company accounts for the equipment and installation service as one deliverable within bundled sales with specified transaction prices for equipment and installation services.

Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Company recognises revenue from installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of the equipment are recognised at a point in time, generally upon delivery of the equipment.

Procurement services
The Company is a principal and records revenue on a gross basis as it controls the promised goods or services before transferring them to the customer.

Warranty
For all IP phones sold one year warranty is provided to customers for manufacture defects that may have existed at the time of sale. The warranty is not a separate performance obligation on the part of the Company as is directly charged to the manufacturer and not the Company. The extent of the performance obligation for the Company under the warranty service agreement is to transfer the defective part/unit back to the manufacturer and facilitate a transportation of a replacement part/unit.

The performance obligation is satisfied upon delivery of finished goods is generally due before, or at the time of, delivery.

(r) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the Board of Directors which is the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating segment.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(s) Foreign currencies:

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items, are recognised in profit or loss in the period in which they arise.

(t) Finance costs:

Finance costs comprise interest payable on borrowings as well as any discount arising from applying the time value of money to current obligations calculated using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the statement of comprehensive income.

(u) Leased Assets:

The Company is a lessee under the agreement for the leased premises utilized for its corporate office. On adoption of IFRS 17 as at 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company must have the right to direct the use of the asset.

i) Right-of use assets:

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on thestatement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(u) Leased assets: (continued)

i) Right-of use assets: (continued)

The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

ii) Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments expected to be payable and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Policy prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. CASH AND BANK BALANCES

	2019 $'000	2018 $'000
Current accounts (a)	1,224	680
Saving accounts (b)	39,802	35,436
Cash in hand	20	20
	41,046	36,136
Allowance for expected credit losses	(410)	(250)
	40,636	35,886

(a) The current accounts are JMD accounts which carry an interest rate of 0.1% (2018: 0.25%) per annum.

(b) These include foreign currency bank accounts of US$140,925 (2018: US$231,681). As at 31 December 2019, interest rate on foreign currency bank accounts ranged from 0.02%- 0.05% (2018: 0.01% - 0.15%) per annum.

(i) Movement in provision for expected credit losses:

	2019 $'000	2018 $'000
Balance at beginning of the year	250	306
Provision for expected credit losses recognized/(reversed)	160	(56)
Balance at end of year	410	250

4. GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2019 $'000	2018 $'000
Reverse repurchase agreements – classified as cash and cash equivalents	74,558	74,767
Reverse repurchase agreements – other	8,184	29,021
	82,742	103,788
Allowance for expected credit losses	(899)	(922)
	81,843	102,866

Included in the government securities purchased under resale agreements are foreign currency repurchase agreements of US$576,932 (2018: US$649,432). As at 31 December 2019, the maturity dates on reverse repurchase agreements range from 30 days to 90 days (2018: 30 days to 90 days) and interest rates range from 0.05% - 7.89% (2018: 0.50% - 4.25%).

4. GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS (CONTINUED)

(i) Movement in provision for expected credit losses:

	2019 $'000	2018 $'000
Balance at beginning of the year	922	990
Provision for expected credit losses reversed	(23)	(68)
Balance at end of year	899	922

5. ACCOUNTS RECEIVABLE

	2019 $'000	2018 $'000
0 - 30 days	27,018	39,004
31- 60 days	7,819	2,057
61 - 90 days	3,282	2,558
91 - 180 days	2,838	8,780
181 - 365 days	2,931	307
Over 365 days	1,924	1,298
	45,812	54,004
Allowance for expected credit losses	(2,676)	(2,615)
	43,136	51,389

Trade receivables are non-interest bearing and are generally on terms of 10 days.

Included in receivables however, are debtors with the carrying amount of $16.87 million (2018: $13.70 million), which are past due at the reporting date for which the Company has included in the allowance for expected credit losses. There has not been a significant change in credit quality and the amounts are still considered recoverable. Management believes that the non-past due receivables are collectable in full.

(i) Movement in provision for expected credit losses:

	2019 $'000	2018 $'000
Balance at beginning of year	2,615	542
Adjustment to impairment provision on adoption of IFRS 9	-	2,447
Provision for expected credit losses reversed on accounts receivable	61	-
Bad debt recovered	-	(374)
Balance at end of year	2,676	2,615

5. ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Aging of impaired accounts receivable

	2019 $'000	2018 $'000
90+ days	1,924	1,298

(iii) Ageing of receivables that are past due but not impaired:

	2019 $'000	2018 $'000
31 - 90 days	7,819	2,057
61 – 90 days	3,282	2,558
91 - 180 days	2,838	8,780
180 – 365 days	2,931	307
	16,870	13,702

6. OTHER RECEIVABLES

	2019 $'000	2018 $'000
Withholding tax	2,079	1,666
Prepayments	11,192	6,972
Procurement (a)	3,777	783
Other (b)	21,498	4,810
	38,546	14,231

(a) Procurement represents amounts recoverable from customers for purchases of renewal licenses made on their behalf.
(b) Other includes an amount of $15.83 million in transit to a brokerage company for investment at year end.

7. INVENTORY

	2019 $'000	2018 $'000
Equipment for resale	16,156	7,457

Inventory represents purchases of equipment for resale. During 2019, $33,539,000 (2018: $5,586,000) was recognized as an expense for inventories carried at cost. This was recognized in cost of sales.

8. ACCOUNTS PAYABLE

	2019 $'000	2018 $'000
Trade payables	3,213	584
Statutory liabilities	2,801	2,270
Accrued expenses	18,847	23,263
GCT payable	3,002	3,120
Credit card payables	10,399	6,478
Others	3,463	896
	41,725	36,611

Trade payables are non-interest bearing and are normally settled on 60-day terms.
For explanations on the Company's liquidity risk management processes, refer to Note 24(a)(ii).

9. CONTRACT LIABILITIES

Contract liabilities represent short-term customer advances received to deliver equipment and to render installation services.

	2019 $'000	2018 $'000
Customer advances	3,670	14,772

The movement in contract liabilities is shown below:

	2019 $'000	2018 $'000
Balance at beginning of the year	14,772	3,072
Additional customer advance payments	20,249	13,063
Recognised in revenue during the year	(31,351)	(1,363)
Balance at end of the year	3,670	14,772

10. RIGHT-OF-USE ASSET /LEASE LIABILITY

Right-of-use Asset

	2019 $'000
At Cost:	
Balance 1 January 2019 as restated and at 31 December 2019	31,436
Depreciation:	
1 January 2019	-
Charge for year	3,067
Balance 31 December 2019	3,067
Net Book Value December 2019	28,369

The right-of-use asset is being depreciated over a period of 10 years and 3 months (the anticipated lease term including extension options).

Lease Liability

The lease which commenced in 2014 was renewed in 2019 for a term of five years, and the Company has an option to renew the lease for a further 5-year period. The rental is subject to annual increases.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 $'000
As at 1 January as restated	31,436
Interest charged for the year	2,471
Payments made during the year	(3,308)
As at 31 December 2018	30,599
Current	(1,163)
Non-current	(29,436)
	30,599

10. RIGHT-OF-USE ASSET /LEASE LIABILITY (CONTINUED)

Lease Liability (continued)

The lease liability is secured by the related underlying assets set out above. The maturity of the lease liability at 31 December 2019 is as follows:

31 December 2019	Within 1 Yr $'000	Within 2 yrs $'000	Within 3 yrs $'000	Within 4 yrs $'000	Within 5 yrs $'000	6-10 yrs $'000	Total $'000
Lease payments	(3,556)	(3,822)	(4,109)	(4,417)	(4,749)	(24,447)	(45,100)
Interest expense	2,393	2,287	2,149	1,977	1,763	3,932	14,501
	(1,163)	(1,535)	(1,960)	(2,440)	(2,986)	(20,515)	(30,599)

The following are the amounts recognised in profit or loss:

	2019 $'000	2018 $'000
Depreciation expense of right-of-use assets	3,067	-
Interest expense on lease liabilities	2,471	-
Total recognised in the statement of comprehensive income	5,538	-

11. INVESTMENTS

	2019 $'000	2018 $'000
Certificate of deposits maturing July 2022:		
USD instrument with interest of 4.25% (US$0.101 million)	14,021	13,200
JMD instrument with interest of 3.54%	10,851	10,600
Debt instruments at amortised cost	24,872	23,800
Quoted equity securities at FVTPL	5,351	4,202
	30,223	28,002
Allowance for expected credit losses	(228)	(221)
At December 31	29,995	27,781

Included in the investment balances above is interest receivable in the amount of $0.168 million (2018: $0.168 million).

11. INVESTMENTS (CONTINUED)

The movement for the year in investments is as follows:

	2019 $'000	2018 $'000
At January 1		
Quoted equity securities at FVTPL	4,202	3,160
Debt instruments at amortised cost	23,800	22,841
	28,002	26,001
Purchases	1,443	959
Movement in fair value on quoted equity securities at FVTPL	778	1,042
	30,223	28,002
Allowance for expected credit losses	(228)	(221)
At December 31	29,995	27,781

(i) Movement in provision for expected credit losses:

	2019 $'000	2018 $'000
Balance at beginning of year	221	225
Provision for expected credit losses recognized(reversed)	7	(4)
Balance at end of year	228	221

12. PROPERTY AND EQUIPMENT

	Computer Equipment $'000	Furniture & Equipment $'000	Total $'000
At cost:			
1 January 2018	18,141	10,907	29,048
Additions	2,427	299	2,726
Transfers (a)	(4,194)	-	(4,194)
Disposal	(2,919)	-	(2,919)
31 December 2018	13,455	11,206	24,661
Additions	5,225	1,928	7,153
Disposal	-	(234)	(234)
31 December 2019	18,680	12,900	31,580
Depreciation:			
1 January 2018	12,782	4,115	16,897
Charge for the year	3,493	736	4,229
Transfers (a)	(3,879)	-	(3,879)
Disposal	(2,919)	-	(2,919)
31 December 2018	9,477	4,851	14,328
Charge for the year	2,983	1,288	4,271
Relieved on disposal	-	(121)	(121)
31 December 2019	12,460	6,018	18,478
Net book values:			
31 December 2019	6,220	6,882	13,102
31 December 2018	3,978	6,355	10,333

(a) Amounts have been reclassified from computer equipment related to computer software and is now recognized as intangible assets.

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

Furniture and equipment	10%
Computer equipment	33⅓%

13. INTANGIBLES

	Computer Software $'000
At cost:	
1 January 2018 and 31 December 2018:	
Transfers from property and equipment	4,194
Additions	1,042
31 December 2019	5,236
Depreciation:	
1 January 2018 and 31 December 2018:	
Transfers from property and equipment	3,879
Charge for the year	403
31 December 2019	4,282
Net book values:	
31 December 2019	954
31 December 2018	315

In current year, the Company reclassified intangible assets from computer equipment along with the comparative balances.

Intangible assets represent the cost of software development and are amortised over a useful life of 3 years.

14. SHARE CAPITAL

	2019 $'000	2018 $'000
Authorized		
106,000,000 ordinary shares of no par value	106,000	106,000
Issued and fully paid:		
Share capital at beginning of year 106,000,000 ordinary shares of no par value	51,727	51,727

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

a) This represents fees for technical services rendered less General Consumption Taxes.

b) The following are entity-wide disclosures:

(i) Revenue sources

(ii) Geographical areas

There are no geographical segments as all revenues are attributed to the Company's country of domicile.

(iii) Major customers

Revenues from transactions with one customer, which amounted to $154.00 million (2018: $122.42 million) was greater than 10 per cent of the Company's revenues accounting for 45% of revenue (2018: 43%).

c) Performance obligations

(i) Equipment:
The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 10 days from delivery.

(ii) Warranty:
In some contracts, warranties are provided for one year from the date of purchase. The warranty is accounted for as a separate performance obligation with a specified transaction price. The performance obligation for the warranty service is satisfied over the life of the warranty.

(iii) Installation services:
The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

(iv) Procurement services
There are contracts with customers to acquire equipment on their behalf. Payment is due within 10 days from delivery after the performance obligation has been satisfied.

Set out below is the amount of revenue recognised from:

	2019 $'000	2018 $'000
Amounts included in contract liabilities at the beginning of the year	14,772	3,072
Performance obligations partially satisfied in previous years	31,351	1,363

16. EXPENSE BY NATURE

Total direct, administrative & other operating expenses:

	2019 $'000	2018 $'000
Technical fees, services and products	95,171	63,085
Advertising and promotion	15,545	12,764
Professional services	7,844	8,634
Property rental and utilities	8,917	10,406
Staff costs (Note 18)	140,745	126,323
Directors' fees	1,743	1,510
Depreciation (Note 12)	4,271	4,229
Amortization of intangible asset (Note 13)	403	-
Insurance	5,834	5,003
Training and subscription	15,614	10,806
Computer and communications	4,307	5,169
Subsistence and staff expenses	5,371	3,447
Corporate expenses	3,152	2,613
Repairs and maintenance	2,626	2,400
Allowance for expected credit losses	205	(298)
Depreciation – lease ROU (Note 10)	3,067	-
Other	6,169	5,042
	320,984	261,133

	2019 $'000	2018 $'000
Cost of sales	95,171	63,085
Administrative expenses	184,882	165,863
Other operating expenses	40,931	32,185
	320,984	261,133

17. OTHER INCOME, GAINS AND LOSSES

	2019 $'000	2018 $'000
Commission	44	179
Dividend income	158	96
Loss on disposal of equipment	(113)	-
Appreciation in value of investments (quoted equity securities at FVTPL)	778	1,042
Foreign exchange gain	4,971	1,152
Other	456	265
	6,294	2,734

18. STAFF COSTS

	2019 $'000	2018 $'000
Salaries and other employee benefits	128,634	115,985
Statutory contributions	12,111	10,338
	140,745	126,323

19. FINANCE INCOME

	2019 $'000	2018 $'000
Interest income on debt instruments at amortised cost	1,554	2,013

20. FINANCE COST

	2019 $'000	2018 $'000
Interest expense for leasing arrangements	(2,471)	-

21. DISCLOSURE OF EXPENSES

	2019 $'000	2018 $'000
Profit before taxation is stated after charging/(crediting):		
Directors' emoluments (Included in staff costs)	27,416	24,710
Directors' fees	1,743	1,510
Depreciation (Note 12)	4,271	4,229
Amortization of intangible asset (Note 13)	403	-
Depreciation – lease ROU (Note 10)	3,067	-
Auditor's remuneration	1,309	1,190
Staff costs, inclusive of directors' emoluments (Note 18)	140 745	126,323

22. TAXATION

The Company was listed on the Junior Market of the Jamaica Stock Exchange in January 2016 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) Remission Notice, 2010, 100% of income taxes will be remitted by the Minister of Finance during the first five years of listing on Junior Market (Phase one) of the Jamaica Stock Exchange and 50% of income taxes will be remitted by the Minister of Finance during the second five years of listing on the Junior Market (Phase two) of the Jamaica Stock Exchange.

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

	2019 $'000	2018 $'000
Profit before tax	24,758	27,537
Computed "expected" tax charge @ 25%	6,190	6,884
Difference between profit for financial statements and tax reporting purposes on:		
Expenses not deducted for tax purposes	1,100	648
Relief given under Junior Stock Exchange Regulation	(7,290)	(7,532)
	-	-

As at 31 December 2019, deferred tax on temporary differences, that are not expected to be reversed during the 100% tax remission period, were not deemed material for reporting in the financial statements.

23. RELATED PARTY TRANSACTIONS

During the year the Company had transactions with related parties in the normal course of business. Related party transactions and balances are detailed below.

	2019 $'000	2018 $'000
(a) Related party transactions:		
Directors' emoluments	27,416	24,710
Directors' fees	1,743	1,510
	29,159	26,220

As at 31 December 2019 and 2018, there are no related party receivable or payable balances.

24. FINANCIAL INSTRUMENTS

(a) Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

~ Credit risk;
~ Liquidity risk and
~ Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations.

This arises principally from cash and bank balances, securities purchased under resale agreements and amounts due from customers and related parties.

The maximum exposure to credit risk is reflected in the statement of financial position at the reporting date.

The maximum exposure to credit risk is as follows:

	2019 **$'000**	**2018** **$'000**
Financial assets:		
Cash and bank balances (Note 3)	40,616	35,866
Accounts receivable (Note 5)	43,136	51,389
Short-term investments (Note 4)	81,843	102,866
Long-term investments (Note 11)	24,644	23,579
Other receivables	25,275	5,593
	215,514	219,293

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(i) Credit risk (continued)

Cash and bank balance sand securities purchased under resale agreements:

The Company limits its exposure to credit risk including investments by placing cash resources with substantial counter-parties who are believed to have minimal risk of default.

Accounts receivable and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Accounts receivable mainly consist of amounts owing from corporate customers. As at 31 December 2019, amounts receivable from five customers that individually accounted for greater than 5% of the accounts receivable balance represented 24.2%, 8.9%, 6.6%, 6.2%, 5.1% (2018: 3.8%, 8.6%, 7.6% and 5.0%). There are no other concentrations of credit risk.

The Company does not require collateral in respect of trade and other receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 90 days and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in Note 5.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(i) Credit risk (continued)

Accounts receivable and other receivables (continued):

	Trade receivables						
	Days past due						
2019	**0-30 days Current**	**31 - 60 days**	**61 - 90 days**	**90 - 180 days**	**Over 181 - 365 days**	**Over 365 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	2.30%	1.10%	16.72%	4.22%	0.00%	67.56%	
Estimated total gross carrying amount at default	27,018	7,819	3,282	2,838	2.931	1,924	45,812
Expected credit loss	621	86	549	120	-	1,300	2,676

	Trade receivables					
	Days past due					
2018	**0-30 days Current**	**31- 60 days**	**61- 90 days**	**90 – 180 days**	**Over 180 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	1.08%	2.31%	2.99%	5.29%	100.00%	
Estimated total gross carrying amount at default	39,004	2,057	2,558	8,780	1,605	54,004
Expected credit loss	422	48	76	464	1,605	2,615

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(i) Credit risk (continued)

	2019		2018	
12 Month Expected credit loss	**Average Expected Credit Loss Rate**	**Expected credit loss**	**Average Expected Credit Loss Rate**	**Expected credit loss**
		$'000		**$'000**
Financial Assets				
Cash and cash equivalents	1%	410	1%	250
Government securities purchased under resale agreements	0.50%-1%	899	0.59%-1%	922
Investments	0.76%	228	1%	221

There were no changes in the credit ratings of the underlying securities or corporate rating for the debt instruments as at year end.

(ii) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk may result from an inability to sell a financial asset at, or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity management process, as carried out within the Company and monitored by the Finance Department, includes:

~ Monitoring future cash flows and liquidity on a bi-weekly basis.
~ Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.

The following table details the Company's contractual maturity for its financial financial liabilities. The table below has been drawn up for financial liabilities, based on the earliest date on which the Company can be required to pay. The financial liability below includes; trade payable, contract liability and lease liability.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

	Average Effective Interest rate	Less than 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	Total $'000
2019					
Financial liabilities:					
Non-interest bearing	0.00%	6,883	-	-	6,883
Interest bearing liability	7.95%	3,556	17,097	24,447	45,100

	Average Effective Interest rate	Less than 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	Total $'000
2018					
Financial liabilities:					
Non-interest bearing	0.00%	25,000	-	-	25,000

(iii) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the Company's income or the value of its holdings of financial instruments.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(iii) Market risk (continued):

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The nature of the Company's exposures to market risks and it objectives, policies and processes for managing these risks have not changed significantly over the prior year. For each of the major components of market risks the Company has policies and procedures in place which detail how each risk is managed and monitored. The management of each of these major components of market risks and the exposure of the Company at the reporting date to each major risk are addressed below.

Currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates. The Company 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 Company's investment portfolio is exposed to foreign exchange risk primarily with respect to the United States dollar.

Derivative financial instruments are not presently used to reduce exposure to fluctuations in foreign exchange rates.

Concentration of currency risk

The table below summaries the Company's exposure to foreign exchange rate risk as at 31 December 2019.

	2019 **$'000**	**2018** **$'000**
Bank of Jamaica foreign exchange buying rates (JM$ to US$)	129.78	125.89
Financial assets:		
Cash resources	18,289	29,167
Short term investments	74,874	81,757
Long-term investments (Note 11)	14,021	13,200
Total financial assets	107,184	124,124

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Foreign currency sensitivity

The Company's investment portfolio is exposed to the United States dollar. The Company's sensitivity to a 4% increase and a 6% decrease (2018: 2% increase, and a 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 rate.

The sensitivity of the 4% increase or 6% decrease (2018: 2% increase or 4% decrease) in the Jamaican dollar against the United States dollar exposure would be a decrease in profit by J$4.29 million (2018: J$2.48 million) or increase of net profit by J$6.43 million (2018: J$4.96 million).

The Company's sensitivity to foreign currency has decreased during the year mainly due to increased holdings of foreign cash and short-term investments balances.

Interest rate risk

The Company's interest rate risk arises from deposits, repurchase agreements and lease liability.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested to current market rates. Short and long- term deposits are at fixed rates and are carried at amortised cost.

Price risk management

The Company is exposed to price risks arising from quoted equity instruments.

Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. The analysis is prepared assuming that the number of units at the reporting date remains the same for the whole year. A 10% increase or decrease (2018: 10% increase or decrease) represents management's best estimate of the possible change in equity prices.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Price risk management (continued)

Price sensitivity analysis (continued)

If bid prices had been 10% higher/lower (2018: 10% higher/lower) and all other variables were held constant, the would result in an increase/decrease in net profit as detailed below:

	2019 $'000 10% increase /decrease	**2018 $'000 10% increase /decrease**
Quoted shares	+/-535	+/- 420

The change in sensitivity is due to the increase in the fair value of quoted shares.

(b) 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 determine the fair values of the Company's financial instruments:

(i) The carrying values of cash and bank balances, receivables (excluding income tax recoverable), accounts payable, securities purchased under resale agreements and investments in short-term fixed interest rate bearing securities approximate their fair values because of the short-term maturity of these instruments.

(ii) Investments represents quoted equities which are valued using the year end closing bid price published by the Jamaica Stock Exchange.

(iii) The carrying value of long-term investments and approximates fair value, as the interest rates are similar to market rates at year end.

(iv) The fair values of the Company's lease liability are determined by using the discounted cashflow method, using discount rate that reflects its bankers borrowing interest rate as at the end of the reporting period.

No significant unobservable inputs were applied in the valuation of the Company's financial instruments classified as fair value through profit or loss.

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

Fair value measurement recognised in the 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 (See Note 2(f)) based on the degree to which the fair value is observable:

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity securities	5,351	-	-	5,351

	2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity securities	4,202	-	-	4,202

There were no transfers between Level 1 and Level 2 during the period.

(c) Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. The directors of the Company seek to maintain a strong capital base so as to maintain shareholder and creditor confidence. The Company defines capital as total shareholders' equity. There were no changes in the Company's approach to capital management during the year.

25. EARNINGS PER STOCK UNIT (EPS) ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY

Earning per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units.

	2019	**2018**
Net profit attributable to stockholders ($'000)	24,758	27,537
Weighted average number of ordinary stock units	106,000,000	106,000,000
Basic earnings per stock unit ($)	0.23	0.26

26. DIVIDENDS

During 2019 the Company declared a dividend of $6.89 million or $0.065 per share. At 31 December 2019 of the amount declared $6.72 million was paid. No dividend was declared for year ended 31 December 2018. Dividend payable as at 31 December 2019 of $0.167 (2018: $0.132 million) is included in accounts payable.