PanJam Investment Limited

Financial Statements
31 December 2019

PanJam Investment Limited

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31 December 2019

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Independent auditor's report

To the Members of PanJam Investment Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of PanJam Investment Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

PanJam Investment Limited's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2019;
- the company income statement for the year then ended;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

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L.A. McKnight P.E. Williams B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore T.N. Smith DaSilva K.D. Powell

Our audit approach

Audit scope

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

How we tailored our group audit scope

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

Our 2019 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from prior year.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Group) *See notes 2 (j), 3 (v) and 16 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.*	
Investment properties represented $9,027 million or 16.6% of total assets for the Group as at the end of the reporting period. The determination of the fair value of investment properties requires significant judgement and, as such, was an area of focus for the audit. Management, through an independent valuation expert, used three methods to value investment properties namely: comparable sales approach, discounted cash flow approach and the direct capitalisation approach.	We met with the property valuators engaged by management, updated our understanding of the valuation process and obtained information on significant developments within the industry. We assessed the competence and objectivity of the property valuators in order to determine whether they were appropriately qualified and whether there was any affiliation to the Group. We assessed the appropriateness of the valuation methodology used in order to evaluate whether it was suitable for determining market value in accordance with the financial reporting framework.

Key audit matter	How our audit addressed the key audit matter
We focused in particular on the direct capitalisation approach, the method used to value the majority of the properties, which takes into consideration a number of factors that require estimation and judgement. The key factors include: ▪ estimation of rental income; ▪ determination of a capitalisation factor; and ▪ estimation of vacancy factor. Changes in these assumptions may have a significant impact on the carrying value of investment properties.	We challenged the work of the property valuators by benchmarking the assumptions used to relevant market evidence which included performing comparisons to similar properties located in the same area. We also agreed the inputs used by the property valuators to supporting documentation. We further developed a point estimate based on the information obtained from performing the above procedures. Based on the procedures performed, management's valuations were found to be consistent with our point estimate.
Valuation of investments classified as fair value through profit or loss and classified as level 3 in the fair value hierarchy (Group and Company) *See notes 2 (i), 3 (ii), 15 and 34 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.*	
The fair values of financial instruments that are not quoted on an exchange, and for which one or more of the significant inputs are not based on observable market data, are classified as level 3 in the fair value hierarchy. In these instances, management determines the unobservable inputs using the best information available in the circumstances taking into account all information that is reasonably available. The lack of available observable market data resulted in greater estimation uncertainty and subjectivity which therefore led us to focus our attention on this area. Investments for which observable market data was limited and were classified as level 3 investments totalled $1,059 million (1.95% of total assets) and $119 million (0.54% of total assets) for the Group and Company respectively as at the reporting date. These investments related primarily to investments in three funds as follows: ▪ The first fund investment itself invests primarily in other companies.	We tested the fair value of the investments in these underlying funds by performing the following: • Our audit procedures over the first fund included verifying the ownership of the companies in which the fund had an investment and using historical data, including audited financial statements, to assess the reliability of the fund manager's estimate of fair value. • For the second fund, we assessed the method used by management to determine fair value including whether it was appropriate based on the information available in the circumstances. We further performed an independent search for comparable sales and compared our results to those of management. • We used our own valuations expert to assist us in assessing the valuation report submitted by management's expert for the shopping centre asset held by the third fund. We also assessed the level of expenditure on the asset and evaluated management's assertion regarding the state of the renovations and determination that the prior year appraisal valuation reflected fair value of the asset at the reporting date.

Key audit matter	How our audit addressed the key audit matter
▪ For the second fund, the significant underlying asset is a recently completed hotel. The fair value of this asset was determined by management using the comparable sales method. ▪ Similar in set up to the second fund, the third fund's significant underlying asset is that of a shopping centre. The asset was undergoing renovations at the reporting date. Management relied on the estimate of market value performed by an independent property valuer in the previous year determining that there is no significant change in the previously determined market value as the renovation of the property is at an early stage.	• The net asset value and the number of units held in each of the funds were also confirmed with the fund managers. Based on procedures performed, no adjustments were considered necessary.

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
20 March 2020

PanJam Investment Limited

Consolidated Income Statement

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Income			
Investments	5	2,249,947	1,060,653
Property	6	2,229,318	2,071,904
Other	7	146,759	131,643
		4,626,024	3,264,200
Operating expenses	8	(1,766,912)	(1,692,951)
Net impairment losses on financial assets		(36,006)	(17,944)
Operating Profit		2,823,106	1,553,305
Finance costs	10	(664,800)	(624,371)
Share of results of associated companies	17	4,953,100	4,696,259
Gains on disposal of shares in associated companies	11	1,623,136	47,305
Profit before Taxation		8,734,542	5,672,498
Taxation	12	(384,277)	(311,081)
NET PROFIT		8,350,265	5,361,417
Attributable to:			
Owners of the parent		8,308,325	5,333,750
Non-controlling interests		41,940	27,667
		8,350,265	5,361,417
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	13	$7.85	$5.06

PanJam Investment Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Net Profit for the year	8,350,265	5,361,417
Other Comprehensive Income, net of taxes		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity instruments at fair value through other comprehensive income	83,437	35,261
Re-measurement of post-employment benefit obligations, net of taxation	(33,266)	70,031
Share of other comprehensive income of associated company, net of taxation	244,437	472,808
	294,608	578,100
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	4,210	2,665
Changes in the fair value of debt instruments at fair value through other comprehensive income	25,900	(24,797)
(Gains)/losses recycled to profit or loss on disposal and maturity of investment assets, net of taxation	(2,361)	1,197
Share of other comprehensive income of associated company, net of taxation	1,897,177	(1,575,462)
	1,924,926	(1,596,397)
TOTAL COMPREHENSIVE INCOME	10,569,799	4,343,120
Attributable to:		
Owners of the parent	10,527,859	4,315,453
Non-controlling interests	41,940	27,667
	10,569,799	4,343,120

PanJam Investment Limited

Consolidated Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
ASSETS			
Cash and Bank Balances	14	160,129	133,461
Investments			
Deposits	14	699,319	462,483
Investment securities:			
Financial assets at fair value through other comprehensive income	15	797,232	767,844
Financial assets at fair value through profit or loss	15	8,961,181	6,594,390
Financial assets at amortised cost	15	229,835	93,004
		9,988,248	7,455,238
Securities purchased under agreements to resell	14	852,326	906,414
Investment properties	16	9,026,597	8,358,674
Investment in associated companies	17	31,078,668	26,348,546
		51,645,158	43,531,355
Other assets			
Taxation recoverable		77,140	68,397
Prepayments and miscellaneous assets	19	1,794,477	1,671,365
Property, plant and equipment	20	675,356	428,433
Intangibles	21	48,717	33,082
		2,595,690	2,201,277
		54,400,977	45,866,093

PanJam Investment Limited

Consolidated Statement of Financial Position (Continued)

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to Owners of the Parent			
Share capital	27	2,141,985	2,141,985
Equity compensation reserve	28	89,376	73,956
Property revaluation reserve	29	4,897,207	4,423,555
Investment and other reserves	30	4,029,178	2,216,173
Retained earnings		31,911,597	25,183,909
Treasury stock		(326,142)	(305,907)
		42,743,201	33,733,671
Non-Controlling Interests		342,385	300,445
		43,085,586	34,034,116
Liabilities			
Bank overdrafts	14	5,206	13,719
Taxation payable		88,286	40,145
Loan liabilities	24	9,343,742	10,559,530
Lease liabilities	25	40,504	8,106
Deferred tax liabilities	18	637,805	435,586
Retirement benefit liabilities	22	370,254	250,806
Other liabilities	26	829,594	524,085
		11,315,391	11,831,977
		54,400,977	45,866,093

Approved for issue by the Board of Directors on 18 March 2020 and signed on its behalf by:

Stephen B. Facey — Chairman

Paul R. Hanworth — Director

PanJam Investment Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

		\----------Attributable to Owners of the Parent----------\							
		Share Capital	**Equity Compensation Reserve**	**Property Revaluation Reserve**	**Investment and Other Reserves**	**Retained Earnings**	**Treasury Stock**	**Non-controlling Interests**	**Total**
	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2018		2,141,985	61,475	3,940,954	3,315,332	21,256,528	(348,500)	272,778	30,640,552
Comprehensive income									
Net profit		-	-	-	-	5,333,750	-	27,667	5,361,417
Other comprehensive income		-	-	-	(1,201,343)	183,046	-	-	(1,018,297)
Total comprehensive income for the year		-	-	-	(1,201,343	5,516,796	-	27,667	4,343,120
Transactions with owners									
Employee share option scheme value of services provided	28	-	40,258	-	-	-	-	-	40,258
Employee share grants/options issued	28		(27,777)	-	19,581	-	48,869	-	40,673
Dividends paid to equity holders of the company	31	-	-	-	-	(1,106,814)	-	-	(1,106,814)
Share purchase plan		-	-	-	4,983	-	2,844	-	7,827
Acquisition of treasury stock		-	-	-	-	-	(9,120)	-	(9,120)
Change in reserves of associated company		-	-	-	77,620	-	-	-	77,620
Total transactions with owners		-	12,481	-	102,184	(1,106,814)	42,593	-	(949,556)
Transfer of unrealised property revaluation gains		-	-	482,601	-	(482,601)	-	-	-
Balance at 31 December 2018		2,141,985	73,956	4,423,555	2,216,173	25,183,909	(305,907)	300,445	34,034,116

PanJam Investment Limited

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

		----------Attributable to Owners of the Parent----------\							
	Note	Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non-controlling Interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019		2,141,985	73,956	4,423,555	2,216,173	25,183,909	(305,907)	300,445	34,034,116
Comprehensive income									
Net profit		-	-	-	-	8,308,325	-	41,940	8,350,265
Other comprehensive income		-	-	-	2,106,899	112,635	-	-	2,219,534
Total comprehensive income for the year		-	-	-	2,106,899	8,420,960	-	41,940	10,569,799
Transactions with owners									
Employee share option scheme value of services provided	28	-	47,756	-	-	-	-	-	47,756
Employee share grants/options issued	28	-	(32,336)	-	56,523	-	111,731	-	135,918
Dividends paid to equity holders of the company	31	-	-	-	-	(1,386,576)	-	-	(1,386,576)
Share purchase plan		-	-	-	6,082	-	7,340	-	13,422
Acquisition of treasury stock		-	-	-	-	-	(139,306)	-	(139,306)
Gains realized on disposal of equity investment		-	-	-	(166,956)	166,956	-	-	-
Change in reserves of associated company		-	-	-	(189,543)	-	-	-	(189,543)
Total transactions with owners		-	15,420	-	(293,894)	(1,219,620)	(20,235)	-	(1,518,329)
Transfer of unrealized property revaluation gains		-	-	473,652	-	(473,652)	-	-	-
Balance at 31 December 2019		2,141,985	89,376	4,897,207	4,029,178	31,911,597	(326,142)	342,385	43,085,586

PanJam Investment Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities	32	1,230,293	(3,323,611)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	20	(396,084)	(90,490)
Proceeds from disposal of property, plant and equipment		681	-
Acquisition of intangible asset	21	(15,635)	-
Acquisition of subsidiary, net of cash received	36	-	(9,891)
Improvements to investment properties	16	(12,838)	-
Proceeds from disposal of shares in associated companies	11	2,574,386	355,032
Investments in associated companies	17	(975,194)	(5,172)
Partial return of investment in associated companies	17	404,231	108,600
Dividends from associated companies	17	1,939,429	1,686,388
Acquisition of investment securities, net		(1,337,684)	(57,660)
Advances on future developments		(11,316)	(430,181)
Net cash provided by investing activities		2,169,976	1,556,626
Cash Flows from Financing Activities			
Loans received		3,400,439	3,981,061
Loans repaid		(4,582,959)	(920,780)
Interest paid		(698,068)	(599,840)
Lease repayments (2018 – finance lease repayments)		(5,022)	(3,431)
Acquisition of treasury stock		(139,306)	(9,120)
Disposal of treasury stock		119,071	51,713
Dividends paid to equity holders		(1,121,801)	(1,106,814)
Net cash (used in)/ provided by financing activities		(3,027,646)	1,392,789
Net increase/ (decrease) in cash and cash equivalents		372,623	(374,196)
Effect of exchange rate changes on cash and cash equivalents		39,279	7,873
Cash and cash equivalents at beginning of year		1,272,687	1,639,010
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,684,589	1,272,687

PanJam Investment Limited

Company Income Statement

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Income			
Investments	5	4,103,409	2,988,220
Miscellaneous	7	74,019	54,797
		4,177,428	3,043,017
Expenses			
Operating expenses	8	(480,052)	(445,024)
Net impairment losses on financial assets		(35,762)	(47,386)
Finance costs	10	(602,402)	(556,253)
Gain on disposal of shares in associated company	11	2,291,176	-
Profit before Taxation		5,350,388	1,994,354
Taxation	12	(215,570)	(236,900)
NET PROFIT		5,134,818	1,757,454

PanJam Investment Limited

Company Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Net Profit for the year	5,134,818	1,757,454
Other Comprehensive Income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	83,437	35,261
Re-measurement of post-employment benefit obligations, net of taxation	(72,845)	63,022
	10,592	98,283
Items that may be subsequently reclassified to profit or loss		
Changes in the fair value of debt instruments at fair value through other comprehensive income	20,710	(14,623)
(Gains)/losses recycled to profit or loss on disposal and maturity of investment assets, net of taxation	(2,361)	100
	18,349	(14,523)
TOTAL COMPREHENSIVE INCOME	5,163,759	1,841,214

PanJam Investment Limited

Company Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
ASSETS			
Cash and Bank Balances	14	25,267	15,093
Investments			
Deposits	14	591,461	230,868
Investment securities			
Financial assets at fair value through other comprehensive income	15	735,452	662,473
Financial assets at fair value through profit or loss	15	7,178,578	5,023,449
Financial assets at amortised cost	15	563,777	424,480
		8,477,807	6,110,402
Securities purchased under agreements to resell	14	587,296	590,239
Investment in subsidiaries	17	1,128,119	1,128,119
Investment in associated companies	17	7,885,397	7,698,051
		18,670,080	15,757,679
Other Assets			
Due from related parties	23	2,654,886	2,468,882
Taxation recoverable		29,354	5,823
Prepayments and miscellaneous assets	19	195,253	127,747
Property, plant and equipment	20	96,368	25,727
Intangibles	21	10,303	-
Retirement benefit assets	22	259,643	343,627
		3,245,807	2,971,806
		21,941,154	18,744,578

PanJam Investment Limited

Company Statement of Financial Position (Continued)
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	27	2,141,985	2,141,985
Equity compensation reserve	28	34,688	29,866
Investment and other reserves	30	1,299,141	1,364,312
Retained earnings		8,654,799	4,822,539
		12,130,613	8,358,702
Liabilities			
Bank overdraft	14	5,206	13,719
Taxation payable		40,472	4,016
Due to related parties	23	3,869	1,765
Loan liabilities	24	8,621,231	9,742,084
Lease liabilities	25	71,639	-
Deferred tax liability	18	500,768	355,250
Retirement benefit liabilities	22	52,305	39,479
Other liabilities	26	515,051	229,563
		9,810,541	10,385,876
		21,941,154	18,744,578

Approved for issue by the Board of Directors on 18 March 2020 signed on its behalf by:

Stephen B. Facey — Chairman

Paul R. Hanworth — Director

PanJam Investment Limited

Company Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Compensation Reserve	Investment and Other Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018		2,141,985	26,805	1,343,574	4,121,531	7,633,895
Comprehensive income						
Net profit		-	-	-	1,757,454	1,757,454
Other comprehensive income:		-	-	20,738	63,022	83,760
Total comprehensive income		-	-	20,738	1,820,476	1,841,214
Transactions with owners						
Employee share option scheme value of services provided	28	-	23,765	-	-	23,765
Employee share grants vested	28	-	(20,704)	-	-	(20,704)
Dividends paid	31	-	-	-	(1,119,468)	(1,119,468)
Total transactions with owners		-	3,061	-	(1,119,468)	(1,116,407)
Balance at 31 December 2018		2,141,985	29,866	1,364,312	4,822,539	8,358,702
Comprehensive income						
Net profit		-	-	-	5,134,818	5,134,818
Other comprehensive income:		-	-	101,786	(72,845)	28,941
Total comprehensive income		-	-	101,786	5,061,973	5,163,759
Transactions with owners						
Employee share option scheme value of services provided	28	-	28,326	-	-	28,326
Employee share grants issued	28	-	(23,504)	-	-	(23,504)
Dividends paid	31	-	-	-	(1,396,670)	(1,396,670)
Total transactions with owners		-	4,822	-	(1,396,670)	(1,391,848)
Gains realised on disposal of equity investment		-	-	(166,957)	166,957	-
Balance at 31 December 2019		2,141,985	34,688	1,299,141	8,654,799	12,130,613

PanJam Investment Limited

Company Statement of Cash Flows
Year ended 31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities	32	2,835,227	(1,339,222)
Cash Flows from Investing Activities			
Investment in subsidiary	17	-	(410,639)
Investment in associated companies	17	(769,357)	(5,172)
Acquisition of property, plant and equipment	20	(585)	(351)
Acquisition of intangible asset	21	(10,303)	-
Proceeds from disposal of shares in associated company	11	2,574,386	-
Partial return of investment in associated company	17	331,831	-
(Acquisition)/disposal of investment securities, net		(1,474,966)	75,048
Net cash provided by/(used in) investing activities		651,006	(341,114)
Cash Flows from Financing Activities			
Amount due from related parties		(183,900)	(113,984)
Loans received		3,393,013	3,907,060
Loans repaid		(4,487,903)	(807,782)
Interest paid		(627,833)	(531,378)
Finance lease		(8,128)	-
Dividends paid to shareholders	31	(1,130,129)	(1,119,468)
Net cash (used in)/provided by financing activities		(3,044,880)	1,334,448
Net increase/(decrease) cash and cash equivalents		441,353	(345,888)
Effect of exchange rate changes on cash and cash equivalents		4,253	4,734
Cash and cash equivalents at beginning of year		757,647	1,098,801
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,203,253	757,647

PanJam Investment Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

(a) PanJam Investment Limited ("the company") is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange (JSE).

(b) The main activities of the company are holding investments and controlling the operations of its subsidiaries. The company's income consists mainly of dividends, interest income and management fees earned from its subsidiaries. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

(c) The company's subsidiaries, associated companies, and other consolidated entity, which, together with the company are referred to as "the group" are as follows:

	Principal Activities	Proportion of Issued Equity Capital Held by	
Subsidiaries		**Company**	**Subsidiaries**
Jamaica Property Company Limited	Property Management and Development	100%	-
Jamaica Property Development Limited	Property Development	-	100%
Jamaica Property Management Limited	Property Management	-	100%
Imbrook Properties Limited	Property Development	-	100%
Desnoes Estates Limited	Property Development	-	100%
Kingchurch Property Holdings Limited	Property Development and Management	-	100%
Downing Street (Caribbean Place) Limited	Property Development	-	100%
Portfolio Partners Limited	Investment Management	100%	-
Baywest Development Limited	Property Development	100%	-
Scott's Preserves Limited	Food and Beverage	66.67%	-
PanJam Hospitality Limited	Hotel Management	100%	-
Knutsford Holdings Limited	Office Rental	32%	28%
Panacea Insurance Limited (Incorporated in St. Lucia)	Captive Insurance	-	100%
Castleton Investments Limited (Incorporated in St Lucia)	Investment Management	100%	-
Norbury Investments Limited (Incorporated in Canada)	Property Investment	-	100%
PJ-AL Corp Limited (Incorporated in United States)	Property Investment	100%	-
Palisadoes Investments Limited (Incorporated in Canada)	Investment Management	-	100%
Simcoe Investments Limited (Incorporated in Barbados)	Investment Management	100%	-

PanJam Investment Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(c) continued

	Principal Activities	Proportion of Issued Equity Capital Held by	
		Company	**Subsidiaries**
Associated Companies			
Sagicor Group Jamaica Limited	Life and Health Insurance, Pension Management, Investment and Banking	30.22%	-
New Castle Company Limited (Incorporated in St. Lucia)	Consumer Products	33.33%	-
Chukka Caribbean Adventures Limited (Incorporated in St. Lucia)	Tourism	18%	-
Caribe Hospitality Jamaica Limited	Hotel Property Developers	35%	-
Downing Street Realty Fund II Group (Incorporated in Canada)	Property Developers	-	16.16%
Downing Street Realty Fund VII (Incorporated in Canada)	Property Developers	-	33.51%
Downing Street Realty Fund XI (Incorporated in Canada)	Property Developers		57.14%
Williams Offices (Caribbean) Limited (Incorporated in Barbados)	Office Rental	25%	-
Term Finance Jamaica Limited	Loan Financing	20%	-
Outsourcing Management Limited (Incorporated in St. Lucia)	Business Process Outsourcing	15%	-
Other Consolidated Entity			
The PanJam Share Trust	Employees Share Ownership Plan	100%	-

During the year the group acquired a 15% shareholding in Outsourcing Management Limited whose principal activity is the provision of outsourced business processes (BPO).

(d) All of the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica, except as otherwise indicated.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the group and the financial statements of the company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published accounting standards effective in the current financial year

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

- **IFRS 16, 'Leases'** (effective for annual periods beginning on or after 1 January 2019). IFRS 16 affect primarily the accounting by leases and results in the recognition of almost all leases on balance sheet. The standard removed the distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rental for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  The income statement is also affected because the total expense is typically higher in the earlier years of the lease and lower in the later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics such as EBITDA will change.

  Operating cash flows will higher as cash payments for principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

  The accounting for lessors will not significantly change. Some differences may arise as a result of new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **IFRS 16, 'Leases'** (continued)
  In implementing the new standard, management performed the following procedures:
  - Identified all leases maintained by the group and assessed whether the lease arrangements meet the definition of a lease, as defined under IFRS 16;
  - Identified the components of the agreement to determine lease and non-lease components and the relative payments for each component;
  - Identified extension and termination options; and
  - Determined the appropriate discount rate.

  Changes in accounting policies resulting from adoption were applied as at 1 January 2019, but with no restatement of comparative information for prior years. Consequently, the group has recognised any adjustments relating to the difference in the recognition of leases between IAS 17 and IFRS 16 in the opening retained earnings or other components of equity, as applicable. Refer to note 2(k) and note 37 for details.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The adoption of this amendment did not have a material impact on the financial statements of the group.

- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation** (effective for annual periods beginning on or after 1 January 2019). This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this amendment did not have a material impact on the financial statements of the group.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures** (effective for annual periods beginning on or after 1 January 2019). The IASB issued a narrow scope amendment to IAS 28 that clarified that long-term interests (for example, preference shares or long-term loans) in an associate or joint venture to which the equity method is not applied should be accounted for using IFRS 9. This includes the impairment requirements in IFRS 9. The adoption of this amendment did not have a material impact on the financial statements of the group as the group currently applies the equity method to its associated entities.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'** (effective for annual periods beginning on or after 1 January 2019). These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

  The adoption of this amendment did not have a material impact on the financial statements of the group.

- **Annual improvements 2015–2017** (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:
  - IFRS 3, 'Business combinations', – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
  - IFRS 11, 'Joint arrangements', – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
  - IAS 12, 'Income taxes' – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
  - IAS 23, 'Borrowing costs' – clarified that where a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

  The adoption of these amendments did not have a material impact on the financial statements of the group.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2020 or later periods but were not effective at the statement of financial position date. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **Amendments to IFRS 3 – definition of a business** (effective for annual periods beginning on or after 1 January 2020). To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

  The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  An entity can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

- **Amendments to IAS 1 and IAS 8 on the definition of material** (effective for annual periods beginning on or after 1 January 2020). The amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

  The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform** (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Inter-Bank Offered Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **Revised Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework. Entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

- **IFRS 17, 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2021). This standard replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the company stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Transactions and non-controlling interests
The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iii) Associates
Associates are all entities over which the group has significant influence but not control, generally but not necessarily accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In the company's statement of financial position, investments in associates are shown at cost.

The results of associates with financial reporting year-ends that are different from the group are determined by prorating the results for the audited period as well as the period covered by management accounts (in the event that their accounting year ends more than three months prior to 31 December) to ensure that a full year of operations is accounted for, where applicable.

(c) Income recognition

(i) Interest income and expenses
Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) is recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

(ii) Dividend income
Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at (FVOCI). Dividends are recognized in the income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

2. Summary of Significant Accounting Policies (Continued)

(c) Income recognition (continued)

(iii) Property income
Revenue comprises the invoiced value of rental and maintenance charges net of General Consumption Tax. Rental income from operating leases is recognised on a straight-line basis over the lease term. The Group currently does not provide incentives to its tenants.

The group assesses the individual elements of the lease agreements and assess whether these individual elements are separate performance obligations. Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price is allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. These selling prices are predominantly fixed price per the agreements where the tenant pays the fixed amount based on a payment schedule. If the services rendered should exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. The group currently does not have arrangements that include deferred payment terms.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iv) Commission income
Commissions are recognised as revenue on the transfer of the service at a point in time and recognized in the accounting period in which the service is transferred. There was no contract asset or contract liability recognised in the accounting period.

(iv) Other income
Other income comprises of management fees and miscellaneous income. Management fees are contractual agreements with customers for the transfer of service at a point in time and are recognized in the accounting period in which the service is transferred. Management fee is calculated as a percentage of the total expenses and value of the portfolio where applicable. There was no contract asset or contract liability recognised during the accounting period (see note 7 for details).

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary assets denominated in foreign currencies and classified at amortised cost are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the income statement, and other changes are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(e) Taxation

Taxation expense in the income statement comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity. Taxation is based on profit for the year adjusted for taxation purposes at rates applicable to the year.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on rates enacted at the year-end date.

Deferred tax is not recognised on changes in the fair values of investment properties in excess of cost, as it is management's intention to recover such surplus through sale, which would not attract any taxes.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(f) Financial instruments

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

Financial assets

The group's financial assets comprise cash and bank balances, deposits, securities purchased under agreements to resell, investment securities, and accounts receivable including balances due from related parties. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

The group's financial liabilities comprise bank overdraft, trade payables, loans, finance lease liabilities and other liabilities. They are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

The fair values of the group's and the company's financial instruments are discussed in Note 33.

2. Summary of Significant Accounting Policies (Continued)

(g) Accounts receivable

Trade and managed properties receivables

Trade receivables are amounts due from tenants and customers for rent and maintenance during the accounting period. Managed properties receivables are due from customers for expenses incurred during the accounting period for the management of properties owned by these customers. Trade and managed properties receivables are generally due for settlement within 30 days and therefore are all classified as current. They are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade and managed properties receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the trade and managed properties receivables, their carrying amount is considered to be the same as their fair value. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 33.

Other miscellaneous assets

The group classifies other miscellaneous assets at amortised cost when both of the following criteria are met:

- the asset is held within a business model where the objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Due to the short-term nature of the other miscellaneous assets excluding land awaiting development, their carrying amount is considered to be the same as their fair value. Land awaiting development at year end was $1,167,831,000 (2018 – $1,156,515,000) representing purchase consideration and associated costs capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost and adjusted for any potential credit loss. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short term deposits, securities purchased under agreements to resell and bank overdrafts. (see note 14)

2. Summary of Significant Accounting Policies (Continued)

(i) Investments

(i) Classification

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

- At fair value (either through OCI or through profit or loss); and
- At amortised cost.

The classification is based on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

The group will reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments is based on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

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

2. Summary of Significant Accounting Policies (Continued)

(i) Investments (continued)

(iii) Measurement (continued)

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

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

  Equity instruments
  The group measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payment is established.

  Changes in the fair value of financial assets at FVPL are recognised in gains/(losses) in the profit or loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost (including cash and cash equivalents but excluding bank balances) and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 33(b) for further details.

2. Summary of Significant Accounting Policies (Continued)

(j) Investment property

Investment property is held for long-term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is carried at fair value, based on fair market valuation exercises conducted annually by independent qualified valuers. Changes in fair values are recorded in the income statement.

After 1 January 2019, all leases that meet the definition of investment property are classified as investment property and measured at fair value. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the group expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.

2. Summary of Significant Accounting Policies (Continued)

(k) Leases

Accounting policies applied from 1 January 2019
The group acting as lessee, recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months.

Assets and liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance the fixed payments), less any lease incentives receivable
- Variable lease payments that are based on the index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the leasee's incremental borrowing rate is used, being the rate that the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, example term, currency and security.

The group is exposed to potential future increase in variable lease payments based on index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments are based on an index or rate effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs (as applicable)

2. Summary of Significant Accounting Policies (Continued)

(k) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If and where the group is reasonably certain to exercise the purchase option, the right-of-use asset is depreciated over the underlying asset useful life. Right of use assets are not revalued.

Payments associated with short-term leases of equipment and all leases of low value are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprises small item of office furniture.

Variable lease payments
Some leases contain variable payment terms that are linked to rental income generated from property. These variable payments are recognised in the income statement in the period in which the condition that triggers those payments occurs.

Extension and termination options
Where extension and termination options are included, these are used to maximise the operational flexibility in terms of managing assets used in the group's operations. The options held are exercisable only by the group and not by the respective lessor.

Residual value guarantees
The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of a lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the group does not expect to pay anything under the guarantees.

Accounting policies applied until 31 December 2018
Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2. Summary of Significant Accounting Policies (Continued)

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. If such subsequent cost relates to a replaced part, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, as follows:

Freehold premises/leasehold premises under finance lease	2½%
Leasehold improvements	Life of lease
Furniture, fixtures & equipment	5% - 33⅓%
Assets capitalised under finance leases	Life of lease
Motor vehicles	15% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(m) Inventories

Inventories are valued on the first-in, first-out basis at the lower of cost and net realisable value.

(n) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(i) Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in expenses.

(ii) Other post-employment benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(iv) Equity compensation benefits

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the company which is the primary recipient of the employee's services. The total amount expensed over the vesting period is determined by reference to the fair value of the options or shares granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to become exercisable. At each statement of financial position date, the group reviews its estimates of the number of options or shares that are expected to become exercisable or share grants which will be vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised or share grants are vested.

The cost of equity transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(iv) Equity compensation benefits (continued)
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

(v) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present value.

(o) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Intangible assets
(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

At each statement of financial position date analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

(ii) Computer software
Costs incurred to acquire computer software licences are recognised as intangible assets. These costs are being amortised using the straight-line method over their expected useful life of three years. All other costs associated with maintaining computer programs are recognized as an expense when incurred.

2. Summary of Significant Accounting Policies (Continued)

(q) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(s) Share capital

Ordinary shares are classified as equity**.**

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive committee that makes strategic decisions is deemed to be the chief operating decision-maker.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

(i) Income taxes
The group is subject to income taxes mainly in Jamaica. Significant judgement is required in determining the provision for income taxes. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and valuation inputs and makes assumptions that are mainly based on market conditions existing at each statement of financial position date. The group use references to prices for other instruments that are substantially the same for various financial assets that were not traded in active markets. Details of investment securities valued using other than quoted prices in an active market are provided in Note 34 of the financial statements.

(iii) Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring the ECL is further detailed in note 34 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for assessing whether a significant increase in credit risk has occurred;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar assets for the purposes of measuring ECL.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(iv) Pension plan assets and post-employment obligations
The cost of pension and other post-retirement benefits and the present value of these liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost or income for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost or income recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate interest rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the group considers the interest rates of Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the local economy. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions. A change in any of the assumptions used could have a significant impact on the value of the related retirement benefit asset or liability.

(v) Investment properties
Investment properties are carried in the statement of financial position at market value. The group uses independent qualified property appraisers to value its investment properties annually, generally using the direct capitalisation approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, rent rates, a discount rate, and the current condition of the properties. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

(vi) Value for intangible assets ascribed to investment in associated companies
As required by IFRS, acquisitions of shareholdings in associated companies require the allocation of the purchase price to determine the fair value of the group's share of the net identifiable assets acquired. The determination of these fair values requires the use of various estimates, inclusive of earnings multiples, growth rates and discount factors. It also requires the use of judgement in determining the valuation technique which best suits the particular asset being valued. Should these estimate or valuation methods change, there could be a material change to the carrying value for investment in associated companies.

PanJam Investment Limited

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4. Segmental Financial Information

The group is organised into two main business segments:

(a) Investments – This incorporates investment management and securities trading;

(b) Property management and rental – This incorporates the rental and management of commercial real estate.

The operating segments have been determined by management based on the reports reviewed by the executive committee and which are used to make strategic and operational decisions. The property management and investments segments derive their income principally from rental and property management fees, and interest and dividend income respectively. The group's customers are mainly resident in Jamaica.

	2019				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000
External operating revenue	2,300,711	2,259,294	66,019	-	4,626,024
Inter-group revenue	22,688	180,324	-	(203,012)	-
Total revenue	2,323,399	2,439,618	66,019	(203,012)	4,626,024
Operating profit	1,028,769	1,771,111	23,226	-	2,823,106
Finance costs	(193,308)	(601,775)	-	130,283	(664,800)
	835,461	1,169,336	23,226	130,283	2,158,306
Gains on disposal of shares in associated companies	-	1,623,136	-	-	1,623,136
Share of results of associated companies	-	4,953,100	-	-	4,953,100
Profit before taxation	835,461	7,745,572	23,226	130,283	8,734,542
Taxation	(27,547)	(356,317)	(413)	-	(384,277)
Net profit	807,914	7,389,255	22,813	130,283	8,350,265
Segment assets	11,397,144	13,059,476	458,048	(1,592,359)	23,322,309
Investment in associated companies	-	31,078,668	-	-	31,078,668
Total assets	11,397,144	44,138,144	458,048	(1,592,359)	54,400,977
Segment liabilities	3,107,775	9,552,465	247,510	(1,592,359)	11,315,391
Other segment items:					
Capital expenditure	395,499	585	-	-	396,084
Depreciation	30,390	7,198	-	-	37,588

PanJam Investment Limited

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4. Segmental Financial Information (Continued)

	2018				
	Property Management & Rental	**Investments**	**Other Services**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	2,141,945	1,062,707	59,548	-	3,264,200
Inter-group revenue	27,478	162,887	-	(190,365)	-
Total revenue	2,169,423	1,225,594	59,548	(190,365)	3,264,200
Operating profit	887,918	597,316	68,071	-	1,553,305
Finance costs	(222,540)	(549,095)	-	147,264	(624,371)
	665,378	48,221	68,071	147,264	928,934
Gains on disposal of shares in associated company	-	47,305	-	-	47,305
Share of results of associated companies	-	4,696,259	-	-	4,696,259
Profit before taxation	665,378	4,791,785	68,071	147,264	5,672,498
Taxation	(13,205)	(297,287)	(589)	-	(311,081)
Net profit	652,173	4,494,498	67,482	147,264	5,361,417
Segment assets	10,575,064	10,139,729	318,211	(1,515,457)	19,517,547
Investment in associated companies	-	26,348,546	-	-	26,348,546
Total assets	10,575,064	36,488,275	318,211	(1,515,457)	45,866,093
Segment liabilities	3,078,178	10,132,805	136,451	(1,515,457)	11,831,977
Other segment items:					
Capital expenditure	90,140	350	-	-	90,490
Depreciation	26,733	7,029	-	-	33,762

Revenue is recognised by each segment on the accrual basis.

PanJam Investment Limited

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5. Investment Income

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Income				
Interest income -				
Financial assets at fair value through profit or loss	1,027	-	-	-
Fair value through other comprehensive income	36,806	40,341	29,954	33,125
Amortised cost	6,819	6,351	235,731	238,301
Securities purchased under agreement to resell and deposits	28,782	20,669	19,783	13,669
Realised gains/(losses) on disposal of investments,	302,376	4,809	294,125	(5,833)
Fair value gains on financial assets at fair value through profit or loss	1,575,032	924,282	1,436,373	863,759
Foreign exchange gains	87,688	11,102	74,052	35,782
Dividends	125,818	100,883	2,037,266	1,853,162
Other	112,903	1,871	230	362
	2,277,251	1,110,308	4,127,514	3,032,327
Direct expenses				
Investment expense	(27,304)	(49,655)	(24,105)	(44,107)
	2,249,947	1,060,653	4,103,409	2,988,220

6. Property Income

	The Group	
	2019	**2018**
	$'000	**$'000**
Rental income (Note 16)	1,730,866	1,579,124
Fair value gains on property valuation (Note16)	498,452	492,780
	2,229,318	2,071,904

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7. Other Income

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Management fees	55,883	59,780	50,049	49,314
Commissions	61,591	55,878	-	-
Recovery of impaired loans	5,960	5,483	5,960	5,483
Miscellaneous income	23,325	10,502	18,010	-
	146,759	131,643	74,019	54,797

8. Operating Expenses by Nature

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Direct cost of property management (Note 16)	772,194	747,801	-	-
Staff costs (Note 9)	567,618	546,013	243,089	237,991
Directors' fees	17,892	18,847	16,588	17,550
Professional fees	106,255	91,064	65,516	48,797
Auditors' remuneration	29,842	29,419	12,086	11,901
Information technology services	20,094	21,100	4,602	4,014
Office expense & subscriptions	20,182	21,050	21,793	29,037
Donations	72,227	55,184	50,477	38,205
Depreciation	37,588	33,762	9,179	7,029
Amortisation	-	24,417	-	-
Irrecoverable GCT	26,700	25,956	16,372	18,230
Commission	14,516	16,353	-	-
Other	81,804	61,985	40,350	32,270
	1,766,912	1,692,951	480,052	445,024

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9. Staff Costs

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	369,044	351,608	182,171	177,679
Statutory contributions	25,939	28,700	14,502	13,676
Pension – funded (Note 22(a))	60,090	50,784	(1,685)	(184)
Pension – unfunded (Note 22(b))	26	30	26	30
Other post-employment benefits (Note 22(c))	21,334	35,199	3,885	6,282
Stock compensation expense (Note 28)	47,756	40,258	28,326	23,765
Other	43,429	39,434	15,864	16,743
	567,618	546,013	243,089	237,991

10. Finance Costs

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest expense	664,800	621,760	602,402	553,653
Commitment fees	-	2,611	-	2,600
	664,800	624,371	602,402	556,253

11. Gains on Disposal of Shares in Associated Companies

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Sagicor Group Jamaica Limited				
Proceeds	2,574,386	-	2,574,386	-
Carrying value at disposal (Note 17)	(1,104,378)	-	(283,210)	-
Gain on disposal	1,470,008	-	2,291,176	-

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11. Gains on Disposal of Shares in Associated Company (Continued)

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Balance carried forward	1,470,008	-	2,291,176	-
Downing Street Realty Funds				
Consideration	186,565	355,032	-	-
Carrying value at disposal (Note 17)	(33,437)	(307,727)	-	-
Gain on disposal	153,128	47,305	-	-
Gain on disposal	1,623,136	47,305	2,291,176	-

12. Taxation

(a) Composition of tax charge

The taxation charge for the year is comprised of:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current income tax	170,975	72,941	45,770	6,165
Deferred income taxes (Note 18)	213,302	238,140	169,800	230,735
	384,277	311,081	215,570	236,900

Subject to agreement with the Tax Administration Jamaica, the group has losses available for offset against future taxable profits amounting to approximately $968,828,000 (2018 - $1,046,000,000).

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12. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Current income tax				
Profit before tax	8,734,542	5,672,498	5,350,388	1,994,354
Tax at 25%	2,183,636	1,418,125	1,337,597	498,588
Adjusted for the effects of:				
Income not subject to tax	(109,378)	(143,129)	(47,576)	(76,387)
Adjustment for income taxed at a different rate	20,836	(10,590)	(486,877)	(407,824)
Disposal of shares in associated companies	(405,784)	46,510	(572,794)	-
Share of associates' profit included net of tax	(1,238,275)	(1,174,065)	-	-
Expenses not deductible for tax purposes	127,662	144,079	111,858	127,054
Effect of (utilised)/unutilised losses	(121,074)	85,999	(121,074)	85,999
Incentives	(76,404)	(61,767)	-	-
Other charges and credits	3,058	5,919	(5,564)	9,470
Income tax expense	384,277	311,081	215,570	236,900

Income not subject to tax consists principally of property revaluation gains (for the group), and certain dividend and interest income (for the group and company). Expenses not deductible for tax consist principally of certain interest expense.

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12. Taxation (Continued)

(c) Tax charge/(credit) relating to components of other comprehensive income is as follows:

	The Group			The Company		
At 31 December 2019	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Exchange differences on translating foreign operations	4,210	-	4,210	-	-	-
Fair value gains on financial asset, FVOCI	106,982	(6)	106,976	101,786	-	101,786
Re-measurement of post-employment benefit obligation	(44,355)	11,089	(33,266)	(97,127)	24,282	(72,845)
Share of other comprehensive income of associated company	2,141,614	-	2,141,614	-		-
Other comprehensive income	2,208,451	11,083	2,219,534	4,659	24,282	28,941
Deferred income tax (Note 18)		11,083			24,282	

	The Group			The Company		
At 31 December 2018	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Exchange differences on translating foreign operations	2,665	-	2,665	-	-	-
Fair value gains on financial asset, FVOCI	9,298	2,363	11,661	20,738	-	20,738
Re-measurement of post-employment benefit obligation	93,375	(23,344)	70,031	84,029	(21,007)	63,022
Share of other comprehensive income of associated company	(1,102,654)	-	(1,102,654)	-	-	-
Other comprehensive income	(997,316)	(20,981)	(1,018,297)	104,767	(21,007)	83,760
Deferred income tax (Note 18)		(20,981)			(21,007)	

13. Earnings Per Stock Unit/Net Profit Attributable to Owners of the Parent

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to owners of the parent and the weighted average number of stock units in issue during the year, excluding ordinary stock units purchased by the group and held as treasury stock. For the financial year the group had a weighted average of 8,073,419 (2018 – 12,737,000) treasury stock units.

For fully diluted EPS, the weighted average number of stock units in issue is adjusted to assume conversion of all potentially dilutive ordinary stock units. The net profit is also adjusted to reflect the after-tax effect of income arising from the conversion of such potential ordinary stock units. There were no dilutive ordinary stock units. For 2019 and 2018 the calculation of fully diluted earnings per stock unit is the same as basic earnings per stock unit.

	2019	2018
Net profit attributable to stockholders ($'000)	8,308,325	5,333,750
Weighted average number of stock units in issue (thousands)	1,058,086	1,053,423
Basic and fully diluted earnings per stock unit ($)	$7.85	$5.06

14. Cash and Cash Equivalents

For the purposes of the consolidated and company statements of cash flows, cash and cash equivalents comprise the following balances with original terms to maturity not exceeding 90 days.

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash and bank balances	160,129	133,461	25,267	15,093
Deposits	702,826	464,532	594,427	231,718
Securities purchased under agreements to resell	854,545	909,889	588,766	592,678
Bank overdraft	(5,206)	(13,719)	(5,206)	(13,719)
	1,712,294	1,494,163	1,203,254	825,770
Deposits with maturity exceeding 90 days	(27,705)	(221,476)	-	(68,123)
Cash and cash equivalents	1,684,589	1,272,687	1,203,254	757,647
Expected credit loss provision	(5,726)	(5,524)	(4,435)	(3,289)
	1,678,863	1,267,163	1,198,819	754,358

Security for the bank overdraft includes certain specific investments. The effective rate on the overdraft facility was 14.65% (2018 – 14.65%).

Deposits and securities purchased under agreements to resell net of expected credit loss provision are $699,319,000 and $591,461,000 (2018 - $462,483,000 and $230,868,000) for deposits and $852,326,000 and $587,296,000 (2018 – $906,414,000 and $590,239,000) for securities purchased under agreements to resell for the group and company respectively.

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14. Cash and Cash Equivalents (Continued)

The group has entered into collateralised reverse repurchase agreements (securities purchased under agreements to resell), which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. All amounts were due within 12 months. The balance listed is carried gross of provision for expected credit losses amounting to $2,219,000 and $1,470,000 for the group and company respectively (2018 – $3,475,000 and $2,439,000).

15. Investment Securities

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Financial assets at fair value through other comprehensive income:				
Debt securities -				
Government of Jamaica	136,094	132,063	127,816	123,947
Other Government	97,236	81,977	54,142	43,592
Corporate	286,255	359,594	265,847	290,724
Equity securities	277,647	194,210	287,647	204,210
	797,232	767,844	735,452	662,473
Financial assets at fair value through profit or loss:				
Debt securities	26,961	-	-	-
Equity securities	8,934,220	6,594,390	7,178,578	5,023,449
	8,961,181	6,594,390	7,178,578	5,023,449
Financial assets at amortised cost:				
Debt securities -				
Government of Jamaica	65,120	-	65,120	-
Corporate bonds	144,175	75,216	144,175	75,216
Loans and receivables	20,540	17,788	354,482	349,264
	229,835	93,004	563,777	424,480

15. Investment Securities (Continued)

Included in the financial assets at fair value through other comprehensive income above is interest receivable amounting to $6,803,000 and $6,018,000 (2018 - $15,545,000 and $13,992,000) for the group and the company respectively.

The financial assets at fair value through profit or loss consist of equities held for trading, as well as non-trading equities. Non trading equities total $1,314,245,000 and $363,934,000 (2018 - $1,692,071,000 and $713,990,000) for the group and company respectively.

The financial assets at amortised cost above are carried net of an expected credit loss provision. The provision for corporate bonds is $2,596,000 (2018 - $1,322,000) for the group and company and for loans and receivable $43,703,000 (2018 - $89,000) for the group and company. Included in the total for bonds is interest receivable amounting to $1,451,000 (2018 - $1,002,000) for the group and company and in loans and receivables $21,228,000 (2018 - $19,413,000) for the company. All loans and receivables for the company are with related parties.

Certain of the group's and company's investment securities were impaired as at 31 December, for which impairment charges totaling nil (2018 - $7,704,000) for the group and company were recorded.

The current portion of investment securities is $10,201,000 (2018 - $54,315,000) for the group and $9,416,000 (2018- $52,762,000) for the company.

16. Investment Properties

		The Group	
	Note	**2019**	**2018**
		$'000	**$'000**
At 31 December as originally presented		8,358,674	7,839,676
Change in accounting policy IFRS 16	37	33,337	-
At 1 January, as restated		8,392,011	7,839,676
Improvements		12,838	-
Transferred from capital work-in-progress (Note 20)		123,296	26,218
Fair value gains (Note 6)		498,452	492,780
At 31 December		9,026,597	8,358,674

Amounts recognised in income statement for investment properties

	The Group	
	2019	**2018**
	$'000	**$'000**
Rental income (Note 6)	1,730,866	1,579,124
Direct costs (Note 8)	(772,194)	(747,801)
Fair value gains recognised in income (note 6)	498,452	492,780

16. Investment Properties (Continued)

Except for the unoccupied space of a property that is still under construction and carried at cost, all other properties were valued at current market value as at 31 December by D.C. Tavares & Finson Realty Limited, independent qualified property appraisers and valuators. The values for the properties have been established using the direct capitalization approach and discounted cash flow method. The direct capitalization approach uses as key inputs rental income from existing contracts, a vacancy factor which contemplates decrements in rental cash flows consequent on vacancies, and a capitalization rate, reflective of a rate of return. The discounted cash flow method considers the present value of net cash flows to be generated from a property considering an expected rental growth rate, a vacancy factor and a discount rate. Land owned by the group is valued using the comparable sales method.

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

The assumptions to which the values are most sensitive are the occupancy levels, as reflected in the vacancy factor and the capitalisation factors. Vacancy factors and the capitalization rates or discount rate used, range from 2% to 16% (2018 – 2% to 18%) and 2% to 13% (2018 – 9% to 13%) respectively. Should the vacancy factor used increase/decrease by 0.25% the value of investment properties would decrease/increase by $24,000,000/$69,000,000 (2018 - 21,000,000/$18,000,000). Should the capitalization factor or the discount rate increase/decrease by 1.0% the value of investment properties would decrease/increase by $680,000,000/$741,000,000 (2018 - $594,000,000/$706,000,000).

Certain of the group's investment property has been pledged as collateral for some of the group's loan facilities, as discussed in Note 24.

Leasing arrangements
The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk the group may obtain bank guarantees for the term of the lease.

Minimum lease payments receivable on leases of investment properties are as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Within 1 year	727,133	697,955
Between 1 and 2 years	470,502	475,466
Between 2 to 3 years	352,612	346,410
Between 3 to 4 years	231,043	244,191
Between 4 to 5 years	199,997	173,239
Later than 5 years	253,432	371,111
	2,234,719	2,308,372

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17. Investment in Subsidiaries and Associated Companies

Investment in subsidiaries

	The Company	
	2019	**2018**
	$'000	**$'000**
Subsidiary companies -		
Balance at 1 January	1,128,119	717,480
Incorporation	-	410,639
Balance at 31 December	1,128,119	1,128,119

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company also owns 100% of the preference shares of the subsidiaries included in the consolidation.

During 2018 the company incorporated a new subsidiary, Baywest Development Limited, a property development entity.

Net profit attributable to non-controlling interest for the year was $41,940,000 (2018 - $27,667,000), of which $58,000 (2018 - $396,000) was attributable to Scott's Preserves Limited and $41,882,000 (2018 - $27,271,000) to Knutsford Holdings Limited.

Summarised financial information for each material subsidiary that has a non-controlling interest:

Summarised statement of financial position

	Knutsford Holdings Limited		Scott's Preserves Limited	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Assets	177,938	137,454	89,180	88,841
Liabilities	(18,697)	(21,678)	(1,970)	(1,790)
Total current net assets	159,241	115,776	87,210	87,051
Non-current				
Assets	771,000	709,000	-	-
Financial liabilities	(93,027)	(91,951)	(23)	(37)
Total non-current assets/(liabilities)	677,973	617,049	(23)	(37)
Net assets	837,214	732,825	87,187	87,014

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in subsidiaries (continued)

Summarised statement of comprehensive income

	Knutsford Holdings Limited		Scott's Preserves Limited	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Revenue	214,213	172,797	-	-
Investment income	3,468	2,450	2,847	2,589
Profit from continuing operations	119,075	76,943	585	1,495
Taxation expense	(14,369)	(8,765)	(413)	(307)
Post tax profit from continuing operations	104,706	68,178	172	1,188
Total comprehensive income allocated to non-controlling interest	41,882	27,271	58	396

Summarised cash flows

	Knutsford Holdings Limited		Scott's Preserves Limited	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Cash flows from operating activities				
Cash generated from operations	69,125	57,608	(911)	(1,203)
Interest paid	(16,084)	(16,163)	-	-
Income tax paid	(12,295)	(11,907)	-	(6,607)
Net cash provided by/ (used in) operating activities	40,746	29,538	(911)	(7,810)
Net cash provided by/ (used in) investing activities	435	(9,968)	1,915	1,933
Net cash provided by financing activities	-	-	26	2,003
Net increase/(decrease) in cash and cash equivalents	41,181	19,570	1,030	(3,874)
Effect of exchange rate on cash and cash equivalent	927	540	996	665
Cash and cash equivalents at beginning of year	111,074	90,964	81,736	84,945
Cash and cash equivalents at end of year	153,182	111,074	83,762	81,736

The information above is the amount before inter-company eliminations.

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Opening balance	26,348,546	24,919,991	7,698,051	7,692,879
Adjustment – change in accounting policy	-	(145,131)	-	-
Additions	1,273,396	5,172	769,357	5,172
Disposal	(1,137,815)	(307,728)	(283,210)	-
Share of net profits	4,953,100	4,696,259	-	-
Dividends received	(1,939,429)	(1,686,388)	-	-
Share of reserves	1,952,071	(1,025,029)	-	-
Return of investment	(371,201)	(108,600)	(298,801)	-
Closing balance	31,078,668	26,348,546	7,885,397	7,698,051

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Associated companies -				
Life and Health Insurance, Pension Management, Investment and Banking				
Balance at 1 January	24,775,659	22,969,329	6,661,717	6,661,717
IFRS 9 initial application	-	(145,131)		-
Disposal	(1,104,378)	-	(283,210)	-
Share of net profit	4,714,257	4,455,790		-
Dividends received	(1,741,094)	(1,479,299)		-
Share of reserves	2,078,909	(1,025,030)		-
	28,723,353	24,775,659	6,378,507	6,661,717
Consumer Products				
Balance at 1 January	392,772	508,571	310,306	310,306
Share of net profit	144,594	75,926	-	-
Dividends received	(27,264)	(191,725)	-	-
	510,102	392,772	310,306	310,306

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Associated companies -				
Tourism/Hospitality				
Balance at 1 January	860,988	818,478	720,856	720,856
Additional investment	117,465	-	117,465	-
Return of investment	(298,801)	-	(298,801)	-
Share of net profit	105,921	57,874	-	-
Dividends received	(171,071)	(15,364)	-	-
	614,502	860,988	539,520	720,856
Realty Funds				
Balance at 1 January	314,677	623,613	-	-
Additional investment	504,039	-	-	-
Share of net (loss)/profit	(13,579)	107,391	-	-
Disposal	(33,437)	(307,727)	-	-
Return of investment	(72,400)	(108,600)	-	-
	699,300	314,677	-	-
Business Process Outsourcing				
Balance at 1 January	-	-	-	-
Additional investment	606,361	-	606,361	-
Share of net profit	12,119	-	-	-
Share of reserves	(126,838)	-	-	-
	491,642	-	606,361	-
Other				
Balance at 1 January	4,450	-	5,172	-
Additional investment	45,531	5,172	45,531	5,172
Share of net profit/(loss)	(10,212)	(722)	-	-
	39,769	4,450	50,703	5,172
Comprising:				
Share of net assets	28,692,431	24,535,812	-	-
Intangibles assets (including goodwill)	2,386,237	1,812,734	-	-
	31,078,668	26,348,546	7,885,397	7,698,051

A portion of the group's shareholding in Sagicor Group Jamaica Limited has been pledged as collateral for loan liabilities, as discussed in Note 24 of the financial statements.

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

The group's associated company, Sagicor Group Jamaica Limited is listed on the JSE. The JSE indicative values based on closing bids for these companies at 31 December are listed in the tables below.

	The Group			
	Carrying Value	JSE Indicative Value	Carrying Value	JSE Indicative Value
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Sagicor Group Jamaica Limited	28,723,353	92,007,606	24,775,659	49,063,420

	The Company			
	Carrying Value	JSE Indicative Value	Carrying Value	JSE Indicative Value
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Sagicor Group Jamaica Limited	6,378,507	92,007,606	6,661,717	49,063,420

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

The summarised information for associates that were accounted for using the equity method for the years ended 31 December 2019 and 2018 is as presented in the tables below. The summarized financial information reflects balances which are due to the equity holders of the companies.

Summarised statement of financial position

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Total assets	459,999,024	1,935,165	7,927,271	1,688,487	6,375,781	599,669
Total liabilities	(339,074,756)	(445,313)	(5,753,773)	(1,071,396)	(3,967,419)	(1,016,990)
Non-controlling interest	(29,672,714)	-	(1,328)	-	(562,212)	51,868
Net assets	91,251,554	1,489,852	2,172,170	617,091	1,846,150	(365,453)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Total assets	394,132,753	1,455,583	6,831,586	-	2,151,106	16,778
Total liabilities	(292,437,934)	(317,756)	(4,639,589)	-	(1,496,500)	(18)
Non-controlling interest	(27,354,811)	-	-	-	-	-
Net assets	74,340,008	1,137,827	2,191,997	-	654,606	16,760

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

Summarised statement of comprehensive income (continued)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Revenue	92,669,323	2,518,301	6,288,189	1,299,344	173,630	62,685
Depreciation and amortisation	2,777,772	48,503	497,237	55,458	-	19,400
Net investment/Interest income	26,981,991	18,426	(113,927)	(17,956)	-	5,054
Profit/(loss) from continuing operations	20,727,597	433,825	453,571	80,791	(97,483)	(41,788)
Taxation expense	(5,253,971)	-	(27,250)	-	-	-
Post tax profit/(loss) from continuing operations	15,463,626	433,825	426,321	80,791	(97,483)	(41,788)
Other comprehensive income	7,323,187	-	-	-	-	
Non-controlling interest	49,766	-	(6,645)	-	45,866	
Total comprehensive income	22,786,813	433,825	419,676	80,791	(51,617)	(41,788)
Dividends received from associate	1,741,094	27,264	171,071	-	-	-

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Revenue	70,656,793	2,138,032	4,320,783	-	750,496	
Depreciation and amortisation	1,448,166	40,580	428,180	-	-	-
Net investment/Interest income	19,543,512	16,547	(95,648)	-	35,179	714
Profit/(loss) from continuing operations	18,048,325	227,800	205,569	-	198,883	(3,610)
Taxation expense	(4,170,507)	-	(80,870)	-	-	-
Post tax profit/(loss) from continuing operations	14,231,982	227,800	124,699	-	198,883	(3,610)
Other comprehensive income	(3,493,460)	-	-	-	-	-
Non-controlling interest	(1,279,631)	-	-	-	-	-
Total comprehensive income	9,458,891	227,800	124,699	-	198,883	(3,610)
Dividends received from associate	1,479,299	191,725	15,364	-	-	-

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

Reconciliation of summarised financial information
A reconciliation of summarised financial information presented to the carrying amount of its interest in associates is shown in the table below. The amounts shown in the table are the amounts attributable to the equity holders of the associated companies.

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	$'000	$'000		$'000	$'000	$'000
2019						
Opening net assets at 1 January	74,340,008	1,137,827	2,202,289	-	654,606	16,760
Net assets/(liabilities) acquired	-	-	-	-	-	(397,281)
Capital contribution	-	-	994,714	1,388,598	1,490,258	19,094
Return of capital contribution	-	-	(853,717)	-	(296,689)	-
Profit or loss for the period	15,650,304	433,825	419,677	80,791	(51,617)	(41,788)
Other comprehensive income	7,086,743	-	-	-	-	-
Change in reserves	(201,386)	-	-	(845,586)	-	27,379
Adjustment		-	71,244	-	-	-
Dividends paid	(5,624,115)	(81,800)	(526,403)	-	-	-
Translation (losses)/gains	-	-	(135,634)	(6,712)	49,592	10,382
Closing net assets at 31 December	91,251,554	1,489,852	2,172,170	617,091	1,846,150	(365,454)
Interest in associate (J$)	27,576,220	496,568	537,082	92,564	606,694	(92,883)
Adjustment for pre-acquisition goodwill	(200,041)	-	(53,538)	-	-	-
Disposal of shareholding		-	(121,111)	-	-	-
Other adjustments	(107,207)	-	(47,075)	1,007	14,100	(9,950)
Goodwill and intangible assets	1,454,381	13,534	299,144	398,071	78,506	142,601
Carrying value	28,723,353	510,102	614,502	491,642	699,300	39,768

See Note 1 for shareholding in associated companies.

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Realty Funds	Other
	$'000	$'000	$'000	$'000	$'000
2018					
Opening net assets at 1 January	68,502,131	1,485,260	2,164,257	1,354,556	-
Disposal	-	-	-	(571,770)	-
Capital contribution	-	-	-	-	20,370
Return of capital contribution	-	-	-	(313,873)	-
Profit or loss for the period	14,231,982	227,800	124,699	210,447	(3,610)
Other comprehensive income	-	-	-	-	-
Change in reserves	(3,247,542)	-	-	-	-
Adjustment	(459,798)	-	(33,805)	-	-
Dividends paid	(4,686,765)	(575,233)	(76,819)	-	-
Translation (losses)/gains	-	-	13,665	(24,754)	-
Closing net assets at 31 December	74,340,008	1,137,827	2,191,997	654,606	16,760
Interest in associate (J$)	23,461,706	379,238	646,211	281,613	3,352
Adjustment for pre-acquisition goodwill	(200,041)		(53,538)	-	
Disposal of shareholding	-	-	-	-	-
Other adjustments	23,313	-	(30,829)	24,787	-
Goodwill and intangible assets	1,490,681	13,534	299,144	8,277	1,098
Carrying value	24,775,659	392,772	860,988	314,677	4,450

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18. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25%.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Deferred tax liabilities	(637,805)	(435,586)	(500,768)	(355,250)
Net liability	(637,805)	(435,586)	(500,768)	(355,250)

The gross movement on the deferred income tax balance is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at a 1 January	(435,586)	(176,465)	(355,250)	(103,508)
Tax charged to income statement (Note 12)	(213,302)	(238,140)	(169,800)	(230,735)
Tax credited/(charged) to components of other comprehensive income (Note 12)	11,083	(20,981)	24,282	(21,007)
Balance at 31 December	(637,805)	(435,586)	(500,768)	(355,250)

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18. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

	The Group					
	Pension and other post employment benefits $'000	Interest payable $'000	Stock compensation provision $'000	Unutilised tax losses $'000	Other $'000	Total $'000
Deferred income tax assets						
At 1 January 2018	131,585	23,224	22,029	799	9,625	187,262
Credited/(charged) to the income statement	14,572	(11,063)	3,120	(90)	(252)	6,287
At 31 December 2018	146,157	12,161	25,149	709	9,373	193,549
Credited/(charged) to the income statement	22,059	2,060	2,649	121,116	(460)	147,424
At 31 December 2019	168,216	14,221	27,798	121,825	8,913	340,973

	The Group						
	Property, plant and equipment $'000	Pension benefits $'000	Investment property $'000	Interest receivable $'000	Unrealised foreign exchange gains $'000	Investment securities $'000	Total $'000
Deferred income tax liabilities							
At 1 January 2018	17,832	50,596	156,125	11,771	36,890	90,513	363,727
Charged/(credited) to the income statement	2,813	(2,945)	14,370	9,007	(895)	222,077	244,427
Charged/(credited) to other comprehensive income	-	23,344	-	-	-	(2,363)	20,981
At 31 December 2018	20,645	70,995	170,495	20,778	35,995	310,227	629,135
Charged/(credited) to the income statement	(963)	3,286	22,427	2,758	(13,382)	346,600	360,726
(Credited)/charged to other comprehensive income	-	(11,089)	-	-	-	6	(11,083)
At 31 December 2019	19,682	63,192	192,922	23,536	22,613	656,833	978,778

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18. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

	The Company					
	Pension and other post retirement benefits $'000	Interest payable $'000	Stock compensation provision $'000	Unutilised tax losses $'000	Other $'000	Total $'000
Deferred income tax assets						
At 1 January 2018	12,632	17,506	13,511	-	429	44,078
(Charged)/credited to income statement	(2,762)	(7,689)	765	-	304	(9,382)
At 31 December 2018	9,870	9,817	14,276	-	733	34,696
Credited/(charged) to income statement	3,207	2,060	-	121,116	(81)	126,302
At 31 December 2019	13,077	11,877	14,276	121,116	652	160,998

	The Company					
	Property, plant and equipment $'000	Retirement benefits $'000	Interest receivable $'000	Unrealised foreign exchange gains $'000	Unrealised trading gains $'000	Total $'000
Deferred income tax liabilities						
At 1 January 2018	920	51,536	14,508	30,544	50,078	147,586
Charged/(credited) to income statement	2,813	(2,945)	10,768	(1,163)	211,880	221,353
Charged to other comprehensive income	-	21,007	-	-	-	21,007
At 31 December 2018	3,733	69,598	25,276	29,381	261,958	389,946
(Credited)/charged to income statement	(963)	3,286	2,792	(10,404)	301,391	296,102
Charged to other comprehensive income	-	(24,282)	-	-	-	(24,282)
At 31 December 2019	2,770	48,602	28,068	18,977	563,349	661,766

Deferred income tax liabilities have not been established for the potential distribution of the unappropriated profits of subsidiaries as such distributions are not subject to tax.

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18. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position include the following:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Deferred tax assets to be recovered after more than 12 months	196,014	171,307	27,353	24,146
Deferred tax assets to be recovered within 12 months	144,959	22,242	133,645	10,550
	340,973	193,549	160,998	34,696
Deferred tax liabilities to be settled after more than 12 months	(256,114)	(241,489)	(48,602)	(69,598)
Deferred tax liabilities to be settled within 12 months	(722,664)	(387,646)	(613,164)	(320,348)
	(978,778)	(629,135)	(661,766)	(389,946)
Net liabilities	(637,805)	(435,586)	(500,768)	(355,250)

19. Prepayments and Miscellaneous Assets

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Trade receivables	29,286	25,214	-	-
Inventories	2,554	2,594	-	-
Managed properties receivables	90,883	88,675	-	-
Prepaid expenses	35,741	36,701	1,953	1,880
Reinsurance receivables	85,295	57,535	-	-
Premium receivable	35,509	32,009	-	-
Other receivables	343,295	267,554	189,217	121,299
Deposits	4,083	4,568	4,083	4,568
Land awaiting development	1,167,831	1,156,515	-	-
	1,794,477	1,671,365	195,253	127,747

The current portion of miscellaneous assets amounted to $626,646,000 (2018 - $514,851,000) for the group and $195,253,000 (2018 - $127,747,000) for the company.

Included in other receivables are amounts due from related parties totaling $142,004,000 (2018 - $111,065,000) for the group and the company.

Land awaiting development comprises properties owned by the group which the group intends to develop for resale.

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20. Property, Plant and Equipment

		The Group					
		Freehold Premises	Leasehold Improvements	Furniture, Fixtures & Equipment	Motor Vehicles	Capital Work in Progress	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
At Cost -							
1 January 2018		65,964	14,325	357,292	114,251	53,598	605,430
Additions		-	-	1,297	6,327	82,866	90,490
Disposals		-	-	-	(2,880)	-	(2,880)
Transfers	16	-	-	-	-	(26,218)	(26,218)
31 December 2018		65,964	14,325	358,589	117,698	110,246	666,822
Additions		-	-	5,272		390,812	396,084
Change in accounting policy – IFRS 16	37	-	-	-	13,420		13,420
Disposals		-	-	-	(15,120)	-	(15,120)
Transfers	16	-	-	6,461	-	(129,757)	(123,296)
31 December 2019		65,964	14,325	370,322	115,998	371,301	937,910
Accumulated Depreciation -							
1 January 2018		13,529	9,912	113,381	70,085	-	206,907
Charged for year		723	67	19,680	13,292	-	33,762
Relieved on disposals		-	-	-	(2,280)	-	(2,280)
31 December 2018		14,252	9,979	133,061	81,097	-	238,389
Charged for year		723	67	20,393	16,405	-	37,588
Relieved on disposals		-	-	-	(13,423)	-	(13,423)
31 December 2019		14,975	10,046	153,454	84,079	-	262,554
Net Book Value -							
31 December 2019		50,989	4,279	216,868	31,919	371,301	675,356
31 December 2018		51,712	4,346	225,528	36,601	110,246	428,433

In the previous year, the company recognised only lease assets and lease liabilities that were classified as finance leases under IAS 17 Leases. These assets are included in motor vehicles with a net book value of $7,700,000. In 2019 the group adopted IFRS 16, 'Leases' and recognised a right of use asset classified in motor vehicles with a net book value of $17,910,000 and related lease liability of $16,504,000.

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20. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Property under Finance Lease	**Leasehold Improvements**	**Furniture & Fixtures**	**Motor Vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At Cost -					
1 January 2018	-	199	12,877	59,105	72,181
Additions	-	-	351	-	351
31 December 2018		199	13,228	59,105	72,532
Change in accounting policy - IFRS 16	79,235	-	-	-	79,235
Additions	-	-	585	-	585
31 December 2019	79,235	199	13,813	59,105	152,352
Accumulated Depreciation -					
1 January 2018	-	199	7,463	32,114	39,776
Charged for the year	-	-	867	6,162	7,029
31 December 2018	-	199	8,330	38,276	46,805
Charged for the year	1,981	-	1,036	6,162	9,179
31 December 2019	1,981	199	9,366	44,438	55,984
Net Book Value -					
31 December 2019	77,254	-	4,447	14,667	96,368
31 December 2018	-	-	4,898	20,829	25,727

On the adoption of IFRS -16 Leases, the company recognised a right of use asset with a net book value at 31 December 2019 of $77,254,000 and relating liability of $71,639,000 as finance lease liability. In the previous year, the company recognised only lease assets and lease liabilities that were classified as finance leases under IAS17 Leases.

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21. Intangibles

During 2019, a subsidiary upgraded its property management solution software licences which it acquired during 2015 and the company purchased human resource management solution software licences. The carrying balance at 31 December 2019 was $15,635,000 (2018- nil) for the group and $10,303,000 (2018 – nil) for the company. These costs are being amortised using the straight-line method over their expected useful life.

The group acquired the business of its 50% joint arrangement partner Downing Street (Caribbean Place) Limited in 2017 and as a result of the transaction, a final goodwill of $33,082,000 was recognized.

	The Group			The Company	
	Goodwill $'000	Computer Software $'000	Total $'000	Computer Software $'000	Total $'000
At Cost -					
1 January 2018	23,191	64,709	87,900	-	-
Additions	9,891	-	9,891	-	-
31 December 2018	33,082	64,709	97,791	-	-
Additions	-	15,635	15,635	10,303	10,303
31 December 2019	33,082	80,344	113,426	10,303	10,303
Accumulated Amortisation -					
1 January 2018	-	40,292	40,292	-	-
Amortisation	-	24,417	24,417	-	-
31 December 2018	-	64,709	64,709	-	-
Amortisation	-	-	-	-	-
31 December 2019	-	64,709	64,709	-	-
Net Book Value -					
31 December 2019	33,082	15,635	48,717	10,303	10,303
31 December 2018	33,082	-	33,082	-	-

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22. Retirement Benefits

The company and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the group's assets in separate funds administered by the trustees of the plans. Defined benefit plans are valued by independent actuaries annually, using the projected unit credit method.

The latest actuarial valuations were carried out as at 31 December 2019.

The Trustees are responsible for reviewing the investment portfolio mix of the plans to ensure that the assets are invested efficiently whilst maintaining the prescribed limits as set by the Regulator, within each portfolio class. The Trustees also ensures that the funding contributions are within acceptable levels.

The amounts recognised in the statement of financial position comprise:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Assets				
(Note 22(a))	-	-	259,643	343,627
Liabilities				
Funded pension obligations (Note 22(a))	70,645	65,408	-	-
Unfunded pension obligations (Note 22(b))	378	404	378	404
Other (Note 22(c))	299,231	184,994	51,927	39,075
	370,254	250,806	52,305	39,479

The expense recognised in the income statement comprises:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Pension obligations - funded (Note 22(a))	60,090	50,784	(1,685)	(184)
Pension obligations – unfunded (Note 22(b))	26	30	26	30
Other post-employment obligations:				
Medical and life insurance (Note 22(c))	21,334	35,199	3,885	6,282
	81,450	86,013	2,226	6,128

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22. Retirement Benefits (Continued)

(a) Funded pension obligations

The movement in the amount recognised in the statement of financial position is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at beginning of year	65,408	24,875	(343,627)	(271,380)
Benefit expense	60,090	50,784	(1,685)	(184)
Re-measurement recognised in OCI	(54,160)	1,098	85,914	(68,745)
Employer's contribution	(693)	(11,349)	(245)	(3,318)
Balance at end of year	70,645	65,408	(259,643)	(343,627)

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Present value of funded obligations	1,521,099	1,540,652	343,005	402,314
Fair value of plan assets	(1,761,766)	(1,536,482)	(913,960)	(807,179)
	(240,667)	4,170	(570,955)	(404,865)
Unrecognised asset due to asset ceiling	311,312	61,238	311,312	61,238
Liability/(asset) in the statement of financial position	70,645	65,408	(259,643)	(343,627)

Sagicor Group Jamaica Limited, an associated company which manages the group's pension fund assets, has invested through its pooled investment funds in 121,173,933 (2018 – 121,173,933) ordinary stock units of the company with a fair value of $12,177,980,000 (2018 – $8,723,311,000).

The company has submitted a windup proposal for one of its pension plans to the Financial Services Commission and is awaiting a ruling from the Supreme Court regarding the actuarially recommended distribution of the surplus.

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22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at beginning of year	1,540,652	1,266,276	402,314	311,315
Current service cost	55,470	49,105	18,264	16,866
Interest cost	100,384	92,461	21,061	16,716
	1,696,506	1,407,842	441,639	344,897
Re-measurements -				
(Gains)/loss from change in financial assumptions	(115,327)	222,986	(25,358)	40,643
Experience (gains)/losses	(74,041)	(101,197)	(80,977)	13,242
	(189,368)	121,789	(106,335)	53,885
Members' contributions	36,465	35,034	13,189	10,920
Benefits paid	(64,157)	(43,375)	(5,488)	(7,388)
Purchased annuities	41,653	19,362	-	-
Balance at end of year	1,521,099	1,540,652	343,005	402,314

The movement in the fair value of plan assets over the year is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at beginning of year	1,536,482	1,407,837	807,179	749,131
Interest income	100,051	104,097	45,297	47,081
Re-measurements -				
Gain/(loss) from change in financial assumptions	1,083	2,001	(582)	416
Experience gains	109,496	178	54,120	3,701
Members' contributions	36,465	35,034	13,189	10,920
Employer's contributions	693	11,348	245	3,318
Benefits paid	(64,157)	(43,375)	(5,488)	(7,388)
Purchased annuities	41,653	19,362	-	-
Balance at end of year	1,761,766	1,536,482	913,960	807,179

The actual return on plan assets for 2019 was $227,142,000 and $106,083,000 (2018 – $124,117,000 and $60,404,000) for the group and the company, respectively.

22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The expected employer and members contributions for the year 2020 are $41,617,000 for the group and $11,664,000 for the company.

The movement on the asset ceiling during the year is as follows:

	The Group and The Company	
	2019	2018
	$'000	$'000
Balance at beginning of year	61,238	166,436
Change in asset ceiling, excluding amounts included in interest expense	4,287	13,315
Re-measurement	245,787	(118,513)
	311,312	61,238

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current service cost	55,470	49,105	18,264	16,866
Interest cost/(credit)	4,620	1,679	(19,949)	(17,050)
Total	60,090	50,784	(1,685)	(184)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2019	2018	2019	2018
	%	%	%	%
Discount rate	7.5	7.0	7.5	7.0
Future salary increases	7.0	7.0	7.0	7.0
Future pension increases	2.0	2.0	2.0	2.0
Inflation	4.0	3.0	4.0	3.0

PanJam Investment Limited

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22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2019	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(221,438)	307,074
Future salary increases	1%	86,771	(73,532)
Future pension increases	1%	142,292	(121,344)

2019	Increase Assumption by One Year	Decrease Assumption by One Year
Life expectancy	29,854	(30,168)

2018	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(201,740)	266,255
Future salary increases	1%	97,552	(82,744)
Future pension increases	1%	153,528	(130,296)

2018	Increase Assumption by One Year	Decrease Assumption by One Year
Life expectancy	20,988	(21,470)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

PanJam Investment Limited

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22. Retirement Benefits (Continued)

(b) Unfunded pension obligations

The amounts recognised in the statement of financial position are determined as follows:

	The Group and Company	
	2019	**2018**
	$'000	**$'000**
Present value of unfunded obligations	378	404

The movement in the liability recognised in the statement of financial position is as follows:

	The Group and Company	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of year	404	400
Current service cost	26	30
	430	430
Re-measurements -		
Experience losses	7	33
	7	33
Benefits paid	(59)	(59)
Balance at end of year	378	404

PanJam Investment Limited

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22. Retirement Benefits (Continued)

(c) Other post-employment obligations

In addition to pension benefits, the company and certain subsidiaries offer retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The main actuarial assumption is a long-term increase in health costs of 7.5% per year (2018 –5%).

Other assumptions were as for the pension plans set out above.

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Present value of unfunded obligations	299,231	184,994	51,927	39,075

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at beginning of year	184,994	248,837	39,075	50,128
Benefit expense	8,577	15,470	1,227	2,351
Interest cost on defined benefit obligation	12,757	19,729	2,658	3,932
Re-measurements -				
(Gain)/loss from change in financial assumptions	(15,690)	68,220	(2,187)	8,839
Experience losses/(gains)/	114,205	(162,724)	13,400	(24,158)
Benefits paid	(5,612)	(4,538)	(2,246)	(2,017)
Balance at end of year	299,231	184,994	51,927	39,075

PanJam Investment Limited

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22. Retirement Benefits (Continued)

(c) Other post-employment obligations (continued)

The expense recognised in the income statement is as follows:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current service cost	8,577	15,470	1,227	2,351
Interest cost	12,757	19,729	2,658	3,931
Total, included in staff costs (Note 9)	21,334	35,199	3,885	6,282

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Change in Assumption	
	Increase $'000	Decrease $'000
Increase/(decrease) in the defined benefit obligation	69,816	(53,050)

Plan assets for the post-employment benefits are comprised as follows:

	The Group			
	2019		2018	
	$'000	%	$'000	%
Equity	486,343	27	405,616	29
Debt	48,697	3	42,962	2
Unitised investments	1,226,726	70	1,087,904	69
	1,761,766	100	1,536,482	100

	The Company			
	2019		2018	
	$'000	%	$'000	%
Equity	238,986	26	189,131	23
Unitised investments	674,974	74	618,048	77
	913,960	100	807,179	100

22. Retirement Benefits (Continued)

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will reduce the surplus or create a deficit with respect to the net assets available for benefits.

As the plan matures, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A high percentage of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Funding levels are monitored on an annual basis and the current employer contribution rates are between 0.25% and 10% of pensionable salaries. The last valuation was completed effective 31 December 2016. The group considers the contribution rates to be sufficient to prevent a deficit and that the plans are adequately funded.

PanJam Investment Limited

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23. Related Party Balances and Transactions

(a) The statements of financial position include the following balances with related parties and companies:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Amounts due from related parties:				
The PanJam Share Trust	-	-	-	48,162
Subsidiaries:				
PanJam Hospitality Limited	-	-	70,117	26,199
Portfolio Partners Limited	-	-	11,255	5,006
Castleton Investments Limited	-	-	463,362	561,744
Jamaica Property Company Limited	-	-	1,161,580	1,126,603
Jamaica Property Development Limited	-	-	5	5
Scott's Preserves Limited	-	-	1,067	906
PJ-AL Corp Limited	-	-	512,202	477,348
Simcoe Investments Limited	-	-	437,017	230,109
Baywest Development Limited	-	-	24,485	14,062
Kingchurch Property Holdings Limited	-	-	-	4,000
Panacea Insurance Limited	-	-	-	942
	-	-	2,681,090	2,495,086
Loss provision	-	-	(26,204)	(26,204)
	-	-	2,654,886	2,468,882
Amounts due to related parties:				
The PanJam Share Trust	-	-	3,052	-
Subsidiaries:				
Panacea Holdings Limited	-	-	-	1,765
Panacea Insurance Limited	-	-	817	-
	-	-	3,869	1,765
Net asset	-	-	2,651,017	2,467,117

The current portion of amounts due from related parties was $201,237,000 (2018 - $600,079,000) and to related parties was $3,869,000 (2018 - $1,765,000) for the company.

Other balances with related parties are discussed in Notes 15, 17 and 19, which deal with "investment securities", "investments in subsidiaries and associated companies" and "prepayments and miscellaneous assets" respectively.

The group applies the IFRS 9 general approach to measuring expected credit losses for related parties' balances. The company recognized loss allowance of nil (2018 - $26,204,000).

PanJam Investment Limited

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23. Related Party Transactions and Balances (Continued)

(b) The consolidated and company income statements include the following transactions with related parties:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries -				
Management fees	-	-	50,049	49,314
Interest income	-	-	227,856	228,155
Dividend income	-	-	-	110,000
Interest expense	-	-	-	7,025
Associated companies -				
Dividend income	-	-	1,939,429	1,743,162
Other related parties -				
Interest and other income earned	19,861	16,908	12,117	11,033
Interest and other expenses incurred	(55,617)	(64,758)	(1,118)	(705)
Other expenses	(14,128)	(14,245)	(10,429)	(11,127)

PanJam Investment Limited

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23. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Salaries and other short-term employee benefits	286,631	297,582	164,148	177,289
Statutory contributions	9,443	21,389	5,805	12,598
Post-employment benefits	18,128	19,458	219	1,549
Share-based compensation	47,756	40,258	28,326	23,765
	361,958	378,687	198,498	215,201
Directors' emoluments				
Directors' fees	17,892	18,847	16,588	17,550
Management compensation (included above)	154,583	157,327	87,624	87,543
	172,475	176,174	104,212	105,093

(d) Loans from related parties

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	713,600	765,210	-	-
New loans	-	250,325	-	250,325
Repayments	(57,842)	(301,935)	-	(250,325)
Interest charged	53,306	64,758	-	705
Interest paid	(53,306)	(64,758)	-	(705)
	655,758	713,600	-	-

PanJam Investment Limited

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24. Loan Liabilities

	Currency	Rate %	Repayable	The Group 2019 $'000	The Group 2018 $'000
Secured –					
(i) CIBC First Caribbean International Bank Ltd	J$	5.37/5.65	2020	2,886	6,743
(ii) Sagicor Bank Jamaica Ltd/DBJ	J$	8.00	2021	7,302	11,796
(iii) Sagicor Bank Jamaica Ltd	J$	7.75	2028	648,454	701,804
(iv) JN Bank	J$	9.25	2024	20,369	20,369
(v) JN Bank	J$	9.25	2024	25,000	25,000
(vi) Investment Bonds	J$	4.32/4.57	2022	2,982,436	2,975,637
(vii) Investment Bonds	J$	8.25	2020	-	1,184,727
(viii) Investment Bonds	J$	6.85	2024	2,761,466	-
(ix) Investment Bonds	J$	9.00	2025	-	1,470,919
(x) Commercial Notes	J$	5.25	2019	-	495,667
(xi) Commercial Notes	J$	4.65	2019	-	492,712
(xii) Commercial Note	J$	5.20/4.95	2020	1,995,050	2,681,297
(xiii) Urban Renewal Bonds	J$	2.71 /3.12	2023	292,191	319,959
(xiv) Bank of Nova Scotia Jamaica Ltd	J$	8.49	2021	2,024	3,238
(xv) Bank of Nova Scotia Jamaica Ltd	J$	8.49	2021	6,769	9,747
(xvi) Bank of Nova Scotia Jamaica Ltd	J$	7.49	2023	2,890	3,606
(xvii) National Commercial Bank Jamaica Limited	J$	6.35	2024	497,863	-
Unsecured -					
(xviii) JN Properties Limited	J$	Variable	No fixed date	13,586	13,586
(xix) Bank of Nova Scotia Jamaica Ltd	J$	5.00	2019	-	31,304
				9,258,286	10,448,111
Interest payable				85,456	111,419
				9,343,742	10,559,530

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24. Loan Liabilities (Continued)

	Currency	Rate %	Repayable	The Company 2019 $'000	The Company 2018 $'000
Secured -					
(vi) Investment Bonds	J$	4.32/4.57	2022	2,982,436	2,975,637
(vii) Investment Bonds	J$	8.25	2020	-	1,184,727
(viii) Investment Bonds	J$	6.85	2024	2,761,466	-
(ix) Investment Bonds	J$	9.00	2025	-	1,470,919
(x) Commercial Notes	J$	5.25	2019	-	495,667
(xi) Commercial Notes	J$	4.65	2019	-	492,712
(xii) Commercial Note	J$	5.20/4.95	2020	1,995,050	2,681,297
(xiii) Urban Renewal Bonds	J$	2.71/3.12	2023	292,191	319,959
(xv) Bank of Nova Scotia Jamaica Ltd	J$	8.49	2021	6,769	9,747
(xvii) National Commercial Bank Jamaica Ltd	J$	6.35	2024	497,863	-
				8,535,775	9,630,665
Interest payable				85,456	111,419
				8,621,231	9,742,084

The current portion of loan liabilities amounted to $2,182,455,000 (2018 - $1,238,620,000) for the group and $2,117,698,000 (2018 - $1,143,398,000) for the company.

Commercial Notes/bonds are shown net of transaction costs, which are amortised over the life of the notes. Total transaction costs amounted to $132,651,000 (2018 - $159,225,000) and the unamortised portion at 31 December 2019 was $72,495,000 (2018 - $100,507,000).

(i) This loan was issued by CIBC First Caribbean International Bank Limited (FCIB) to assist with elevator equipment upgrade. Interest on this loan was fixed for the first 2 years at 10.5%, following which the rate is 3.5% above the weighted average yield of the last six-month Government of Jamaica Treasury Bill issued prior to the repricing date. The loan is secured by a first mortgage over commercial lots 187 – 194 (inclusive) located at Grenada Crescent, New Kingston and lots 238 – 245 (inclusive) located at 31 – 37 Barbados Avenue, New Kingston. The loan is scheduled to be repaid by 2020, but is repayable on demand, should such a request be made by the bank.

(ii) This represents a loan from Development Bank of Jamaica through Sagicor Bank Jamaica Limited, for the purchase and installation of solar panels. Interest is charged at a rate of 8% per annum. The loan is scheduled to be repaid by 2021.

24. Loan Liabilities (Continued)

(iii) This represents a loan issued by Sagicor Bank Jamaica Limited to assist with the renovation of building located at 2 – 4 King Street (former Oceana Hotel). Interest is charged at Sagicor Bank's base rate less 8.65%. The loan is secured by a first mortgage over the building and is being repaid in 144 monthly instalments ending April 2028.

(iv) This represents the first drawdown on a J$67,000,000 mortgage loan facility from JN Bank, to assist with renovations to the building located at 23 – 27 Knutsford Boulevard. Interest is charged at a rate of 9.25% per annum. The loan is secured by a first mortgage over lot 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024.

(v) This represents the second drawdown on a J$67,000,000 mortgage loan facility from JN Bank, to assist with the purchase of lots 42 and 43 New Kingston. The loan is secured by a first mortgage over lot 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024. Interest currently charged is 9.25% per annum.

(vi) This represents the carrying value of certain secured investment bonds issued by the group and company in 2015 with a face value of $3,000,000,000, net of issue costs. Interest was fixed to August 13, 2017 at 10.85% per annum, following which the rate is 2.50% above the weighted average yield of the six-month Government of Jamaica Treasury Bill prevailing at each repricing date. At December 31, 2019 the interest rate was 4.32%. The bonds are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total bonds issued, related parties hold $260,000,000.

(vii) This represented the carrying value of certain secured investment bonds issued by the group and company in 2017, with a face value of $1,195,000,000, net of issue costs. Interest was fixed at 8.25% per annum for the term of the bond. The bonds were prepaid in 2019.

(viii) This represents the carrying value of certain secured investment bonds issued by the group and company in 2019, with a face value of $2,800,000,000, net of issue costs. Interest is fixed at 6.85% per annum for the term of the bond. The bonds are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total bonds issued, related parties hold $1,190,000,000.

(ix) This represented the carrying value of certain secured investment bonds issued by the group and company in 2017 with a face value of $1,492,000,000, net of issue costs. Interest was fixed to May 31, 2021 at 9.00% per annum. The bonds were prepaid in 2019.

(x) This represented the carrying value of certain secured notes issued by the group and company in May 2018 with a face value of $500,000,000, net of issue costs. Interest was fixed 5.25% per annum. The notes were prepaid in 2019.

(xi) This represented the carrying value of certain secured notes issued by the group and company in September 2018 with a face value of $500,000,000, net of issue costs. Interest was fixed 4.65% per annum. The notes were prepaid in 2019.

(xii) This represents the carrying value of certain notes issued by the group and company in September 2018, with a face value of $2,000,000,000, net of issue costs. Interest was fixed at 4.95% to October 30, 2019, thereafter 5.20% per annum. The note is supported by pledge of certain Sagicor Group Jamaica Limited shares owned by the group. The original value of notes issued was $2,708,924,000 and $708,924,000 was prepaid in 2019.

24. Loan Liabilities (Continued)

(xiii) This represents the carrying value of urban renewal bonds issued by the group and company in 2016 with a face value of $296,500,000, net of issue costs. Interest was fixed to June 16, 2018 at 8.05% per annum multiplied by a factor of 0.875, following which the rate is 1.50% above the weighted average yield of the six-month Government of Jamaica Treasury Bill prevailing at each repricing date, multiplied by a factor of 0.875. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group.

(xiv) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.

(xv) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.

(xvi) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 7.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2023.

(xvii) This represents drawdown on a $2,500,000,000 loan facility from National Commercial Bank Jamaica Limited to refinance debt and for general working capital. Interest is fixed at 6.35% per annum. The loan is scheduled to be repaid in 2024 and is secured by certain Sagicor Group Jamaica Limited shares owned by the group.

(xviii) This represents a loan advanced by JN Properties Limited. The debt is unsecured, attracts interest at a variable rate and has no fixed repayment terms.

(xix) This represented the balance on a J$70,000,000 unsecured loan from Bank of Nova Scotia Jamaica Limited to finance insurance premiums. Interest was charged at 5.00% per annum. The loan was repaid in 2019.

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25. Lease Liabilities

The lease obligations are as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Minimum lease payments:				
Not later than 1 year	10,800	3,692	8,778	-
Later than 1 year and not later than 5 years	33,265	6,799	100,836	-
	44,065	10,491	109,614	-
Future finance charges	(3,561)	(2,385)	(37,975)	-
Present value of finance lease obligations	40,504	8,106	71,639	-

The present value of the lease obligations is as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	5,917	2,555	7,667	-
Later than 1 year and not later than 5 years	34,587	5,551	63,972	-
	40,504	8,106	71,639	-

Certain leases are secured by motor vehicles owned by the group.

26. Other Liabilities

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Other liabilities and accrued expenses	289,427	276,423	163,390	155,863
Reinsurance liabilities	83,504	88,365	-	-
Deposits	66,861	54,741	-	-
Trade payables	55,327	43,382	17,610	12,526
Dividends payable	264,775	-	266,540	-
Accounts payable	69,700	61,174	67,511	61,174
	829,594	524,085	515,051	229,563

The current portion of other liabilities amounted to $762,732,000 (2018 - $469,344,000) for the group and $515,051,000 (2018 - $229,563,000) for the company. Dividends payable relates to a special dividend declared by the company on 19 December 2019 and paid on 31 January 2020.

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27. Share Capital

	2019	2018
	No.	No.
	'000	'000
Authorised share capital of no-par value -		
Ordinary shares	1,250,000	1,250,000
	$'000	$'000
Issued and fully paid -		
1,066,159,890 stock units	2,141,985	2,141,985

28. Stock Grants and Options/Equity Compensation Reserve

The company operates a Long-Term Incentive Plan ("LTIP") administered by a committee of the company's Board of Directors. The company has reserved 7.5% of its authorized share capital for issue under the plan.

Under the LTIP, certain executive officers of the group are eligible to receive awards of a combination of company stock grants and stock options, once a predetermined company performance objective is met. The awards are made annually in May, and vest in four equal annual installments beginning with the first December 31 (for options) and April 30 (for grants) following the date of award. Vesting in both stock grants and stock options awarded under the plan is dependent on time-based, company and individual performance criteria. Vested options are exercisable for 7 years from the date of award. Awards of grants and options are formula-based dependent on the percentage of each awardee's base compensation at the date of award subject to the LTIP, and the fair value of stock options and stock grants awarded. The fair value of stock grants, and the exercise price and fair value of stock options, is set based on the closing bid price of the company's stock on the last trading day in March of the year in which the award is made.

Shares issued when stock grants are vested and when stock options are exercised have the same rights as other issued common shares.

During the year, grants of 377,112 (2018 – 746,323) shares of company stock were awarded under the plan to seven executives, and 929,567 (2018 – 1,090,089) shares became fully vested and were issued.

At December 31, 2019, options over 13,397,299 (2018 – 12,631,968) shares were outstanding, 10,251,272 (2018 – 8,431,104) of which were vested and exercisable, at the prices per share as follows:

Expiring December 31	Outstanding	Vested	Exercise Price
2021	663,040	663,040	$9.81
2022	3,395,337	3,395,337	$11.40
2023	3,147,464	3,147,464	$18.67
2024	1,895,797	1,362,317	$34.94
2025	2,696,803	1,283,400	$42.57
2026	1,598,858	399,714	$81.70
	13,397,299	10,251,272	

28. Stock Grants and Options/Equity Compensation Reserve (Continued)

During 2019, options over 833,527 (2018 – 3,157,350) shares were exercised. No options expired or were forfeited during the year.

The company uses the Black-Scholes option pricing model for determining the fair value of stock options awarded, which is expensed over the vesting period. The range of values of stock options awarded as at December 31, 2019, as determined using this model, was $3.07 to $19.27 (2018 - $3.07 to $10.48). The significant inputs into the model were as follows:

	2019	2018
Exercise price (range in $ per share)	$18.67 - $ 81.70	$11.40 - $42.57
Annual risk-free rate	4.0% - 8.2%	5.8% - 8.2%
Volatility factor	26.0% - 30.1%	26.0% - 33.7%
Expected dividend yield	2.5% - 4.5%	2.5% - 5.0%
Expected life (in years)	4.00 – 4.75	4.00 – 4.75

Share-based compensation expense is recognised over the vesting period of each award and is based on the total fair value of all awards expected to vest. The group and the company recognised share-based compensation in 2019 of $47,756,000 and $28,326,000 (2018 - $40,258,000 and $23,765,000), respectively. To satisfy its obligations in relation to the stock grants of $32,336,000 (2018 - $27,777,000) for the group and $23,504,000 (2018 - $20,704,000) for the company, the group issued shares from its holdings of treasury shares, with a cost of $111,731,000 (2018 - $48,869,000).

Movement in Equity Compensation Reserves

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 January	73,956	61,475	29,866	26,805
Value of service provided	47,756	40,258	28,326	23,765
Options/grant issued	(32,336)	(27,777)	(23,504)	(20,704)
Balance at 31 December	89,376	73,956	34,688	29,866

29. Property Revaluation Reserve

The balance represents the accumulated revaluation gains on investment properties attributable to owners of the parent, transferred from retained earnings.

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30. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Fair value gains on investments	(4,333)	55,647	(41,042)	24,129
Capital reserves	2,735,041	2,668,226	1,337,983	1,337,983
Capital redemption reserves	2,176	2,176	2,200	2,200
Share of other comprehensive income of associated companies	1,296,294	(509,876)	-	-
	4,029,178	2,216,173	1,299,141	1,364,312
Capital reserves				
Realised gain on sale of treasury shares	210,228	147,623	-	-
Realised gain on sale of insurance operations	1,161,344	1,161,344	2,688,484	2,688,484
Realised gain on dilution of holding in subsidiaries and associates	433,516	433,516	-	-
Reserve arising on acquisition of non–controlling interest	623,267	623,267	(1,493,255)	(1,493,255)
Other	306,686	302,476	142,754	142,754
	2,735,041	2,668,226	1,337,983	1,337,983

Fair value gains on investments for the group are shown net of deferred taxes of $11,083,000 (2018 – $2,363,000) with respect to revaluation adjustments to investments.

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31. Dividends

	2019	2018
	$'000	$'000
First interim dividend for 2019 at $0.265 (2018 - $0.25) per stock unit - gross	282,532	266,540
Second interim dividend for 2019 at $0.265 (2018 - $0.25) per stock unit – gross	282,533	266,540
Third interim dividend for 2019 at $0.265 (2018 - $0.25) per stock unit – gross	282,532	266,540
Fourth interim dividend for 2019 at $0.265 (2018 - $0.30) per stock unit - gross	282,533	319,848
	1,130,130	1,119,468
Special dividends declared for 2019 at $0.25 per stock unit (2018 – nil)	266,540	-
	1,396,670	1,119,468
Less: Dividends on treasury stock	(10,094)	(12,654)
Total dividends declared	1,386,576	1,106,814
Dividends paid by the company	1,130,129	1,119,468
Dividends paid by the group	1,121,801	1,106,814

On 6 March 2020, the company declared a dividend of $0.275 per stock unit amounting to $293,194,000 for which there is no accrual in the 2019 financial statements. On 28 February 2019, the company declared a dividend of $0.265 per stock unit, amounting to $282,532,000 for which there is no accrual in the 2018 financial statements.

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32. (a) Cash Flows from Operating Activities

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net profit	8,350,265	5,361,417	5,134,818	1,757,454
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	37,588	33,762	9,179	7,029
Loss on disposal of property, plant and equipment	1,016	-	-	-
Amortisation of intangibles	-	24,417	-	-
Stock compensation expense	47,756	40,258	28,326	23,765
Interest income	(186,337)	(69,232)	(285,699)	(285,095)
Finance costs	664,800	624,371	602,402	556,253
Share of results of associated companies	(4,953,100)	(4,696,259)	-	-
Gain on disposal of shares in associated companies	(1,623,136)	(47,305)	(2,291,176)	-
Income tax expense	384,277	311,081	215,570	236,900
Change in retirement benefit asset/obligation	75,093	70,069	(317)	733
Fair value gains on investment properties	(498,452)	(492,780)	-	-
Gains on foreign currency denominated investments	(87,688)	(11,102)	(74,052)	(35,782)
Impairment of investment assets	36,006	17,944	35,762	47,386
Unrealised gains on financial assets at fair value through profit or loss	(1,575,032)	(924,282)	(1,436,373)	(863,759)
	673,056	242,359	1,938,440	1,444,884
Changes in operating assets and liabilities:				
Taxation recoverable	(8,743)	(33,819)	(23,531)	(2,525)
Other assets	(131,808)	(65,088)	(75,888)	(114,355)
Other liabilities	45,304	(73,739)	20,715	19,519
Acquisition of financial assets at fair value through profit & loss	691,079	(3,421,884)	692,614	(2,967,024)
	1,268,888	(3,352,171)	2,552,350	(1,619,501)
Interest received	84,239	69,868	292,192	286,444
Income tax paid	(122,834)	(41,308)	(9,315)	(6,165)
Net cash provided by operating activities	1,230,293	(3,323,611)	2,835,227	(1,339,222)

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32. (b) Movement in Net Debt

	Group			Company		
	Lease Liabilities $'000	**Loan Liabilities $'000**	**Total $'000**	**Lease Liabilities $'000**	**Loan Liabilities $'000**	**Total $'000**
Net debt as at 1 January 2018	11,537	7,474,718	7,486,255	-	6,617,930	6,617,930
Cash flows						
Addition	-	4,033,250	4,033,250	-	3,959,250	3,959,250
Repayment	(3,431)	(920,780)	(924,211)		(807,782)	(807,782)
Foreign exchange adjustment						
Interest expense	-	623,877	623,877	-	549,228	549,228
Interest paid	-	(599,346)	(599,346)	-	(524,353)	(524,353)
Deferred costs	-	(52,189)	(52,189)	-	(52,189)	(52,189)
Net debt as at 31 December 2018	8,106	10,559,530	10,567,636	-	9,742,084	9,742,084
Non-Cash addition	37,420	-	37,420	79,235	-	79,235
Addition	-	3,400,439	3,400,439	-	3,393,013	3,393,013
Repayment	(5,022)	(4,582,959)	(4,587,981)	(8,128)	(4,487,903)	(4,496,031)
Interest expense	-	664,800	664,800	532	601,870	602,402
Interest paid	-	(610,593)	(610,593)	-	(540,358)	(540,358)
Deferred costs	-	(87,475)	(87,475)	-	(87,475)	(87,475)
Net debt as at 31 December 2019	40,504	9,343,742	9,384,246	71,639	8,621,231	8,692,870

33. Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the Investment Committee, which identifies, evaluates and manages financial risks in close co-operation with the group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(a) Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates, political risk and economic risk. Market risk is monitored by the group treasury function which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US), Canadian (CAD) and Barbadian (BD) dollars. Foreign exchange risk arises from transactions for purchases and recognised assets and liabilities.

The group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

Concentration of currency risk

The table below summarises the currencies in which the group's and company's financial assets and liabilities are denominated at 31 December:

	The Group			
	2019			
	Jamaican $	US$	CAD$	Total
	J$'000	J$'000	J$'000	J$'000
Financial assets				
Cash and bank balances	78,875	80,237	1,017	160,129
Deposits	178,645	512,951	7,723	699,319
Investment securities	6,567,134	3,141,985	279,129	9,988,248
Securities purchased under agreements to resell	452,704	399,622	-	852,326
Trade and other receivables	384,493	203,858	-	588,351
Total financial assets	7,661,851	4,338,653	287,869	12,288,373
Financial liabilities				
Bank overdraft	5,206	-	-	5,206
Loan liabilities	9,343,742	-	-	9,343,742
Finance lease liability	40,504	-	-	40,504
Other liabilities	653,683	175,911	-	829,594
Total financial liabilities	10,043,135	175,911	-	10,219,046
Net position	(2,381,284)	4,162,742	287,869	2,069,327

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Group				
	2018				
	Jamaican $	US$	CAD$	BD$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Financial assets					
Cash and bank balances	60,478	72,299	684	-	133,461
Deposits	23,310	300,171	139,002	-	462,483
Investment securities	4,731,204	2,528,936	888	194,210	7,455,238
Securities purchased under agreements to resell	473,181	433,233	-	-	906,414
Trade and other receivables	341,196	134,360	-	-	475,556
Total financial assets	5,629,369	3,468,999	140,574	194,210	9,433,152
Financial liabilities					
Bank overdraft	13,719	-	-	-	13,719
Loan liabilities	10,559,530	-	-	-	10,559,530
Finance lease liability	8,106	-	-	-	8,106
Other liabilities	403,325	120,760	-	-	524,085
Total financial liabilities	10,984,680	120,760	-	-	11,105,440
Net position	(5,355,311)	3,348,239	140,574	194,210	(1,672,288)

PanJam Investment Limited

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(*i*) *Currency risk (continued)*

Concentration of currency risk (continued)

	The Company				
	2019				
	Jamaican $	US$	CAD$	BD$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Financial assets					
Cash and bank balances	15,702	9,565	-	-	25,267
Deposits	175,376	413,289	2,796	-	591,461
Investment securities	6,556,907	1,641,771	279,129	-	8,477,807
Securities purchased under agreements to resell	296,418	290,878	-	-	587,296
Due from related parties	1,240,305	1,414,581	-	-	2,654,886
Receivables	193,300	-	-	-	193,300
Total financial assets	8,478,008	3,770,084	281,925	-	12,530,017
Financial liabilities					
Bank overdraft	5,206	-	-	-	5,206
Due to related parties	3,052	817	-	-	3,869
Finance lease	71,639	-	-	-	71,639
Loan liabilities	8,621,231	-	-	-	8,621,231
Other liabilities	515,051	-	-	-	515,051
Total financial liabilities	9,216,179	817	-	-	9,216,996
Net position	(738,171)	3,769,267	281,925	-	3,313,021

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company				
	2018				
	Jamaican $	US$	CAD$	BD$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Financial assets					
Cash and bank balances	6,614	8,479	-	-	15,093
Deposits	20,264	207,926	2,678	-	230,868
Investment securities	4,785,438	1,129,866	888	194,210	6,110,402
Securities purchased under agreements to resell	286,819	303,420	-	-	590,239
Due from related parties	1,198,739	1,270,143	-	-	2,468,882
Receivables	125,867	-	-	-	125,867
Total financial assets	6,423,741	2,919,834	3,566	194,210	9,541,351
Financial liabilities					
Bank overdraft	13,719	-	-	-	13,719
Due to related parties	-	1,765	-	-	1,765
Loan liabilities	9,742,084	-	-	-	9,742,084
Other liabilities	229,563	-	-	-	229,563
Total financial liabilities	9,985,366	1,765	-	-	9,987,131
Net position	(3,561,625)	2,918,069	3,566	194,210	(445,780)

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency-denominated financial instruments and adjusts their translation at the year-end for a 6% increase and 4% decrease (2018 - 4% increase and 2% decrease) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange (gains)/losses on translation of US dollar-denominated monetary financial securities classified as available for sale and fair value through profit or loss and foreign exchange (losses)/gains on translation of US dollar-denominated borrowings. The sensitivity of other components of equity was as result of translation gains/ (losses) on the other foreign currency denominated equities classified as available-for-sale.

	The Group					
	% Change in Currency Rate 2019	Effect on Profit before Tax 2019 $'000	Effect on other Components of Equity 2019 $'000	% Change in Currency Rate 2018	Effect on Profit before Tax 2018 $'000	Effect on other Components of Equity 2018 $'000
Currency:						
USD	6%	242,284	7,381	4%	130,887	3,043
USD	-4%	(161,589)	(4,920)	-2%	(65,443)	(1,521)
BD	6%	-	-	4%	-	7,768
BD	-4%	-	-	-2%	-	(3,884)
CAD	6%	627	16,659	4%	5,623	-
CAD	-4%	(409)	(11,106)	-2%	(2,811)	-

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	The Company					
	% Change in Currency Rate 2019	Effect on Profit before Tax 2019 $'000	Effect on other Components of Equity 2019 $'000	% Change in Currency Rate 2018	Effect on Profit before Tax 2018 $'000	Effect on other Components of Equity 2018 $'000
Currency:						
USD	6%	226,156	-	4%	116,723	-
USD	-4%	(150,771)	-	-2%	(58,361)	-
BD	6%	-	-	4%	-	7,768
BD	-4%	-	-	-2%	-	(3,884)
CAD	6%	257	16,659	4%	143	-
CAD	-4%	(171)	(11,106)	-2%	(71)	-

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the group and company to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk.

The group's and company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following tables summarise the group's and the company's exposure to interest rate risk. It includes the group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2019:							
Financial assets							
Cash and bank balances	137,499	-	-	-	-	22,630	160,129
Deposits	514,947	156,697	24,407	-	3,268	-	699,319
Investment securities	-	-	-	484,053	292,331	9,211,864	9,988,248
Securities purchased under agreements to resell	673,281	94,723	84,322	-	-	-	852,326
Trade and other receivables	4,083	-	-	-	-	584,268	588,351
Total financial assets	1,329,810	251,420	108,729	484,053	295,599	9,818,762	12,288,373
Financial liabilities							
Bank overdraft	5,206	-	-	-	-	-	5,206
Loan liabilities	648,454	2,982,436	2,290,127	3,323,683	13,586	85,456	9,343,742
Finance lease liability	-	-	-	40,504	-	-	40,504
Other liabilities	4,086	-	-	-	-	825,508	829,594
Total financial liabilities	657,746	2,982,436	2,290,127	3,364,187	13,586	910,964	10,219,046
Total interest repricing gap	672,064	(2,731,016)	(2,181,398)	(2,880,134)	282,013	8,907,798	2,069,327
Cumulative interest repricing gap	672,064	(2,058,952)	(4,240,350)	(7,120,484)	(6,838,471)	2,069,327	

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2018:							
Financial assets							
Cash and bank balances	114,689	-	-	-	-	18,772	133,461
Deposits	230,092	6,376	92,361	130,617	3,037	-	462,483
Investment securities	-	-	-	348,682	317,959	6,788,597	7,455,238
Securities purchased under agreements to resell	719,571	186,843	-	-	-	-	906,414
Trade and other receivables	4,568	-	-	-	-	470,988	475,556
Total financial assets	1,068,920	193,219	92,361	479,299	320,996	7,278,357	9,433,152
Financial liabilities							
Bank overdraft	13,719	-	-	-	-	-	13,719
Loan liabilities	701,804	3,013,684	319,959	4,882,789	1,529,875	111,419	10,559,530
Finance lease liability	-	-	-	4,356	3,750	-	8,106
Other liabilities	4,570	-	-	-	-	519,515	524,085
Total financial liabilities	720,093	3,013,684	319,959	4,887,145	1,533,625	630,934	11,105,440
Total interest repricing gap	348,827	(2,820,465)	(227,598)	(4,407,846)	(1,212,629)	6,647,422	(1,672,288)
Cumulative interest repricing gap	348,827	(2,471,638)	(2,699,236)	(7,107,082)	(8,319,711)	(1,672,288)	

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2019:							
Financial assets							
Cash and bank balances	25,267	-	-	-	-	-	25,267
Deposits	441,258	150,203	-	-	-	-	591,461
Investment securities	-	-	-	809,716	201,866	7,466,225	8,477,807
Securities purchased under agreements to	558,500	28,796	-	-	-	-	587,296
Due from related parties	-	-	120,512	1,609,969	732,500	191,905	2,654,886
Receivables	4,083	-	-	-	-	189,217	193,300
Total financial assets	1,029,108	178,999	120,512	2,419,685	934,366	7,847,347	12,530,017
Financial liabilities							
Bank overdraft	5,206	-	-	-	-	-	5,206
Due to related parties	-	-	-	-	-	3,869	3,869
Finance Lease	-	-	-	-	71,639	-	71,639
Loan liabilities	-	2,982,436	2,287,241	3,266,098	-	85,456	8,621,231
Other liabilities	4,086	-	-	-	-	510,965	515,051
Total financial liabilities	9,292	2,982,436	2,287,241	3,266,098	71,639	600,290	9,216,996
Total interest repricing gap	1,019,816	(2,803,437)	(2,166,729)	(846,413)	862,727	7,247,057	3,313,021
Cumulative interest repricing gap	1,019,816	(1,783,621)	(3,950,350)	(4,796,763)	(3,934,036)	3,313,021	

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2018:							
Financial assets							
Cash and bank balances	15,093	-	-	-	-	-	15,093
Deposits	162,745	-	68,123	-	-	-	230,868
Investment securities	-	-	-	652,835	229,908	5,227,659	6,110,402
Securities purchased under agreements to resell	504,280	85,959	-	-	-	-	590,239
Due from related parties	-	-	561,744	828,330	1,053,892	24,916	2,468,882
Receivables	4,568	-	-	-	-	121,299	125,867
Total financial assets	686,686	85,959	629,867	1,481,165	1,283,800	5,373,874	9,541,351
Financial liabilities							
Bank overdraft	13,719	-	-	-	-	-	13,719
Due to related parties	-	-	-	-	-	1,765	1,765
Loan liabilities	-	2,975,637	319,959	4,864,150	1,470,919	111,419	9,742,084
Other liabilities	4,570	-	-	-	-	224,993	229,563
Total financial liabilities	18,289	2,975,637	319,959	4,864,150	1,470,919	338,177	9,987,131
Total interest repricing gap	668,397	(2,889,678)	309,908	(3,382,985)	(187,119)	5,035,697	(445,780)
Cumulative interest repricing gap	668,397	(2,221,281)	(1,911,373)	(5,294,358)	(5,481,477)	(445,780)	

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's and company's income statement and stockholders' equity.

The group's and company's interest rate risk arise from investment securities, securities purchased under agreements to resell and long-term borrowings. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group		The Company	
	Effect on Profit before Taxation 2019 $'000	**Effect on Other Components of Equity 2019 $'000**	**Effect on Profit before Taxation 2019 $'000**	**Effect on Other Components of Equity 2019 $'000**
Change in basis points:				
2019 JA$** / **2019 US$				
+100 / +100	(25,369)	(13,618)	(21,851)	(13,471)
-100 / -100	25,369	14,680	21,851	14,530

	The Group		The Company	
	Effect on Profit before Taxation 2018 $'000	**Effect on Other Components of Equity 2018 $'000**	**Effect on Profit before Taxation 2018 $'000**	**Effect on Other Components of Equity 2018 $'000**
Change in basis points:				
2018 JA$** / **2018 US$				
+100 / +100	(22,133)	(7,900)	(26,467)	(7,706)
-100 / -100	22,133	8,270	26,467	8,068

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either fair value through profit or loss or FVOCI. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact on total stockholders' equity (before tax) of a 10% (2018 -10%) increase/decrease in equity prices is an increase/decrease of $921,186,700 and $746,622,500 (2018 – $678,860,000 and $522,766,000) for the group and company respectively.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents (excluding bank balances), contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The group and company have policies in place to ensure that property rentals and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, the rigorous follow-up of receivables and ensuring investments are low-risk or are held with sound financial institutions.

(i) Trade receivables

Trade receivables relate mainly to tenants of the group's commercial properties. Receivables are monitored and followed up on a regular basis and provisions made as deemed necessary based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) Investments

The group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The group's policy is not to provide financial guarantees on behalf of any other party than wholly owned subsidiaries and other entities in which the group has an equity investment.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

	Maximum exposure			
	The Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on statement of financial position items are as follows:				
Assets:				
Cash and bank balances	160,129	133,461	25,267	15,093
Deposits	699,319	462,483	591,461	230,868
Financial assets at fair value through other comprehensive income	519,585	573,634	447,805	458,353
Financial assets at amortised cost	229,835	93,004	563,777	424,480
Securities purchased under agreements to resell	852,326	906,414	587,296	590,239
Trade and other receivables	588,351	475,556	193,300	125,867
Due from related parties	-	-	2,654,886	2,468,882
	3,049,545	2,644,552	5,063,792	4,313,782
Credit risk exposures relating to assets not recorded on the statement of financial position				
Lease commitments	2,234,719	2,308,372	-	-

The above table represents a worst-case scenario of credit risk exposure to the group and company at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements. For assets carried on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. A loss allowance was recognised for the year ended 31 December 2019 of nil (2018- $7,704,000) for the group and nil (2018 - $7,704,000) for the company for certain investment securities.

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Impairment of financial assets

The group has three types of financial assets that are subject to the expected credit loss (ECL) model:

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

(i) Trade and managed properties receivables

The following table summarises the group's and company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group	
	2019 $'000	**2018 $'000**
Commercial	36,077	36,204
Retail	15,491	14,865
Managed properties	90,883	88,675
	142,451	139,744
Less: Loss allowance	(22,282)	(25,855)
	120,169	113,889

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit loss rates are based on the historical credit losses experienced within a three-year period before 31 December 2019. The historical rates are adjusted to reflect current and forward-looking information on the macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the Gross Domestic Product (GDP), the interest rate and the inflation rate of the country in which it sells its services to be the most relevant factors and accordingly adjusts the historical loss rates based on the expected changes in these factors.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade and managed properties receivables (continued)

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

	The Group	
31 December 2019	**Expected Credit Loss Rate**	**Gross Carrying Amount $'000**
Current	5%	12,317
More than 30 days past due	3%	6,512
More than 90 days past due	69%	32,739
		51,568
Managed properties		90,883
		142,451
Loss allowance		(22,282)
Total		120,169

	The Group	
31 December 2018	**Expected Credit Loss Rate**	**Gross Carrying Amount $'000**
Current	5%	13,013
More than 30 days past due	6%	1,353
More than 90 days past due	68%	36,703
		51,069
Managed properties		88,675
		139,744
Loss allowance		(25,855)
Total		113,889

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade and managed properties receivables (continued)

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

	The Group	
	2019 $'000	**2018 $'000**
Opening loss allowance as at 1 January	25,855	40,128
Increase in loan loss allowance recognised in income statement	2,295	2,477
Receivables written off during the year as uncollectible	(5,868)	(16,750)
At 31 December	22,282	25,855

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are included in the net impairment losses on financial assets in the income statement.

(ii) Other miscellaneous assets

Other miscellaneous assets at amortised cost include loans to related parties and other receivables totaling $2,654,886,000 (2018 - $2,468,882,000).

The loss allowance for loans and other receivables to related parties carried at amortised are reconciled as follows:

	The Company $'000
Opening loss allowance as at 1 January 2018	-
Increase in allowance recognised in profit or loss during the period	26,204
Closing loss allowance as at 31 December 2018	26,204
Increase in allowance recognised in profit or loss during the period	-
Closing loss allowance as at 31 December 2019	26,204

The loss allowance on related parties and other receivables is reflected in bad debt. (Note 8).

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments

The following table summarises the credit exposure of the group and company to businesses and government by sectors in respect of investments (excluding equities, investments in subsidiaries and associated companies and related parties' debt):

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Government of Jamaica	201,214	132,063	192,936	123,947
Corporate and other government	2,126,812	1,885,684	1,663,461	1,230,639
	2,328,026	2,017,747	1,856,397	1,354,586

Significant increase in credit risk

- Qualitative assessment – Credit ratings are associated with ranges of default probabilities based on historical information. Rating outlooks, which are inherently forward-looking, are used to determine the probability of default to be applied to a specific security within its respective range. Issuer-specific default risk estimates incorporate forward-looking information directly. In calculating the probability of default, the group uses credit ratings along with rating outlooks from recognised rating agencies, as well as issuer-specific default risk estimates where available and appropriate. The ratings and risk estimates are mapped to an internal credit risk grading model in order to standardise across different rating systems and to clearly demarcate significant changes in credit risk over time.

  A qualitative assessment is done at initial recognition and subsequently at each statement of financial position date and where it is determined that there is a significant increase in the probability of default (PD) the security is categorise as stage 2 for the purpose of calculating the ECL. If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Quantitative assessment - Investment securities considered to have experienced a significant increase in credit risk if it is more than 30 days past due on its contractual payments.

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments (continued)

Expected credit loss measurement
IFRS 9 outlined a 'three stage' model for impairment based on changes in the credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk (except for investment in Government of Barbados securities), and the loss allowance recognised during the period was therefore limited to 12 months expected losses (Stage 1). Management considers 'low credit risk' for bonds to be those with an investment grade or high yield credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In 2019 the group participated in the Government of Barbados debt exchange programme and at 31 December 2019 the bonds were classified as purchased originated credit impaired totalled $26,684,000 for the group and company and are considered stage 3. There were no transfers between stages during the year.

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments (continued)

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI. The movement in loss allowance is as follows

	The Group					
	FVOCI	**Bonds**	**Loans**	**Repos**	**Deposits**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2018	17,790	435	461	2,920	3,030	24,636
Increase/(Decrease) in loss allowance recognised in the income statement during the year	15,378	887	(372)	555	(981)	15,467
Balance at 31 December 2018	33,168	1,322	89	3,475	2,049	40,103
(Decrease)/Increase in loss allowance recognised in the income statement during the year	(11,379)	1,274	43,614	(1,256)	1,458	33,711
Closing loss allowance as at 31 December 2019	21,789	2,596	43,703	2,219	3,507	73,814

	The Company					
	FVOCI	**Bonds**	**Loans**	**Repos**	**Deposits**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2018	10,093	435	461	2,304	1,862	15,155
Increase/(decrease) in loss allowance recognised in the income statement during the year	21,544	887	(372)	135	(1,012)	21,182
Balance at 31 December 2018	31,637	1,322	89	2,439	850	36,337
(Decrease)/Increase in loss allowance recognised in the income statement during the year	(10,272)	1,274	43,614	(969)	2,115	35,762
Closing loss allowance as at 31 December 2019	21,365	2,596	43,703	1,470	2,965	72,099

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Total loss allowance on financial assets at 31 December 2019 was $36,006,000 (investment securities $33,711,000, and trade receivables, $2,295,000) for the group and $35,762,000 (investment securities, $35,762,000 and related parties, nil) for the company.

Sensitivity analysis
Set out below are the changes in ECL as at 31 December 2019 that would result from a reasonable possible change in the PDs used by the group:

	The Group			
			Impact on ECL	
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Higher threshold**	**Lower threshold**
			$'000	**$'000**
Debt instruments- FVOCI	1%-70%	+/-20%	2,817	(2,817)
Debt instruments at amortised cost	1% -70%	+/-20%	9,260	(9,260)
Cash and cash equivalents	1%	+/-20%	1,127	(1,127)
Trade receivables and other miscellaneous assets	2%-3%	+/-20%	659	(440)
Total			13,863	(13,644)

	The Company			
			Impact on ECL	
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Higher threshold**	**Lower threshold**
			$'000	**$'000**
Debt instruments- FVOCI	1%-70%	+/-20%	2,732	(2,732)
Debt instruments at amortised cost	1% -70%	+/-20%	9,260	(9,260)
Cash and cash equivalents	1%	+/-20%	888	(888)
Total			12,880	(12,880)

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Sensitivity analysis (continued)
Set out below are the changes in ECL as at 31 December 2018 that would result from a reasonable possible change in the PDs used by the group:

	The Group			
			Impact on ECL	
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Higher threshold**	**Lower threshold**
			$'000	**$'000**
Debt instruments- FVOCI	1%-12%	+/-20%	1,945	(1,945)
Debt instruments at amortised cost	1% -6%	+/-20%	282	(282)
Cash and cash equivalents	1% - 2%	+/-20%	970	(970)
Trade receivables and other miscellaneous assets	2%-3%	+/-20%	687	(457)
Total			3,884	(3,654)

	The Company			
			Impact on ECL	
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Higher threshold**	**Lower threshold**
			$'000	**$'000**
Debt instruments- FVOCI	1%-12%	+/-20%	1,639	(1,639)
Debt instruments at amortised cost	1% -6%	+/-20%	282	(282)
Cash and cash equivalents	1% - 2%	+/-20%	564	(564)
Total			2,485	(2,485)

33. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The group's liquidity management process, as carried out within the group and monitored by the Investment Committee, includes:

(i) Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining lines of credit;

(iv) Optimising cash returns on investments; and

(v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows

The tables below summarise the maturity profile of the group's and company's financial assets and liabilities at 31 December based on contractual undiscounted payments.

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019							
Financial assets							
Cash and bank balances	160,142	-	-	-	-	-	160,142
Deposits	517,918	157,891	24,587	-	4,307	-	704,703
Investment securities	3,936	6,056	41,920	461,665	335,572	9,211,867	10,061,016
Securities purchased under agreements to resell	614,956	240,321	-	-	-	-	855,277
Trade and other receivables	144,207	188,492	116,608	139,050	-	-	588,357
Total financial assets (contractual maturity dates)	1,441,159	592,760	183,115	600,715	339,879	9,211,867	12,369,495
Financial liabilities							
Bank overdraft	5,212	-	-	-	-	-	5,212
Loans	13,570	144,755	2,413,754	8,145,387	371,250	-	11,088,716
Finance leases liability	1,004	1,781	8,015	9,265	24,000	-	44,065
Other liabilities	83,440	307,655	438,506	-	-	-	829,601
Total financial liabilities (contractual maturity dates)	103,226	454,191	2,860,275	8,154,652	395,250	-	11,967,594
Net Liquidity Gap	1,337,933	138,569	(2,677,160)	(7,553,937)	(55,371)	9,211,867	401,901
Cumulative Liquidity Gap	1,337,933	1,476,502	(1,200,658)	8,754,595)	(8,809,966)	401,901	

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2018							
Financial assets							
Cash and bank balances	133,473	-	-	-	-	-	133,473
Deposits	232,141	12,091	87,362	134,663	4,260	-	470,517
Investment securities	10,950	2,389	36,751	476,659	351,274	6,788,600	7,666,623
Securities purchased under agreements to resell	685,658	224,989	-	-	-	-	910,647
Trade and other receivables	130,442	345,124	-	-	-	-	475,566
Total financial assets (contractual maturity dates)	1,192,664	584,593	124,113	611,322	355,534	6,788,600	9,656,826
Financial liabilities							
Bank overdraft	13,736	-	-	-	-	-	13,736
Loans	18,803	195,044	1,517,779	8,925,526	2,182,520	-	12,839,672
Finance leases liability	484	582	2,626	6,799	-	-	10,491
Other liabilities	77,635	247,264	199,196	-	-	-	524,095
Total financial liabilities (contractual maturity dates)	110,658	442,890	1,719,601	8,932,325	2,182,520	-	13,387,994
Net Liquidity Gap	1,082,006	141,703	(1,595,488)	(8,321,003)	(1,826,986)	6,788,600	(3,731,168)
Cumulative Liquidity Gap	1,082,006	1,223,709	(371,779)	(8,692,782)	(10,519,768)	(3,731,168)	

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019:							
Assets							
Cash and bank balances	25,269	-	-	-	-	-	25,269
Deposits	443,713	151,387	-	-	-	-	595,100
Investment securities	6,469	11,876	64,375	919,469	237,797	7,466,225	8,706,211
Securities purchased under agreements to resell	559,989	28,901	-	-	-	-	588,890
Due from related parties	19,022	39,711	194,827	2,073,640	996,058	80,725	3,403,983
Receivables	4,090	-	50,167	139,050	-	-	193,307
Total financial assets (contractual maturity dates)	1,058,552	231,875	309,369	3,132,159	1,233,855	7,546,950	13,512,760
Liabilities							
Bank overdraft	5,212	-	-	-	-	-	5,212
Due to related parties	-	-	-	-	-	3,869	3,869
Finance Lease	732	1,463	6,584	42,718	58,117	-	109,614
Loans	3,032	123,695	2,320,130	7,642,618	-	-	10,089,475
Other liabilities	4,093	-	511,070	-	-	-	515,163
Total financial liabilities (contractual maturity dates)	13,069	125,158	2,837,784	7,685,336	58,117	3,869	10,723,333
Net Liquidity Gap	1,045,483	106,717	(2,528,415)	(4,553,177)	1,175,738	7,543,081	2,789,427
Cumulative Liquidity Gap	1,045,483	1,152,200	(1,376,215)	(5,929,392)	(4,753,654)	2,789,427	

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2018:							
Assets							
Cash and bank balances	15,094	-	-	-	-	-	15,094
Deposits	164,740	-	68,111	-	-	-	232,851
Investment securities	16,647	13,966	84,909	1,052,494	237,797	5,227,659	6,633,472
Securities purchased under agreements to resell	454,186	138,879	-	-	-	-	593,065
Due from related parties	10,823	21,647	686,612	1,349,644	1,099,890	73,077	3,241,693
Receivables	4,577	121,298	-	-	-	-	125,875
Total financial assets (contractual maturity dates)	666,067	295,790	839,632	2,402,138	1,337,687	5,300,736	10,842,050
Liabilities							
Bank overdraft	13,736	-	-	-	-	-	13,736
Due to related parties	-	-	-	-	-	1,765	1,765
Loans	308	158,993	1,422,646	8,315,594	1,693,604	-	11,591,145
Other liabilities	4,579	-	224,993	-	-	-	229,572
Total financial liabilities (contractual maturity dates)	18,623	158,993	1,647,639	8,315,594	1,693,604	1,765	11,836,218
Net Liquidity Gap	647,444	136,797	(808,007)	(5,913,456)	(355,917)	5,298,971	(994,168)
Cumulative Liquidity Gap	647,444	784,241	(23,766)	(5,937,222)	(6,293,139)	(994,168)	

33. Financial Risk Management (Continued)

(d) Capital management

The group's objectives when managing capital are to provide superior returns for stockholders and benefits for other stakeholders, while maintaining a conservative capital structure. The Board of Directors monitors the return on equity, which the group defines as net profit attributable to equity holders divided by total stockholders' equity, excluding non-controlling interest. The Board of Directors also monitors and approves the level of dividends to ordinary stockholders.

The group will from time to time purchase its own shares on the market for employee share plan purposes, the timing of which depends on the prevailing market prices.

There were no changes to the group's approach to capital management during the year.

The company and its subsidiaries have no externally imposed capital requirements.

34. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Cash and deposits, receivables, payables and related party balances reflect their approximate fair values due to the short-term nature of these instruments;

(b) Investment securities classified as fair value through profit or loss and fair value through OCI are measured at fair value by reference to quoted market prices or valuation techniques such as a discounted cash flow model;

(c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans; and

(e) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

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34. Fair Value of Financial Instruments (Continued)

The following financial assets and financial liabilities are not carried at fair value:

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Financial Assets				
Financial assets at amortised cost	229,835	230,076	93,004	94,257
Financial Liabilities				
Loan liabilities	9,343,742	9,304,704	10,559,530	10,592,780
Finance lease liability	40,504	44,065	8,106	10,491

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2019	2019	2018	2018
	$'000	$'000	$'000	$'000
Financial Assets				
Financial assets at amortised cost	610,075	615,444	424,480	431,052
Financial Liabilities				
Loan liabilities	8,621,231	8,553,673	9,742,084	9,755,360
Finance lease liabilities	71,639	109,614	-	-

The fair value of financial assets and liabilities is within level 2 of the fair value hierarchy. Balances for other financial assets and liabilities carried at amortised cost not disclosed above, approximates their fair value because of their short-term nature.

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34. Fair Value of Financial Instruments (Continued)

The group follows the requirements of IFRS 7 for financial instruments that are carried on the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices in active markets for identical assets or liabilities (level 1).
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's financial assets that are measured at fair value at 31 December: See Note 3(v) and 16 for disclosure of investment properties that are measured at fair value.

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 December 2019				
Financial assets				
Investment securities	6,226,223	2,472,674	1,059,516	9,758,413
As at 31 December 2018				
Financial assets				
Investment securities	5,291,290	560,882	1,510,062	7,362,234

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 December 2019				
Financial assets				
Investment securities	5,495,420	2,299,405	119,205	7,914,030
As at 31 December 2018				
Financial assets				
Investment securities	4,702,346	445,511	538,065	5,685,922

There were no transfers between levels during the year.

34. Fair Value of Financial Instruments (Continued)

The following table shows the changes in Level 3 instruments:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,510,062	1,092,006	538,065	483,892
Additions	51,285	407,079	27,383	108,791
Settlements	(511,281)	(31,575)	(456,777)	(31,575)
Impairment	-	(7,704)	-	(7,704)
Unrealised gains and losses included in the Income statement/OCI	9,450	50,256	10,534	(15,339)
	1,059,516	1,510,062	119,205	538,065
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	9,450	50,256	10,534	(15,339)
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	9,450	50,256	10,534	(15,339)

The quoted market price used for financial assets held by the group is current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through profit or loss and available for sale.

The fair value of financial instruments that are not quoted on an exchange is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 investments include investments in closed end real estate funds which are not publicly traded. To determine the carrying value for these investments management independently computes its share of the fair value of the net assets of the fund, by assessing the results of valuations and considering the fair values of cash and investment holdings as well as any debt obligations these funds may have. The real estate held by the funds is valued using an income approach which considers rental rates, rent multipliers, factors for vacancy and a capitalization rate. These capitalization factors and the rent multipliers are largely unobservable inputs that have the greatest potential for volatility and have resulted in the classification of the investments in level 3. The capitalization rates and rental multipliers used in the valuations range from 3% to 6% and 16.66 to 33.33 respectively.

Should the vacancy factor increase/decrease by 0.25% (2018 - 0.25%), this would result in an increase/decrease in the carrying value of these respective investments, with all other factors remaining constant, of $3,000,000/$3,000,000 for the group only and 2018 - $93,148,000/$94,216,000 for the group. Should the capitalization factors increase/decrease by 1% (2018 – 1%) it would result in a decrease/increase in the carrying value of the investments, with all other factors remaining constant, of $197,000,000/$147,000,000 (2018 - $62,274,000/$139,155,000 for the group only.

34. Fair Value of Financial Instruments (Continued)

Specific valuation techniques used to value financial instruments include:

(i) Quoted market prices or dealer quotes for similar instruments
(ii) Other techniques, such as discounted cash flow analysis used to determine fair value for the remaining financial instruments.

35. Litigation and Contingent Liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters, when, in the opinion of management, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both financial position and results of operations.

36. Business Combination

In December 2017, Jamaica Property Company Limited (JPCo), a subsidiary of the group, acquired a new subsidiary Downing Street (Caribbean Place) Limited. Downing Street (Caribbean Place) Limited is the joint operator with JPCo in the Kingchurch operation. As a result of this acquisition the group now controls the entire operations of Kingchurch.

During 2018 the company paid an additional amount of $9,891,000 on the acquisition of Downing Street (Caribbean Place) Limited. As a result of this additional payment the final goodwill on acquisition totals to $33,082,000 (Note 21).

37. Changes in Accounting Policies

IFRS 16 'Leases'

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

As indicated in note 2, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2(k).

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.60%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. There were no significant adjustments to these assets during the year.

Practical expedients applied
In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

37. Changes in Accounting Policies (Continued)

IFRS 16 'Leases' (continued)

Measurement of lease liabilities

	Group 2019 $'000	Company 2019 $'000
Operating lease commitments as at 31 December 2018	42,982	117,742
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(5,562)	(38,507)
Add: finance lease liabilities recognised as at 31 December 2018	8,106	-
Lease liability recognised as at 1 January 2019	45,526	79,235
Of which are:		
Current	5,022	7,596
Non-current	40,504	71,639

Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019
The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment – increased by $13,420,000 and $79,235,000 for the group and company
- investment properties – increase by $33,337,000 for the group, company - nil
- prepayments and miscellaneous assets – decrease by $9,337,000 for the group, company - nil
- lease liabilities – increase by $37,420,000 for the group, company $79,235,000.

There was no significant impact on retained earnings on 1 January 2019.

Lessor accounting
The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases (see note 16) as a result of the adoption of IFRS 16.

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38. Subsequent Events

(a) During January 2020 the group entered into an agreement for the sale of a property currently held in Land Awaiting Development. The group has received a deposit on the sale of the property in accordance with the sales agreement.

(b) On January 30, 2020, the World Health Organization (WHO) declared the COVID-19 virus a public health emergency of international concern. Jamaica's first case was confirmed on March 10, 2020, with the WHO declaring the virus a pandemic on the following day.

COVID-19 may have an adverse impact on the group which cannot now be quantified. Measures are being taken to mitigate these effects as the situation develops, including the creation of a management task force concentrating on this issue. To date there has been no significant disruption of our business. However, the eventual impact may include declines in the prices of our investment securities as well as government-mandated temporary closures of businesses, which may include our investment properties.